THURSDAY, 30 JANUARY 2020
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THE MARKETS ON WEDNESDAY		Chg#
Sensex	41,198.7 ▲	231.8
Nifty	12,129.5 ▲	73.7
Nifty futures*	12,156.8 ▲	27.3
Dollar	71.3	71.3#
Euro	78.4	78.6#
Brent crude ($/BBL)€	58.7	59.3#
Gold(10 gm)###	40,302.0 ▼	₹191.0

Previous day's Close
*(February) Premium on Nifty Spot; €At 9 pm IST; ###Market rates are exclusive of VAT
Sourced from IBJA

COMPANIES P2
APPLE LOGS DOUBLE-DIGIT GROWTH IN INDIA

ECONOMY & PUBLIC AFFAIRS P9
BREXIT FINALISED: EXPORTERS CAUTIOUS BUT HOPEFUL

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

INDIGO, AIR INDIA JOIN PEERS TO SUSPEND INDIA-CHINA FLIGHTS

Medical staff with protective clothing in a specialised ward for patients infected with the coronavirus flu PHOTO: REUTERS

IndiGo will suspend its flights from India to China because of the outbreak of novel coronavirus, the airline said on Wednesday. Similarly, an Air India spokesperson said the national carrier was suspending its flights on the route from January 31 to February 14. 6

CORONAVIRUS CLAIMS OVER 130 IN CHINA 6

ECONOMY & PUBLIC AFFAIRS P4
Railways on track to seek pension bailout

The Ministry of Railways has asked the government to take over an estimated ₹50,000 crore pension liabilities because of the financial stress being faced by the Indian Railways. The Railways has about 1.5 million pensioners who are paid from the rail revenue itself.

COMPANIES P2
Reliance to build roads from plastic waste

Mukesh Ambani-led Reliance industries has approached the National Highways Authority of India for offering its 'waste plastic-to-road' technology that uses end-of-life plastic for road construction. It has already piloted a few projects and has constructed a 40 kilometre road at its manufacturing site in Raigad district.

ECONOMY & PUBLIC AFFAIRS P4
Six states see fall in tax revenue till November

States like Andhra Pradesh, Gujarat, Maharashtra, Punjab, Manipur, and Uttarakhand saw fall in their overall tax receipts during the first eight months of the current fiscal year, compared to the corresponding period the previous year.

Delay forces 5 companies to exit highway projects

Oriental Structure Engineers, Chetak Enterprises, KNR Constructions, Sadbhav Infrastructure Projects, and a joint venture of IRB infrastructure Developers and Modern Road Makers are among companies that have exited contracts as the National Highways Authority of India failed to give official approval for project execution. 3

BS SPECIALS ON THURSDAY

PERSONAL FINANCE:
Don't get intimidated by Budget documents 15

While Part B is crucial for taxpayers, look at some other sections too for key numbers, writes BINDISHA SARANG & SANJAY KUMAR SINGH

STRATEGY:
Premium private labels pack the aisles 16

Retailers are taking the next big leap with their own brands, trading up and competing with rivals within and outside their stores. VIVEAT SUSAN PINTO writes

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 370 companies (results available of 428)

SALES		
Dec 31, '18	28.0%	₹6.02 trillion
Dec 31, '19	5.1%	₹6.32 trillion
PROFIT BEFORE TAX		
Dec 31, '18	11.3%	₹84,961 cr
Dec 31, '19	15.0%	₹97,731 cr
NET PROFIT		
Dec 31, '18	8.1%	₹60,521 cr
Dec 31, '19	21.8%	₹73,720 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

Tatas, AirAsia in talks to sort out no-compete rule

The clause may impede Tatas' bid for Air India

N Chandrasekaran, chairman, Tata Sons

Tony Fernandes, CEO, AirAsia

DEV CHATTERJEE
Mumbai, 29 January

Tata Sons, the Tata group's holding company, and AirAsia, owned by Malaysian businessman Tony Fernandes, are in talks to sort out differences that cropped up between the two groups over the non-compete clause signed for their joint venture — AirAsia India.

The exclusivity clause in the memorandum of agreement signed between AirAsia Berhad, Tata Sons, and their erstwhile partner Telestra Tradeplace on February 19, 2013, bars all the partners and their affiliates from directly or indirectly engaging in low-cost aviation business. The non-compete agreement disallows investments by all the parties in any other airline that provides low-cost passenger airline service, operating narrow-body aircraft flying under four hours both on the domestic and international routes.

According to a source in the know, the non-compete clause will make it difficult for the Tatas to bid for Air India, which has been put on the block by the government. This is because of Air India's no-frills subsidiary Air India Express, which competes directly with AirAsia India. Expressions of interest have to be submitted by March 17.

The Tatas own 51 per cent in AirAsia India and have taken complete control of the joint venture by appointing its own managing director and CEO in the past two years. AirAsia owns the rest of the equity. "The two groups are in talks to sort out all the pending issues," said a source close to the development. When contacted, Tata Sons and AirAsia spokespersons declined to comment. E-mails sent to AirAsia Berhad did not elicit any response. Turn to Page 17

AIR TURBULENCE

- **AirAsia can object to any bid** by Tatas for the state-owned carrier
- **Non-compete clause in AirAsia India JV** is crucial to dispute
- **No partner can invest** in a low-cost airline
- **Air India Express being a low-cost subsidiary** of Air India can be a hurdle
- **Both parties ready to negotiate** all pending issues

DHFL siphoned off ₹12,700 cr into 79 shady companies: ED

In its books, loans were sanctioned to 100,000 fictitious retail customers

SHRIMI CHOUDHARY
New Delhi, 29 January

Dewan Housing Finance (DHFL) diverted ₹12,773 crore of loans to 79 shady companies allegedly associated with its promoters in the garb of retail loans to about 100,000 fictitious customers between 2010 and 2015, according to the Enforcement Directorate (ED).

The ED, which is probing the DHFL promoters' role in financing funds to gangster Iqbal Memon (alias Iqbal Mirchi), said Kapil Wadhawan, former chairman and managing director of the debt-laden company, played a very crucial role in these "nefarious transactions" by way of money laundering.

Wadhawan was arrested by the agency earlier this week in connection with the money-laundering case linked with properties involving Mirchi. He was remanded in ED custody till Friday.

"This appears to be a scam of wider ramifications wherein the preliminary investigation conducted indicates that more than ₹12,700 crore have been diverted illegally, and the 'orchestrator and prime conspirator' for the scam was Kapil Wadhawan," the ED said in its enquiry report. The agency said the search operation was underway to unearth further incriminating documents and records, and that it was suspected that the amount of scam might increase.

Books of accounts of DHFL showed that ₹2,186 crore loans (of the ₹12,773 crore) were given to five companies — Faith Realtors, Marvel Township, Able Realty, Poseidon Realty, and Randon Realtors, which later got amalgamated with Sunblink Real Estate, a company which has been under the ED lens for its transactions with Mirchi properties. Turn to Page 17

THE WEB OF TRANSACTIONS

DHFL promoter Dheeraj Wadhawan signed an agreement with gangster Iqbal Mirchi in 2010 to acquire properties

₹225 crore: Worth of deal finalised between Wadhawan and Mirchi, who died in 2013, in favour of Sunblink

₹111 crore: Of the total amount was paid to Mirchi by DHFL, RKW Developers

₹154 crore: Another transaction made through Wadhawan's Dubai-based firm

Sunblink, controlled by Kapil Wadhawan, used to obfuscate the origin of money

₹1,500 crore: Loans disbursed by DHFL to five shell firms allegedly associated with its promoters

These shell firms got merged with Sunblink, added **₹2,186 crore** in DHFL books

Note: Based on ED probe findings

Govt unearths job incentive fraud

900,000 'old' workers took benefits of scheme meant for 'new' jobs

SOMESH JHA
New Delhi, 29 January

About 80,000 companies have been found duping the system by taking financial incentives worth ₹300 crore from the central government for a scheme meant to create new jobs in the formal sector.

The government has found about 900,000 beneficiaries of its flagship job formalisation scheme, the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY), were ineligible in the first place as they were part of the formal economy even before the inception of the scheme.

The provident fund accounts of these employees have been blocked by the Employees' Provident Fund Organisation (EPFO). The EPFO has also recovered ₹222 crore so far from the employers concerned, according to the documents reviewed by *Business Standard*, which give details about the fraudulent practice.

Queries sent to Labour and Employment Secretary Heeralal Samariya and EPFO's Central Provident Fund Commissioner Sunil Barthwal remained unanswered. Turn to Page 17

UNDER THE SCANNER

- The Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) was launched in August 2016 to give financial support to companies for hiring 'new employees'
- Under this, govt pays 12% of employers' contribution of the PF share of workers
- Workers with no PF account before April 1, 2016 were eligible for scheme
- Firms took benefits of workers who had PF accounts before scheme came into being

PMRPY in numbers

Financial outgo (₹ cr) **7,361**
Establishments **152,894**
Workers covered (mn) **12**

Gangwal's resolution defeated at IndiGo EGM

51.44% shareholders oppose proposal to relax rules on sale and purchase of shares by promoters

ARINDAM MAJUMDER
New Delhi, 29 January

The special resolution proposed by IndiGo co-promoter Rakesh Gangwal was defeated in the company's action-packed extraordinary general meeting (EGM) on Wednesday.

The resolution has not been passed as only 48.56 per cent of the votes cast were in its favour, while 51.44 per cent were against, according to an exchange filing. The resolution required support from at least 75 per cent shareholders. But with Rahul Bhatia's InterGlobe Enterprises (IGE) voting against it, the resolution failed.

