WEDNESDAY, 29 JANUARY 2020
18 pages in 1 section
MUMBAI (CITY)
₹9.00
VOLUME XXIV NUMBER 118

www.business-standard.com
Business Standard

THE MARKETS ON TUESDAY		Chg#
Sensex	40,966.9▼	188.3
Nifty	12,055.8▼	63.2
Nifty futures*	12,107.0▲	51.2
Dollar	₹71.3	₹71.4**
Euro	₹78.6	₹78.8**
Brent crude ($/bbl)##	59.0##	58.2**
Gold (10 gm)###	₹40,493.0▼	₹158.0

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

COMPANIES P2
A BATTLE BREWING IN THE BACKYARD OF LATE K K MODI

THE SMART INVESTOR P10
JHUNJHUNWALA'S PORTFOLIO LAGS THE BROADER MARKET

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

SENSEX FALLS TO ITS WEAKEST LEVEL IN OVER 6 WEEKS

The Sensex was down 188.26 points, or 0.46 per cent, at 40,966.86 — its weakest level in over six weeks. During the day, the index swung 463 points. The Nifty50 settled the day 63.20 points, or 0.52 per cent, down at 12,055.80. The fallout of coronavirus, weak quarterly earnings by companies, and reports suggesting a shortfall in tax mop-up weighed on investor sentiment. 5

ECONOMY & PUBLIC AFFAIRS P6
Raters move Sebi, RBI over default disclosure

Credit-rating agencies (CRAs) have approached the Securities and Exchange Board of India and the Reserve Bank of India, raising the red flag over the new bank-loan default disclosure norms. CRAs said the differential disclosure norms for bond and bank-loan defaults could affect the rating process.

ECONOMY & PUBLIC AFFAIRS P4
SIT on black money for capping cash at home

The Special Investigation Team on black money proposed a cap on cash kept at home and suggested that unaccounted cash seized by enforcement agencies be deposited in the Consolidated Fund of India. Cash management can succeed only if there is a limit on cash holding in the economy, the panel said.

COMPANIES P3
Maruti pre-tax profit down 3.4% in Q3

Maruti Suzuki India on Tuesday reported a year-on-year drop of 3.4 per cent in consolidated profit before tax (PBT) at ₹2,026 crore. In the 2018 December quarter, the PBT stood at ₹2,097 crore. However, its consolidated net for the December quarter 2019-20 grew 4.13 per cent to ₹1,587.4 crore.

BS SPECIAL ON WEDNESDAY

MONEY MANAGER:
Time to take away the punchbowl 11

The micro-finance segment is showing signs of stress with lenders of all hues chasing customers, reports **HAMSINI KARTHIK**

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 300 companies (results available of 346)

SALES		
Dec 31, '18	**29.4%**	₹5.51 trillion
Dec 31, '19	**4.9%**	₹5.78 trillion
PROFIT BEFORE TAX		
Dec 31, '18	**8.1%**	₹78,795 cr
Dec 31, '19	**13.9%**	₹89,715 cr
NET PROFIT		
Dec 31, '18	**6.0%**	₹56,600 cr
Dec 31, '19	**20.4%**	₹68,119 cr

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

India Inc sees a populist Budget

Tax rate cuts, job creation measures expected: *BS* poll

BS REPORTERS
Mumbai/New Delhi/Kolkata, 28 January

India Inc is expecting a slew of economy-boosting steps such as income-tax rate cuts, increased rural infrastructure spending, and job creation measures in the Union Budget, to be presented by Finance Minister Nirmala Sitharaman this Saturday.

BUDGET INSIGHT OUT 2020-21

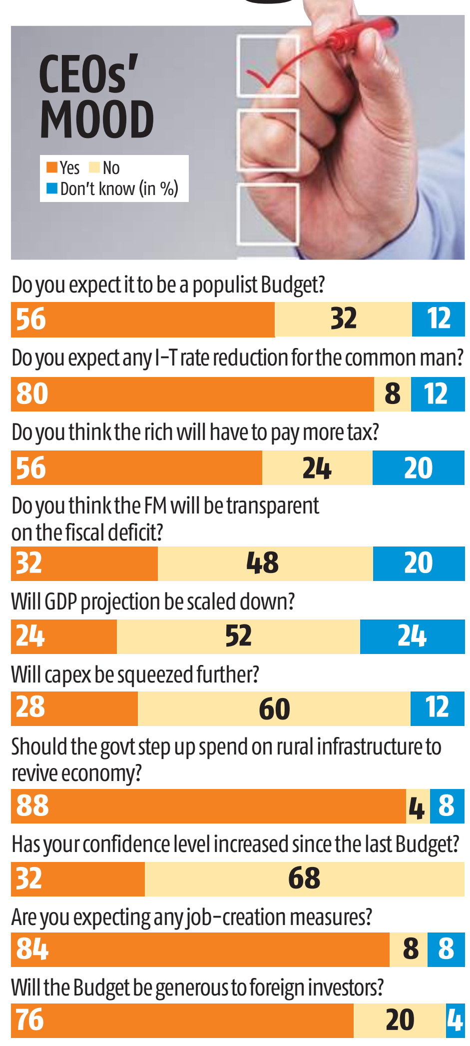
In a snap poll conducted across India, of 25 CEOs, this week, the mood among corporate heads was cautiously optimistic with many CEOs saying the Budget must announce measures to revive economic growth, which is expected to fall below 5 per cent in the financial year ending March 2020. About 56 per cent of the CEOs polled said they expected a "populist" Budget, which would boost consumption demand.

An overwhelming majority (88 per cent) expected the government to step up spending in rural infrastructure to boost the economy. "The government must revive rural demand to kick-start economic growth," said a Delhi-based CEO.

Half of the CEOs polled, however, did not expect the GDP growth target to be scaled down, while 24 per cent said it would be. Eighty per cent of the CEOs expected the government to slash income-tax rates to give a push to consumer spending. Turn to Page 17

ECONOMY P4

A STATUS CHECK ON SITHARAMAN'S BUDGET PROMISES | FINTECH COMPANIES CALL FOR MEASURES TO EASE LIQUIDITY | GOVT TO FEEL CORPORATION TAX PINCH



Note: Based on a snap poll of 25 CEOs
Data compiled by *BS* Research Bureau

Govt may ease Air India brand retention clause

ARINDAM MAJUMDER
New Delhi, 28 January

The bid document for Air India sale says the brand must be retained by the new owner, but the government is likely to be flexible if that clause comes in the way of a good deal, according to sources in the know.

If there's sufficient demand from bidders, the government may relax the mandatory condition of the new owner retaining the Air India brand, officials involved in the sale process said.

While there have been deliberations within the government on it, the clause was kept with the expectation that some potential bidders may find the Air India brand attractive for their aviation business. "It's a very famous and globally renowned brand and we expect there will be bidders who would want to retain that. If not, we will decide after looking at the queries," an official said.

Prospective bidders, while talking to *Business Standard*, pointed out that if an existing airline bid for Air India, it would ideally want to merge it with its ongoing business.

"No existing airline will give up a brand on which it spent millions of dollars and earned reputation," an executive said.

Bidders can submit queries till February 11 on the contours of the deal.

The government has, in fact, allowed bidders to merge the airline with their own, changing a norm from the last year's failed sale process.

"Merger, amalgamation, or consolidation of Air India with the confirmed selected bidder or the special purpose vehicle in case investment in AI is made through a special purpose vehicle, as the case may be, will be allowed, provided there's no change in control of the airline," says a clause in the information memorandum released by the government on Monday.

The clause would help Tata Sons, which operates Vistara and AirAsia India

The clause would help Tata Sons, which operates two airlines — Vistara and AirAsia India. Tata Sons Chairman N Chandrasekaran had earlier told media that if the group bid for the state-owned airline, it would look to merge with an existing airline.

"I'm not going to run a third airline in addition to Vistara and AirAsia India," he had said. In the case of Jet Airways sale too, the clause on retaining its brand name had put off many interested parties last year. Turn to Page 17

PHOTO: AP/PTI

INDIA STEPS UP VIGIL TO FIGHT CORONAVIRUS

After 24 hours of hectic parleys, India finally managed to gain permission from Beijing for an evacuation flight to airlift Indians from Wuhan. A Boeing 747 aircraft VT-ESO will leave from Mumbai at midnight for Wuhan to airlift 250 Indians. The flight will take around 5 hours and on its return will land at Delhi. Sources said that Beijing was reluctant to approve the evacuation flight but agreed after pressure from the Ministry of External Affairs. "Our crew was ready for 12 hours and ready to go," said an Air India official. 5

Bankers get shield from fraud heat

SOMESH JHA
New Delhi, 28 January

ILLUSTRATION: BINAY SINHA

The government has watered down its framework for dealing with high-value frauds in a bid to encourage managing directors (MDs) and chief executive officers (CEOs) of state-owned banks to take commercial decisions fearlessly.

Instead of MDs and CEOs, the boards of public sector banks (PSBs) will now be held accountable for the various regulator-prescribed timelines for the reporting or investigating frauds above ₹50 crore, according to a directive sent by the finance ministry to banks.

The finance ministry had in May 2015 created the framework on "timely detection, reporting, and investigation" relating to large-value bank frauds. "The overall responsibility" for ensuring compliance with the various timelines being laid down by the Reserve Bank of India (RBI) in its circular related to reporting of fraud was that of CEOs of PSBs in the 2015 circular. The RBI has prescribed banks to follow a timeline to report different levels of bank frauds to the police, regulators, and investigative agencies. Turn to Page 17

CONFIDENCE BOOSTER

- **Govt does away with the sole responsibility** of MDs and CEOs of PSBs for complying with regulatory timelines on fraud
- **Asks banks to refer all NPA accounts over ₹50 crore** to a Central Vigilance Commission panel before initiating investigation
- **Directs them to set up a committee** of senior officers to monitor the progress of pending disciplinary and internal vigilance cases
- **Banks told to hold the first meeting of the committee** to review pending cases within 10 days

'One-Tata' initiative gets going

Seven group companies collaborate, share resources for Nexon EV

PAVAN LALL
Mumbai, 28 January

Seven chief executive officers (CEOs) across firms at the Tata group came together on Tuesday just before the launch of the group's first electric car, the Nexon EV, to discuss how the "Tata universe" had shared resources to bring out the best possible product. At the launch, Ratan Tata drove to the stage in the Nexon EV, and was accompanied by group Chairman N Chandrasekaran.

Tata Sons Chairman N Chandrasekaran (*left*) and Chairman Emeritus Ratan Tata at the launch of the Nexon EV PHOTO: PTI

The Tata universe is a follow-up to Chandrasekaran's 'One-Tata' initiative to increase collaboration among different companies of the conglomerate. Chandrasekaran had proposed the 'One-Tata' idea about three years ago. The group identified electric mobility as its first focus under the strategy.

COMPANIES P2
TATAS RAISE THE EV GAME

"As the Tata group, for the first time, we are launching the electric vehicle ecosystem and all Tata companies have played an important role for the past 18 months," said Chandrasekaran.

"We have at least four more EV models coming up in the next 24 months, including a hatchback, a sedan, and two SUVs," he added.

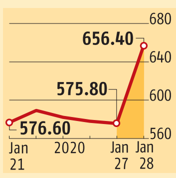
"There's the car on the one side and the Tata universe on the other, and what we have worked on is affordability and design," said Guenter Butschek, Tata Motors CEO and MD. "This product is the first indigenous car of its kind."

The past few years have been uphill, with the company's passenger vehicles market share falling from almost 17 per cent in 2007 to 5 per cent in recent months, according to the Society of Indian Automobile Manufacturers data. Turn to Page 17

STOCKS IN THE NEWS

* OVER PREVIOUS CLOSE

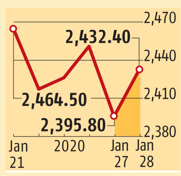
United Spirits



Q3 PBT up 8% at ₹314 cr, against ₹290 crore in the year-ago quarter

₹656.40 CLOSE ▲14.00% UP*

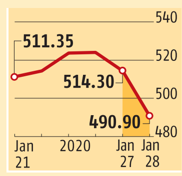
HDFC



Q3 profit before tax up 7% at ₹4,601 cr YoY

₹2,432.40 CLOSE ▲1.53% UP*

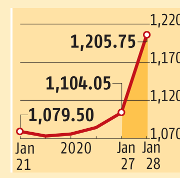
Bharti Airtel



Top loser among the S&P BSE Sensex stocks

₹490.90 CLOSE ▼4.55% DOWN*

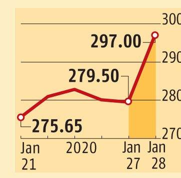
Navin Fluorine International



Q3 PBT up 20% at ₹67 cr against ₹56 cr in the year-ago quarter

₹1,205.75 CLOSE ▲9.21% UP

KRBL



Q3 PBT up 29% at ₹211 cr against ₹164 cr in the year-ago quarter

₹297.00 CLOSE ▲6.26% UP*

Tata, JSW, Adani in race for Neelachal

Plans are afoot to ramp up NINL steel plant's capacity to 10 mtpa, from the current 1.1 mtpa

JAYAJIT DASH
Bhubaneswar, 28 January

Tata Steel, JSW Steel, and Adani Group are likely to bid for Neelachal Ispat Nigam's (NINL's) one-million tonne (mt) steel plant in Odisha's Kalinganagar industrial complex.

Earlier this month, the Cabinet Committee on Economic Affairs gave the go-ahead for strategic disinvestment of 100 per cent equity shares in NINL, jointly owned by MMTC, two Odisha government-controlled public sector undertakings (PSUs), and a clutch of central public sector enterprises — NMDC, Bharat Heavy Electricals, Mecon (formerly known as Metallurgical & Engineering Consultants), among others.

Plans are afoot to ramp up NINL steel plant's nameplate capacity to 10 million tonnes per annum (mtpa), from the current 1.1 mtpa.

Key facilities of the NINL steel mill, such as blast furnace and steel melting shop, are on shutdown for over six months for want of capital infusion by the lead promoters. Only the coke oven plant was operating at depleted capacity.

While MMTC — the largest shareholder — has already apprised the BSE of its intent to sell its entire 49.78 per cent equity in NINL, two other Odisha government-owned PSUs — Odisha Mining Corporation and Industrial Promotion & Investment Corporation of Odisha — were no longer keen to retain their stake adding up to 32 per cent.

Analysts still believe NINL is a good asset up for grabs, with its facilities and a captive iron ore block, potentially making it an attractive bet for bidders.

"There is the vision of brownfield capacity being ramped up. The NINL plant can be revived. Besides, the steel plant has captive iron ore mines. The possibility of brownfield expansion and availability of land will be crucial for any bidder," said Giriraj Daga, investment manager, KM Visaria Family Trust.

ATTRACTIVE BET?

	FY14	FY15	FY16	FY17	FY18
Gross sale	1,595.41	1,315.64	1,190.23	1,288.05	955.14
Net sale	1,555.17	1,247.82	1,085.53	1,191.20	930.87
Total expenditure	1,486.87	1,207.68	1,521.06	1,827.53	1,518.38
Net loss	147.22	232.67	333.07	355.78	375.43

All figures in ₹ crore Source: NINL annual reports

However, the prospective bidders are non-committal on their plans to bid for the NINL asset. Adani Group did not respond to a questionnaire sent by email.

"We would not like to offer any comment on the matter. Suffice it to say that evaluating stressed assets is an ongoing strategic process in Tata Steel," said Tata Steel in a written response to Business Standard's queries.

A spokesperson at JSW Steel said, "We have no comments to offer on this." NINL had successfully completed the revamp of its blast furnace.

It has also diversified its products portfolio by churning out steel billets and its own brand of TMT bars. But lack of capital infusion by the promoters queered the pitch for its expansion and diversification. An industry source said NINL needed an immediate injection of ₹900 crore to make all the key components running again.

NINL's leveraged balance sheet made it ineligible to avail of formal credit from banks or financial institutions. For the past five years on the trot, NINL has been stacking up losses. Last financial year too, it ended in the red, despite turning earnings before interest, tax, depreciation, and amortisation positive, following the successful completion of its blast furnace capital repair work and resuming of steel billet production.

The steel plant possesses 2,500 acres of unencumbered land to expand capacity to 5 mt, a state-of-the-art coke oven battery with dry quenching facility, an already commissioned steel melting shop, proximity to the major port at Paradip, and an iron ore mine boasting of 110-mt deposits and with a lease validity spanning 50 years.

IN BRIEF

Burger King gets Sebi's go-ahead to float IPO

Burger King India has received markets regulator Sebi's approval for an initial public offer. The company, which filed its draft IPO papers with the watchdog in November, obtained its final observations on January 24, as per the latest update with the Securities and Exchange Board of India (Sebi). The regulator's observations are necessary for any company to launch public issues such as initial public offer, follow-on public offer and rights issue. PTI

OYO adds over 4,000 corporate accounts in 2019

OYO said its corporate channel has witnessed an 80 per cent increase in revenue on a year-on-year basis on account of strong growth trajectory in corporate bookings. With new 4,000 accounts, the firm now has a total of over 8,400 active corporate accounts, OYO said. PTI

Sachin Bansal steps down as director of Ujjivan Finance Bank

Sachin Bansal has resigned as independent director of Ujjivan Small Finance Bank, a role he took up in June 2019. Bansal said he was stepping down in the interest of propriety and to prevent conflict of interest arising out of the fact that his wholly-owned firm Navi Tech has applied for a banking licence. BS REPORTER

GMR to set up training centre near Sardar Sarovar Dam

GMR Varalakshmi Foundation, the CSR arm of GMR Group, in an initiative with Sardar Sarovar Narmada Nigam is set to establish a state-of-the-art skill training centre at Kevadia, Gujarat. The place is located near the Sardar Sarovar Dam in Gujarat. This is the first of its kind skill training centre GMR will set up in Gujarat, where all courses will be offered to the youth free of cost. BS REPORTER

InterviewBit raises $20 mn in Series-A round

InterviewBit, an edtech start-up, said it has raised $20 million in a Series-A funding round, led by Sequoia India and Tiger Global, and with participation from other investors. BS REPORTER

Allcargo ups Gati stake to over 20%

ADITI DIVEKAR
Mumbai, 28 January

Consolidating its position as the single-largest shareholder in the express logistics company Gati, Mumbai-based Allcargo Logistics has increased its stake in the former to 20.8 per cent by acquiring an additional 7.5 per cent stake on Tuesday.

The Avvashya Group company had taken its stake to 13 per cent in Gati last week, via a preferential allotment and through open market purchases. With this, Allcargo Logistics today has inched further in its majority stake buy and is on track to complete the process to acquire 44.5 percent stake in Gati, the total deal size of which is ₹416 crore.

While Allcargo Logistics continues to raise its stake in Gati week after week, the latter is in a court dispute over ownership of the shares within the promoter family.

The sons and spouse of Gati promoter Mahendra Agarwal have approached the National Company Law Tribunal (NCLT) against him for alleged oppression and mismanagement in the company and have sought reconstitution of the board.

The Agarwal family members have approached the Hyderabad bench of the NCLT seeking tribunal's intervention in the affairs of the company.

"Allcargo has been abiding with the regulatory and compliance norms while carrying out the transaction. With this acquisition, we will gain a leadership position in the domestic express transportation segment and develop capabilities to offer end-to-end transportation to our valued customers," the release quoted Shashi Kiran Shetty, Chairman at Allcargo Logistics.

Start-ups that burn investor money, won't get second chance, says Tata

PRESS TRUST OF INDIA
New Delhi, 28 January

Industrialist Ratan Tata on Tuesday said start-ups that burn investors' money and disappear, will not get a second or a third chance.

Tata, who also invests in start-ups, also said old-age businesses will recede and the young founders of innovative companies are the future leaders of the Indian industry.

The comments from Tata come at a time when many start-ups have been blamed for what is termed as "cash burn", wherein the optimism of making money in the future makes venture funds to invest in such companies, and the companies keep incurring losses.

At its peak, e-commerce major Flipkart was reportedly burning $150 million a month.

"We will have start-ups which will attract attention, collect money and disappear. Such start-ups will not get a second or a third chance," Tata, who was feted with the lifetime achievement award at the TiECON awards, said.

Tata, whose portfolio also consists of e-commerce company Snapdeal, exhorted businesses to conduct themselves ethically and not to be "fly-by-night" operators.

He said the start-ups require mentoring, advice, networking and also recognition, and welcomed the role played by TiE, an organisation that seeks to promote the start-up ecosystem in India.

Tata also urged TiE to work as a shadow regulator for ethics and good practices, and ensure that the start-up sector grows in a manner that it should.

He was granted the award by Infosys co-founder N R Narayana Murthy.