The Bhatia family and IGE together own 38.23 per cent of IndiGo, while Gangwal, his wife Shobha and a trust hold 36.65 per cent.

Even most of the public institutions voted against the resolution. Of the 84 per cent of such large public shareholders who voted, 51.65 per cent rejected the move. Institutions own nearly 21 per cent stake in InterGlobe Aviation.

Queries on voting results sent to Gangwal didn't elicit any response till press time. He stays in the US and didn't attend the EGM.

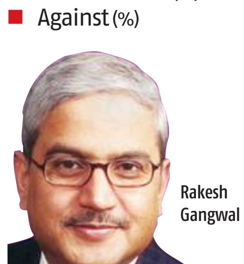
The resolution, proposed by co-promoter Rakesh Gangwal, sought to relax rules on the sale and purchase of shares by its main shareholders, making it easier for the promoters to raise or cut stake in the company. Among the 16 clauses that Gangwal intended to remove are restrictions that confer the right of first refusal on the partner who's prepared to stay on in the event of a stake sale by the other partner. That clause prevents either of the co-founders from buying publicly-listed shares of the company, potentially triggering an open offer for the rest of the company and another one that prevents staggered sale by a partner.

To be clear, promoters' right to board seats and their nomination rights are not linked to shareholding and will continue even if their stake falls below 50 per cent. So, Bhatia's IGE group continues to retain the right to nominate the chairman, CEO & MD, and president.

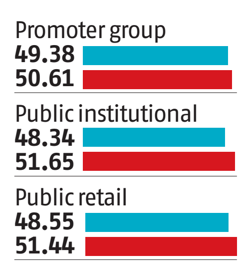
It also has the right to appoint five out of 10 directors on the board. Two days ago, the company appointed CEO Ronojoy Dutta, an IGE appointee, as a whole-time director on the board.

The Gangwal family had pointed out in its notice that EGM was necessary to remove the restrictive clauses of share transfer, that were part of shareholders' agreement (SHA). Turn to Page 17

COUNTING THE BALLOTS



Rakesh Gangwal



Source: Company

MUMBAI'S REALTY MARKET FLATLINING ON SLOW SALES

The Mumbai Metropolitan Region (MMR) has a total unsold inventory of 51,721 units with a value of ₹61,451 crore, Minister of State for Finance Anurag Thakur recently told the Lok Sabha. Sales figures of residential property in the MMR fell by 5 per cent year-on-year (YoY) in 2019 while launches declined 7 per cent YoY. The first of a three-part series looks at the prospects of the Mumbai property market, which saw the highest unsold inventory pile-up in 2019. RAGHAVENDRA KAMATH reports 2

Chinese influx poses threat to Indian automobile makers

20% of the market could be lost to Chinese companies, which are scouting for next growth markets such as India

PAVAN LALL
Mumbai, 29 January

At the upcoming annual auto expo in New Delhi, more than a third of the exhibition space is booked by Chinese automobile makers such as Great Wall Motors, the largest maker of utility vehicles, FAW-owned Haima Automobile, and state-owned SAIC, which has seen its SUV, the MG-branded Hector, notch up record early sales.

The physical space occupied by them is a clear demonstration of the inroads that Chinese players are making into the Indian auto scene. Chinese OEMs recently bought General Motors' plant in Gujarat. Byd, a top-ranked Chinese firm that makes trucks using LNG (cheaper than diesel) and is a world leader in this segment, is coming to India soon and will make electric buses. Reports indicate that Chery Automobiles is looking for land to build a factory.

Why the sudden interest in India? P Balendran, executive director at Great Wall Motors, says the obvious motivation is that although the home market in China is still sizable, it is beginning to slow and this is prompting leading Chinese companies to scout for the next growth markets among which India is one of the largest.

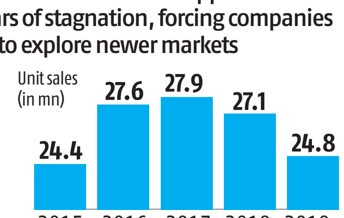
Great Wall Motors will exhibit at least a dozen cars at the expo. Half or more will be SUVs. Haima is also expected to showcase an SUV. MG sources say it will show off an electric version of its popular Hector as well as nine other SUVs and around five cars.

Analysts point out that competition in India is lower than in America or Europe. "No one understands low-cost manufacturing as well as the Chinese, and after the Japanese and the Koreans have come into the Indian market, this is likely to be the most serious entry," said Suraj Ghosh, principal analyst (powertrain forecast), IHS Markit.

What this means is that dominant Indian manufacturers face the threat of an eroding market share. Turn to Page 17

BUMPY RIDE

China automobile sales have dropped after years of stagnation, forcing companies to explore newer markets



Several Chinese carmakers are hoping to repeat the success of SAIC Motor Corp, whose MG Hector set early sales records in India

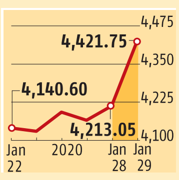
Source: China Association of Automobile Manufacturers

NO CHINESE FIRMS TO PULL OUT OF AUTO EXPO: SIAM

Even as the threat from Coronavirus looms, no Chinese company is expected to pull out of the Auto Expo 2020 to be held in Greater Noida from February 7. This assurance was given by the Society of Indian Automobile Manufacturers (Siam), which said it was taking adequate precautions at the venue in accordance with the health ministry's instructions. Some of the measures include full medical team, thermal screenings among others. Siam representatives met ministry officials on Wednesday to discuss the measures to be taken during the auto expo.
TE NARASIMHAN reports 6

STOCKS IN THE NEWS

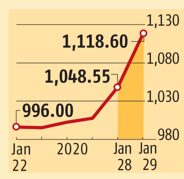
Bajaj Finance



Q3 profit better than expected, up 52% at ₹1,614 crore YoY

₹4,421.75 CLOSE ▲4.59% UP*

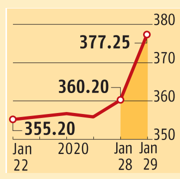
IRCTC



Top gainer among rail-related stocks

₹1,118.60 CLOSE ▲6.68% UP*

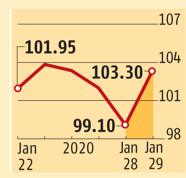
Narayana Hrudayalaya



MFs bought 3.8% stake from CDC Group

₹377.25 CLOSE ▲4.73% UP*

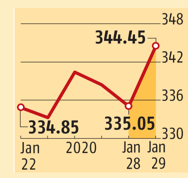
Tata Coffee



Q3 PBT up 70% at ₹59 cr, against ₹35 cr in the year-ago quarter

₹103.30 CLOSE ▲4.24% UP

Marico



Commencement of commercial production at Sanand

₹344.45 CLOSE ▲2.81% UP*

* OVER PREVIOUS CLOSE

Apple logs double-digit growth in India

2019 witnessed fastest roll-out of new iPhones in India, with aggressive pricing and a good channel strategy

ARNAB DUTTA
New Delhi, 29 January

After struggling to grow its handsets business in India during 2018, Apple ended 2019 on a high note. Following record sales in the quarter ended September 30, 2019, the maker of iPhone, iPad, and MacBook put up a robust show during October-December 2019.

Tim Cook, chief executive of the Cupertino-headquartered firm, said in an investor call, "We had double-digit growth in many developed markets, including the US, the UK, France, and Singapore. We also grew double-digits in emerging markets, led by strong performances in Brazil, Mainland China, India, Thailand, and Turkey."

Cook, who was addressing investors after the firm's quarterly results, added that Apple's iPad business, usually a small segment in markets like India, did well during the last quarter. "For iPad, we saw growth in key emerging markets like Mexico, India, Turkey, Poland, Thailand, Malaysia, the Philippines, and Vietnam," he said.

According to Counterpoint Research's estimates, in India, Apple was one of the fastest-growing brands during the quarter, driven by multiple price cuts on its iPhone XR model. Localisation of production of new models like the XR helped it bring down price. "Additionally, 2019 saw the fastest roll-out of Apple's new iPhones (11 series) in India, with aggressive pricing and a good channel strategy. In fact, the new series, especially iPhone 11, was introduced at a lower price point than the iPhone XR last year. This has helped gain share during the festive season and in its launch quarter in India," Counterpoint noted.

According to Faisal Kawoosa, lead analyst at TechArc, Apple gained market share further in the last few months as rival Samsung remained busy countering challenges from Chinese players in the overall smartphone market.

"Apple is estimated to have gained share by two-three percentages to 52-53 per cent in the luxury segment (above ₹50,000)," he said.

Moreover, boost in the local business has come from added revenue from its services and accessories divisions as install base for iPhones neared 12 million users. Globally, while Apple registered 8 per cent rise in iPhone sales in December, revenue from services grew 17 per cent year-on-year (YoY).

After witnessing 47 per cent decline (YoY) in shipment of iPhones in 2018, Apple's sales continued to falter during the first half of 2019.

In 2018-19, its operating revenue dropped 19 per cent to ₹10,538 crore and net profit plunged 71 per cent to ₹262 crore from ₹896 crore.

Meanwhile, iPhone's share in the above ₹30,000 price segment remained between 19 and 21 per cent in the March and June quarters — behind Samsung and OnePlus.