'Banks must be allowed to invest in start-ups'

N R Narayana Murthy, co-founder of Infosys, who chairs a Sebi panel on alternate investment policy advisory, on Tuesday pitched for pension funds and banks to invest money in Indian start-ups.

Speaking at the annual Tiecon event, Murthy said a bulk of the money which gets invested as risk capital in the upcoming companies is from abroad and there is a need for domestic money to play an important role in this. At the same event, Murthy's former colleague at Infosys T V Mohandas Pai, who is now associated with Ispirit, an advocacy group for start-ups, said only a tenth of the $60 billion invested into Indian start-ups since 2014 has come from domestic investors.

Pai warned that "we risk the prospect of turning into a digital colony" by 2025, seeking to draw parallels with imperialism.

He said there will be 100,000 start-ups in India with a collective valuation of over $500 billion by 2025. There will be at least 100 unicorns among them and over 65 of them will be majorly owned by foreign investors.

"This is one of the most important issues that we have been discussing (at the Sebi panel). That is, what are the policy changes that are required to make sure that there is more of Indian and domestic money coming into the start-up sector because today it is by and large from abroad," Murthy said.

"To do that, pension funds must be allowed, corporations must be allowed, banks must be allowed," he added. PTI

N R Narayana Murthy seeks blessings from Ratan Tata in Mumbai on Tuesday PHOTO: PTI

Tatas raise the game, Nexon EV at ₹14 lakh

SHALLY SETH MOHILE
Mumbai, 28 January

Tata Motors' strategy of adopting a very competitive pricing for the Nexon EV will prompt its rivals — Maruti Suzuki India as well as Mahindra and Mahindra (M&M) — to package their offerings in a manner that attracts buyers.

High pricing of electric vehicles (EVs) has been a key deterrent for buyers. With a price starting from ₹13.99 lakh to ₹15.99 lakh, the Nexon is the first EV offering in the mass sports utility vehicle (SUV) segment. M&M is set to unveil its electric compact SUV version of the XUV300, while Maruti will be taking wraps off the electric variant of the Wagon R at the Auto Expo next month.

Over the next two years, Tata Motors will introduce four more EV models, including two SUVs, a sedan and a hatchback, as it seeks to be in the leadership position

Earlier this month, MG Motors launched its EV vehicle, the ZS. Over the next two years, Tata Motors will introduce four more EV models, including two SUVs, a sedan and a hatchback, as it seeks to be in the leadership position.

"The combination of electric and SUVs at a competitive price bodes well for Tata Motors and it will gain from the first-mover advantage in the mass SUV segment," said Puneet Gupta, associate director at IHS Markit. There is a big market that revolves around this pricing, he said. Powered by the company's Ziptron technology, the Nexon EV offers a range of 312 km on a single charge and boasts of an efficient high-voltage system, fast-charging capability and more than 30 connected features. The model goes on sale from across 60 authorised dealerships in 22 cities, starting Tuesday.

A battle brewing in late K K Modi's backyard: Lalit vs rest

SURAJEET DAS GUPTA
New Delhi, 28 January

While starting out on his new venture some years ago, Samir Modi made a call to 7-Eleven for a tie-up to set up the country's first chain of convenience stores. But the US company, the largest globally in this business, was not willing to give him an exclusive franchisee for the country. Said Samir, the youngest son of K K Modi, in an interview a few months ago: "I am a builder of a new business, not a seller. We don't build businesses to sell. So we decided to go on our own."

But the same view is not echoed clearly by everyone in the family. On Monday this week, Samir's elder brother, Lalit Modi (of IPL fame), tweeted that all the assets in the group were up for sale.

K K MODI

Just two months after K K Modi's death, Lalit on Monday said through a tweet that "the three other trustees wanted to continue to run the business. But I felt after my father's demise the value will deplete". He identified the businesses that would be on the block — the group's flagship tobacco company Godfrey Phillips (in which convenience retail store business 24Seven also resides), agrochemicals company Indofil Industries, and direct marketing company Modicare.

However, it is clear that this has kicked off a battle among family members, with Lalit on one side and his mother, Bina (who took over as president and managing director of GPI as well as managing trustee of the Trust Fund), brother Samir, and sister Charu, on the other, on the future of the group assets. In a regulatory filing, GPI said on Tuesday it would like to clarify that it was neither engaged nor privy to any discussion on "rumoured potential transaction" by its promoters. It added that the company had received clarification from its significant promoter that there had been no decision to put its assets on the market.

So what are they battling about? Well, it is over an ₹10,000-crore empire, which, if Samir's calculations are to be relied on, could double in the next three to five years. And it does not include businesses that are not in contention in the sale, like Colorbar, the cosmetics brand expected to hit revenues of ₹350 crore and has a 9 per cent market share.

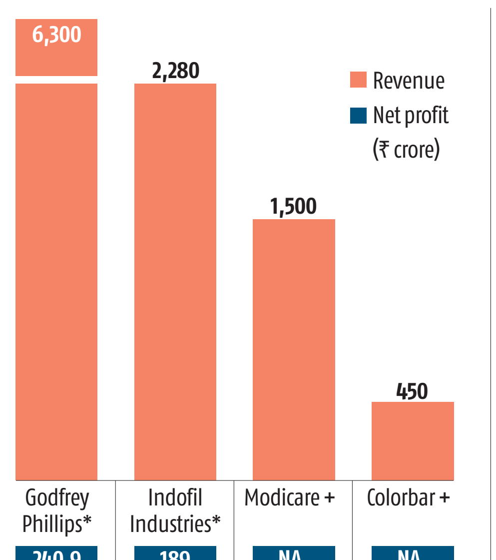
Despite ITC's domination of the tobacco market, GPI, which manufactures brands like Four Square and Red & White, has not only held its own but has been increasing its market share by around 1 per cent every year for the last few years. Once at the bottom of the heap (it was number five in market share), it currently has a 13.5 per cent share of the tobacco market (the number two player), concentrating on the northern and western markets. Also it dominates or has a significant market share in Rajasthan, Jammu & Kashmir, Haryana, and Punjab, sometimes more than that of ITC or pretty close to it. "A top-notch professional team, launch of two to three new variants every year and partnership with Phillip Morris (Marlboro) have helped us gain market share year or year," said Samir. He expects the business to hit more than ₹10,000 crore in the next three to five years, from around ₹6,300 crore currently.

WAR OF WORDS

Godfrey Phillips: "The firm would like to clarify that it is neither engaged nor privy to any such (sale) discussions on rumoured potential transaction by its promoters"

@LalitKModi: "All I can say is they are blatant liars... We agreed to unanimously go forward... We did not reach a unanimous decision. So, trust deed sale was triggered. I was asked to give them 30 days' time to make me a proposal. I said sale goes on, and if you convince me then we can meet to cancel"

TAKING STOCK



+Company estimates; *FY18-19 results

But the business close to Samir's heart is 24Seven, which is part of GPI, and, according to Lalit, it too will be on the block. Starting from scratch in an uncharted arena, but sensing that with more couples going to work and needing quick fixes, there are now over 104 stores in the National Capital Region, and Samir is targeting 600 in three years. Not only that, he is also planning a quiet expansion to other cities like Chandigarh, Mumbai, Pune, Hyderabad, and Bengaluru. "It's still a small business but in the next five years my target is to hit revenues of ₹3,000-4,000 crore. And it would be 15-20 per cent of GPI's revenues," said Samir.

To build the business, the youngest brother set up a large food commissary to cook and supply to the stores. It also helped them in cutting prices customers pay by over 70 per cent. He is aiming at 30 per cent of the revenues of the stores from food against 18 per cent currently.

The group has another front opened up, which is battling multinationals in the direct marketing space. Samir says three years ago they were the smallest player, far behind Amway, Oriflame, or Avon. But in March this year it expects to be number two in the pecking order, with revenues of over ₹1,500 crore. At the core of the new strategy was to revamp the product line, drop prices, and add in newer areas. So for instance, it added wellness and food, which includes spices, snacks ghee, coffee among others. It also dropped prices across the board by around 40 per cent.

Indofil is a stable business with revenues of around ₹2,200 crore and it generates reasonable profits of ₹189 crore with over 43 per cent of its business coming from international sales.

Those in the know point out that it might not be easy to sell the tobacco business, considering the ban on FDI in the sector in manufacturing, and a policy that discourages at least new foreign players. The family owns over 47.09 per cent in GPI while partner Philip Morris controls 25.1 per cent, though it has earlier had numerous talks to take control of the company, which did not go far. Also sources in the know say that ITC would stay away from any acquisition, which will make it a monopoly in the market.

But with 7-Eleven making an entry into India with the Future group and direct marketing companies looking at expanding their businesses, both 24Seven and Modicare could be attractive pickings.

The Modis, once among the eight largest groups in the country in terms of assets in 1990, have been used to many a bitter battle which has led to numerous splits. The next round has just begun.

Maruti PBT down 3.4% at ₹2,026 cr

Maruti's sales in the domestic market stood at 413,698 units, a growth rate of 2 per cent from the year-ago period

PRESS TRUST OF INDIA
New Delhi, 28 January

The country's largest carmaker Maruti Suzuki India (MSI), on Tuesday, reported a year-on-year (YoY) drop of 3.4 per cent in consolidated profit before tax (PBT) at ₹2,026 crore.

In the 2018 December quarter, the PBT stood at ₹2,097 crore. However, its consolidated net for the December quarter 2019-20 grew 4.13 per cent at ₹1,587.4 crore, riding on lower commodity prices, reduced corporate tax rate besides cost-reduction efforts.

The company had posted a net profit of ₹1,524.5 crore in the same quarter last financial year, MSI said in a regulatory filing. Consolidated revenue from operations in the quarter under review stood at ₹20,721.8 crore as against ₹19,680.7 crore in the year-ago period, up 5.29 per cent, it added. The company sold a total of 437,361 vehicles during the quarter, up 2 per cent as compared to the same period previous year.

Sales in the domestic market stood at 413,698 units, a growth rate of 2 per cent from the year-ago period. Exports were at 23,663 units, it said.

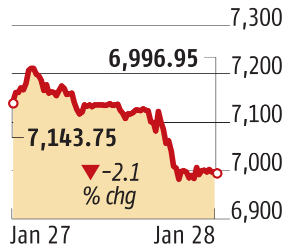
In a statement, the company said it was able to register higher net profit during the third quarter on "account of cost reduction efforts, lower operating expenses, lower commodity prices and reduction in corporate tax rate".

This was, however, partially offset by higher sales promotion expenses, higher depreciation, and lower fair value gains on invested surplus, it added.

During April-December 2019, the company said its consolidated net profit stood at ₹4,355.3 crore as compared to ₹5,819.8 crore in the year-ago period, down 25.16 per cent.

Total revenue from operations during the nine-month period stood at ₹57,452.3 crore as compared to ₹64,594.5 crore, a decline of 11.06 per cent, it said. MSI said it sold a total of 11,78,272 vehicles in April-December, down 16.1 per cent from the same period previous year.

DOWNHILL (₹)



Source: BSE

Company shares slip over 2% after Q3 results

Shares of Maruti Suzuki India (MSI) on Tuesday fell over 2 per cent after the company's December quarter earnings failed to enthuse investors. The scrip declined 2.05 per cent to close at ₹6,996.95 on the BSE. During the day, it dropped 2.47 per cent to ₹6,967.15. At the NSE, it fell 2.12 per cent to close at ₹6,997.05. MSI on Tuesday reported 4.13 per cent rise in consolidated net profit at ₹1,587.4 crore for December quarter 2019-20, riding on lower commodity prices, reduced corporate tax rate besides its cost reduction efforts. PTI

Airtel Africa net down 23% on higher tax outgo

MEGHA MANCHANDA
New Delhi, 28 January

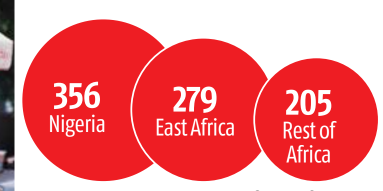
Bharti Airtel's Africa unit reported a net profit of $103 million (₹735 crore) in the quarter ended December 31, a 23 per cent fall from $133 million in the same period a year before.

The decline in the third quarter (Q3) was mainly on account of higher tax payment, of $95 million against $13 million in the corresponding earlier period. Operating profit for the telecom entity rose 24 per cent to $399 million. "Revenue growth accelerated in Q3 to 14.2 per cent, as a result of improved performance in the Rest of Africa, supported by solid results in Nigeria and East Africa. This is now the eighth consecutive quarter that we have delivered double-digit revenue growth and Ebitda (operating earings) margin expansion in constant currency," said Raghunath Mandava, chief executive officer, Airtel Africa.

Goldman Sachs, the global research firm, expects the operating profit to grow at an annualised 10 per cent from 2018-19 to 2023-24. Airtel Africa said the group's parent company had raised $3 billion in capital through a mix of of qualified institutional equity placement and convertible bond offerings. This had "reduced the level of uncertainty about the ability of the group's intermediate parent company to comply" with the recent Supreme Court judgment on statutory dues. "As a result, the directors have concluded that the previously highlighted material uncertainty around the group's ability to continue as a going concern no longer exists and that the group has adequate committed and non-committed facilities to operate as a going concern."

Revenue for the quarter at $883 million was 12.8 per cent higher (and 14.2 per cent higher on a constant currency basis). Revenue in voice, data and mobile money rose 3.9 per cent, 39 per cent and 40.4 per cent, respectively, in constant currency. "Revenue increased by 9.9 per cent to $2,522 million for the nine-month period ended December 31," the company said.

SEGMENT-WISE CONTRIBUTION
Revenue (in $ million)



Source: Company

Commerce ministry puts Bharti Airtel in denied entry list

The commerce ministry has put Bharti Airtel in denied entry list for non-fulfilment of export obligations under an export promotion scheme, sources said. The Directorate General of Foreign Trade (DGFT), which is under the ministry, has put the company under this list which is commonly known as blacklist for non-fulfilment of export obligation in respect of certain EPCG authorisation issued to them, they said. Following the move, the firm will not be able to avail any export benefit or licence from the DGFT. PTI

Stand-up comedian banned from flying by IndiGo, Air India

Kunal Kamra allegedly heckled scribe Arnab Goswami on flight

PRESS TRUST OF INDIA
New Delhi, 28 January

Stand-up comedian Kunal Kamra (*pictured*) was suspended from flying by IndiGo and Air India on Tuesday after he allegedly heckled journalist Arnab Goswami aboard a Mumbai-Lucknow plane of the private airline.

While IndiGo suspended Kamra from flying with it for a period of six months, Air India banned him until further notice.

Aviation Minister Hardeep Singh Puri took notice of the incident and 'advised' other airlines in India to impose similar restrictions on Kamra, stating "offensive behaviour designed to provoke & create disturbance inside an aircraft is absolutely unacceptable & endangers safety of air travellers". Following the minister's remarks, Vistara said it will "review and follow due process in such cases".

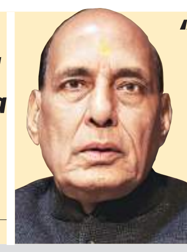
Kamra allegedly heckled Goswami, the editor of Republic TV, on IndiGo's Mumbai-Lucknow (6E5317) flight on Tuesday. "In light of the recent incident on board 6E 5317 from Mumbai to Lucknow, we wish to inform that we are suspending Mr Kunal Kamra from flying with IndiGo for a period of six months, as his conduct onboard was unacceptable behaviour," IndiGo tweeted in the evening. "Hereby, we wish to advise our passengers to refrain from indulging in personal slander whilst onboard, as this can potentially compromise the safety of fellow passengers," it added.

In a video clip posted by Kamra on his Twitter handle, he is seen asking Goswami if he is a "coward or a journalist".

While Goswami can be seen sitting in the plane and watching something on his laptop with his earphones plugged in, Kamra is heard as telling him, "Viewers want to know if Arnab today is a coward or a nationalist. Arnab, this is for national interest. I am part of the tukde-tukde narrative. You should deflate me. You should take the enemy of the states down. You should make sure that the country is in safe hands of Narendra Modi."

"It is good that the PM is ready for talks, but the CAA must be revoked first. The Centre did not call an all-party meeting before taking a decision on Kashmir and CAA. We are ready for talks, but first withdraw this CAA"

MAMATA BANERJEE
West Bengal chief minister



"India is engaged in conversations with its neighbours, except one country, to develop a joint approach for regional peace and security. True pathway to regional peace and security lies in understanding each other's sensitivities and following basic principles of non-interference in internal affairs"

RAJNATH SINGH
Defence minister

"Prashant Kishor remains in touch in his professional capacity. I have learnt that he is working for the AAP. But he remains in touch with so many people. I inducted him into JD (U) upon Amit Shah's recommendation"

NITISH KUMAR
Bihar chief minister

YES Bank sells shares worth ₹5.7 crore in Reliance Power

YES Bank on Tuesday offloaded shares worth over ₹5.7 crore in Reliance Power through an open market transaction. According to the bulk deal data on the National Stock Exchange (NSE), a total of 3,02,59,855 shares, representing 1.07 per cent of the total shares of Reliance Power, were sold by the private lender. The lender sold the shares at an average price of ₹1.91 apiece, which took the total deal value to over ₹5.77 crore. The buyer, however, could not be ascertained. Shares of Reliance Power on Tuesday closed 5 per cent lower at ₹1.9 on the NSE. PTI

HDFC for one-time loan rejig for stuck realty projects

Ahead of the presentation of the Union Budget 2020-21, largest pure play home financier HDFC on Tuesday pitched for a one-time loan recast for realty projects. Chairman Deepak Parekh said lenders are not able to write new loans for projects because a new borrowing by an entity which is already a non performing asset, becomes an NPA on day one. PTI

₹ logs first gain in four sessions, up 12 paise against $

The rupee clocked its first gain after three days of losses on Tuesday, recovering by 12 paise to close at 71.31 against the US dollar, even as concerns remained over fast-spreading coronavirus from China to other regions. The domestic unit's rise was restricted by a host of factors like subdued equities, stronger dollar against key currencies and sustained foreign fund outflows, according to analysts. PTI

CIL gets green nod for 17 mining projects, says coal minister

State-owned Coal India (CIL) has received green clearances for 17 mining projects, a move that will enable the world's largest coal miner to achieve the one-billion-tonne production target, Coal Minister Pralhad Joshi has said. In a tweet the minister said: "For making @NarendraModi Ji's vision of 24x7 'Power for All' a reality, @CoalMinistry in co-ordination with @moefcc has got the environment clearances to 17 new and existing coal projects and 3 washeries of @CoalIndiaHQ..." PTI

Fill up vacancies in a time-bound manner, depts told

The Centre has asked all departments under it to fill existing vacancies in a time-bound manner, a Personnel Ministry order said. The order comes after Cabinet Committee on Investment and Growth headed by the Prime Minister in its meeting held on December 23, 2019, gave directions to take time bound action to fill existing vacancies in various ministries and departments. PTI

Delhi court sends Thampi to jail in PMLA case

A Delhi court Tuesday sent NRI businessman C C Thampi to judicial custody in a money laundering probe related to a case against Robert Vadra for acquisition of alleged illegal assets abroad. Special CBI Judge Arvind rejected the probe agency's request for further custodial interrogation in the case. PTI

Debt soars by 71% in 5 years, address it in Budget: Cong to govt

The Congress on Tuesday claimed that the country's debt increased by over 71 per cent in the last 5.5 years whereas the per capita GDP rose by only 30 per cent. The party asked the Modi government to address the concern in this Budget. PTI

MCA notifies winding up rules

The Ministry of Corporate Affairs (MCA) on Tuesday notified rules for winding up of companies, making it easier for smaller firms to wind up businesses without taking approval. The rules have provided summary procedures for liquidation of companies with asset size of ₹1 crore and which have not accepted deposits exceeding ₹25 lakh and turnover less than ₹50 crore and total loan under ₹25 lakh. The Central government will provide required approvals to such companies for winding up instead of the tribunal. The rules said, "...wherever the word Tribunal is mentioned, it shall be read as Central Government and with further directions issued by the Central Government as may be necessary, from time to time." B S REPORTER

SIT on black money for capping cash at home

'Seized cash should be deposited in the Consolidated Fund of India'

SHRIMI CHOUDHARY
New Delhi, 28 January

To further discourage cash economy, a Special Investigation Team (SIT) on black money has proposed a cap on keeping cash at home and suggested that seized unaccounted cash by law and enforcement agencies be deposited in the Consolidated Fund of India (CFI).

The proposed measures aim to bring stricter norms to curb holding of illegal cash and mismanagement of unaccounted cash seized by the probe agencies during investigations.

Given the fact that unaccounted wealth is being held in cash, which is further confirmed by huge cash recoveries by law enforcement agencies, proper cash management can only succeed if there is a limitation on cash holding, the team said.

At present, federal agencies deposit unaccounted cash seized to the dedicated bank account of respective agency with State Bank of India where challan has name and permanent account number of assessees in whose name the amount gets deposited.

The recommendation has been made by the panel of retired judges and bureaucrats in its recent meeting held in Ahmedabad with central agencies, including income-tax, Enforcement Directorate, Directorate of Revenue Intelligence.

The panel is learnt to have discussed certain instances reported during demonetisation where a major chunk of cash was mismanaged and diverted

The panel raised concerns over cash economy and malpractices like bribe during seizure of unaccounted cash.

The panel is learnt to have discussed certain instances reported during demonetisation where a major chunk of cash was mismanaged and diverted. In the first full financial year after demonetisation (FY18), 67.91 per cent of unaccounted cash was made up of ₹2,000 notes. It was a bit lower at 65.93 per cent in FY19.

If implemented, experts say, this could be stringent for those businesses and even rural India where people keep cash at home. Also, this could open litigation if the seized cash would go to CFI before finalisation of case.

In 2017, the government had introduced a cash transaction limit of ₹2 lakh per day. However, there was no limitation on cash holding.

The SIT was constituted to ensure the government uncovers which Indians have hidden untaxed money in India and foreign bank accounts.

To understand the functionality of the CFI, an official said the fund, created under Article 266 of the Indian Constitution, includes the revenues received by the government and expenses made by it. All expenditure incurred by the government is met by the CFI.

However, no money can be withdrawn for meeting expenses until the government gets the approval of Parliament.

The government's Annual Financial Statement has three parts: CFI, Contingency Fund of India, and the Public Account of India. Of these, CFI is the most important component of the statement. States also have their own consolidation funds.

IMPROVING CASH MANAGEMENT

ILLUSTRATION: AJAY MOHANTY

- Move follows seizure of huge cash during note ban by federal agencies
- Existing rule states that an offender can retrieve seized cash by paying 40% tax and ensuing penalty
- Amount of money seized is so high that cash transaction limit is not serving the purpose
- At present, cash transaction is limited to below ₹2 lakh
- SIT was formed by the government in 2014 on the direction of the Supreme Court
- Panel suggests anti-black money measures to the government, agencies
- Raises concerns over cash economy and malpractices during the seizure of unaccounted cash

Onion prices slip 40% in a week on increased supply

DILIP KUMAR JHA
Mumbai, 28 January

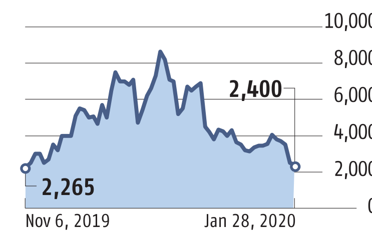
Onion prices slumped for the fifth day in a row on Tuesday, a decline of 40 per cent in a week, on consistent increase in arrival of new-season crop in wholesale markets (*mandis*) across the country.

Data from the Nashik-based National Horticultural Research and Development Foundation showed onion was trading at at ₹24 a kg on Tuesday in the benchmark Lasalgaon *mandi* in Nashik district of Maharashtra. That's a fall of four per cent since Monday and 40 per cent from ₹40 a kg on January 20, a level not seen since November 6, 2019. It continues to sell at ₹40-44 a kg in retail markets across the country.

"There has been a sharp increase in arrivals in the last few days as farmers have intensified harvesting of matured crop. Importantly, farmers at local mandis in Karnataka, Gujarat and Madhya Pradesh have increased supply, reducing demand pressure on Lasalgaon. Apart from that the government's ban on onion export has pulled prices down," said Narendra Wadhavane, secretary of the Agricultural Produce Market Committee at Lasalgaon, described as Asia's largest spot wholesale onion market.

Lasalgaon had seen ₹86.25 a kg on December 16, translating to ₹140 a kg in retail trade. Many hotels, restaurants and other such business consumers had stopped serving raw onion to consumers and stopped its consumption as a vegetable ingredient. Daily arrival at Lasalgaon is now over 2,000 tonnes, from 1,100 tonnes on December 16. Harvesting of onion is already four to six weeks delayed, due to a proportionate delay in sowing of its seed and replanting of saplings after water logging in fields due to monsoon-triggered flooding. With sunny days having reduced soil moisture, farmers have hastened the harvesting.

TRACKING THE RATES (₹/Qtl)



Source: National Horticultural Research & Development Foundation (NHRDF). Compiled by *BS* Research Bureau

Janak Raj to succeed Patra at monetary policy department

The Reserve Bank of India has appointed Janak Raj, principal advisor to the monetary policy department, as executive director. He succeeds Michael Patra effective January 24. With this, the RBI will have 12 EDs, its full strength.

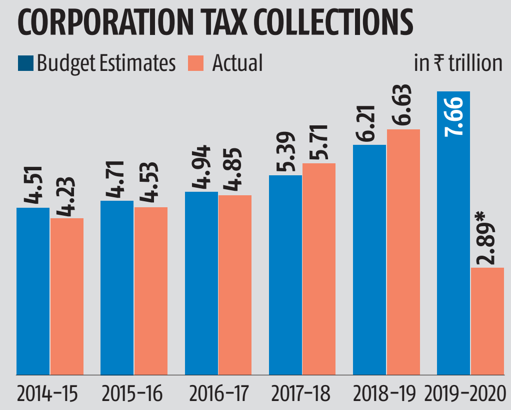
Patra will be part of the six-member monetary policy committee (MPC) as a deputy governor, and so will be Raj as an ED of the department. Raj would be part of MPC as an internal RBI member.

However, Raj also retires in a few months, and the RBI is also fast-tracking promotions of two chief general managers in the bank. Coupled with the superannuation of Deepak Mohanty in about four months, RBI would have two executive director positions vacant. Sources say Mridul Sagar, adviser in charge of international department, and Rajiv Ranjan, adviser and chief of economic and policy research department, could be successors of Raj and Mohanty. ANUP ROY

GOVT TO FEEL THE CORPORATION TAX PINCH

The government may not be as fortunate this fiscal year as it was in the previous two years as far as corporation tax goes. The cut in the rates for companies not availing exemptions, and new manufacturing units, will hit the exchequer by ₹1.45 trillion by the government's own admission. Till November FY20, corporation tax collections were ₹2,500 crore less than mopped up at that point of time a year ago. On the other hand, the Budget projected a 15.53% rise in corporation tax collections in FY20 YoY. INDIVJAL DHASMANA

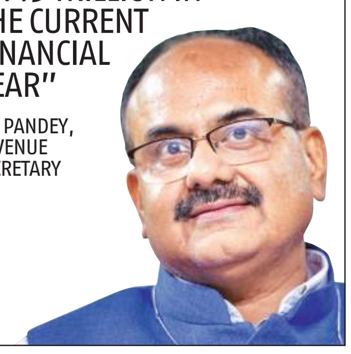
CORPORATION TAX COLLECTIONS



Note: * Till November FY20
Source: Budgets and Controller General of Accounts

"OUR INITIAL ESTIMATES SUGGEST THAT THESE (CORPORATION TAX) CUTS WILL COST US ₹1.45 TRILLION IN THE CURRENT FINANCIAL YEAR"

A B PANDEY, REVENUE SECRETARY



A status check on Sitharaman's Budget promises

ARUP ROYCHOUDHURY
New Delhi, 28 January

In the run-up to the Union Budget 2020-21, the Ministry of Finance is tweeting about its achievements vis-à-vis the announcements made by Nirmala Sitharaman in the 2019-20 Budget. These relate to announcements regarding housing, smoother tax processes, tourism, and trade.

Business Standard looks at some of the points that the finance minister is unlikely to tweet about, since these are still works in progress, are incomplete, or have been scrapped.

BUDGETARY TARGETS: The 2019-20 Budget forecast nominal gross domestic product (GDP) growth for the year at 12 per cent. The deep slowdown has put paid to that outlook. The first advance estimates for 2019-20, released earlier this month, saw nominal GDP for the year come in at 7.5 per cent. This impacts all other assessments, including tax revenue forecasts and the fiscal deficit target.

The Centre's gross tax revenue target for the year is ₹24.6 trillion. Due to the corporation tax cut and expected lower collections from goods and services tax, analysts expect this to fall short by ₹2.5-2.5 trillion. Around 35 per cent of this shortfall will be borne by the states.

The revenue shortfall is likely to impact the fiscal deficit targets as well. The Department of Investment and Public Asset Management is still racing against time to meet the divestment target of ₹1.05 trillion, while the Finance Ministry has sought a ₹2.2-trillion cut in expenditure in the January-March quarter.

CREDIT GUARANTEE ENHANCEMENT CORPORATION: This was announced by Sitharaman as a bid to deepen capital markets. It has not been set up yet.

NEW MINIMUM PUBLIC SHAREHOLDING THRESHOLD: The minister had announced it was the right time to consider increasing minimum public shareholding in the listed companies and that she had asked the Securities and Exchange Board of India (Sebi) to consider raising the current threshold of 25 per cent to 35 per cent. Sebi later said this would be difficult to implement.

SOCIAL STOCK EXCHANGE: The Budget had announced an electronic fund raising platform, a social stock exchange, under the regulatory ambit of Sebi for listing social enterprises and voluntary organisations so that they can raise capital as equity, debt, or as units like a mutual fund. A panel has been set up to study the feasibility of the proposal.

PMGSY-III: According to the 2019-20 Budget, the Pradhan Mantri Gram Sadak Yojana's third phase envisaged upgrading 1,25,000 kms of road length over the next five years, with an estimated cost of ₹80,250 crore. So far, the proposal is in its initial stages with agreements signed with a number of states.

OVERSEAS SOVEREIGN BONDS: This was one of the most surprising announcements of the last Budget, and Sitharaman and her officials backed it in subsequent public appearances. Behind the scenes, however, those in the topmost levels of the government were concerned by the criticism by economists and experts across the board. The proposal to raise federal funds from abroad was quietly scrapped.

'SUPER-RICH' TAX: Sitharaman had proposed to enhance surcharge on individuals having taxable income from ₹2-5 crore and ₹5 crore and above so that effective tax rates for these two categories would increase by around 3 per cent and 7 per cent, respectively. The announcements spooked the markets as it would also be applicable on foreign portfolio investors (FPIs) that were set up as 'Associations of Persons.' After feedback from stakeholders, the ministry exempted such FPIs from this surcharge.

Fintech companies call for measures to ease liquidity

DEBASIS MOHAPATRA & PEERZADA ABRAR
Bengaluru, 28 January

Fintech companies operating in the digital lending space are expecting measures in the Budget that they say will improve cash flow for small and medium enterprises (SMEs).

Steps to improve the liquidity position of digital lenders, which have seen a rise in cost of capital in the past year, will also activate the credit demand in the digital lending space, industry officials said.

"Facilitating debt flow to SMEs via digital lending non-banking financial companies (NBFCs) will help unlock capital for borrowers at the grass-roots level," said Gaurav Hinduja, co-founder and managing director (MD) at Capital Float. "Budgetary provisions for larger banks and NBFCs to co-originate loans with new-age fintech lenders would spur SME growth across the country."

The Amazon-backed NBFC, which tied up with Japan's largest financial institutions Credit Saison, said a favourable tax regime with regard to Employee Stock Options (ESOPs) would complement the growth of the fintech start-ups.

Online lenders, which are betting big on the unsecured personal loan segment, said deduction in income tax rates can improve the demand situation.

"Increase in personal income tax exemption limits should spur demand and consumption, providing a much-needed stimulus. We also hope this year's Budget will continue with the momentum started with 'Start-up India' that enabled self-certification, income tax exemptions, rebate in filing patents for new companies," said Praveen Agrawal, MD at OakNorth India.

Post the Infrastructure Leasing and Financial Services (IL&FS) crisis, many digital lenders have seen an increase in their cost of capital in the past year by more than 150 basis points, which has directly impacted the bottom line of these firms. Even many firms have seen a fall in debt flows from banks and traditional NBFCs.

"Despite the fall in repo rates, the transmission of rate cut from the banking system remains poor. This is the reason we have seen a rise in our cost of funds in the past year," said a co-founder of a Delhi-based fintech lender, who did not wish to be named. "So, the Budget should ease this situation by earmarking a special fund for digital lenders."

Under strain, Beijing gives India go-ahead to airlift 250 nationals

They will have to undergo a mandatory 14-day quarantine on arrival

BS REPORTERS
Mumbai/New Delhi/Chennai/Ahmedabad/Bengaluru, 28 January

After 24 hours of hectic parleys, India gained Beijing's permission to airlift Indians from Wuhan. A Boeing 747 VT-ESO will leave Mumbai at midnight to airlift 250 Indians.

"Once they are brought back, they will be kept in quarantine for two weeks," said Minister of Health and Family Welfare Harsh Vardhan on Tuesday.

Sources said Beijing buckled under pressure from the Ministry of External Affairs (MEA). "Our crew was ready to go. The permission took time," said an Air India executive. Meanwhile, IndiGo, too, has advised its pilots and cabin crew to wear masks and avoid public places during layovers in Thailand, China, Vietnam, and Singapore.

Stepping up its preparation to fight the threat of a potential novel coronavirus (nCoV) outbreak, the Indian government on Tuesday said that screening of passengers would be expanded to 20 airports along with adding new laboratories to test the virus. So far 35,000 passengers have been screened in India. Vardhan held a review meeting on Tuesday to take stock of the situation. He said that in the next one or two days, passenger screening would be expanded to 20 airports, from the current seven. At present, thermal screening of passengers coming from China is being done at the seven big airports — Mumbai, New Delhi, Kolkata, Bengaluru, Hyderabad, Chennai, and Kochi.

Vardhan said the government plans to test the virus at 10 laboratories across the country. At present, only the National Institute of Virology in Pune is conducting the tests; so far, 20 samples have been sent to the Pune lab.

On Tuesday, the government activated four new laboratories — the Indian Council of Medical Research's viral research and diagnostics lab network — at Alleppey, Bengaluru, Hyderabad, and Mumbai for testing samples. Three suspected patients are under observation at Delhi's Ram Manohar Lohia Hospital.

Meanwhile, ports, too, have stepped up vigil. Yashodhan Wanage, deputy chairman, Mumbai Port Trust, said that they have been asked (by the government) not to give shore permit to vessels coming from China.

Gujarat's Health Commissioner Jai Prakash Shivahare said wards at all medical colleges in the state have been isolated, even as rapid response teams are being deployed at key entry points, including airports. He added that not only are response teams being deployed (according to guidelines from the Centre), but Gujarat has started providing training via videoconference to district teams and medical colleges.

Kerala government on Monday said 288 people are under observation, of which seven have shown symptoms. However, test results were negative for five; results for the rest are awaited, said State Health Minister K K Shailaja.

Prime Minister Narendra Modi directed the government machineries to take up the issue in a comprehensive manner, resulting in the first big meeting last Saturday. At that meeting, chaired by P K Mishra, principal secretary to the PM, top bureaucrats from across the ministries, including health, civil aviation, home affairs, and external affairs, briefed Mishra on the preparedness and response measures taken so far.

A central team visits the special isolation ward in Hyderabad on Tuesday, set up for any suspected cases

PHOTO: PTI

FACTBOX

What is coronavirus and how does it behave

- Coronaviruses get their name from what they look like under a microscope – they are spherical and their surfaces are covered with "crown"-like spikes
- Infection has an incubation period of between one and 14 days
- The coronavirus is being transmitted from person to person via droplets when an infected person breathes out, coughs or sneezes. It can also spread via contaminated surfaces such as door handles or railings

SYMPTOMS

Fever, coughing, shortness of breath and breathing difficulties. Mild cases can cause cold-like symptoms, while severe cases can cause pneumonia, severe acute respiratory syndrome, kidney failure and death

GLOBAL PANIC

- Germany confirms human transmission of China virus, first such case in Europe
- Hong Kong suspends rail and ferry links with the mainland to curb virus spread
- Chinese President Xi Jinping assures the world of defeating a "demon" coronavirus
- Starbucks and WeWork are shutting locations in China, while Facebook, Nissan Motor and other companies are enacting measures to shield employees in areas hardest hit by the outbreak
- Goldman says staff with mainland China exposure should avoid office
- Apple's plan to ramp up iPhone production by 10% in the first half of this year may hit a roadblock as manufacturing in China is affected

"THE OUTBREAK OF CORONAVIRUS WILL IMPACT THE US-CHINA TRADE DEAL, THE CURRENCY OF THE TWO COUNTRIES, AND HENCE GLOBAL TRADE & ECONOMY. THE IMPACT OF THE OUTBREAK ON CHINA WILL BE SEVERE AS WUHAN IS THE HUB OF TRANSPORT AND INDUSTRY"

SOUMYA KANTI GHOSH, CHIEF ECONOMIC ADVISOR, STATE BANK OF INDIA

Cochin Shipyard chalks out cautious expansion strategy

Plans to grow ship repair business, build fishing boats

ADITI DIVEKAR
Mumbai, 28 January

Amid the not-so-good business climate for ship building, state-owned Cochin Shipyard has prepared a cautiously sizable growth plan.

Expansion of the repair business, foray into the volume-based business of fishing boats, and eyeing Indian Navy projects and the private tourism sector are some.

"We are looking to up our ship repair turnover and have moved into profit sharing agreements with both Mumbai and Kolkata port trusts. We see an additional revenue of ₹70-80 crore from Mumbai alone in FY20 itself. In the next two years, our revenue from the Mumbai port alone should be above ₹200 crore," Madhu Nair, chairman and managing director, told *Business Standard*.

Currently, about 70 per cent of the revenue comes from the ship building business and the rest from ship repair. "We are also investing ₹80 crore at the Mumbai port for a floating dry dock and ₹20 crore at the Kolkata port," said Nair. An agreement is in place between each of the ports and Cochin Shipyard, creating an asset-light model for the latter.

Nair said India should do much more of ship repair, given the country's location and good-quality manpower.

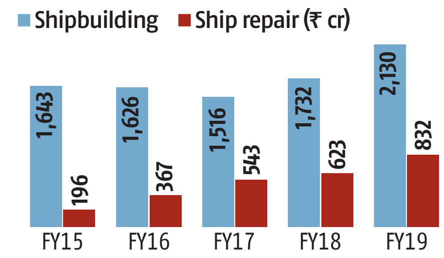
Cochin Shipyard was also in talks with the Mormugao Port Trust for their ship repair facility but could not take this ahead, due to vessel size limitations. "Between our own repair facility, along with the Mumbai and Kolkata ports, we can now handle large and mid-sized ship repairs. We were, therefore, on a lookout for a small-sized ship repair facility. Goa should have been small but it did not fit," said Nair.

Though revenue consistently rose between 2014-15 and 2018-19, growth in the ship building business income was not as impressive as in the repair section.

According to the latest annual report, the yard built 20 defence vessels, 15 large vessels, 35 offshore support vessels and 52 small and medium vessels. These figures are unchanged from the preceding year.

The company has taken 42 acres on lease at the Cochin shipyard where it aims to shift the repair facility for smaller and mid-size vessels. The facility is expected to add revenue by 15-20 per cent in the next two years. The target is to handle 80 ships a year. It also is not affected from the current order flow vagary due to the new IMO 2020 sulphur cap regulations.

REVENUE STREAMS



Source: Cochin Shipyard FY19 annual report

These affect merchant vessels, a space where Cochin Shipyard is not present. "We have a slightly different product mix — it is largely naval ships, which do not use heavy fuel oil," says Nair. No Indian shipyard is in the affected segment — L&T's in Gujarat, Hindustan Shipyard at Visakhapatnam and Reliance Naval and Engineering Company, for instance.

Apart from the repair business, the company is looking at the building of fishing boats. "In this business, we will play on the volume game. One of these ships costs (only) ₹1-1.5 crore but the volume is over 100 or more vessels (yearly) in terms of order flow," said Nair.

It is for the same reason that the company is eyeing insolvent Temba Shipyard, subsidiary of Bharti Shipyard, which has yards in Malpe, Karnataka, and in Tamil Nadu. "We see value in Temba as it is located in an area which is a fishing boat hub and can have about 4,000 boats," said Nair. All projects put together, Cochin Shipyard has an investment plan of ₹3,500 crore. The majority of this money is to come from internal accrual.

With an eye on growing the ship repair business segment at Port Blair, the company is to look at operations and management of the repair facility at Netaji Subhas Dock, Kolkata. It expects this to aid its working with the navy in the Andaman region and with private tourism.