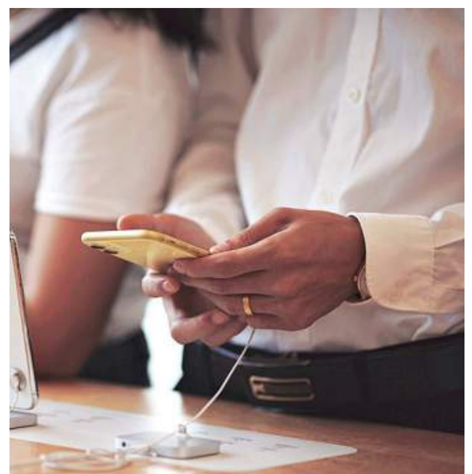
However, steps taken since April began to pay off from July. From new and competitively priced iPhones to slashing prices of older models, it had adopted a multi-pronged strategy.

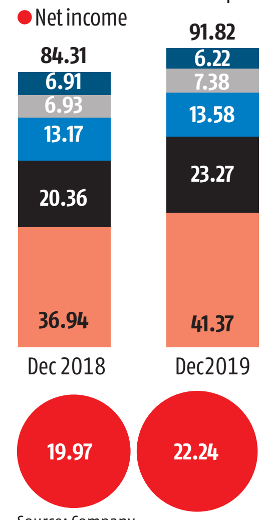
The entry-level new iPhone model in 2019 — iPhone 11 — was priced ₹64,900, or 15.6 per cent less than the XR variant of 2018. The model was priced even lower than the iPhone X, launched for ₹70,990 only two years ago. Also, to capture the country's shopping mood ahead of the festive season, the new iPhones were made available from September 27 in India, three days ahead of its global launch.

Market watchers noted that the launch date was advanced to align it with the Big Billion Days sale by Flipkart and similar shopping events that heralded the festive season.

GLOBAL REPORT CARD

Consolidated data of sales figures ($ billion)





Source: Company

IN BRIEF

Sharad Agarwal, head of Lamborghini India (*left*) and Matteo Ortenzi, chief executive officer, Automobili Lamborghini Asia Pacific, at the preview of Lamborghini Huracan EVO RWD, in New Delhi on Wednesday. The car is priced at ₹3.22 crore (ex-showroom) PHOTO: PTI

IndiGrid to acquire power transmission firm for ₹1,020 cr

IndiGrid, the country's first infrastructure investment trust in the power sector, on Wednesday announced acquisition of power transmission firm East North Interconnection (ENICL) for ₹1,020 crore. ENICL is part of inter-state transmission scheme network and consists of two 400 kV transmission lines with a total 900 circuit kilometres across Assam, Bihar, and West Bengal. **PTI**

JSW Infra to invest ₹300 cr for its first container terminal

JSW Infrastructure, part of the $14 billion JSW Group, has signed a concession deal with New Mangalore Port Trust to develop and operate its first container terminal project for 30 years. The company is investing nearly ₹300 crore to develop the container terminal, which will have a capacity of 400,000 TEUs. As part of the proposed investment, unlisted JSW Infrastructure will undertake mechanization of Berth No-14 for handling containers and other cargo on design, build, finance, operate and transfer basis. **BS REPORTER**

Birla Corp's profit before tax surges 207% in Dec quarter

Efforts to keep costs under check, higher capacity utilisation, along with sales push of premium cement, helped Birla Corporation log a whopping 207 per cent rise in Q3 pre-tax profit at ₹129 crore. However, revenue went up a tad 10 per cent to ₹1,715 crore, amid a muted demand scenario. Profit before tax and net income in Q3FY19 stood at ₹42 crore and ₹1,557 crore, respectively. **BS REPORTER**

Google announces $1-mn grant for news literacy in India

Google on Wednesday announced a $1 million grant to promote news literacy among Indians. The money will be given to Internews, a global non-profit, which will select a team of 250 journalists, fact checkers, academics and NGO workers for the project, a statement said. The grant is part of a $10 million commitment world-wide to media literacy. **PTI**

Social media firms may have to store active cell numbers

The information technology (IT) ministry has proposed that significant social media firms should maintain a database of active mobile numbers of users for verification purpose under a revised set of rules, according to a source. The proposal — aimed at tackling issues related to anonymity — has been mooted for the first time as part of the likely changes in the existing IT intermediary rules, the source said. Social media firms with more than 5,000,000 users in India will be categorised as significant social media intermediaries. **PTI**

Ather gets patent for light-weight charging connector

Electric two-wheeler firm Ather Energy has received patent for an ergonomic, light-weight and compact charging connector to suit small electric vehicles and power banks. According to the company filing with the patent office, the connector will have a charging socket mounted on a hand-held unit, which will have an angular grip for ease of use. The application was filed in June 2017. **BS REPORTER**

QSRs shine amid slump

Jubilant FoodWorks, Westlife see 6-9% same-store sales growth

VIVEAT SUSAN PINTO & SHREEPAD S AUTE
Mumbai, 29 January

Two of the country's top quick service restaurants (QSRs) — Jubilant FoodWorks and Westlife Development — have reported a stronger set of sales growth numbers in the December quarter (Q3FY20), ahead of what they registered in the September and June quarters of the current financial year.

The performance also comes at a time when overall sentiment has been weak in the domestic consumer market, something that research agency Nielsen had indicated last week in its quarterly update.

Jubilant FoodWorks, which is the master franchisee of Domino's Pizza and Dunkin in India, saw its same-store sales growth (SSG) come in at nearly 6 per cent in Q3. Westlife Development, which runs McDonald's restaurants in the west and south of India, reported a sharper 9.2 per cent SSG for the period. SSG is sales growth of stores for one year and above. It is a number tracked closely by analysts, since it gives a sense of consumer demand at retail outlets.

In the September quarter, the two listed players had reported SSG in the range of 5-7 per cent. While in the June quarter, SSG was within 4-6 per cent, data from their financial results show.

Nielsen had said consumer sector value growth in India had crashed to its lowest level in six quarters, standing at 6.6 per cent in Q3. This figure excludes the e-commerce channel. If online sales were added, consumer sector value growth improved to 7.3 per cent in the December quarter, the market researcher had said, adding recovery in the sector would be visible in the January-March 2020 period, improving in subsequent quarters.

Most analysts were also expecting the high base effect to kick in during the three months ended December 2019 for the two QSRs, since SSG in the year-ago period was in double digits (14.5 per cent for Westlife and 14.6 per cent for Jubilant FoodWorks).

So what aided growth in Q3?

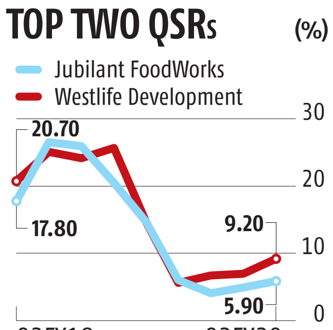
Amit Jatia, vice-chairman, Westlife Development, said the company's strategy of providing everyday value, customer experience and digitisation had paid off. "Through platforms such as McCafé, McDelivery, and McBreakfast, we have mindfully created more occasions to drive usage across day-parts. This has helped us stay the course of growth despite tepid consumer sentiment," he said.

Shyam Bhartia, chairman, Jubilant FoodWorks, said, "Our increased focus on the basics of the business and elevating the customer's experience helped drive growth. We will continue to emphasise on these key pillars as we go forward."

Priyank Chheda, analyst, Reliance Securities, said, "Near-term growth looks intact for Jubilant FoodWorks. While margins would remain under pressure due to higher raw material costs, the company is unlikely to hike prices further as it would attract competition," he said. According to experts, for both listed players online deliveries today constitute 85-90 per cent of overall sales, higher than the 70 per cent number reported by them a year ago.

Abneesh Roy, executive vice-president (research), institutional equities, Edelweiss, said a larger footprint of stores in urban areas, value meals and lower price points as well as aggressive offers had helped growth for the two companies.

SSG TREND FOR TOP TWO QSRs (%)



Westlife is the South & West India franchisee of McDonald's; Jubilant Foodworks is the franchisee of Domino's and Dunkin Donuts in India
SSG: Same-store sales growth
Sources: Company results, industry

Reliance wants to make roads with plastic waste

Mukesh Ambani-led Reliance industries (RIL) has approached the National Highways Authority of India (NHAI) for offering its 'waste plastic-to-road' technology that uses end-of-life plastic for road construction.

The firm has already piloted a few projects and has constructed nearly a 40 kilometre (km)-road by mixing 50 tonnes of end-of-life plastic waste with bitumen at its Nagothane manufacturing site in Raigad district. "It took us some 14-18 months to develop this mechanism where we can use the end-of-life waste plastic like packaging of snacks and flimsy polyethylene bags, among others, in road construction. We are in talks with NHAI to share our experience and to help the use of end-of-life plastic for road construction," the company's COO Petrochemicals Business Vipul Shah said.

Apart from the NHAI, RIL is also in talks with state governments and local bodies across the country for offering the technology, he said.

End-of-life plastic cannot be recycled. Explaining the benefits of the usage of end-of-life waste plastic, Shah said, "It not only ensures sustainable utilisation of plastic but is also financially viable".

"Our experience showed that 1 km of road uses 1 metric tonne (mt) of waste plastic and can save nearly ₹1 lakh as it can be utilised as a substitute for bitumen to the extent of 8-10 per cent. So, roughly we saved ₹40 lakh. Besides, this plastic also enhances the quality of roads," he said. **PTI**

Tata Power's PBT falls 23%

Private power producer Tata Power reported a 23 per cent drop in profit before tax (PBT) for the December 2019-ended quarter owing to lower income. Losses at its Mundra power plant, the company said, were lower for the quarter.

For the October-December 2019 period, Tata Power reported consolidated PBT at ₹349.08 crore, 23 per cent lower from ₹456.27 crore reported in the year-ago period. The firm's consolidated profit after tax was 12 per cent higher at ₹246 crore, from ₹220 crore a year ago. "This is mainly due to lower losses in Mundra and better operational performance across all businesses," the company said on Wednesday. The Mundra power plant, the company said, saw lower fuel underrecovery in the December quarter.