Indian mkts remain in red, US stocks revive

ASIAN MARKETS SLIP AGAIN

	Jan 28, '20	1-day % change
Kospi	2,176.72	-3.09
Straits Times	3,181.25	-1.81
Nikkei	23,215.71	-0.55
Nifty50	**12,055.80**	-0.52
BSE Sensex	**40,966.86**	-0.46

Source: Bloomberg Compiled by *BS* Research Bureau

AGENCIES
Mumbai, 28 January

The benchmark Sensex dropped another 188 points on Tuesday in line with weak global sentiment triggered by the rapidly-spreading coronavirus. After gyrating over 463 points during the day, the 30-share index settled 188.26 points, or 0.46 per cent, down at 40,966.86. The broader Nifty50 closed 63.20 points, or 0.52 per cent, down at 12,055.80.

Most Asian markets, too, finished in the red, but European indices rebounded after the previous day's thumping, which saw investors worried about the economic fallout from the coronavirus outbreak in China huddle in safe-haven assets. US stock indices, too, were trading higher on Tuesday after the S&P 500 suffered its worst day in nearly four months.

In contrast with the Indian markets, the rupee clocked its first gain after three days of losses, recovering by 12 paise to close at 71.31 against the dollar.

Also, spot gold was down 0.76 per cent to $1,569.30 per ounce in New York trade as of 10.11 pm, having touched its highest since January 8 on Monday. Brent crude, however, was oscillated between positive and negative territory.

Central Bank logs PBT at ₹447 crore

ABHIJIT LELE
Mumbai, 28 January

State-run lender Central Bank of India on Tuesday reported a profit before tax (PBT) at ₹447.11 crore in the third quarter, compared to a loss before tax of ₹1,096.6 crore in the year-ago period.

The lender's net profit stood at ₹155.3 crore in the three months ended December 31, as against a loss of ₹718.2 crore in the same period of the last fiscal. The net interest income rose to ₹2,033 crore from ₹1,816 crore, while the net interest margin improved to 2.92 per cent from 2.74 per cent.

The non-interest income rose 129.6 per cent to ₹1,249 crore in October-December from ₹544 crore a year ago.

The gross non-performing assets (GNPA) saw an improvement at 19.99 per cent, compared to 20.64 per cent at the end of December 2018. The net NPAs were at 9.26 per cent, down from 10.32 per cent earlier. The non-performing asset (NPA) divergence, as assessed by the Reserve Bank of India (RBI), stood at ₹2,565 crore for FY19.

The provision coverage ratio on NPAs, including cumulative technical write-offs, was 73.73 per cent, compared to 69.52 per cent at December 31, 2018, the bank said in a presentation.

Rating firms move RBI, Sebi over default disclosure rule

Raters seek clarity on 'default' definition, highlight discrepancy between bond- and bank-default norms

SAMIE MODAK & SUBRATA PANDA
Mumbai, 28 January

Credit-rating agencies (CRAs) have approached the Securities and Exchange Board of India (Sebi) and the Reserve Bank of India (RBI), raising the red flag over the new norms on disclosures of bank loan defaults by listed companies.

Sources said CRAs highlighted the differential disclosure norms for bond and bank-loan defaults could lead to information asymmetry and affect the rating process, leaving scope for manipulation.

At present, any default of interest or principal repayment in the case of bonds is reported immediately. However, in the case of bank loans, companies are given a 30-day grace period before the disclosure norms kick in.

"To ensure smooth implementation, there has to be uniformity between bank- and bond-default disclosure norms. The discrepancy between the two could lead to complications for rating agencies, which are expected to take cognizance of any kind of default and immediately take rating action," said an official with a rating agency.

Rating agencies fear they could be pulled up if their rating action changes 30 days after the default when a company makes the disclosure.

Industry players said Sebi and the RBI would have to come together to iron out these issues.

Sebi in 2017 issued a circular directing companies to report any bank default within 24 hours. However, following an industry backlash, the regulator withdrew the circular.

The market regulator in November asked companies to disclose to shareholders if they were in default for 30 days. The new norms were aimed at cushioning companies that missed deadlines due to technical factors.

"The implementation of Sebi's proposal could require enabling language in the agreement to provide CRAs with timely information regarding the defaults on borrowing. In some cases, the information shared may not give a complete picture, making it challenging for CRAs to take a decision"

MOIN LADHA,
PARTNER, KHAITAN & CO

"For a cash-credit account, there could be temporary factors, such as mismatch in flows, leading to 'default'. However, this can be rectified in a matter of days. Hence, Sebi provides a month's time to companies to inform exchanges," explained V G Kannan, former managing director, Indian Banks' Association.

Karan Mitroo, partner, L&L Partners, said a 30-day period to prevent a "technical default" did not have to be disclosed because "it may not necessarily represent the true picture and may lead to negative sentiment about a perfectly financially sound company".

Sources said CRAs had sought tweaking the definition of "default" to differentiate between an actual default and a technical default.

Kannan said this concept was unique for India.

"India is the only country where we have got this cash-credit system. It's all term loans for others, where one-day default is a default. And in the case of cash credit, there is this concept of inflows and outflows and the RBI possibly is feeling that if there is a default in the cash-credit system, it cannot be treated as a permanent default," he said.

Moin Ladha, partner, Khaitan & Co, said there had to be some safeguards for CRAs.

"The implementation of Sebi's proposal could require enabling language in the agreement to provide CRAs with timely information regarding the defaults on borrowing. In some cases, the information shared may not give a complete picture, making it challenging for CRAs to take a decision," he said.

Industry players say the rating agencies have sought wide-ranging clarification from the RBI and Sebi to understand how the new rules could affect their rating.

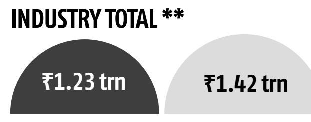
The move comes at a time when rating firms are facing criticism over their handling cases where default by top-rated issuers had stunned the Street.

Most rating agencies refused to comment on the issue.

NON-LIFE INSURERS SEE 15% GROWTH IN PREMIUMS

Non-life insurers recorded 15 per cent growth in gross premiums underwritten at ₹1.42 trillion in April-December 2019, against ₹1.23 trillion in the same period last fiscal year. While the gross premiums underwritten by private non-life insurers grew by 17 per cent to ₹69,488 crore, that of the state-owned non-life insurers grew by 12 per cent YoY to ₹62,954 crore. On a standalone basis, the health insurers showed impressive growth, with gross premiums rising 32 per cent to ₹9,677.02 crore in the period versus ₹7,314.41 crore in year-ago period. SUBRATA PANDA

INDUSTRY TOTAL **



GROSS PREMIUM UNDERWRITTEN BY NON-LIFE INSURERS

Figures in (₹cr)

	Private insurers Apr-Dec '18	Private insurers Apr-Dec '19	% growth	PSU insurers Apr-Dec '18	PSU insurers Apr-Dec '19	% growth
FIRE	4,867.66	6,776.0	39.0	3,874.58	5,267.7	36.0
MARINE	1,286.17	1,431.38	11.0	1,155.32	1,294.4	12.0
ENGINEERING	835.34	914.28	9.0	956.01	1,029.8	8.0
MOTOR	27,346.22	32,267.0	18.0	19,608.54	18,818.31	-4.0
HEALTH	8,309.07	9,915.46	19.0	16,649.20	18,035.25	8.0
CROP	11,692.0	12,527.42	7.0	3,565.82	6,197.82	74.0
CREDIT GUARNATEE	174.74	187.31	7.0	24.13	42.86	78.0
AVIATION	96.42	100.05	4.0	279.89	350.99	25.0
LIABILITY	1,284.88	1,480.23	15.0	644.35	646.65	0
PERSONAL ACCIDENT	2,320.37	2,452.47	6.0	1,070.57	970.51	-9.0
OTHERS	1,300.00	1,436.93	11.0	1,870.05	1,728.84	-8.0
PRIVATE TOTAL / PUBLIC TOTAL *	59,512.75	69,488.0	17.0	56,234.0	62,954.0	12.0

*Includes specialised PSU insurers; **Includes specialised PSU insurers and standalone health insurers

Source: Irdai

Irdai issues norms to help group policyholders of merging PSBs

SUBRATA PANDA
Mumbai, 28 January

The Insurance Regulatory and Development Authority of India (Irdai) has come up with guidelines to protect the interests of group insurance policyholders of merging state-run banks.

The regulator said upon the merger of public sector banks (PSBs), group health insurance policies of customers of the merged banks shall continue to be serviced by the insurer till the end of the policy period.

"The insurance companies shall make suitable arrangements with the acquiring banks to this effect," said Irdai.

It has also said the arrangements of the merged banks can be continued with the respective insurance companies for a period of twelve months from the date of merger, subject to willingness of the acquiring bank to function as the corporate agent for the respective insurance firms.

Irdai has said a bank in its capacity as a group organiser may have group insurance arrangements with any number of insurance firms. Also, at the end of the current policy period of the group policy, the acquiring bank may continue with the same group insurance policy with the same insurance firm. And, the acquiring bank may also simultaneously continue to have insurance coverage for its existing customers with its insurance firm. The acquiring bank can offer this insurance coverage to the customers of the merged bank with the consent of its insurer.

Union Bank will absorb Andhra Bank and Corporation Bank. Union Bank has a 25.10 per cent stake in Star Union Dai-Ichi Life Insurance, while Andhra Bank has 30 per cent in IndiaFirst Life Insurance. The bank will have to choose between Star Union Dai-Ichi and IndiaFirst after the merger comes into effect.

Similarly, Punjab National Bank (PNB), Oriental Bank of Commerce (OBC), and United Bank of India will merge into one, with PNB as the anchor bank. PNB has 30 per cent in PNB Metlife and OBC has 23 per cent in Canara HSBC OBC Life Insurance.

Syndicate Bank will merge into Canara Bank and Indian Bank will absorb Allahabad Bank. Canara Bank has 51 per cent in Canara HSBC OBC Life.

The cogs in the entertainment wheel

The boom in content has had a ripple effect across the ecosystem with hundreds of little firms finding global work and relevance

MEDIASCOPE

VANITA KOHLI-KHANDEKAR

Walk into a small basement office in the heart of Delhi's Lajpat Nagar for a glimpse of what the boom in content has done to the entertainment economy. All the three tiny studios at Rahul Bhatia's Business of Languages or BoL are occupied. On the screen of the first one I spot a National Geographic documentary being dubbed in Hindi and in another room an English script is being translated to Hindi. In a third one a very familiar sounding voice artiste is rehearsing her lines. (She is the voice of a popular kids character Shinchan, I am told later.) On an average BoL dubs and subtitles over 100 hours of content a month from English, Chinese, Japanese, Spanish to Hindi, Tamil, Telugu among other languages. That is up from 20 hours a month two years ago. Back then, 16 of those 20 hours was work for television. Now half of the 100 hours are for TV, 30-40 are for OTT and the rest is for Interactive Voice Response Services. Check the credits on *The Protector*, *Trollhunters* (Netflix) or *It's not That Simple* (Voot) or *Permanent Roommates* (TVF) among other shows and you might spot BoL.

Alternatively, you might find other firms located in Delhi or Chennai or Hyderabad or Mumbai doing post-production or dubbing. The first happy impact of the boom in content creation is this huge rise in the demand for all the things that go into putting a *Sacred Games* or *The Family Man* on millions of TV, mobile, device screens across the world. These could be the multitude of languages in which content is now available, technical services, among scores of other things. The second impact is pushing up the value of talent. The third is bringing a much-needed focus on training young and mid-level talent in India's ₹1,67,400 crore media and entertainment industry

Google, Amazon, AT&T, Disney, Comcast, Apple and Netflix among others are commissioning content from across the world in their search for audiences. It could be Indians watching *Narcos* (Spanish, Colombia), the French watching *Sacred Games* (Hindi, India) or the Turks watching *Dark* (German, Germany) among the millions of permutations possible. This search has led them to India — not just for its audience but also for its storytellers. Other than Korea, India is one of the few markets with authentic local stories to tell and an industry that tells them well. More than 90 per cent of what Indians watch or hear is local.

And now it is finding favour globally too. In July 2018, *Sacred Games*, a Hindi show began streaming in 190 countries to Netflix's 125 million subscribers (then). More than a year later in September 2019, it was nominated for the International Emmy Awards along with *Lust Stories* (Netflix) and *The Remix-India* (Amazon Prime Video). They didn't win but *Sacred Games* made it to *The New York Times* list of the 30 best international series of the decade. According to Amazon Prime Video, one in three viewers for its Indian shows is from outside of India.

Not surprisingly, the wooing of Indian talent — from actors and directors to writers — has been relentless. From barely 20 hours in 2016 original content on the top 10 OTTs went to about 400 hours in 2018, says Media Partners Asia a Singapore-based consulting firm. It was estimated to go to over 1,000 hours by the end of 2019. That is about 300-500 new films or just under $500 million worth of film-quality content. At over 1,600 films India is the largest filmmaking country in the world but adding another 500 high-quality films to be watched by people of different sensibilities in different languages, is a tough ask. It creates some very sweet challenges.

"There is a lot of requirement for international languages from Indian companies in the last one year," says Bhatia. The availability of a variety of voices for stories with multiple characters is another issue. To tackle it, in August 2019 Bhatia launched SoL or School of Learning. It offers a two-month course for voice artistes, out of the same studio. Netflix is doing its bit too. In October 2019 it hosted a four-day post-production training programme on visual and special effects, sound, music, workflow among other topics. More than 30 working professionals took part in it.

India's creative ecosystem is buzzing with happy sounds, in many languages.

Twitter: @vanitakohlik

CHINESE WHISPERS

Listening to conscience, again?

Only Narayan Tripathi knows what is on his mind. The rebel Bharatiya Janata Party (BJP) MLA first voted in favour of the Kamal Nath government during the voting on the Criminal Law (Amendment) Bill in the Madhya Pradesh Assembly. He did so, he said, because his conscience told him to. When people thought he had switched sides, he, along with former minister and senior BJP leader Narottam Mishra, appeared (in October last year) in the Bhopal BJP party office to announce he never left the party in the first place. He defied the party line once again on Tuesday and opposed the Citizenship (Amendment) Act, 2019, saying, s"We speak of *vasudhaiva kutumbakam* (the world is one family) but if we divide people on the basis of religion, the country will break up." Is his conscience speaking again?

Samvidhaan gets its due

Oxford University Press (OUP) on Tuesday said "*Samvidhaan*" (Constitution) had been chosen the Oxford Hindi Word of 2019. According to OUP, *Samvidhaan* is a body of fundamental principles or established precedents in accordance with which a state or other organisation is acknowledged to be governed. An Oxford Hindi Word of the Year is chosen if it attracts a lot of attention. The Oxford dictionaries team invited entries for the Oxford Hindi Word of the Year through its Facebook page and received several hundreds of entries. The word of the year was chosen by a team in India with the help of an advisory panel of language experts. OUP said the word *Samvidhaan* was chosen as 2019 saw the values of democracy, secularism, justice, liberty, equality, and fraternity being tested on the touchstone of the Constitution or *Samvidhaan*.

Mamata's brush with CAA, NRC

West Bengal Chief Minister Mamata Banerjee (*pictured*) took up the brush on Tuesday, this time to express dissent on the Citizenship Amendment Act (CAA) and the proposed National Register of Citizens (NRC). She was part of a group that had organised a protest near the Mahatma Gandhi statue on Mayo Road, Kolkata. She had other artists for company and urged the gathering to carry out protests against the citizenship law peacefully and reiterated that she would never allow its implementation in the state. She said the paintings would be a tool to spread awareness about the CAA and NRC and would be exhibited in various galleries of the country.

Deepfakes and its discontents

Global social media conglomerates' move to crack down on AI-driven video-manipulation technologies is a potent indicator of the mounting dangers to credible media dissemination

DEVANGSHU DATTA

On January 6, Facebook's VP Global Policy Management, Monica Bickert, announced that Facebook would crack down on certain categories of manipulated media. It would remove "misleading, manipulated media that had been edited or synthesised in ways not apparent to an average person [to] mislead someone into thinking that a subject of the video said words they did not actually say" and "video that is the product of artificial intelligence or machine learning that merges, replaces or superimposes content, making it appear to be authentic". Twitter has announced a similar policy and Reddit has also started to crackdown on "deepfakes" as these are called. Google is also cooperating in this technological struggle.

Deepfake is a portmanteau of "Deep Learning" and "Fake". It's a catch-all word to describe a large portfolio of AI-driven video-manipulation technologies. Although deepfakes have not been around for very long — the term was coined in 2017 on Reddit — they have induced legislative action. The recent policy announcements by social media networks have been triggered by impending US Presidential elections since deepfakes are a particularly effective tool for dissemination of fake news.

Deepfake is a spinoff from recognition technology. Apart from having unique faces, voices and figures, individuals also have unique postures, facial expressions, vocal cadences and modes of physical movement. If sufficient video footage of an individual exists, AI can analyse these patterns to recognise that person, even if their face is covered, or they are deliberately distorting their voices. Take it one step further and AI can extrapolate how that person would say, or do something.

"Strip" technologies such as DeepNude can guess accurately what a clothed person would look like, naked. Ageing and de-ageing technologies allow an AI to guess what someone would look like in the past, and in the future. This has been used to depict a young Harrison Ford, for instance.

Deepfake can, therefore, be used to create realistic videos of somebody doing, and saying things, that they have not actually done, or said. For example, it would be possible to make deepfake videos, where President Donald Trump is chanting in Sanskrit, Lionel Messi is swimming, and Roger Federer playing cricket. These could be realistic since the AI could analyse hundreds of hours of footage of speech patterns, body-motion patterns and facial expressions to create such videos. Mark Zuckerberg has himself been the victim of a deepfake video, which went viral.

The technology has already been used by fans to make Nicholas Cage "star" in various movies. It has also put dead actors, such as Carrie Fisher and James Dean onscreen and there are lawsuits by the estates of other dead actors to prevent this happening. It is also possible to create "synthetics" — full-body moving, talking images of people who don't actually exist.

THE AI AVATAR

- Deepfake is a spinoff from recognition technology
- It can create realistic fake videos of actual people
- Further political cause by spreading disinformation
- Generate celeb pornography
- Accurately create time-lapse images of people to show ageing or their childhood

These technologies are proliferating in the form of programs easily used by anybody. There may be legal applications. For example, labelled deepfake for the sake of parody, or entertainment, is possible. An aspiring film-maker may make a film starring non-existent people. Deepfake can also be used to train athletes to improve techniques. It can be used for satirical content. Indeed, Facebook will allow deepfake attempts at humour, parody or satire (though this can be very subjective).

But there are also many nasty applications. Apart from creating disinformation to further political causes, deepfake technology can generate celeb pornography, and "revenge porn", using footage of ex-partners. Porn is most popular use-case — according to estimates by researchers, about 95 per cent of deepfakes in public domain consist of porn. It is also possible that deepfake will soon be weaponised to "frame" civil activists in undemocratic regimes.

The state of California has banned deepfake revenge porn and celeb porn. It's an obvious hotspot since both Silicon Valley and Hollywood are in California. At the federal level, the US Congress has contemplated legislation to regulate and control deepfakes. But this is hard to formulate without stepping on free speech, and freedom of expression. In any case, it's hard to see legislation keeping pace with a fast-evolving technology.

Deepfake generation relies heavily on "training" AI through algorithms that analyses footage, and recognises and recreate subjects. It often uses a method called Generative Adversorial Networks (GAN), which sets up two algorithms to battle each other: one algo tries to forge convincing deepfakes while the other algo points out flaws in forgery. In this way, the AI learns and improves.

Identifying deepfakes is not an easy task. Facebook is putting $10 million into creating better recognition systems. It is hiring actors to make videos for training AI algorithms. Google has already put together a publicly available dataset of 3,000-odd deepfake videos, to train AI programs to identify deepfakes. This will turn into a race of competing technologies – deepfake technology will improve rapidly even as detection also gets more sophisticated.

There are many other ways to manipulate media of course. But this one could eventually lead to the complete collapse of credible information dissemination.

Jet, set, going down

MONEY MATTERS

JOYDEEP GHOSH

Two market mavens were having a delightful chat on Twitter recently: "Can someone educate me on why Jet Airways is still listed and trading, and how does it go up 5 per cent daily when the airline has closed down?" Another responded: "Absolutely. Air India can merge with Jet airways and become even more valuable on this account."

This was friendly banter but it does raise some uncomfortable questions. The Jet Airways stock has gone up from ₹15.45 in October 2019 to ₹50 in January 2020 — up over 300 per cent in three months even though the company has been grounded for over a year. It hit the upper circuit of 5 per cent consistently almost every day in the past month (a Z-category stock's upper and lower circuit filters are fixed at 5 per cent). And after hitting the lower circuit for the last few trading sessions, on Tuesday, the stock started moving up again. Clearly, speculators are happily playing the "pump and dump" game.