The earnings before interest, tax, depreciation, and amortisation (Ebitda) was at ₹1,970 crore, compared to ₹1,820 crore in the same quarter a year ago. Ebitda, the company said, would have been higher by 25 per cent year-on-year in the absence of one-off deferred tax benefit of ₹272 crore on power purchase agreement signed for Mumbai licence area in the corresponding quarter last year. **AMRITHA PILLAY**

Mumbai's realty market flatlining on stagnant prices, slow sales

The first of a three-part series looks at the prospects of the Mumbai property market, which saw the highest unsold inventory pile-up last year

RAGHAVENDRA KAMATH
Mumbai, 29 January

Mahesh Bedekar, a real estate investor in Mumbai, is a worried man. He wants to sell two residential properties, but the offers he is getting won't leave him with any profit.

Mumbai's real estate prices, which doubled between 2006 and 2010, have remained stagnant for the past five to six years, plunging developers and investors like Bedekar in deep gloom. "Real estate has seen many changes. RERA (Real Estate Regulation & Development Act), 2016, has come and GST (goods and services tax) has hit the companies. I bought the properties before these changes and now I am stuck," Bedekar said.

Minister of State for Finance Anurag Thakur recently told the Lok Sabha that the Mumbai Metropolitan Region (MMR) had a total unsold inventory of 51,721 units with a value of ₹61,451 crore. Mumbai's unsold stock of real estate is the highest in the country, and its value is almost double that of the unsold stock in the National Capital Region (NCR).

"Prices are the single-biggest contributor for this. Developers went on launching new projects based on previous demand, but sales have not increased," said Pankaj Kapoor, founder and managing director at real estate research firm Liases Foras. Kapoor said although 70,000 units sell in the MMR every year, for sustainable sales, 200,000 units need to be sold per year.

According to real estate consultant Knight Frank, prices of residential property in India have fallen by three per cent in the third quarter of the calendar year 2019 as compared to the same period in 2018. Moreover, sales have fallen by five per cent year-on-year in 2019, while launches have fallen by 7 per cent over the same period.

And 2020 won't be any better, warn experts. "We don't expect any turnaround in sales until the economy picks up," said Gulam Zia, executive director at Knight Frank. He added that additional projects could turn into non-performing assets if sales continue to languish.

The country's gross domestic product (GDP) growth has slipped to 4.5 per cent in the second quarter of FY20, the slowest in 26 quarters.

To counter the sales slump, real estate firms such as Piramal Realty and Marathon have launched value housing or affordable housing projects. Piramal Realty recently came up with affordable apartments starting at 350 square feet with a price ticket of ₹63 lakh in Vaikunth, a project in Thane.

However, Zia pointed out that developers are mainly experimenting with sizes. "Actually, prices have not come down, only apartment sizes are becoming smaller. And buyers are not standing in queue just because affordability has come," he said.

Mayur Shah, managing director at realty firm Marathon, feels that for sales to pick up, the government needs to come out with incentives for residential units that cost between ₹1 crore and ₹3 crore. "In projects where prices are less than ₹1 crore, there is a brisk sales. These apartments have incentives from the government," Shah said.

So when do developers expect to see a broad-based recovery in the real estate market? "Customer confidence has to revive. There is a healthy demand for finished inventory, but for under-construction properties, increase in prices is one or two years away," said Piramal Realty founder Anand Piramal, who expects a flat market for residential units for the next one year.

Others feel that things will get only worse in the near-term. "It is going to get worse before it gets better. It will be another six to 12 months before the slowdown bottoms out," said Pirojsha Godrej, chairman of Godrej Properties, in a recent interview with *Business Standard*.

Kapoor of Liases Foras believes that developers in Mumbai will continue to feel the pain. "Prices will not increase in the next two to three years," he said.

Some sparkle in office realty

Though the market for residential property is in the doldrums, as in other cities, Mumbai's office property market is doing well. In fact, Mumbai's gross absorption of office properties touched new high in 2019, rising by 23 per cent to 9.4 million square feet over 2018, according to consultancy firm Colliers International.

In line with Colliers' earlier projection, the banking, financial services and insurance (BFSI) occupiers dominated the leasing activity, garnering a 27 per cent share of the office property market, followed by flexible workspace operators (19 per cent) and technology occupiers (15 per cent). This was well supported by the supply of 4.2 million square feet during 2019 and was spread across the micro-markets of Goregaon/JVLR, Andheri East, and Thane.

Knight Frank expects to see a rise in office rentals in Mumbai's central business district of Bandra Kurla Complex (BKC) in 2020. According to the realty consultant's Asia-Pacific Prime Office Rental Index Q3, 2019, BKC was the 11th fastest-growing prime office markets in the Asia-Pacific region, and it clocked a two per cent year-on-year rental growth in the third quarter of 2019.

While K Raheja Corp's rental arm has filed the papers for listing its real estate investment trust, many other commercial property developers could follow suit, say consultants.

LEFT HIGH AND DRY

Mumbai Metropolitan Region residential sales (in housing units)

	H1 2017	H2 2017	H1 2018	H2 2018	H1 2019	H2 2019
Central Mumbai	533	398	565	316	571	246
Central Suburbs	2,690	3,495	2,600	3,417	2,716	2,675
Navi Mumbai	2,954	3,015	5,060	3,031	4,970	2,476
Peripheral Central Suburbs	14,547	9,685	9,200	10,302	10,056	9,290
Peripheral Western Suburbs	5,777	7,190	6,921	7,587	7,010	6,743
South Mumbai	54	245	195	204	182	163
Thane	2,796	3,269	3,185	3,492	3,397	3,080
Western Suburbs	2,726	2,882	4,686	3,132	4,829	2,539
MMR	**32,077**	**30,179**	**32,412**	**31,481**	**33,731**	**27,212**

Source: Knight Frank

Delays force 5 companies to exit highway projects

MEGHA MANCHANDA
New Delhi, 29 January

Oriental Structure Engineers, Chetak Enterprises, KNR Constructions, Sadbhav Infrastructure Projects and a joint venture of IRB infrastructure Developers and Modern Road Makers are among the companies that have exited contracts as the National Highways Authority of India (NHAI) failed to give official approval for the execution of projects.

According to the norms, the NHAI gives an appointed date or official date for the road developer to start work. However, in many cases, the authority failed to provide this date due to delay in land acquisition.

It is learnt that the five companies have surrendered eight projects across various states. "The delay witnessed in receiving the appointed date for hybrid annuity model or HAM projects is largely on account of land acquisition issues. Since the cost of land acquisition has gone up, the authority is facing delays in acquiring land which, in turn, is impacting the projects. As on December 31, 2019, 4 per cent of projects awarded in FY18 and 95 per cent of projects awarded in FY19 are yet to receive appointed dates," said Shubham Jain, senior vice-president & group head at ICRA.

According to estimates, the cost of land acquisition in 2016-17 was approximately ₹1.3 crore per hectare. It is ₹3.2 crore per hectare now. Higher cost of land acquisition has always been a cause for concern for the road sector. When road transport minister Nitin Gadkari announced plans to execute expressway projects in 2016, experts said that the land acquisition cost may prove to be a real challenge because of the steep cost involved. Expressways, by definition, are greenfield projects and involve huge land acquisition cost.

Estimates suggest that land acquisitions costs constitute around 50 per cent of the total cost of the expressway project.

The cost of land acquisition varies from state to state and can even differ at two locations in the same state. The proposed New Delhi-Katra (Jammu & Kashmir) expressway, which would also reduce travel time to Amritsar by about two-and-a-half hours, would be executed on an alignment cutting across Jind in Haryana and connecting Amritsar via Barnala in Punjab.

The project, which is slated to come up at a cost of ₹60,000 crore, would reduce the distance between Delhi and Katra by 110 km. The distance from Delhi to Katra via the National Highway-1 is 729 km.

ROADBLOCK

Project	Award month
CHETAK ENTERPRISES	
Shimla bypass	Aug 2016
KNR CONSTRUCTIONS	
Meensurutti to Chidambaram	Mar 2018
ORIENTAL STRUCTURAL ENGINEERS	
Villupuram to Puducherry	Mar 2018
IRB INFRA–MODERN ROAD MAKERS	
Puducherry to Poondiyankuppam	Mar 2018
Poondiyankuppam to Sattanathapuram	Mar 2018
SADBHAV INFRA	
Visakhapatnam port road	Mar 2018
Bhimasar Junction to Anjar–Bhuj	Mar 2018
Banavara to Bettadahalli	Mar 2018

Source: Industry

Gadkari urges industry to cash in on new projects

Union Minister Nitin Gadkari on Wednesday urged industry players to cash in on the huge potential that 22 upcoming express highways hold in the areas of alternative fuel, electric highway and charging stations.

The Road Transport, Highways and MSME Minister said that projects, especially the ₹1-trillion Delhi–Mumbai express highway, can offer instant right of way to players interested in setting up LNG stations, electric charging stations or petrol pumps.

Addressing a conference on *Future Fuels for Transportation* by Ficci, the minister said plans were afoot to set up 2,000 petrol pumps, including LNG. "We are building 22 new express highways, including Delhi–Mumbai express highway. Work on seven out of 22 projects has started and these have huge potential for the industry. If players want to come forward, we can offer right of way, especially on Delhi–Mumbai express highway, which we plan to complete within three years," the minister said. He said he will be visiting Sweden next month to see express highways and welcomed players for investments to convert highways into express highways. PTI

Airtel Payments Bank raises ₹225 cr from Bharti Airtel, Bharti Enterprises

PRESS TRUST OF INDIA
New Delhi, 29 January

Airtel Payments Bank has raised close to ₹225 crore from Bharti Airtel and Bharti Enterprises, as per regulatory documents.