So what are the regulations governing such stocks? One of the main criteria for suspending a stock from trading is the failure to report earnings for two consecutive quarters — a rule that both the Bombay Stock Exchange and the National Stock Exchange have followed diligently, the most recent cases being Café Coffee Day and the fraud-hit CG Power. Both did not declare results in the July and September quarters. (They have time till today, January 29, to comply, failing which trading will be suspended from February 3.)

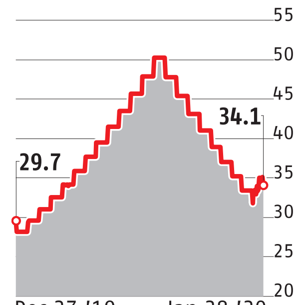
Then why is Jet Airways special since it declared its last quarterly result in December-end 2018? Perhaps because of the hope factor, since it is in the Insolvency and Bankruptcy Court (IBC). The benevolence of the exchanges might have also stemmed from the fact that the company has a few planes, valuable airport slots and other holdings that may still fetch a buyer. There could also be a moral hazard of depriving as many as 150,000 investors an exit route. Meanwhile, there is some minor fees to be earned from the daily transactions. So, while their indecision may be understandable, speculators are having a field day.

Reality check: Even if Jet Airways is bought in the IBC process, there is no guarantee that investors will get the existing stock price, or even close to it, or anything for that matter. The Securities and Exchange Board of India's (Sebi) July 2018 circular has clearly given acquirers the flexibility, including exemption from any reverse book building and the requirement for minority shareholders' approval. This exemption means that the next owner is under no obligation to pay the existing shareholders any price for their holdings. In the case of Electrosteel Steels, the Vedanta Group gave 19 paise per share whereas it was trading at ₹26. Essar Steel shareholders' holdings were simply extinguished after ArcelorMittal took over.

History has been equally unkind to shareholders of other badly-run companies. In 2004, Oriental Bank of Commerce paid nothing to shareholders of Global Trust Bank though depositor money was protected.

Since the Sebi is already clear in its stand, tightening the screws further on such companies' shares would be a step forward. Guidelines like putting the stock into the trade-to-trade category — a type of settlement system where transactions can be done only for delivery — immediately, will deter speculators. It will also prevent circular trading as brokers have to pay for each transaction (buy or sell). And only genuine investors will be able to participate in the trade. Other steps like advanced monitoring, and of course, a higher trading margin should be imposed.

JET'S FLIGHT PATH In ₹



According to its own investigations, the Sebi had identified 331 companies a couple of years back that it assessed were misusing the stock exchange platform for tax evasion, incidentally called "stocks for tax planning" in the stock market parlance. These entities were availing of long-term capital gains (LTCG) through sham transactions. Thankfully, these may have come down after the imposition of the 10 per cent LTCG in the last Budget, say market players.

Some believe that the regulator should not intervene, but only investigate, for now. They argue that it has the option of punishing traders in case of circular trading, or any other wrongdoing. But given that such investigations take a long time and waste manpower, a stronger rule seems to be the need of the hour. Prevention is better than cure.

Of course, speculation needs to be the heart and soul of the stock market. But as American investment guru Philip Fisher has said: "The stock market is filled with individuals who know the price of everything, but the value of nothing."

Jet Airways needs to be taken out of this misery. Even Naresh Goyal would agree.

LETTERS

Why turn back the clock?

This refers to "Budget 2020: Time to re-introduce wealth tax, says Abhijit Banerjee" (January 28). Notwithstanding Nobel laureate and economist Abhijit V Banerjee's latest call for the re-introduction of a wealth tax in India considering the rising inequality, the nation's current economic scenario does not justify such a plan. In fact, such a move might turn out to be counterproductive as our economy is facing a huge mismatch between demand and investments, which is essential to achieve the desired level of the economic growth. In fact, our experience shows the imposition of such draconian taxes has failed to serve the real purpose as such a regime is a fertile ground to breed ways to evade and avoid the same.

Mind you, the maximum marginal rate of income tax happened to be as high as 97.5 per cent during the tenure of Indira Gandhi (being the PM and FM both) in the 1970s. But it was later brought down, realising the folly of persisting with such a structure. As mentioned in this report, the archaic Wealth Tax Act 1957 was discarded in 2016, that is, during PM Modi's first tenure. For sure, there must have been valid grounds for doing so. It might not be prudent to move back to such provisions, more so when the government is in the process of ushering in the much needed tax reforms to boost the economy.

SK Gupta Delhi

Holidays are good but...

Apropos "Thank tithi for long weekend" (Chinese Whispers, January 28). Holidays are generally good although supporters of our Prime Minister claim he has not taken even a single holiday in the last five years and six months and works 18 hours a day which was proved when he managed wake up India's first citizen to revoke his rule in Maharashtra to install Devendra Fadnavis as second-term CM for two days. However, West Bengal and many other states across India are notorious for extending festival holidays. If those employed by the West Bengal government can thank *tithi*, the government employees of Tamil Nadu just thanked Pongal for enjoying the luxury of a six-day holiday starting January 14. This year, apart from Maatu Pongal — as gratitude to the bull — people also celebrated Kudarai (horse) Pongal on January 18 and we can only pray the list of animals doesn't become longer next year.

N Nagarajan Secunderabad

All for "democratic" growth

We have visions of a $5-trillion economy and there are the annual trysts with the Budget. Nations

pass through phases of growth, stagnation and economic regression.

Corrections follow to bring in inclusiveness, applying monetary/economic tools to regain trajectory. History bears out that democracies have consistently fuelled national growth. Of the various components of a democracy, civil liberty is the most important to positively affect economic reforms, private investment, the size and capacity of the government, and for the reduction in social conflict. For younger nations there could be more channels by which democracy can increase economic growth. The interaction between democratic institutions and the level and distribution of income is currently defining the action grid of most nations and India is no exception. The ethos of democratic growth is the operating system, the rest are just programmes and hardware.

R Narayanan Navi Mumbai

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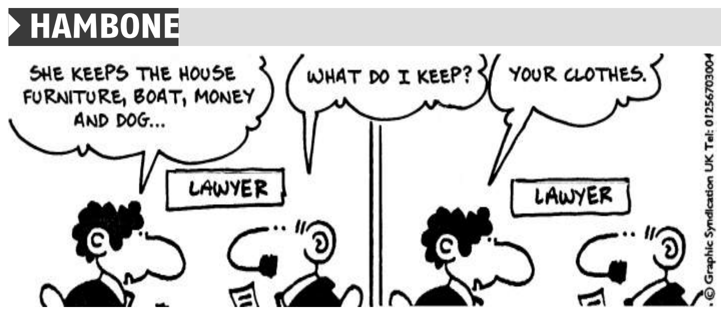
HAMBONE



Business Standard
Volume XXIV Number 118
MUMBAI | WEDNESDAY, 29 JANUARY 2020

Rising forex reserves

Large inflows can increase policy challenges

India's foreign exchange reserves would soon touch the $500-billion mark if the Reserve Bank of India (RBI) continues to accumulate foreign currency at the same pace as last year. India's reserves have touched a new lifetime high of $462.16 billion, according to the latest data, after going up by over $60 billion in 2019. While higher reserves would increase India's capacity to deal with external economic shocks, the continued flow of foreign money at this pace could complicate domestic policy management.

The flow of foreign funds increased significantly in 2019, owing to easier monetary conditions in advanced economies, particularly the US. Since monetary policy is likely to remain accommodative in the foreseeable future, it is reasonable to expect that the flow will continue in 2020 as well. Research shows while foreign direct investment depends on the domestic policy and regulatory environment, portfolio flows are driven largely by the availability of liquidity in the global financial system. Since a higher flow of foreign capital puts upward pressure on the rupee, the RBI is rightly intervening in the market to protect India's trade competitiveness. The Indian rupee is anyway significantly overvalued in real terms, which, among other factors, has resulted in export stagnation over the last few years.

While it is important that the RBI doesn't allow the rupee to appreciate, continued interventions can lead to significant policy complications. For instance, the RBI's intervention in the market to absorb foreign currency results in an infusion of domestic currency, which increases liquidity in the system. Surplus liquidity in the banking system was above ₹4 trillion at the beginning of the year. Continued liquidity infusion when inflation is above the upper end of the central bank's target band could affect its objective of price stability. Excess liquidity is also not allowing the central bank to effectively intervene in the bond market, which has steepened the yield curve. In fact, the RBI may be forced to sell bonds to absorb excess liquidity at some point. This would again affect yields. Further, the shift in favour of low-yielding foreign assets on the RBI's balance sheet will affect its earnings and the surplus transferred to the government. Higher reserves have costs.

Given the complexity of the situation, India's overall policy approach to external finance is puzzling. While on the one hand, the RBI is buying foreign currency in large quantities to avoid rupee appreciation, on the other hand, it is encouraging foreign debt flows. For instance, last week it raised the limit for foreign portfolio investment in the Indian bond market. Similarly, last year it had relaxed the end-use restrictions related to external commercial borrowing by Indian companies for working capital requirement and repayment of rupee loans. Higher-rated Indian firms would want to borrow abroad to take advantage of the difference in interest rates. But a higher flow of foreign debt in the given circumstance will affect economic policy management. Therefore, given the level of reserves and state of global finance, the central bank, along with the government, would do well to review what kind of foreign funds will serve the Indian economy better. Flows coming in just to take advantage of interest rate difference can escalate policy challenges.

Withdrawal symptoms

CAA is hurting India's interests at home and abroad

Realpolitik in the shape of the March 13 EU-India summit in Brussels may explain why the European Union has distanced itself from the six resolutions against the Citizenship Amendment Act (CAA) that have been submitted in the European Parliament by lawmakers from six political groups. But the fact that both the European Parliament and the US Congress have thought fit to offer criticism of domestic Indian legislation — the criticisms include those of the reading down of Article 370 for Jammu & Kashmir — should offer the Bharatiya Janata Party (BJP) leadership pause for thought. With the tenacious Shaheen Bagh protest in the capital offering a template for protests around the country and several opposition-ruled states passing resolutions against the CAA, the government may have to face the inconvenient truth that this Act may not be in India's best interests. The legislation has already cost the country goodwill with allies as valuable as Bangladesh (which, among other things, offers useful intelligence on Islamic terrorism) and Afghanistan (which viewed India as partner in its development). It is clear from the defensive responses to international censure and the hard-line pushback at home (Home Minister Amit Shah urged voters in Delhi a couple of days ago to press the EVM button with such "anger" that the "current" is felt in Shaheen Bagh) that the leadership is drawing on the strength of the BJP's 2019 mandate and the potential of the Indian market in a slowing global economy and the stresses in the Chinese economy. The party may discover, however, that soft power counts for much in global diplomacy, the conduct of which demands greater subtlety.

Three hints of India's weakening position in the international community should not be ignored. The first is the Saudi Arabia-led Organisation of Islamic Cooperation's call for a foreign ministers' meeting to discuss the situation in Jammu & Kashmir in December, soon after protests erupted over the CAA. Saudi Arabia has been India's closest partner in West Asia, its second largest supplier of crude oil, and potential investor in the country's refining business. The fact that it acceded to Pakistan's demands is a discomfiting sign for India. The second is India's invitation to Pakistan to attend the China-led Shanghai Cooperation Organisation dialogue, which New Delhi will be hosting for the first time. The government has hyped the move as an attempt to thaw relations frozen since January last year. But the fact that India's invitation stems from diplomatic initiative dominated by Pakistan ally China is significant. And finally, there is India's inability to get Pakistan blacklisted under the Financial Action Task Force on terror financing. There are indications that, owing to its critical role in Afghan peace negotiations, Pakistan may get six months' time to comply with rules.

Meanwhile, the negative publicity from the persistent protests at home is distracting the government's attention from the biggest problem of its own creation, slowing economic growth. Equally, images of protestors are unlikely to encourage foreign investors to view India as a stable policy for doing business. Admitting to a mistake is not something politicians anywhere in the world readily agree to, and doing so is certainly not in the current leadership's playbook. But not implementing legislation — in this case the CAA — and halting the roll-out of the controversial National Population Register enumeration that weaponises the legislation would go a long way towards allaying the misgivings that have polarised independent India and damaged its global reputation as a vibrant, inclusive democracy.

ILLUSTRATION: BINAY SINHA

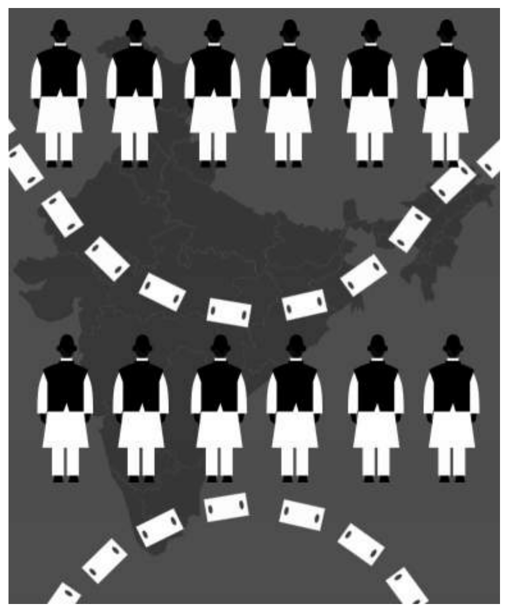


Table 1

	State-wise population (millions)			Per capita net state domestic rupees)++ product at factor cost (current prices in in rupees)++			Lok Sabha/ Rajya Sabha seats
	1971	1991	2011	1990–91	2011–12	2017–18	
Andhra Pradesh	43.5	66.5	84.6	4,531	69,000	142,054	25/11
Telangana	#	#	#	#	91,112	181,034	17/7
Karnataka	29.3	45	61.1	4,598	90,263	181,788	28/12
Kerala	21.3	29.1	33.4	4,200	97,912	163,475*	20/9
Tamil Nadu	41.2	55.9	72.1	4,983	92,984	166,934	39/18
West Bengal	44.3	68.1	91.3	4,673	51,543	95,562	42/16
Gujarat	26.7	41.3	60.4	5,891	87,481	156,627*	26/11
Maharashtra	50.4	78.9	112.4	7,439	99,564	180,596	48/19
Odisha	21.9	31.7	42	3077	48,370	80,991	21/10
Rajasthan	25.8	44	68.5	4,191	57,192	100,551	25/10
Madhya Pradesh	30	48.6	72.6	4,049	38,551	74,590*	29/11
Bihar	42.1	64.5	104.1	2,660	21,750	38,860	40/16
Uttar Pradesh	83.8	132.1	199.8	3,590	32,002	55,339	80/31

++ The per capita incomes cannot be compared across years as the base years are different. Incomes can be compared between one state and another i.e. vertically for the same year.
#Telangana was created out of Andhra Pradesh in June 2014. Jharkhand, Uttaranchal and Chhattisgarh were carved out of Bihar, Uttar Pradesh and Madhya Pradesh respectively in November 2000. *For 2016–17. Source: Reserve Bank of India

Potentially disruptive north-south divide

For national harmony, allocation of revenues and parliamentary seats to states should continue to be based on the 1971 census

Over the past three decades, since the economic reforms of the early 1990s, per capita incomes in south Indian states have risen substantially faster than in the larger north Indian states. In 1990-91, per capita income in Karnataka was 1.7 and 1.3 times higher than that of Bihar and Uttar Pradesh, respectively. By 2017-18, the same numbers were much higher at 4.7 and 3.3 times and that trend has continued. Table 1 provides a listing of per capita incomes, populations and the numbers of seats in the Lok/Rajya Sabha for several states.

JAIMINI BHAGWATI

Allocation of tax revenues by successive Finance Commissions has been invariably correlated to populations of individual states. For instance, paragraph 4 of the 14th Finance Commission's terms of reference (ToRs) stated that "the Commission shall generally take the base of the population figures as of 1971 in *all* cases where population is a factor for determination of devolution of taxes and duties and grants-in-aid; however, the Commission may *also* take into account the demographic changes that have taken place subsequent to 1971 (emphasis added)." Chapter 8 of the 14th Finance Commission's report is titled "Sharing of Union Tax Revenue" and mentions that "though we are of the view that the use of dated population data is unfair, we are bound by our ToRs".

Individual state governments have had their differences with the central government about sharing of tax revenues between them and the Centre. The change in the ToRs of the 15th Finance Commission to carve out a portion of total revenues for external defence and internal security expenditures prior to allocation of funds to states was criticised by some state governments. It is not clear why this specific change in the ToRs was necessary. Past Finance Commissions have taken threats to India's security into account in apportioning resources between the Centre and states. More recently, states have asked for a share out of the amounts collected through cesses and surcharges levied by the central government even though the Centre can retain such revenues fully under existing provisions of the Constitution. In December 2019, there was a lack of consensus in the GST Council and a decision on taxation of lotteries was put to vote — a first for this Council as previous decisions were taken by consensus.

The 15th Finance Commission ToRs mention that it "shall use the population data of 2011 while making its recommendations." Using the 2011 census numbers, per capita incomes in northern states are substantially lower than those for southern states. This could result in higher proportions of overall revenues to be allocated to northern states by the 15th Finance Commission compared with allocations made by the 14th Finance Commission and could potentially cause disaffection in southern states. My understanding is that linking 1971 population numbers to allocations made by Finance Commissions is not necessarily unfair to the northern states. If the large northern states had managed development efforts better, the faster rise in their populations would have been to their advantage. States need to be treated fairly but poor past economic performance should not be the basis for preferential treatment. In any case, many from UP and Bihar move temporarily or even permanently to higher per capita income states. Maybe the following methodology that is mentioned in the 14th Finance Commission's report could be adopted by the 15th Finance Commission. Namely that the "weight assigned to the population should be decided (as per the 1971 census) and an indicator for demographic changes (since then) be introduced separately".

For some time now there has been concern in south Indian states about how their numbers of seats in the Lok Sabha would decrease once the next delimitation exercise is done. According to the 84th Amendment of the Constitution in 2002, this reallocation of parliamentary constituencies is to be done as per the 2031 census (*India's Emerging Crisis of Representation* by Milan Vaishnav & Jamie Hintson, Carnegie Endowment, March 2019). The speculation is that south India may lose as many as 45 seats to north India. Clearly, this would not be acceptable to southern states.

The disquiet about the current central government's motivations may not be warranted. However, the reality is that recommendations on allocation of funds across states by the 15th Finance Commission based on the 2011 census may roil the waters. Ten years from now, post 2031 southern states are likely to be highly agitated if their numbers in the Lok Sabha were to decrease. Although the reaction of the lower per capita northern states may be shrill citing unfairness, it would be better for national harmony to base allocation of revenues across states and the numbers of members of parliament from the various states on the 1971 census for another 30 years.

The writer is a former Indian Ambassador and World Bank Treasury professional; j.bhagwati@gmail.com

A case of *swadeshi* privatisation

The Union government's decision on Monday to invite preliminary bids for the sale of 100 per cent equity of the state-owned airline, Air India, raises several issues, whose implications for economic policy in the country need to be fully understood. There is no doubt that the release of the Preliminary Information Memorandum (PIM) for the sale of shares in Air India shows Prime Minister Narendra Modi's commitment to the idea of privatisation. But what kind of privatisation has Mr Modi chosen for Air India?

There is a mistaken notion that Mr Modi, by deciding to privatise Air India, has adopted a bold stance in the face of doubts and questions raised on this issue by the Rashtriya Swayamsevak Sangh (RSS). The RSS, a Hindu nationalist organisation providing ideological sustenance to the Bharatiya Janata Party (BJP), has always opposed the privatisation of Air India. But it is important to remember that its opposition is highly nuanced.

NEW DELHI DIARY

A K BHATTACHARYA

The RSS is principally against the idea of foreign ownership of India's national airline. Its chief, Mohan Bhagwat, was reported to have said at a public meeting that it was not advisable to allow more than 49 per cent of Air India's ownership to be controlled by a foreign company. Even Germany did not allow more than 49 per cent foreign equity in its airline, Mr Bhagwat was reported to have stated in support of his arguments.

Now, take a closer look at the PIM on Air India privatisation, which was released on Monday, and the foreign direct investment (FDI) policy that governs the civil aviation sector. Foreign airlines or foreign investors can invest only up to 49 per cent in Air India. In addition, the policy stipulates that substantial ownership and effective control of Air India will always be vested in Indian nationals. This policy was announced in January 2018 and there has been no change in this, even though proposals to relax this norm have been under the government's consideration.

Not without reason did Finance Minister Nirmala Sitharaman announce in her Budget on July 5, 2019, that the "government will examine suggestions of further opening up of FDI in aviation, media (animation, visual effects, gaming and comics) and insurance sectors in consultation with all stakeholders." The FDI guidelines for all these sectors mentioned in the Budget have been suitably amended in the last few months, except aviation.