While Bharti Airtel has infused ₹180.22 crore into Airtel Payments Bank, Bharti Enterprises has injected ₹44.77 crore.

The investments, which add up to ₹225 crore, have been made in the form of preference shares, documents sourced by business intelligence platform Tofler showed.

An e-mail sent to Bharti Airtel did not elicit a response.

Firms raise concerns on mining rules, financing problems

SHREYA JAI & AMRITHA PILLAY
New Delhi/Mumbai, 29 January

Leading mining, power, and metals companies raised several concerns in the upcoming auction of coal mines for commercial purpose at a meeting with the coal ministry. In the stakeholders' consultation held in Mumbai on Wednesday, several sector majors said seeking financing for commercial mining would be a major issue.

"Investors told the coal ministry officials it would be difficult to get finance for bid security and upfront amount," said an executive, who was part of the meeting.

The upfront amount to be paid by the mine developer would be 0.5 per cent of the value of estimated resources of the coal mine. Whereas, bank guarantee would be 20 per cent of the upfront amount in case of fully explored mine and 25 per cent in case of partially explored one.

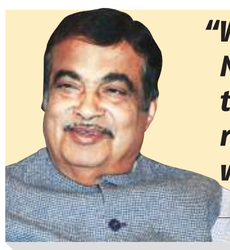
The Ministry of Coal has released a probable list of 84 mines, which will be offered for auction. They have geological reserves of 22,360 million tonnes (mt). There are close to 10 mines with reserves of more than 500 mt. More the reserve, higher is the upfront and bid security amount.

Among the participants at the meeting were Tata Power, JSW Energy, Reliance Power, KSK Energy, Jindal Steel and Power, ACC, Ambuja Cement, Prism Cement, Hindalco, etc, said sources. Some state government-owned companies also participated in the meeting. Private firms asked the coal ministry to provide a level playing field and efficient environment for getting clearances.

Coffee Day seeks more time to submit quarterly earnings

Coffee Day Enterprises on Wednesday sought more time from stock exchanges to submit its first and second quarter earnings of FY20 owing to non-completion of internal investigations. In August last year, the firm has assigned Ashok Kumar Malhotra, retired DIG of CBI to probe into the purported letter written by its founder chairman late V G Siddhartha. He was also assigned to scrutinise the books of accounts of the firm with the help of an accounting firm. "As the assignment is under progress and is likely to take few more weeks for completion, hence, there will be delay in submission of unaudited financial results (with the limited review by the auditor)," it said in an exchange filing.

DEBASIS MOHAPATRA

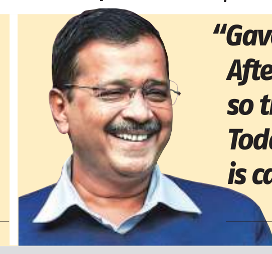


"We are building 22 new express highways including Delhi-Mumbai Express Highway... these have huge potential for the industry. If players want to come forward, we can offer right of way especially on Delhi-Mumbai Express Highway which we plan to complete within three years"

NITIN GADKARI
Union road transport, highways minister

"The best thing about your country is, it is big, it is growing, the population is young, the education continues to improve and you have a huge talent pool"

BRIAN T MOYNIHAN
CEO, Bank of America



"Gave up everything for the people of Delhi. After joining politics, I faced many difficulties so that the life of the people could improve. Today in return, the Bharatiya Janata Party is calling me a terrorist ... It is very sad"

ARVIND KEJRIWAL
Delhi chief minister

SAINA NEHWAL JOINS BJP

Badminton player Saina Nehwal and her sister Abu Chandranshu Nehwal (*left*) with BJP President J P Nadda (*right*) after they joined the Bharatiya Janata Party, in New Delhi, on Wednesday PHOTO: PTI

Rlys looks to govt for pension bailout

National transporter has ₹50,000-cr liabilities to 1.5 mn pensioners; plans PPP push in freight, high-speed corridors

JYOTI MUKUL
New Delhi, 29 January

The Ministry of Railways has asked the government to take over an estimated ₹50,000-crore pension liability owing to the financial stress being faced by the national transporter. The organisation, which is looking to enhance its capacity by 2024, may end this financial year with an operating ratio worse than the previous year.

The Indian Railways is, however, aiming to complete major projects, including dedicated freight corridors, high-speed railway and signalling upgrade, in order to take its share in freight traffic to 75 per cent, from the current 25 per cent.

The Railways has about 1.5 million pensioners. Unlike other government departments, the pensioners are paid from the rail revenue. "We have requested the finance ministry to take over the liability, either in full or in phases. Else we will be left with a deficit of ₹15,000-20,000 crore," Y K Yadav, chairman, Railway Board, said on Wednesday.

The Railways was targeting 95 per cent operating ratio for the current year after it registered 98.4 per cent in 2018-19 and 97.29 per cent in 2019-20. The revised operating ratio to be presented in the Budget Estimates is expected to be more than the budgeted number.

Yadav said the transporter is trying to rationalise expenses and increase earnings in the remaining two months to deal with the stress in finances. He said the Railways is likely to end the year with earnings of ₹1.9-2 trillion, of which 25 per cent would go towards meeting pension liabilities. The emphasis would be on increasing capacity by building high-speed corridors, dedicated freight corridors, and multitracking.

Three more dedicated freight corridor projects would be taken up either on private public partnership (PPP) mode or through multilateral funding. Bids would soon be invited for the Sonnagar-Dankuni dedicated freight corridor, for which 89 per cent land has been acquired. This is likely to be taken up on PPP with viability gap funding (VGF). "Companies could bid for VGF or a premium," said Yadav, adding the Railways is also looking at the option of an annuity model for the project.

Feasibility studies were conducted for 5,071 km, of which three corridors were identified (3,930 km) since they have an internal rate of return of more than 20 per cent. "We have sanctioned detailed project reports," said Yadav.

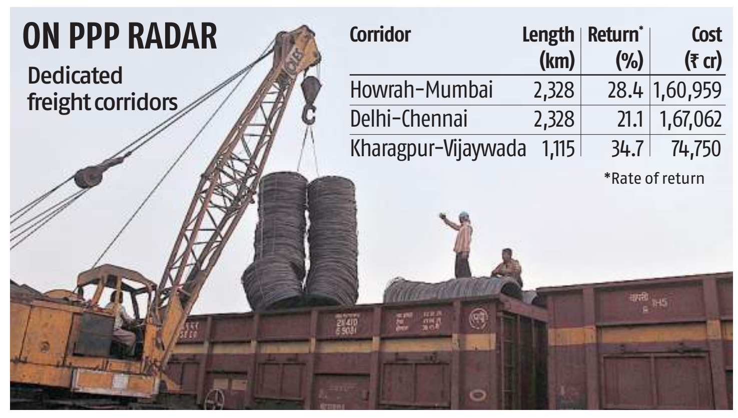
On the bullet train project on the Ahmedabad-Mumbai high-speed corridor, the chairman said 96 per cent of land would be available in the next six months. Bids have been invited by April 15 for six packages. There would be 28 packages for the corridor, which is likely to be operational by December 2023. The Railways is looking at six more high-speed and semi-high-speed corridors.

On the impact of slowdown on freight traffic, Yadav said only coal loading among all the freight commodities was impacted. "There is enough scope to increase the share of Railways in freight from 25 per cent to 75 per cent."

Among the impediments in getting freight was the lack of punctuality in the running of freight trains and paucity in capacity. The Railways has put in place two discount schemes, which include signing of long-term contract and giving discounts linked to benchmarks. Under another scheme, general managers were authorised to give discounts up to 30 per cent.

ON PPP RADAR

Dedicated freight corridors



Corridor	Length (km)	Return* (%)	Cost (₹ cr)
Howrah-Mumbai	2,328	28.4	1,60,959
Delhi-Chennai	2,328	21.1	1,67,062
Kharagpur-Vijaywada	1,115	34.7	74,750

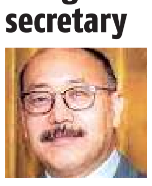
*Rate of return

IN BRIEF

Abortion limit raised from 20 to 24 weeks as Cabinet okays Bill

The Cabinet on Wednesday approved extending the upper limit for permitting abortions from the present 20 weeks to 24 weeks. The Cabinet approved the Medical Termination of Pregnancy (Amendment) Bill, 2020, to amend the Medical Termination of Pregnancy Act, 1971. The Bill will be introduced in the ensuing session of Parliament. Union Minister Prakash Javadekar said this will ensure safe termination of pregnancies and also give women reproductive rights. The extension to 24 weeks will also help victims of rape, girls with disabilities as well as minors, who may not realise they are pregnant until later, he said. PTI

Shringla takes charge as foreign secretary



Diplomat Harsh Vardhan Shringla took charge as India's next foreign secretary on Wednesday, and asserted that he would work with India's partners on key issues, including ensuring an "undifferentiated and unambiguous" approach to terrorism. PTI

RBI's Executive Director Janak Raj included in MPC

The RBI central board met on Wednesday and nominated Executive Director Janak Raj on the Monetary Policy Committee (MPC) as an ex-officio member, the central bank said. Janak Raj was named ED on January 24 and succeeds Michael Patra in the MPC. BS REPORTER

Ficci survey projects 5.5% GDP growth for next fiscal year

A survey by industry chamber FICCI pegged India's economic growth rate at 5.5 per cent for the next fiscal year (FY21), from expected 5 per cent in FY20. The survey comes ahead of the Economic Survey, to be released on Friday. A majority of respondents said the current slowdown in India has nearly bottomed out. BS REPORTER

Bengaluru is most traffic-congested city in the world: Report

Bengaluru is the most traffic congested city in the world, according to a report released by technology company TomTom. According to the results of the TomTom Traffic Index, Bengaluru takes the top spot with drivers in the southern Indian city expecting to spend an average of 71 per cent extra travel time stuck in traffic. PTI

RBI slaps ₹1-crore fine on HDFC Bank for KYC breach

The RBI has imposed a penalty of ₹1 crore on HDFC Bank for not complying with the master directions on Know Your Customer. The RBI did a scrutiny of 39 current accounts by the bank's customers to bid in IPOs. It showed the bank failed to exercise due diligence. BS REPORTER

Record rise in Indian students at London universities: Study

A record hike in the number of Indian students choosing London universities has resulted in India regaining the third spot in the UK capital's overseas students tally, after China and the US. PTI

US files suits against Indian call centres for making robocalls

The Trump administration has filed lawsuits against five companies and three individuals allegedly responsible for making millions of fake robocalls to American consumers from overseas, mostly from India, and leading to massive financial losses, the Department of Justice has said. Seeking a restraining order against such call centres and robocalls, the Department of Justice in its class action lawsuit alleged that the companies were warned many times not to carry fraudulent robocalls — including government and business-imposter calls — yet they continued to do so and facilitated foreign-based fraud schemes targeting Americans. "The calls led to massive financial losses to elderly and vulnerable victims across the nation," it said. PTI

Six states see fall in tax revenues till November

DILASHA SETH
New Delhi, 29 January

Andhra Pradesh, Gujarat, Maharashtra, Punjab, Manipur, and Uttarakhand saw a fall in their overall tax receipts during the first eight months of the current fiscal year.

The six states had witnessed growth in tax receipts in the range of 12 per cent and 30 per cent in the year-ago period.

The bulk of states' revenue comes from the Centre's divisible tax pool, goods and services tax, value-added tax on petroleum, and excise duty on alcohol.

These revenues declined 11.4 per cent in this period in Andhra Pradesh, against 24 per cent growth a year ago, while Punjab witnessed 10.4 per cent contraction against over 12 per cent growth.

Kerala saw some reduction in the rate of fall at 10.9 per cent. However, Punjab witnessed an increase, as its tax revenues saw 11.7 per cent decrease.

Manipur, too, had 11.4 per cent fall in tax revenue during April-November 2019, compared to 29.8 per cent growth a year ago.

There was 3.11 per cent southward movement in revenue in Gujarat, while Maharashtra had 0.3 per cent fall in the first eight months of 2019-20 (FY20). Gujarat had seen 16 per cent growth in the year-ago period and Maharashtra 13.6 per cent.

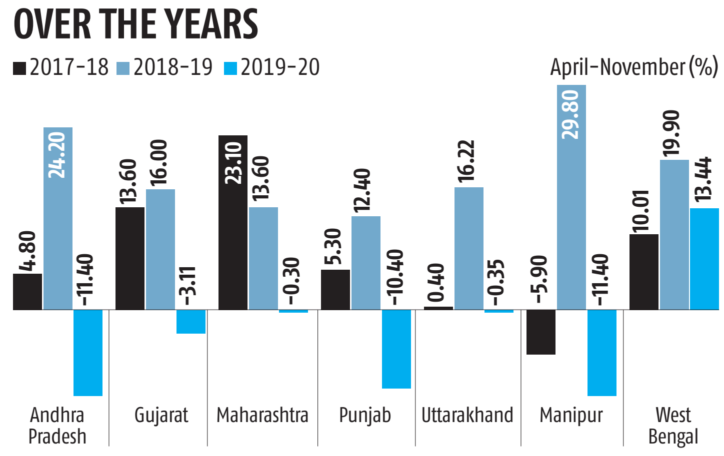
Uttarakhand witnessed 0.35 per cent decline in tax receipts during April-November of FY20, against over 16 per cent rise a year ago.

India Ratings and Research (Ind-Ra) expects aggregate fiscal deficit of the states to come close to 3 per cent of gross domestic product in the current fiscal year, higher than the budgeted 2.6 per cent.

In its note, it has revised the outlook on state finances to 'stable-to-negative' for the current fiscal year from 'stable'.

Explaining the concept of 'stable-to-negative', Ind-Ra Chief Economist Devendra Pant said while bigger states are better placed to manage fiscal shocks, states which see fiscal deficit at 4 per cent or more may see deterioration.

OVER THE YEARS



Source: Government

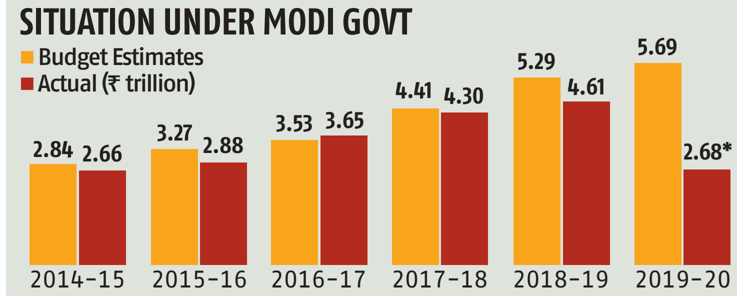
PERSONAL TAX MOP-UP ALWAYS AN UPHILL TASK

The Modi government has never been able to meet its Budget Estimates for personal income tax collections, except for the demonetisation year of 2016-17. Achieving the target seems difficult this financial year (April 2019-March 2020, or FY20) as well since the collections under this head grew just 7.2 per cent till November year-on-year whereas the required growth stands at 23.4 per cent for the entire FY20. Only 47 per cent of the Budget Estimates for FY20 has been collected till November. It would be correct that much of the collections come towards the end of FY20, but the difference between achievement and the target is wide. Last year, only 47 per cent of the target was collected till November but the mop-up fell short by ₹68,000 crore

"NOW, BECAUSE WE WANT MORE INVESTMENTS TO COME INTO THIS COUNTRY, WE HAVE GIVEN IT TO ALL COMPANIES UNDER THE COMPANIES ACT TO BRING IN A PARITY OF SORTS... AND ON PERSONAL INCOME TAX... I WOULD RATHER DEAL WITH PERSONAL INCOME TAX ON ITS OWN BECAUSE I HAVE DONE THIS,"

NIRMALA SITHARAMAN
Finance minister

SITUATION UNDER MODI GOVT



*Till November

Source: Budgets, Controller General of Accounts

MUSIC, SOULFUL RENDITIONS MARK BEATING RETREAT

Foot-tapping music and soulful classical renditions reverberated at Vijay Chowk on Wednesday as the Republic Day celebrations culminated with the Beating Retreat. The event saw 26 performances by the bands of the armed forces and central and state police contingents. From 'Abhiyan' to 'Nritya Sarita' and 'Ganga Jamuna', Indian tunes were the flavour of the ceremony

PHOTO: DALIP KUMAR

IDFC First Bank posts pre-tax loss of ₹1,623 cr in 3rd quarter

Private sector lender IDFC First Bank saw a pre-tax loss of ₹1,623.04 crore in the third quarter ended December 2019 (Q3FY20) owing to one-time provisioning for its telecom and legacy infrastructure loan accounts. It had logged net pre-tax loss of ₹2,503.91 crore in Q3FY19.

Makes heavy provisioning for telecom and legacy infra loans

Its stock closed 1.72 per cent higher at ₹44 per share on the BSE. Bank announced the results late in the night after a seven-hour meeting of its board. The bank reported net loss of ₹1,638.8 crores for the quarter, as compared to a loss of ₹1,538.01 crore in Q3FY8, according to a filing with the stock exchange. Its net interest income (NII) in Q3FY20 grew 34 per cent to ₹1,534 crore, up from ₹1,145 crore in Q3FY19. The net interest margin rose sharply to 3.86 per cent in Q3FY20 from 2.89 per cent in Q3FY19. The bank's fee and other income was ₹413 crore, as compared to ₹257 crore in the corresponding period last year.

In a statement, the bank said it made a one-time provision towards a legacy telecom exposure, totalling ₹1,622 crore for which it provided 50 per cent of its exposure.

It also provided provisions of ₹110 crore towards one legacy infrastructure account. Its gross NPAs rose to 2.83 per cent, from 1.97 per cent in Q3FY19. ABHIJIT LELE

Banks plan to restructure major chunk of ₹2-trillion MSME loans

Set to miss the government's March 31 deadline

NAMRATA ACHARYA & ISHITA AYAN DUTT
Kolkata, 29 January

With the deadline of March 31 nearing for restructuring micro, small and medium enterprise (MSME) loans under the special dispensation provided by the Reserve Bank of India (RBI), banks are looking to restructure a major chunk of the ₹2-trillion loans identified under the scheme.

According to rough estimates suggested to the government by the banks a few months ago, MSME loans of about ₹2 trillion were identified to be restructured by March 31. Sources say banks hope to meet at least 70 per cent of this target.

In January 2019, the Reserve Bank of India (RBI) allowed a one-time restructuring of existing MSME loans that have defaulted, but are not non-performing as on January 1.

This will be allowed provided the total fund and non-fund based exposure to such a borrower is less than ₹25 crore.