The Modi government's message is clear. Air India's privatisation is acceptable as long as its control does not pass on to a foreign entity. Compared to the failed attempt at Air India disinvestment in 2018, the latest PIM has introduced many relaxations. The share of equity to be sold earlier was 76 per cent and now it is 100 per cent. Earlier, the net worth for eligible bidders was ₹5,000 crore, and now it is ₹3,000 crore. The lock-in period for the acquirer was three years in the earlier round of bidding, and now it is only one year. Similarly, earlier the acquirer was not allowed to merge its business with that of Air India, and now such a merger is allowed. But there is no relaxation in the policy on FDI in Air India.

This is the RSS impact on the government's economic policy. Those who believe that Mr Modi has taken on the RSS by selling 100 per cent of Air India are completely mistaken. The Modi government has accepted the RSS view that Air India's ownership should not be transferred to a foreign national. Thus, privatisation is acceptable and Air India's ownership could change. But its management and ownership control would always vest with an Indian company or an Indian national. A foreign entity or a foreign airline could hold only up to 49 per cent equity in Air India even after privatisation. Which foreign airline will agree to invest in Air India without having management control of the airline? It is another way of saying no to a foreign airline. It is also a form of *swadeshi* privatisation, where the new private owner would always be an Indian national.

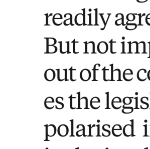
A similar approach may have influenced a key provision in the PIM on how Air India's bilateral flying rights and code-share arrangements would be dealt with after its privatisation. The PIM notes that existing bilateral flying rights and code-share arrangements would vest with Air India for six months after privatisation. Any decision on how those rights and arrangements would be distributed will be decided in accordance with the relevant rules and regulations of the government.

Ideally, bilateral flying rights should belong to the Union government. These should be unequivocally returned to the government after Air India ceases to be a state-owned airline. The government should be free to decide on offering these rights to the airline it chooses. There is no reason why such issues should be left unresolved even after six months of the change in Air India's ownership.

A company that buys Air India will obviously want to retain those lucrative flying rights. It would appear that the government is more inclined to let Air India retain these bilateral flying rights even after its privatisation. That consideration might have influenced its decision to shut out foreign airlines from gaining substantial ownership and effective control of Air India.

It is possible that these issues may be decided once the preliminary round of bidding is over. Civil Aviation Minister Hardeep Singh Puri has clarified that the government is still open to tweaking the terms of Air India's sale at a later stage. Not all bidders may like such a possibility. Prospects of a revision or refinement of terms after the bids are submitted can lead to uncertainty and it may even become controversial. The sale of India's national airline can hardly afford them.

Beyond the idea of 'Pure'



BOOK REVIEW

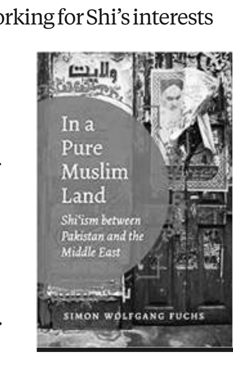
SARTHAK CHOUDHURY

At the beginning of the second chapter of *In a Pure Muslim Land: Shi'ism Between Pakistan And the Middle East*, Simon Wolfgang Fuchs talks about the monographs prepared by traditionalist scholars, observing that "this was hardly written with lay audience in mind". This is the same thought I had while reading this book.

Though the book required frequent googling for meanings and definitions or references to the glossary, it could not have been published at a more interesting time for Indian readers. Against the background of the anti-Citizenship Amendment Act protests around the country, Mr Fuchs offers an insight into the plight of minorities in Pakistan and a counter to those who argue that majoritarian countries cannot have minorities from the same religion.

The book offers a nuanced glimpse of what Shi'is, one of Islam's many minority groups, have been facing and continue to face in Pakistan and West Asia. Mr Fuchs chooses to focus on Pakistan, arguing that, despite the association between Shi'ism and the Iranian Revolution, Pakistan is home to an equally buzzing Shi'i culture.

He starts by tackling the pre-partition era, explaining how the Shi'is were apprehensive about the formation of Pakistan and the potentially oppressive nature of the "pure Muslim land". The author also points to the disunity among the Shi'is during that time. He chooses an interesting term for them in pre-partition India, calling them a "double minority" who had to choose between the Muslim League and Congress. He also emphasises the role of the All India Shi'i Conference in working for Shi's interests and the cultural importance of Lucknow for them. Mr Fuchs makes the point that despite their differences with the Sunnis, the Shi'i never dissociated themselves from the majority sect.



IN A PURE MUSLIM LAND: Shi'ism Between Pakistan And The Middle East
Author: Simon Wolfgang Fuchs
Publisher: Speaking Tiger
Price: ₹599

Broadly, Mr Fuchs touches upon three themes in the book: Religious authority, transnational Shi'ism and sectarianism. He pays close attention to the ways in which the authority of the Maraji (the rank obtained by Grand Ayatollahs) is affirmed, appropriated and challenged in the context of Pakistan.

Mr Fuchs attaches considerable importance to the Iranian Revolution, describing it as a "watershed"; for modern Shi'i thought. He makes the case that a wider Shi'i landscape emerged after the revolution. He demonstrates how local concepts and politics shaped Pakistan's view towards Iran. He also explains how Pakistani Shi'is embraced the Iranian project, suggesting that some made the case for a similar Islamic Revolution in Pakistan.

Mr Fuchs tries to explore certain aspects of sectarianism in Pakistan. He says that a number of scholars in Pakistan believed that "Sunni extremists became involved in sectarian politics of violence because of money, business and power". He blames the selective readings of literature produced by sectarian groups for the lack of a credible explanation for the situation in Pakistan. Mr Fuchs also speaks of anti-Shi'i groups such as the Sipah-I Sahabbah-I Pakistan (SSP). The SSP tried countering the export of the Iranian Revolution to Pakistan, and in doing so attempted to exclude the Shi'i from the Muslim community and, thus, from partaking in the national political discourse in Pakistan. Shi'is retorted by "advancing alternate forms of envisioning Pakistan as a political utopia within reach".

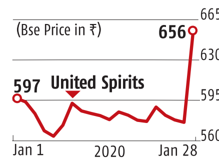
Mr Fuchs ends the book by discussing two issues. He compares the experiences of Pakistan Shi'is with that of the Indians after partition. He says that Indian Shi'is were less enthusiastic about orienting towards Iran because they had inherited a Shi'i infrastructure. He also talks about sectarian violence in the two countries. Mr Fuchs looks for a broader connection between the Shi'is in West and South Asia. He stresses the fact that local and national lenses remain crucial in reshaping modern Islam. He criticises the limited attention religious intellectual work in South Asia has received, going on to suggest a new way to study the flow of ideas, one which focuses on "bidirectional flows of religious thought".

Throughout the book, Mr Fuchs does not fall prey to the temptation to create a black and white binary regarding Shi'is and Sunnis. He points out, for instance, that between 1990 and 1997, 208 Sunnis and 289 Shi'is were killed in Punjab province, suggesting that there were Shi'i perpetrators of violence as well. He challenges the idea of Pakistan being a "mere Shi'i backwater", arguing that the community there has a lot to offer to the global Islamic intellectual space.

Other than the long list of books Mr Fuchs has used for his research, he has also referred to a number of local journals and newspapers, which makes the book an in-depth and articulate, albeit difficult read. Though the book is about Shi'is in Pakistan, it might hold up a mirror to where India will be heading if dividing and sectarian ideas aren't kept in check.

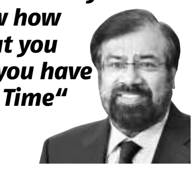
Business Standard
MUMBAI | WEDNESDAY, 29 JANUARY 2020
The Smart Investor
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: STRONG Q3 LIFTS UNITED SPIRITS



Shares of United Spirits soared 14% after it showed significant margin improvement in Q3, thanks to lower input costs and price hikes. Encouraging growth commentary by the management should support the stock, say analysts

"The major difference between Money and Time is that you always know how much Money you have left but you don't know how much Time you have left. So do always value your Time"



HARSH GOENKA
Chairman, RPG Enterprises

Govt ETFs await Budget incentives

Centre yet to notify Section 80C tax benefit, even as it plans another tranche; demand may be muted

JASH KRIPLANI & SAMIE MODAK
Mumbai, 28 January

PSU exchange-traded funds (ETFs), which have made significant contributions to the government's disinvestment plans in the past, are yet to receive tax benefit proposed in the FY20 Budget, even as the Centre lines up yet another share sale through this route.

Among the key proposals of Finance Minister Nirmala Sitharaman's maiden Budget was extending the Section 80C tax advantage to PSU ETFs. However, the proposal is yet to be notified.

Industry players say this could hurt the demand as the latest tranche of government ETFs is being launched at a time when retail investors earmark funds to park into tax-saving products.

"If PSU ETFs had the additional benefit of tax savings, they could have garnered higher demand from investors looking for tax-saving options under Section 80C around this time of a financial year," said Amol Joshi, founder of Plan Rupee Investment Services.

ILLUSTRATION: BINAY SINHA

GAINING GROUND (Figures in ₹ crore)

ETFs have grown in prominence as the government's preferred disinvestment route

Mode of disinvestment	FY18	FY19	FY20 till date
IPO	24,040	1,704	1,114
ETF*	14,500	45,079	14,369
OFS	13,711	5,236	730
Strategic disinvestment	4,154	6,713	NA
Buyback	5,207	10,291	NA
Off-market deal	36,915	14,500	NA
Enemy share sale	NA	NA	1881.21
Total	**98,526**	**83,522**	**18,095**

Note: Strategic disinvestment includes Suuti stake sale; off-market deal includes transfer of govt shareholding in a PSU to another PSU
Source: DIPAM

"In the absence of tax benefit, the government will not be able to capitalise on this opportunity," said a senior executive of a fund house. The seventh tranche of CPSE ETF — which opens on Thursday — is aimed at raising ₹10,000 crore.

Investors can claim a tax deduction of up to ₹150,000 from the overall gross revenue under Section 80C of the Income Tax Act. Equity-linked savings schemes (ELSS) are popular among mutual fund (MF) investors looking at this tax-saving option.

Industry players said operational difficulties, such as providing the option for a lock-in period, have delayed the ratification. More clarity can be expected in the upcoming Budget, they said. The 2020-2021 Union Budget will be presented this Saturday.

According to investment bankers, tax incentive on ETFs could help the government improve its disinvestment kitty. "The government is finding it difficult to meet its disinvestment target as large-ticket strategic sales look unlikely in this fiscal year. ETFs can bring in more funds if the government sweetens the offering through tax benefits," said a merchant banker.

The government's disinvestment target for 2019-2020 stands at ₹1.05 trillion. Thus far, the government has raised ₹18,094 crore through disinvestments this fiscal year, just 17 per cent of the target.

Last fiscal year (2018-2019), ETFs played a significant role as the government raised 56 per cent (₹45,079 crore) of its disinvestment target through this route.

According to a fund manager, getting retail flows will also help fund houses manage PSU ETFs.

"PSU ETFs tend to attract institutional investors and high-net worth investors, who typically make short-term investments to take advantage of the discount offered on issue prices. On the other hand, retail flows are relatively sticky in nature," the fund manager said.

In the past, huge redemptions by large investors have led to erosion in PSU ETFs' assets under management (AUM).

Besides CPSE ETF (managed by Nippon India MF), there is Bharat 22 ETF, which is managed by ICICI Prudential MF. The AUM of CPSE ETF stood at ₹10,459.53 crore as of December 31, 2019, while the AUM of Bharat 22 ETF stood at ₹8,136.16 crore.

Sebi probe: Jhunjhunwala's holding takes a knock

His top 5 stocks fell around 1.2% on Tuesday

SACHIN P MAMPATTA
Mumbai, 28 January

Investor Rakesh Jhunjhunwala, popularly known as India's Warren Buffet, saw a fall in his key stocks after news reports of a regulatory investigation into alleged insider trading in Aptech, a computer training firm in which he is a promoter.

Four of his top five holdings underperformed the benchmark S&P BSE Sensex. They were down an average 1.2 per cent, as against a 0.5 per cent fall in the Sensex.

The reports suggested that stock market regulator, the Securities and Exchange Board of India (Sebi), is looking into the allegations of insider trading in the shares of Aptech.

Insider trading refers to buying or selling of shares by those with privileged information about the company which is not available to the general public.

Jhunjhunwala holds a 45.4 per cent stake in Aptech in his name, and in the name of related entities, shows an analysis of the shareholding data by *Business Standard*.

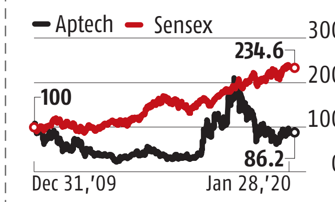
The company was down 6.66 per cent at the close of trading hours. The fall adds to earlier underperformance by the company, which has given lower returns than the Sensex over the last decade. A look at the top five holdings' performance over the December quarter shows signs of lagging performance.

ALL GO DOWN
As of Jan 28

	Tuesday's fall in %	In ₹
CRISIL	-2.6	1,740.4
Titan	-1.6	1,194.8
Escorts	-0.9	727.6
Lupin	-0.6	747.0
Federal Bank	-0.4	95.3
Sensex	-0.5	40,966.86*

* Points
Source: Capitaline

HIS FIRM GAVE POOR RETURNS OVER A DECADE



Note: Base has been taken as 100

Watchmaker Titan is the ace investor's largest holding, according to the disclosures made at the end of December. It is worth ₹7,053 crore. The stock was down 6.69 per cent in the December quarter; the S&P BSE Sensex gained 6.69 per cent in the same period.

An email sent to Jhunjhunwala on the allegations did not immediately receive a response.

Fund managers ride AI bandwagon

BLOOMBERG
Mumbai, 28 January

India's mid-sized money managers are counting on rule-based mathematical models to tap a new breed of investors embracing equities.

Tata Asset Management is the latest to start a quant fund. The firm is seeking to expand in a market where industry assets have more than doubled to $378 billion in the past five years. The fund will be the first in India to use artificial intelligence and machine learning to pick stocks, according to Tata Asset.

"We want to really try and get bigger," Prathit Bhobe, the firm's CEO and MD, said earlier this month. "In order to do that, you need to look at how you can capitalise on every opportunity the market presents."

For Tata Asset, that meant seeking new ways to benefit from the shift in local savings from gold and property to financial products, a trend that has sent India's $2.2 trillion stock market to records earlier this month.

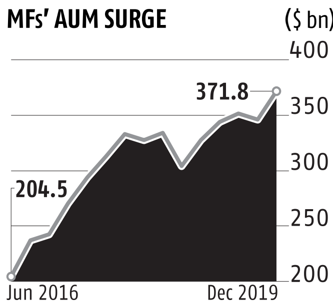
Fund houses are preparing for a future where passive investing, which has decimated fees for US managers, takes hold in the country. DSP Mutual Fund started a quant fund in June, with assets that have since grown to about ₹1.5 billion ($21 million), according to the data from Abchlor Investment Advisors.

"In the next three years, when the rest of the industry starts to launch quant products, the funds that are in place will be the only ones with a track record," said Arun Kumar, head of research at FundsIndia.com.

Quant strategies, which fall somewhere in between active and passive trading, seek to reduce the role of human bias. They follow a data-driven approach to pick stocks, using predefined parameters, such as momentum or valuation. Their global success is a mixed bag.

In India, too, their success has been limited. The Nippon India Quant Fund has often struggled to beat its benchmark over both short- and longer-term horizons. It is now adjusting the methodology of its stock selection to bolster returns. Corporate governance failures, which machines can't factor in, have also been responsible for the poor performance. Conflicts within founders' families have had a more significant impact than in developed markets, FundsIndia's Kumar said.

BIG SHIFT
MFs' AUM SURGE ($ bn)



Source: Amfi

Little interest: ITI extends FPO, cuts price

SAMIE MODAK
Mumbai, 28 January

ITI on Tuesday extended its follow-on offering (FPO) by three days and lowered the price band after failing to garner full subscription. ITI is a government-owned technology firm operating in the telecom sector.

The lower end of the price band has been revised from ₹72 per share to ₹71 per share. So far, the FPO has garnered only 50 per cent subscription. Shares of ITI extended their losing streak to close at ₹83 on the BSE. Ahead of the FPO, the stock traded above ₹90 per share.

Through the FPO, the company is looking to mop up around ₹1,300 crore. The FPO will lead to 20 per cent dilution.

Analysts say while the FPO pricing was at a discount to the market price, the adjusted price, after factoring the dilution, works out less than ₹80 per share. '

"Besides the pricing, investors are concerned over the drop in profitability of the company last financial year and the business outlook, given ITI's maximum business comes from state-owned telecom companies, which aren't in the best shape," said an analyst.

Currently, the government holds a 90 per cent stake in the company. The last FPO to hit the market was in 2014 by state-owned Engineers India. ITI's FPO will now close on Friday.

SC expunges SAT's comments on Sebi

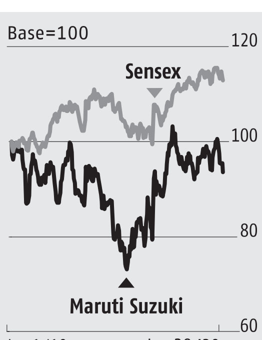
The Supreme Court has expunged adverse comments made by the Securities Appellate Tribunal (SAT) against the Securities and Exchange Board of India (Sebi) in an order regarding the handling of an investor's complaint. The SAT had made the comment in its order dated November 14, 2019.

The market regulator had challenged the order before the apex court on the ground that a computer-generated response by Sebi cannot be created as an order. It further argued the SAT had exceeded its jurisdiction in making the adverse remarks. "We are of the opinion that certain observations made in the impugned order were not called for," the SC said. **SAMIE MODAK**

THE COMPASS

Near-term growth triggers missing for Maruti

Higher discounts and promotion costs hurt its Q3 performance



Compiled by BS Research Bureau

RAM PRASAD SAHU

India's largest carmaker disappointed the Street with a muted set of results in the December quarter. Volumes were up marginally over the year-ago period and sharply over the September quarter on the back of an aggressive sales promotion and higher discounts.

Realisations or average sales price per vehicle, however, did not live up to the Street's expectations, pulled down by a weak mix and discounts. Discounts, which were ₹33,000 per unit (vs ₹24,000 a year ago), helped reduce the BS-IV inventory and push overall volume. While the operating profit margin was back in the double-digit territory at 10.2 per cent after the September quarter miss, it was lower than the 11.2 per cent estimated by analysts.

While cost-control efforts and higher capacity utilisation helped, sales promotion and higher overhead costs limited the gains. The management believes that raw material costs, which had cooled in the last quarter, may see an uptick.

The management highlighted that sequential realisations fell on account of lower sales of diesel vehicles and higher volumes in the mini and compact segments. Given the price increase taken recently and lower discounts, realisations are expected to move up in the current quarter.

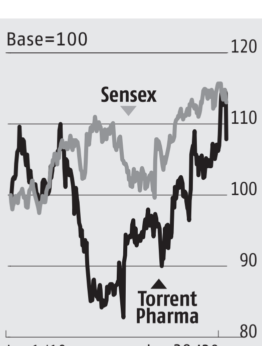
Demand trends, so far, have been weak on the back of higher prices, BS-VI transition, and liquidity issues. But there are some positives highlighted by the management. The rural sentiment is positive as rabi sowing has picked up the pace and there is an expectation of good harvest. This is critical for Maruti as the rural segment accounts for 38 per cent of its volumes. The management also highlighted improved liquidity situation with lower loan rejection rates and higher finance penetration in the quarter.

The challenge for the company will be on the product mix front as it exits the diesel segment from February. With an all-petrol vehicle portfolio boosted by petrol versions of Brezza and S-Cross, the company believes it can maintain its market share, given the shift to petrol and the higher cost of diesel vehicles. The share of diesel vehicles has declined from more than half seven years ago to the current 29 per cent. While the trend is towards non-diesel vehicles, aggressive pricing by competition and a higher share of diesel vehicles in the mid and premium SUV market may be a risk for the company.

While Maruti has held its own in a slowing demand environment, unless there is a sharp improvement in demand, sales and margins may not see any major improvement. Given a 25 per cent gain from the start of August and lack of near-term triggers, expect the stock to be under pressure.

Subdued Q3 leads to stock correction in Torrent

Analysts expect India growth to rebound



Compiled by BS Research Bureau

UJJVAL JAUHARI

After hitting a 52-week high, the Torrent Pharma stock fell more than 5 per cent on Tuesday, following a weak December quarter performance.

The Street was disappointed by its sales in the domestic market, which accounts for 44 per cent of its overall revenue. The India business grew at a soft pace of 5 per cent on a high base of last year.

Adjusting for one-offs due to the integration of stockists at Torrent and Unichem (acquired entity), the India business growth is at 8.5 per cent year-on-year (YoY). The domestic business had exhibited 23 per cent annual growth, led by turnaround of acquisitions as well as organic growth between 2013-14 and 2018-19.