"According to assessment done by individual banks, the combined restructuring amount was estimated around ₹2 trillion. More than 50 per cent of the target was met till November-December. This quarter, banks are expecting to get more proposals for restructuring," said a top official of a public sector bank.

Notably, while a number of banks had been able to restructure a substantial portion of the loans, some were asked to identify potential candidates and consider restructuring MSME accounts.

"In whichever case, we are seeing a potential and reaching out to promoters for restructuring. Banks are hopeful of meeting the target of ₹2 trillion," said a senior official of another public sector bank.

According to a statement by the Press Information Bureau, dated December 28, 2019, a total of 5,38,440 MSME loan accounts have been restructured as per terms of the RBI's circular dated January 1. Of this, 1,65,104 accounts have been restructured since October, 2019.

The MSME sector has been reeling from stress for quite some time.

According to the latest data from TransUnion Cibil, credit growth in the micro (less than ₹1 crore), small (₹1-15 crore) and medium (₹15-50 crore) segments showed a year-on-year growth of 7.7 per cent, 4.6 per cent and 1.9 per cent, respectively, for the period between September 2018 and September 2019. At the same time, NPA rates increased from 11.7 per cent in September 2018 to 12.2 per cent in September 2019.

Apart from one-time restructuring, the government has been announcing a slew measures to improve credit flow to the sector.

In order to address the working capital needs of MSMEs on account of stress arising from delayed payments, PSBs are offering up to 25 per cent enhancement in working capital limits for standard MSME accounts as a standby line of credit.

Banks have also launched an MSME outreach initiative for restructuring stressed standard assets.

In 2018, the government started a scheme to sanction loans of up to ₹1 crore via a dedicated portal, with a turnaround time of 59 minutes. The interest rate on such assistance starts at eight per cent.

IN NUMBERS

- Market share of public sector banks in MSME lending has fallen to 48.2 per cent in September 2019 from 51.2 per cent in September 2018
- MSME NPA rates increased from 11.7 per cent in Sep 2018 to 12.2 per cent in Sep 2019
- Banks met more than 50 per cent restructuring target by December

China toll rises to 133; airlines cancel flights

AUSTRALIA GROWS VIRUS SAMPLE, TO HELP IN TESTING; RUSSIA, CHINA WORKING ON VACCINE

TOYOTA HALTS OPERATIONS IN CHINA TILL FEB 9; BOSCH CEO WARNS OF HIT TO AUTO SUPPLY CHAINS

STARBUCKS SHUTS 2,000 STORES, APPLE CLOSES ONE

Bookings for Southeast Asia leisure trips dip

ANEESH PHADNIS
Mumbai, 29 January

Travel agents are wary of cancellations of leisure trips to Southeast Asia, even as local governments step up their drive to contain coronavirus. While travel to China is dominated by the business segment, leisure drives growth for markets like Singapore, Thailand, and Malaysia.

Thailand — which has detected 14 cases of coronavirus infection (more than any country outside China) — has begun screening tour guides and has asked travel firms to monitor customers for symptoms. Singapore has decided to stop entry or transit to visitors who have travelled to the coronavirus-impacted Hubei region of China in the past 14 days, as well as Chinese passport holders from the region.

Despite such efforts by governments, customer confidence remains thin. "We are seeing a 20-60 per cent drop in bookings to some of the countries in Southeast Asia from India since the news of coronavirus broke. In addition to China, which has witnessed a 59 per cent dip in bookings, the places to which bookings have been affected the most in the past couple of weeks are Hong Kong (57 per cent dip in bookings), Indonesia (31 per cent dip in bookings), Singapore (28 per cent dip in bookings). Bookings to Japan and South Korea seem to be largely unaffected," said Balu Ramachandran, senior vice-president, Cleartrip.com.

Rajat Bagaria, joint secretary of Travel Agents Federation of India, said travel sentiment is negative at the moment. "Customers are not confirming bookings for Bangkok, Hong Kong, and Macao. We fear our summer business could be hit if the spread of the virus is not contained in the next few weeks."

Thailand, Singapore, Malaysia, Indonesia, and Hong Kong were among top 10 leisure destinations for Indians in 2018, according to aviation consultancy CAPA.

Jyoti Mayal, president of Travel Agents Association of India, said, though there are no advisories against travelling to Southeast Asia, customers remain apprehensive. "We have seen a few cancellations for Thailand. Those having cold and cough are especially anxious of visiting the region," she said.

Thomas Cook, however, said it has not seen a reduction in demand for Southeast Asian holidays. "There are concerns about the China coronavirus situation, but we have tours underway across multiple destinations in the region. Our tours to Japan and South Korea continue to see high demand," it said.

A section, however, believes leisure trips to Bangkok or Bali could become cheaper as the flu outbreak has led to suspension of tours from China, which is the largest travel market. Last year, over 10 million Chinese visited Thailand, accounting for 30 per cent of all arrivals.

A medical ward has been readied at the Rajiv Gandhi Government General Hospital in Chennai to admit those infected by the virus
PHOTO: REUTERS

'DEADLIER THAN SARS'

- Centre issues fresh advisory, asks people to refrain from China travel
- Japan, US pull nationals from China
- No in-flight hot meals, blankets, magazines
- Asian shares turn red as Hong Kong tumbles
- 5,974 infected cases in mainland China — more than the 5,327 cases officially reported during the SARS epidemic 17 years ago
- Nomura says blow to growth could exceed that seen during the SARS outbreak

Corporate impact

From carmaking to electronics, the virus outbreak is infecting companies around the world with anxiety about the impact on their supplies and earnings.

Taiwanese tech giant Foxconn, which manufactures Apple's iPhones, said it will keep its Chinese units closed until mid-February. Apple said it is preparing for production delays in its supply chain.

McDonald's and Starbucks closed thousands of stores combined in China; Toyota Motor, too, halted production in the country. Swedish furniture giant Ikea has temporarily closed half of its 30 stores.

Search for vaccine

In a major breakthrough in the fight against coronavirus, scientists at Melbourne's Peter Doherty Institute for Infection and Immunity claimed to have developed a lab-grown version of the disease, helping vaccine search. On the other hand, Russia said its scientists were working with their Chinese counterparts to develop a vaccine and that Beijing has handed over the genome of the virus to Moscow.

AI, IndiGo join global peers to suspend China flights

Air India and IndiGo joined their global peers British Airways, Lion Air and Lufthansa in announcing temporary suspension of their China flights, as India clamped down on travel to stop the outbreak of coronavirus.

Air India said Mumbai-Delhi-Shanghai flight has been cancelled from January 31 to February 14, while IndiGo is suspending its Delhi-Chengdu and Bengaluru-Hong Kong flight from February 1-20. IndiGo, however, will continue to operate its Kolkata-Guangzhou flight. Air India has also decided to cut the frequency of its daily Delhi-Hong Kong flights to thrice per week from January 31 to February 14.

Bookings on the routes slumped in the last few days as businesspeople postponed their tours. The airlines saw a large number of cancellations impacting loads.

In a statement, IndiGo said it has taken the decision after a careful assessment of the situation. "These are purely temporary and precautionary measures. We understand that the measures will cause inconvenience to our customers and we be refunding the full amount to impacted passengers."

"For now we will continue to operate our Kolkata-Guangzhou flight which we are monitoring on a daily basis. As for our operating crew we are ensuring they return to India on inbound flights without any layover in China."

The two airlines have also advised their pilots and crew to take precautions while operating flights to East Asian destinations. Staff has been asked to wear masks and avoid public places during layovers in Thailand, Vietnam and Singapore.

Air India crew, too, have been asked to wear masks on board flights to Southeast Asia. The airline is carrying extra masks which could be given to passengers.

ANEESH PHADNIS

No China firm to pull out of auto expo, says Siam

T E NARASIMHAN
Chennai, 29 January

Even as the threat from coronavirus looms, no Chinese company is expected to pull out of the Auto Expo 2020, to be held in Greater Noida from February 7.

This assurance was given by the Society of Indian Automobile Manufacturers (Siam), which said it is taking adequate precautions at the venue in accordance with the instructions of the health ministry.

SAIC and BYD won't send any major delegation from China; Great Wall executives already in India

Some of the measures include a full medical team and thermal screenings. Siam representatives met ministry officials and local administration on Wednesday to discuss the measures to be taken during the auto expo.

While Siam did not disclose any information on number of Chinese delegation to attend, things discussed at the meeting and others, Rajan Wadhera, president of Siam, said, "We have gone through the advisory issued by the ministry of health and are taking adequate precautions."

Sources said over two dozen top officials from various companies were planning to participate in the event, besides a group of journalists.

A Siam official said Chinese companies participating in the auto expo have their representatives in India. This means that these companies can take part in the event without a major delegation from China.

Chinese firms, including Great Wall, which will make its foray into India this year, and British automotive brand MG Motor (owned by Chinese firm SAIC Motor), have take 3,500 sqm each. Other major Chinese companies include BYD and Haima.

MG Motor said that no delegation was planning to come to the auto expo because of the Chinese New Year. While Great Wall could not be reached, sources said officials from the company have arrived in India almost a month ago.

BYD also has its representatives in India.

Markets brace for ₹8-trillion borrowing

ANUP ROY
Mumbai, 29 January

The bond market expects the government to announce heavy borrowing in the next fiscal year, but the numbers could be masked through off-balance sheet items, such as enabling public sector companies to raise government-serviced bonds.

"Going into the Budget, the broad consensus of market participants for 2020-21 (FY21) fiscal deficit is at 3.5 per cent, which would translate into gross borrowings of ₹7.7-7.9 trillion. A credible Budget which throws up anything below these numbers would be a positive surprise for the market," said B Prasanna, head of global markets and proprietary trading group, ICICI Bank.