The other worry is the regulatory issues, which led to a 22 per cent YoY decline in US sales. The geography accounts for a fifth of consolidated sales. The European sales, too, reported a decline of 18 per cent. Latin America and the rest of the world business put in a better show, with 12-14 per cent YoY growth.

Gross margins, however, were better on improved product mix and lower research and development costs. Also, lower interest costs, higher other income meant the adjusted profit still grew 16 per cent.

As the integration of acquired Unichem portfolio and field force is completed, better field force productivity, growth in focus brands, and traction in product launches are likely to drive domestic growth.

The management and analysts expect domestic growth to be in double digits. Analysts at Anand Rathi expect growth in Torrent's domestic business to bounce back in 2020-21.

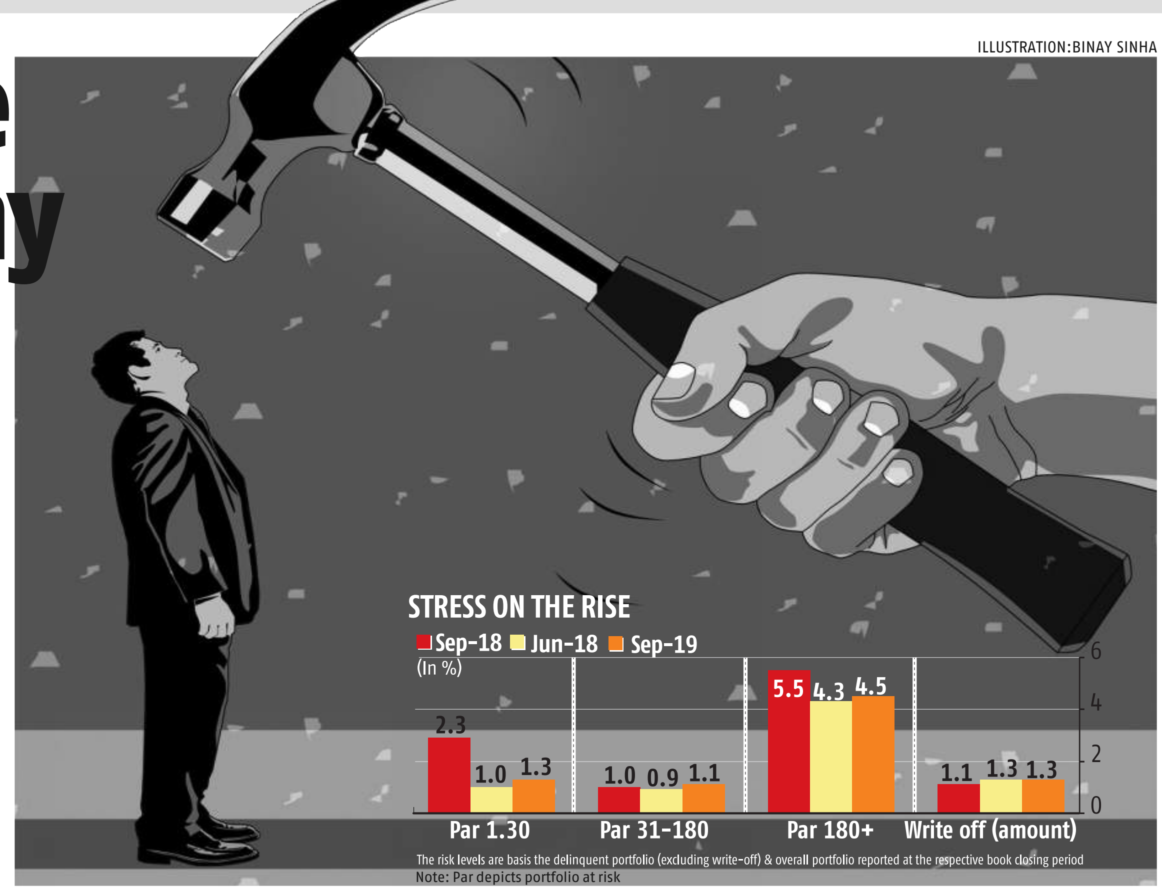
Analysts at Motilal Oswal Financial Services, too, are bullish on Torrent's prospects. They expect 29 per cent annual growth in net profit, led by India business and reduced leverage.

While most analysts maintain a 'buy' rating, after a 20 per cent gain in the stock since its September lows and given the regulatory overhang, near-term uptick is unlikely. Long-term investors could accumulate the stock on dips.

Time to take the punchbowl away

The microfinance segment is showing signs of stress with lenders of all hues chasing customers, reports **Hamsini Karthik**

ILLUSTRATION: BINAY SINHA



Ask Kalpana Pandey if the micro-finance industry is overheating, and the managing director and chief executive officer (CEO) of CRIF High Mark, says "the system is being designed for over-leverage". An exaggeration?

According to Microlend, which captures the industry's trends, the national average ticket-size for micro-finance loans rose by 12 per cent year-on-year (YoY) to ₹32,500 in Q2FY20 while the average exposure per borrower grew by 5.7 per cent to ₹34,300. Now, one way to look at it is that the universe of borrowers is turning out to be creditworthy; that microfinance institutions (MFIs) are profiling their customers better. But MFI delinquencies in Q2FY20 are also moving up.

Early delinquency levels rose to 1.3 per cent from 1 per cent in the preceding quarter though significantly lower from the 2.9 per cent YoY in the 30-day past-due (DPD) bracket. The narrative was the same in the 31-180 DPD at 1.1 per cent over the previous quarter of 0.9 per cent, and YoY at 1 per cent. So, too, the 180-day plus DPD was at 4.5 per cent, up from 4.3 per cent in the previous quarter, but lower than the 5.2 per cent a year ago. Simply put, the declining trend in delinquencies is reversing; you have whispers that the third and fourth quarters of FY20 will see these figures headed further north. *(See chart: 'Stress on the rise').*

Over-leveraging

Padmaja Reddy, founder and managing director of Spandana Sphoorty says while the MFI industry may have grown to ₹2 trillion, the share of pure-play entities is only ₹60,000 crore. Banks, including small finance banks (SFBs), which are deep-pocketed in terms of capital with higher risk appetite, and non-banking financial companies (NBFCs) are in the game in a big way. Now this, as such, isn't a problem, but when there is no regulatory level-playing field, it could turn out to be one.

MFI norms were framed based on the Y H Malegam Committee report

"The Malegam Committee touched on household income, but lenders only factor in the credit-worthiness of the individual borrowing the loan "

KALPANA PANDEY
Managing director and chief executive officer (CEO) of CRIF High Mark

of 2011 which was set up after the Andhra Pradesh crisis. Back then, the likes of HDFC Bank were not in the field nor were an L&T Finance and a Fullerton. And the committee's recommendation that an individual cannot borrow from more than two MFIs seemed fine. So, here, did it all go wrong?

The exposure of MFIs to a single borrower was pegged at ₹1.25 lakh, but "in hindsight, with the advent of banks, SFBs and NBFCs into the segment, it seems to be a typo-error. The regulation must have restricted it to two lenders and not two MFIs," says Reddy. The point here is that non-MFIs are plying borrowers with loans which may not fall within the pale of how the traditionalists view it. Again, who's to say that the same borrower isn't part of a joint liability group (JLG). This, according to Pandey, is never tracked: "There is a growing trend of individuals moving out of JLG as well and they are the target customers of lenders, which also leads to overleverage".

"Lenders are getting lazy. Most marketing heads prefer to go places which are well-connected", says Reddy. States like Odisha and Rajasthan saw a barrage of new entrants in the post-demonitisation phase, but few are willing to step out of Bhubaneshwar, Cuttack, Jodhpur and Ajmer to tier-3 or tier-4 cities.

Nitin Chugh, managing director and CEO of Ujjivan SFB, says, "When too many players operate at the same time, or in a short period of time in a small market, it leads to overheating as the portfolio is built up. This will eventually lead to stress; it has happened in Assam".

Designed to overheat?

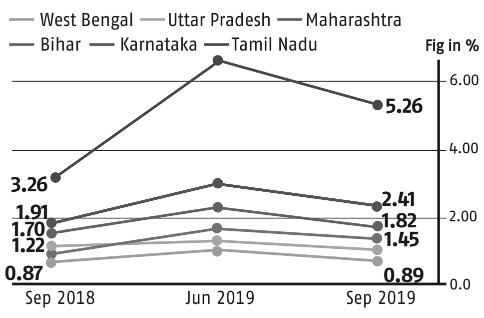
Non-MFIs have the power of cross-sell — the ability to service a customer more holistically. "MFI customers are like any other entity. It is just that when we were an MFI, we didn't have a chance to work beyond with them (our limited base)," says Chugh, even as he makes a compelling pitch in favour of cross-selling. The practice itself doesn't pose a risk, but then, these loans are yet to pass the test of time, and MFI borrowers with limited income sources tend to be vulnerable to debt.

Pandey points out that household indebtedness remains a grey area: "The Malegam Committee touched on household income, but lenders only factor in the creditworthiness of the individual borrowing the loan". And while MFI loans typically have repayment tenure of less than a year, home-, education, and vehicle loans have a longer tenure. "This structure tends to distort the repayment characteristic of the borrower and leads to an uneven repayment structure. In some cases, indebtedness increases without a proportional increase in income," notes R Bhaskar Babu, co-founder and CEO of Suryoday SFB. For LVLN Murthy, deputy CEO at Dvara KGFS, this poses a risk even when his company vends insurance. Operating as an NBFC in the hinterland of Tamil Nadu, Murthy's concern is when his wealth managers are unable to collect the second year's insurance premium. "Or what if the customer doesn't even pay the loan instalment? There's such a risk in cross-selling products," he says. And, he draws attention to top-up loans, and even loans extended to help the borrower meet the repayment obligations.

"The regulator (Reserve Bank of India) is well-aware of these concerns, but the regulations are just where they were in 2011," notes Reddy. Manoj Nambiar, managing director of Arohan Financial Services and chairman of the Microfinance Institutions Network says it has become necessary to relook at MFI regulations.

Yes, the MFI market is overheating. And you read it here first: the central bank will soon step in!

LENDERS PER CUSTOMER (STATE-WISE)



The months indicate book closing periods. Borrowers with only active lender associations are considered

... AND TAKING IT IN SMALL BITES

	Average ticket size			Average exposure		
	Sep-18	Jun-18	Sep-19	Sep-18	Jun-18	Sep-19
West Bengal	37.7	41.8	43	38.5	43	41.4
Tamil Nadu	27.2	30.2	31.1	32.3	37.6	36.5
Bihar	29.3	31.8	32.5	34.1	36.5	34.2
Karnataka	25.5	28.5	28.7	34.8	36.3	35.9
Maharashtra	26.6	28.5	29.2	29.5	31.5	31.2
Uttar Pradesh	27.9	29.8	30.5	27	29	27.8
National	**29**	**31.7**	**32.5**	**32.8**	**35.5**	**34.3**

The months indicate book closing periods. Average ticket size is basis per loan account & average exposure is basis per borrower. Figures in rupees thousand

With tweaks, June 7 circular will fly

GUEST COLUMN

DIVYANSHU PANDEY
Partner, J Sagar Associates

The framework for resolution of stressed assets under the Reserve Bank of India's (RBI) June 7, 2019, circular offers an alternative to formal insolvency proceedings to resolve financial distress. It outlines a scheme for resolving financial difficulties through 'out of court' or a 'negotiated restructuring' mechanism.

This complements the formal insolvency framework by reducing the burden on judicial infrastructure, a significant challenge being faced under the Insolvency and Bankruptcy Code (IBC). To be effective, out of court restructuring also requires 'coordination among the participants', 'recognition of priorities inter se the creditors' and 'agreement to suspend adverse actions or agreeing to a standstill' by the creditors against a debtor. Therefore, the circular read with the Intercreditor Agreement (ICA) apparently seems to have all the bells and whistles required to facilitate a negotiated restructuring.

The results have been far from promising. Further, 180-day timeline for resolving accounts above a certain threshold has also elapsed. Lenders are grappling with uncertainty on the future course of action which ranges from exploring the option of exiting the ICA, continuing with restructuring, or initiating proceedings under IBC.

It is early days to pass a verdict and attempts to bin the negotiated restructuring framework available under the circular should be avoided. The circular and the ICA have some gaps which need to be addressed.

Lenders are grappling with uncertainty on the future course of action which ranges from exploring the option of exiting the ICA, continuing with restructuring, or initiating proceedings under IBC

One of the critical aspects is the omission of non-banking financial companies (NBFCs) from the list of lenders who can initiate the 30-day review period upon occurrence of a default. Many NBFCs can therefore adopt a position that this period and the timeline of 180 days to arrive at a resolution plan is not applicable to them.

Additional funding is a key component of any debt restructuring and absence of it may push a debtor company to resort to formal insolvency proceedings due to lack of liquidity. The circular provides for asset classification of additional funding, but it is silent on the priority, if any, to be accorded to the same.

The RBI is yet to come out with the reference date for loan accounts less than ₹1,500 crore. Also, as a relaxation to lenders and to avoid further clogging of the National Company Law Tribunal, the RBI may consider lowering the increase in provisioning norms, when a resolution plan is not implemented.

A noteworthy feature of the circular is that the RBI has not been prescriptive in its approach other than providing key principles which must be adhered to. One such principle is to enter into an ICA and stipulation of its essential elements. Those signing the ICA should not treat it as cast in stone, and lenders may consider making the necessary modifications to make it more effective. An important aspect which is missing in the ICA is the flexibility of lenders to continue with standstill on the expiry of the 180-day period. The ICA should provide for a situation where the lenders continue with the formulation of a resolution plan beyond the 180-day timeline, while adhering to additional provisioning, and any decision of the majority of lenders in this regard should be binding on all creditors. Above all this, negotiated restructuring is successful if all the significant stakeholders participate, and requires all financial regulators to arrive at a common understanding.

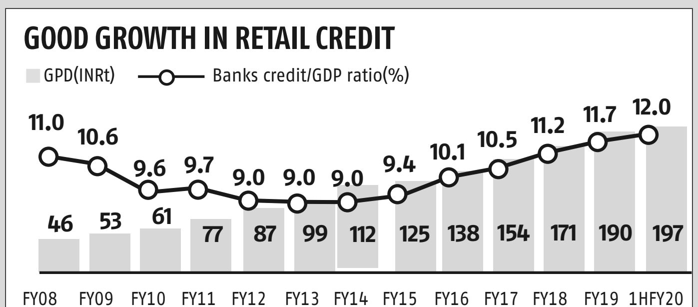
Inputs from Arpita Garg, Partner at J Sagar Associates

THE DEVIL IN RETAIL

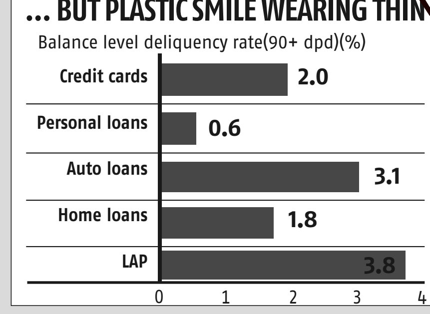
Delinquencies in banks' retail portfolio is inching up. This comes even as the share of retail credit to GDP increased to 12 per cent in HIFY20 — a full percentage over the 11 per cent seen in FY08. The increase in stress was seen in credit cards, auto, and even in home loans. Banks had grown their retail books in a big way in recent times given the lacklustre demand for corporate credit. The Reserve Bank of India's Financial Stability Reports of recent times had forewarned about the pain lurking in the retail segments. The central bank's Report on the Trend and Progress of Banking (2018-19) observes that banks' diversification strategy (into retail), while helpful as a risk mitigation tool, "has its own limitations: the slowdown in consumption and overall economic growth may affect the demand for and the quality of retail loans".

IMAGE: ISTOCK

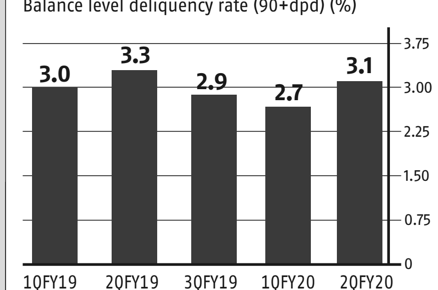
GOOD GROWTH IN RETAIL CREDIT



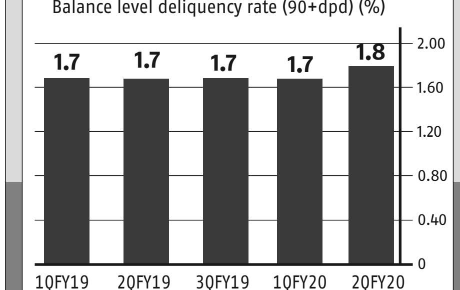
... BUT PLASTIC SMILE WEARING THIN

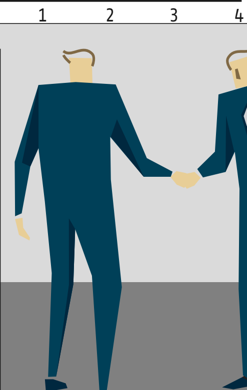


CAR LOAN DEFAULTS ARE UP



... AND IT'S REACHING HOME AS WELL





Source: MOFSL, TransUnion CIBIL

More than just capital

Banks' housekeeping woes are set to increase

RAGHU MOHAN

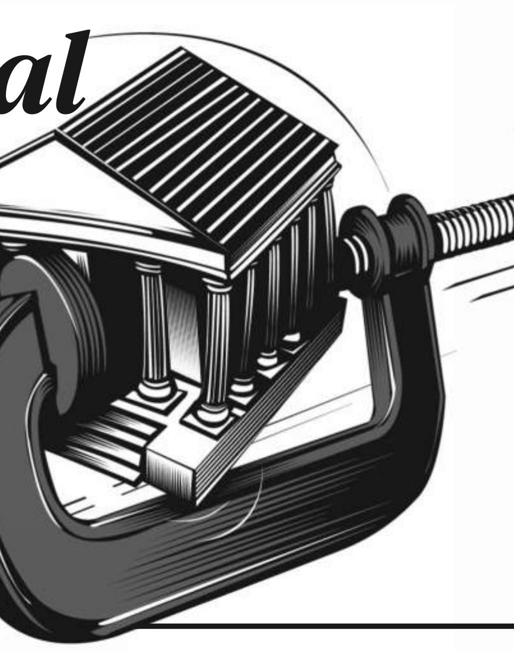
Tucked away in the Reserve Bank of India's (RBI) Report on the Trend and Progress of Banking (T&P: 2018-19) is the suggestion that it is perhaps time to seriously look at the privatisation of state-run banks. "Going forward, the financial health of these banks should increasingly be assessed by their ability to access capital markets rather than looking at the government as a recapitaliser of the first and last resort". Not explicit on privatisation perhaps, but you can get the drift.

The greater portion of the ₹70,000 crore given to these banks in FY20 by way of recapitalisation went towards provisioning for bad loans. The situation, going ahead, may be much more of the same.

The knock-down effects of the RBI's June 7 circular on the resolution of stressed loans, which calls for a cumulative additional provisioning of 35 per cent, will be fully evident by the end of the first quarter of FY21. The breather given on provisioning for stressed loans to the micro, medium and small enterprises will stand reversed in FY21. Then, you have the build up of stress in the Jan Dhan accounts which had been red-flagged by the central bank a year ago. It would not be out of place to expect an all-round uptick in bad loans.

It is also unlikely the banking regulator will give another deferment on the implementation of the last tranche of the capital conservation buffer (CCB). The deferment of the last tranche of 0.625 per cent from 1.875 per cent in FY19 to 2.5 per cent in March 2020 had left banks with ₹37,000 of extra capital, on the back of which they could have increased lending by ₹3.5 trillion. Risk aversion, and poor appetite for credit meant this relaxation was not fully utilised. But it only means that, going ahead, the Centre will have to funnel more capital into state-run banks.

The merger of four sets of state-run banks, which is to be effective from April 1 and their transition issue is another variable to contend with. The mergers will see a rearrangement of a quarter of the country's banking business in one shot. The June 7 circular will impact this realignment of market share when the merging banks take a consolidated view of stressed accounts.



POINTS TO PONDER

- RBI feels the health of state-run banks should increasingly be assessed by the ability to access capital markets
- Time for relook at the government as a recapitaliser of the first and last resort
- Bulk of FY19's ₹**70,000** crore recapitalisation went towards provisioning for bad loans
- Knock-down effects of RBI's June 7 circular calling for cumulative additional provisioning of **35** per cent will be evident in H1FY21
- Time opportune to examine the **"Golden share"** concept and differential voting rights

Several banks have been hit or are nearing their exposure ceilings to companies, conglomerates and sectors. Some of the business practices at these banks have been in place for decades, and it's tough to sort them out in a jiffy.

The stress in the wholesale credit markets saw banks chase retail assets of late. The central bank has already made a reference to the build of delinquencies in retail. It observed that this diversification has its limitations – the wholesale and retail credit markets feed each other; it has to be combination of lending to both segments – and is not to be seen as an "either-or". "The slowdown in consumption and overall economic growth may affect the demand for and the quality of retail loans", said the RBI in its T&P.

The solution offered by the central bank is to kick start the capex cycle. It leads us back to the issue of bank capitalisation, and the headroom, or wherewithal, available to continue to do so, going ahead. All of this even as state-run banks continue to lose both incremental and aggregate market share to their private peers, and stare at a fall in valuations ahead.

What has gone relatively unnoticed is the RBI's observation that in FY19, the Centre's shareholding in state-run banks went up due to recapitalisation, whereas it reduced in four banks, albeit marginally, and remained constant in three. The capital infusions and the announced mergers of these banks are likely to change the ownership structure further. Furthermore, IDBI Bank was privatised with effect from January 21, 2019, consequent upon the Life Insurance Corporation of India attaining 51 per cent of the paid-up equity share capital of the bank. It could be that the central bank is suggesting that the Centre's holding in excess of 51 per cent is bought down quickly by letting these banks tap the markets.

A way out could be to look at the "Golden share" option – the Centre can continue to have its "hold" on these banks even as it dilutes the stake to under 51 per cent in state-run banks. While the idea of a "Golden share" is yet to come into public domain, that of differential voting rights – a variant of the same — reared its head in the very first year of the Narendra Modi government's first term, but it never became a subject for serious debate. That time may well have come upon us.

The expanding footprint of TikTok

India is the biggest market for ByteDance outside China. How did the Chinese tech company break past the American giants?

PHOTO: BLOOMBERG

SCOOPING UP THE MARKET

- Global time spent on TikTok grew 210% year-on-year in 2019
- 8 of every 10 minutes spent on TikTok in 2019 were by users in China, but usage has also skyrocketed in other markets
- Demand for hyperlocal social apps has grown, as consumers look for smaller circles to complement social media behemoths

Source: State of the mobile 2020, App Annie

T E NARASIMHAN
Chennai, 28 January

In a market dominated by American social media networks, ByteDance, the Chinese company that owns both TikTok and Helo, has cut itself a large slice of the Indian market, especially outside its metros. Both its short video-sharing apps have ranked as the top two breakout social apps of 2019 in India (App Annie, State of the Mobile 2020), which is also their largest market outside China.

While Helo has cornered the vernacular, new-data user market, Tiktok has blazed through Tier-2 and Tier-3 towns. A spokesperson for ByteDance said that increased internet penetration and adoption of smartphones has fuelled its popularity.

According to the App Annie report, TikTok has been inching its way up the charts in Western markets too, it topped the list in Canada and was ranked number two in the US. Globally, time spent on TikTok grew in 2019, both from expanding user bases and increasing time spent per user with India recording the biggest leap on both counts.

The report further noted, "Looking at examples in India and the US, hyperlocal social apps have grown in demand as consumers look for smaller circles to complement social media behemoths like Facebook."

In India, TikTok and Helo have snapped in neatly, next to Facebook or Twitter, on mobile handsets. Despite having entered the market late, both have been seamlessly mapped into an imagined hierarchical framework in the user's social media app history. TikTok has a community of 200 million users in India, the company claims. So how did ByteDance push its way through and how has it held its own?

The company spokesperson said that over the last two years, popular content creators, credible educational institutions and partners, and celebrities have joined TikTok making it a vibrant space. Add to this a smooth in-app experience and the numbers have swelled.

Experts say Chinese app makers work differently from the Americans. Their networks are built on local insights, instead of being prefabricated structures built around a common global template. India is a priority market for ByteDance, being the second-most populous market outside its home and the company has spent considerable time understanding its needs and limitations.

Both Helo and TikTok have made navigation simple and easy for first-timers. For TikTok the initial months were spent under the threat of a ban as it was accused of violating a number of laws. The team, instead of antagonising its accusers by denying its culpability, said it would work to close the loopholes. This helped swat the controversies away and stay in the game.

The report said that TikTok is both a social networking app and a source of entertainment, especially for those in the 15-24 age group. In India it is also used as an educational platform, a medium for public service messaging, an interface between the police and the people, besides serving a multitude of other functions.

IIM-Indore, for instance, is collaborating with the platform to introduce lessons on marketing and business management, the Kerala and Uttarakhand police among others use it to engage with the citizenry and a number of educational tech companies are tailoring their content for TikTok.

Multifunctional and multilingual, the platform attracts a wide spectrum of users who tap into the network for multiple reasons. This makes the platform sticky and engaging, for users, and lucrative for brands.

Karthik Kumar, director of online marketing and analytics firm Rage Communications, says TikTok has become popular because of easy usability. "One can create videos right on the phone without any sophisticated equipment," he adds. TikTok's appeal for users lies in the way it opens up a window to the world, with its intelligent discovery process.

It helps that ByteDance, as experts point out, has mastered the 'Bharat strategy'. It is aimed at users in small towns, many of whom are late adopters of smartphones and works with all the stakeholders in the ecosystem —dealers, retailers, and content providers, to make sure the app is loaded on to new handsets and the content is engaging enough for young users.

FROM PAGE 1

India Inc...

Eighty per cent of the CEOs expected the government to slash income-tax rates to give a push to consumer spending.

In the recent months, consumers are not buying new cars or homes as they are worried about their future.

CEOs said any income-tax cut would give extra money in the hands of taxpayers, which would help revive consumer spending and bring in "feel-good" sentiment. At the same time, 56 per cent of the CEOs polled expected the rich to be taxed more. "I hope for rationalisation with the direct tax code as well, which will put more disposable money in the pocket of the taxpayers enhancing consumer sentiments, higher consumption and an overall positive multiplier effect on the economy," said a CEO.

About 84 per cent of the CEOs said they expect several job creation measures in the budget to be announced on Saturday. "Creating employment opportunities is one of the key focus areas if the country has to reach its vision of a $5 trillion-dollar economy by 2025," said a Kolkata-based CEO.

When asked whether they expected the finance minister to be transparent on the fiscal deficit, almost half (48 per cent) replied in negative, while another 32 per cent expected her to be transparent.

The CEOs were also expecting several measures to boost sentiment among foreign investors, who are eagerly waiting for the Budget to make their investment decisions. Three-fourths of the CEOs expected the Budget to be generous towards foreign investors. "Foreign investors are looking for more. They are rattled by the repudiation of contracts. There is genuine fear among foreign investors which needs to be addressed. More so since the Indian legal system is so slow," said a CEO of a steel company.

Bidvest, a South African company, wrote to the government this month, seeking its help to sell its shares in Mumbai airport as litigation stopped its exit for the last one year. The mood among foreign investors was also dampened with the Supreme Court asking telecom companies to pay adjusted gross revenue in accordance with the government of India's demand. The CEO of Vodafone PLC, which owns a majority stake in loss-making Vodafone Idea, has warned that its India unit would face liquidation due to the huge outgo.

Govt may ease...

Sources involved in the sale process said the clause was included to steer clear of political objection as the Air India brand carries a sentimental value. "However, we have also clarified that the terms and conditions of the usage will be clarified in the second stage, which means we are open to a relook," the official said.

The logo of the airline is a red coloured flying swan with the 'Konark Chakra' in orange, placed inside it. The flying swan has been morphed from Air India's characteristic logo, the 'Centaur', whereas the 'Konark Chakra' is reminiscent of Indian's (or Indian Airlines) logo. The new logo features prominently on the tails of the aircraft. While the aircraft is ivory in colour, the base retains the red streak of Air India. Running parallel to each other are orange and red speed lines from front to the rear door, signifying the identities of Air India and India merged into one.

Bankers get...

"Powers have been delegated by the Department of Financial Services to the boards of public sector lenders to put in place a suitable mechanism for ensuring compliance of the various timelines laid down in the RBI and Central Vigilance Commission (CVC) circular(s)," the ministry said in a statement on Tuesday.

Indian Banks' Association CEO Sunil Mehta, the former MD and CEO of Punjab National Bank, said vesting the responsibility with chief executives was a deterrent in taking decisions. "With this, there will be a sense of collective responsibility as the boards of banks also have representatives of the government and the RBI," Mehta said, adding it would ensure speedier commercial decisions.

Additionally, instead of the banks compulsorily examining the angle of fraud in all loan accounts above ₹50 crore which have turned into non-performing assets, such cases will now be referred to a panel set up by the CVC.

In August last year, the CVC had formed the Advisory Board for Banking Frauds, headed by former vigilance commissioner T M Bhasin, to examine bank frauds over ₹50 crore and recommend action before an official inquiry begins.

"The move will ensure that the reporting of fraud does not become an individual responsibility but a collective one," said a senior finance ministry official.

In a separate directive to banks, the government has asked them to set up a committee of senior officers to monitor the progress of pending disciplinary and internal vigilance cases. PSBs will have to categorise the pending cases "according to severity" and the number of years since when the case has been lingering. The banks are expected to set up the committee and hold its first meeting in the next 10 days, the ministry official said.

These steps are in line with the government's conscious tactic to soothe the nerves of bankers who have shown reluctance in taking commercial decisions due to the fear of probe agencies. The Centre has time and again stressed in the past few years that it would make a distinction between "genuine commercial failures and culpability".

'One-Tata' plan...

"The move is also a reflection on how large conglomerates must syncro-mesh their abilities in the new-age economy, or perish," said a former group chairman.

So, how exactly did other companies pitch in? Praveer Sinha, CEO and MD of Tata Power, said his firm would be making EV charging stations. "The aim is to make 300 by year-end and then 650 in the next two years," he said.

R Mukundan, CEO and MD of Tata Chemicals, said his firm had already started investing. "Our approach is on building battery cells and recycling tech, where the net investment is ₹800 crore, of which we have already invested ₹100 crore." The capital will be used to make a 500-tonne hydro solution for batteries. It will be in Dholera.

While executives from TCS and Tata Realty (TRIL) were not present, it was acknowledged by Tata officials that both TRIL and TCS were also instrumental. For example, TRIL will be making the bay areas and the infra for the company's electric commercial vehicles in time to come.

Tata Autocomp will be planning to localise the car components and in due course make EV chargers as well.

Other retail business at the Tatas, such as Croma, will also be leveraged. Avijit Mitra, CEO of Croma, said the outlets would offer digital displays, sale of portable charging station units, book test drives, and receive bookings. "Our customer base is digitally oriented. We think it makes sense to offer them access to such a product," he said.

That a carmaker has made an electric car is likely to be just the tip of the iceberg.

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Hard: ★★★★

Solution tomorrow

HOW TO PLAY

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Declare education 'for profit': Educationists, private schools

Say all are earning a profit in any case, and that the move will channel more funds into the sector

ANJULI BHARGAVA
New Delhi, 28 January

Sir Richard Branson once famously said: "If you want to be a millionaire, start with a billion dollars and launch a new airline." The opposite, many argue, holds true in the case of school education in India. Set up a school with ₹100 crore and you'll soon have ₹1,000 crore in the bank. This despite the fact that education in India is "not for profit" by definition.

The charade under which the sector has been operating is now being questioned. A growing lobby of school founders and owners of school chains is urging the government to declare the sector as for-profit because everyone is earning a profit out of it in any case. This would help to channel more funds into the sector and clean up the system as well. School owners are also pushing for more autonomy to fix fees.

Currently, private education in India generates a significant amount of black money. It is an open secret that school owners make money — at times hand over fist — but maintain that they are not for profit.

The demand of school owners is being conveyed to the highest level: the chief economic advisor, the CEO of NITI Aayog, Amitabh Kant, and eventually, to the Prime Minister's Economic Advisory Council.

However, since education is a concurrent subject, the Centre can at best request the states to bring in legislation that allows schools to register as a corporate body with a for-profit structure. At least two states — Haryana and Maharashtra — have already indicated their willingness to do this.

Says Manit Jain, co-founder of Heritage school and chairman of FICCI ARISE (Ficci's Alliance For Reimagining School Education): "There is currently no incentive for large corporates with deep pockets to step into this sector." According to Jain, the huge demand for funds for the sector needs a clean structure that allows for profit. This single move can pave the way for credible and trusted names to invest, allow foreign investment to come in, banks to lend and energise the whole sector. It will also allow existing players to expand as they gain more access to capital, he adds.

The demand of school owners and educationists is being conveyed to the highest level: The chief economic advisor, NITI Aayog CEO, and eventually to the PMEAC

At a meeting of FICCI ARISE in the capital last December, school leaders asked the chief economic advisor and other senior government officials who claim they want foreign investment to come in, why anyone would invest in a sector where there would be no legitimate returns.

According to sources, while there is a growing acceptance of the proposal at the bureaucratic level, it may be harder to push politically as many politicians and their kith and kin are deeply vested in the sector.

Currently, most schools or chains operate through a trust or society that is not for profit. However, the trust enters into several related party transactions with entities that supply services or products needed by the school. These entities are usually owned by the promoter or founder of the school. For instance, an entity owned by the promoters may own the land on which the school is built and enter into a lease agreement with the trust. As and when desired, the rental charged to the school is increased. This is one way for the promoter to earn while maintaining the garb of not-for-profit.

Similarly, almost anything required by the school — computers, hardware, software, desks, chair and so on — is sold to it by a company belonging to the founders or promoters of the school. At times, these transactions are at market rates and sometimes at inflated rates. In many private schools, almost all contracts handed out are inflated by 15-20 per cent, which is the promoter's cut.

As a paper submitted to the government argues: "The present structures drive adverse selection. The general human need is to make a return on investment. Thus, while there are many genuinely service-minded folks in the sector, on average, the people who will come into the education sector will be willing to break laws to make an under-the-table profit."

The proposal to declare school education a for-profit sector is likely to meet with resistance also because there is a deep ideological schism over the issue. There are those who strongly argue that quality education should be publicly funded and free for all. They say that if private education is given free rein, there will be no incentive for the government to improve its own offering.

The opposing lobby argues that free, publicly-funded, "quality education for all" is an "ideal world" scenario. For example, in the last four years, the increase in the number of private schools was 4 times that of public schools, leading to a fall in government school enrolment by 11.1 per cent. As against this, the total enrolment in private schools rose by 16 million students in the last four years.

T.V. Mohandas Pai, chairman of Manipal Global Education and former director of Infosys, argues that if the government wants to be a provider of education, it must meet the "same standards, be as accountable, and adhere to all the norms that a private player has to." Moreover, he argues, all government servants should be asked to educate their own children in government schools. This, he says, will be the quickest fix. Currently, the playing field is not level and private schools are hamstrung while government schools get away with murder.

Sridhar Iyer, who heads EY India foundation, echoes Pai's views, but adds that the stipulation that government servants educate their own children in state schools should be accompanied with a dismantling of the Kendra Vidyalayas and Navodaya Vidyalayas (considered better than regular government schools). Else, the bureaucrats will send their own children to these and the rest of the schools will continue to languish.

"As long as someone is providing quality education at a reasonable cost, why should the government care whether it is for-profit or not-for-profit?" asks Pai. He also says that once the sector is opened up, competition will come in, there will be less scarcity of quality education, and market forces will take over.

Pai feels that the "ideological blinkers" need to be shed and reality must be accepted. He advocates a "voucher" system in school education, one in which the government gives vouchers to parents and they are free to use them to opt for a school of their choice for their children.

Worldwide smartphone sales dip for first time in 11 years: Gartner

PRESS TRUST OF INDIA
Bengaluru, 28 January

Worldwide sales of smartphones to end users declined two per cent in 2019, the first time since 2008 that the global market for such phones experienced a decline, Gartner, Inc said. The firm also said they are on track to reach 1.57 billion units in 2020, an increase of three per cent year over year.

"2019 was a challenging, primarily due to oversupply in the high-end sector in mature markets and longer replacement cycles overall," Gartner said."However, in 2020, the market is expected to rebound with the introduction of 5G network coverage in more countries and as users who may have delayed their smartphone purchases until 2020 in expectation of price reductions begin buying again," she was quoted as saying in a Gartner statement.

Maharashtra plans national anthem before public events in college

PRESS TRUST OF INDIA
Mumbai, 28 January

The Maharashtra government will soon take a decision on mandating beginning public events at colleges and universities in the state with the national anthem, minister Uday Samant said on Tuesday. Samant said such a move will help inculcate the sentiment of patriotism among students.

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"Students should have feeling of patriotism. A decision will be taken to ensure public events at colleges and universities begin with the national anthem so that students know the importance of sacrifices made to attain freedom," a statement quoted the Higher and Technical Education Minister as saying at an event here.

He also pitched for displaying boards of names of colleges in Marathi.

It will take just 10 days to make Pak bite dust: Modi

NCC cadets demonstrate war skills during the annual National Cadet Corps Rally at Delhi Cantonment on Tuesday PHOTO: PTI

PRESS TRUST OF INDIA
New Delhi, 28 January

Prime Minister Narendra Modi on Tuesday slammed Pakistan and said it lost three wars but continues to wage proxy wars against India. Modi also said his government brought in the Citizenship (Amendment) Act to correct "historical" injustices and recalled the Nehru-Liaquat pact to assert that the law fulfils India's "old promise" to religious minorities from neighbouring countries.

"The Indian armed forces won't take more than a week-10 days to make Pakistan bite dust," Modi told the gathering.

Attacking Opposition parties over their stand on the CAA, the prime minister said India had assured minorities in Pakistan and Afghanistan when it got Independence that they could come to the country if needed.

"This was Gandhi's wish and also the intention behind the Nehru-Liaquat pact," Modi said. "It is our responsibility to give refuge to people who have been oppressed due to their faith. They have faced historical injustice... and to stop this and fulfil our old promise, we have brought the CAA," Modi said.

15 killed in bus-auto crash; vehicles fall in well

PRESS TRUST OF INDIA
28 January

At least 15 people were killed when a speeding state transport (ST) bus collided with an auto-rickshaw and both the vehicles fell into a roadside well in Maharashtra's Nashik district on Tuesday, police said.

More than 18 people also suffered injuries in the accident which took place in the evening at Meshi Phata on the Malegaon-Deola Road in the North Maharashtra district, around 200km from here, an official said.

The speeding ST bus, packed with passengers, crashed into the auto-rickshaw, he said, adding the injured were mostly bus passengers.

The impact of the collision was so severe that the bus dragged the auto-rickshaw along with it and both the vehicles fell into a roadside well, the official said.

PLACEMENT SEASON

Amazon and Flipkart top recruiters at IIM-L

VIRENDRA SINGH RAWAT
Lucknow, 28 January

E-commerce majors including Amazon and Flipkart were among the top recruiters at the Indian Institute of Management, Lucknow (IIM-L), which beat the economic and job slowdown to achieve 100 per cent final placements for the 34th batch (2018-20) of its two-year flagship post-graduate programme.

The recruitment drive for the outgoing batch comprising 443 students saw participation from more than 140 domestic and international recruiters. Amazon, Accenture, and PricewaterhouseCoopers and Boston Consulting Group were among the top headhunters at the IIM-L campus accounting for 13 job offers each.

Homegrown ecommerce company Flipkart, which has been acquired by US-based retailer Walmart, also figured among the top recruiters offering 9 job offers to the IIM-L students.

According to the Institute, the participation of such marquee firms indicated the ascent of IIM-L as a preferred recruitment destination for in the country.

Mean salary up by 12% at IIM Kozhikode

VINAY UMARJI
Ahmedabad, 28 January

Mean annual salary at the Indian Institute of Management (IIM) Kozhikode rose by 12 per cent to ₹23.08 lakh from ₹20.6 lakh pa last year as the premier B-school concluded its final placements process in five days.

Offers, rolled out by 131 recruiters, too increased by 22.4 per cent over last year even as IIM Kozhikode placed all of the 413 students participating in the process, out of the institute's total 418 strong batch, the largest till date.

While mean annual salary grew by 12 per cent, median salary too rose by 12.4 per cent to ₹20.8 lakh, up from 18.5 lakh last year. Moreover, the top 50 per cent of the batch bagged an average cost-to-company (CTC) of ₹26.69 lakh, a 12.5 per cent rise over last year.

Led by the likes of Accenture Strategy, Accenture Technology, McKinsey & Co., The Boston Consulting Group (BCG), Bain & Co., Deloitte, EY, Infosys Consulting, PwC and Cognizant Business Consulting, among others, consulting were the largest recruiter sector, making 29 per cent of the offers.

Of the 131 recruiters, around 48 participated in the process for the first time.