Bond traders say the market wouldn't be perturbed if the government is not able to keep the fiscal glide path in mind and overshoots its targets by 0.5 percentage points, as allowed under the Fiscal Responsibility and Budget Management Act.

"The situation is actually very similar to what it was in 2014-15, when the market was okay with the government breaching the target, but the government didn't do that," said a senior bond trader.

"What upsets the markets and foreign investors most is creative accounting," said a bond trader.

One such creative mode of accounting is allowing public sector undertakings to raise government serviced bonds. While the government pays for the principal and interest, the numbers don't reflect in the total borrowing. Such a possibility has already taken credence after the Nabard last Friday said it would be raising ₹7,000 crore worth of government serviced bonds on Friday.

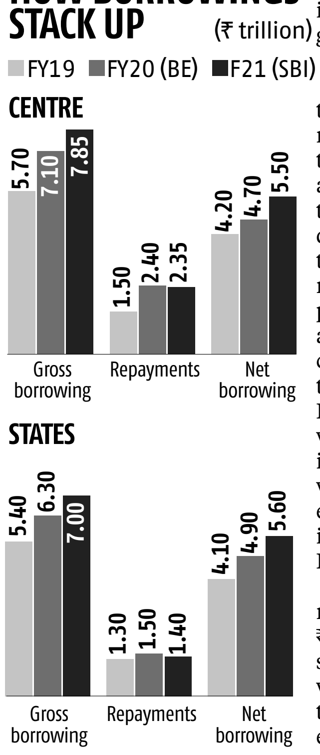
In the current fiscal year, ₹57,000 crore of such bonds were planned to be raised, but except Nabard, nobody had raised such bonds. In 2018-19, however, ₹64,192.10 crore of such bonds was raised. "The gross borrowing is expected to be between ₹7.6 million and ₹7.9 trillion. We expect the off-balance sheet borrowing to continue next year as well," said Badrish Kulhalli, head of fixed income at HDFC Life Insurance.

The expectation now is that in the Budget, the Centre may announce ₹1 trillion of such government serviced bonds, including those pending in this fiscal year. In that case, the gross borrowing could be shown at around ₹7.5 trillion or even less. This will bring down yields on government bonds and help the government borrow government securities cheaply. What is of concern though is that the states are also increasing their borrowing from the market, and this is crowding out the private sector.

"With repayment around ₹2.35 trillion, gross borrowings of the Centre are expected to come at ₹7.85 trillion. In addition, states are expected to borrow ₹7 trillion, thus, taking the total borrowing for FY21 to be closer to ₹15 trillion," said Soumya Kanti Ghosh, group chief economic advisor of SBI. One way of mitigating this is by offering higher limit to foreign portfolio investors in Indian bonds. Indeed, the government is considering increasing the limit of foreign portfolio investments to 10 per cent of the outstanding, from the current 6 per cent. This may get announced in the Budget itself, say sources. But on an immediate basis, the market is gearing up for extra borrowing for the current fiscal year.

HOW BORROWINGS STACK UP

(₹ trillion)



Source : SBI

Fears over rights of flyers loom after Kamra ban

A tweet from Civil Aviation Minister Hardeep Singh Puri made four major airlines ban stand-up comedian Kunal Kamra for 60 days even though the crew of IndiGo, where the incident took place, filed no complaints.

The ban by IndiGo was followed by Air India, SpiceJet and GoAir after Puri tweeted: "We are left with no other option but ask other operators to impose similar restrictions."

The move has raised fears that the government can use the no-fly list to settle political scores, undermining freedom of citizens.

Sudhakar Reddy, president of Air Passengers Association of India, said the no-fly list is heavily tilted in favour of airlines. "The success of any law lies in it balancing the interests of all concerned. Unfortunately, at first glance, these rules look skewed against passengers," Reddy said.

Queries sent to Puri's office on why the minister interfered in a safety investigation process were diverted to civil aviation secretary P S Kharola, who didn't comment.

"The matter has to be referred to an internal committee of airlines and they have to give a final decision in 30 days and give reasons in writing. Punishment for different types of unruly behaviour is prescribed and airlines have to adhere to the same," the DGCA said on Wednesday.

Brexit: Exporters cautious but hopeful

SUBHAYAN CHAKRABORTY
New Delhi, 29 January

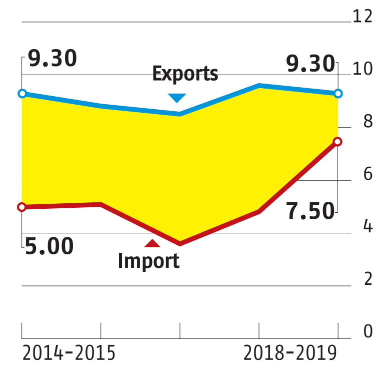
As the European Parliament approved British Prime Minister Boris Johnson's Brexit deal, clearing the way for the UK to leave the EU on January 31 with an agreement that, for the time being, will avoid a chaotic rupture, Indian exporters are hoping to seize the gulf in trade relations that is set to emerge. "A lot will depend on the exact terms of agreement that the UK reaches with the EU. If the UK decides to enter into a Customs union with EU, shipment flows will continue unhindered and without much change to the logistics value chain," said Ajay Sahai, director general of the Federation of Indian Export Organisations.

A Customs union generally consists of a trade bloc composed of a free trade area and a common external tariff for products and services. This will require a new trade pact between both parties, which creates a common external trade policy. This may be similar to the current scenario where EU member states (EU) delegate authority to the European Commission to negotiate their external trade relations through the Common Commercial Policy.

But chances for this are slim, experts say. "The UK has said it won't hand over the power to decide on foreign trade matters to Brussels. Britain will negotiate its own deals," a source at the British High Commission said. "It doesn't matter what the post Brexit scenario is, since India stands a good chance to exploit the opportunity. Indian goods will compete with British goods in EU and vice versa," Sahai said.

Members of the European Parliament after voting on the Brexit deal during a plenary session in Brussels PHOTO:REUTERS

THE LOWDOWN ON INDIA'S MERCHANDISE TRADE SURPLUS WITH THE UK



MAJOR EXPORTS

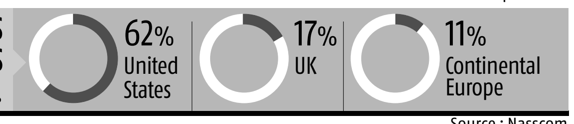
	($ bn)
Apparels	1,633.0
Machinery	1,063.0
Pharma	533.0
Vehicles and parts	424.9
Footwear	383.0

MAJOR IMPORTS

	($ bn)
Machinery	1,180.3
Silver in all forms	1,063.8
Gold in all forms	848.0
Iron and steel	413.2
Aluminium & articles made from it	342.5

Source : Commerce Department

IN FY19, INDIA'S IT FIRMS' EXPORTS WENT TO...



Source : Nasscom

Betting on IT: According to a report by the British Parliament, services account for 80 per cent of the UK's economic output and 46 per cent of exports, as of 2018-end. The UK is the world's second-largest exporter of services by value and 41 per cent or $152 billion of its services exports flowed across the English Channel into mainland Europe. In the same year, the UK imported $116 billion worth of services from the EU.

With EU nations like Poland providing significant IT support to UK companies, Indian firms are weighing their options to push further into both markets, say sources. Interestingly, the UK and EU constitute India's second and third-largest markets for outbound IT services, which stood at $136 billion in 2018-19, according to Nasscom. "London is a major gateway for Indian IT firms entering Europe and, consequently, operational headquarters are mostly based in London," an expert said, adding that a major shakeup in existing investment and trade policy may result in Indian firms having to shift their headquarters to other nations but this will also come with significant growth opportunities.

More on business-standard.com

Will Budget 2020 be populist?

What you will see depends on what you're looking for

WITHOUT CONTEMPT

SOMASEKHAR SUNDARESAN

With the announcement of the Union Budget approaching fast, speculation is rife that the measures that will be taken in the Finance Bill 2020 would be "populist".

What is "populist" can however depend on who considers it populist — it would typically mean being supportive of "the other". When headlines in English media use the term, "populist" would mean the measures would provide benefits to farmers and the salaried class. For example, hike in standard deduction; greater farm subsidies; taxing the use of robots in factories. Seen from the prism of the farmers and the salaried, "the other" would be industry and the rich — further reduction in direct tax rates; investing more in the idea of "growth" eventually leading to a trickle down to the poor.

Two key challenges stare us in the face this time. First, the steadily growing inequality and inequitable tax policy. Indirect taxes, paid at the same rate by the rich and the poor alike, still contribute a high share of tax revenues while direct taxes, linked directly to the ability to pay and in proportion to what is earned, is invariably used as the tool for giving relief and placing more funds in the hands of society. Substantial relief has been given already on direct taxes, particularly to corporates, creating an incentive to use the corporate form for most economic activity, and there is not much left to give. India continues to generate dollar billionaires even while large sections of the populace continue below poverty line. In fact, thanks to the proliferation of billionaires (even subject matter of widely popular books now), institutional funding for India's social sector is drying up.

We are simply unable to recognise and identify that wealth disparity and the consequent inequity is having extraordinary social consequences. The answer lies in hard-core fiscal reform. Merely instilling the fear of the taxman, to ensure compliance with tax law is not enough. What is vital is to reform tax policy. The more perverse and stringent enforcement of bad fiscal policy cannot achieve what prudent fiscal policy alone can achieve. Today, the discourse on this front is polarised — the mere mention of inequality is met with a dismissive "communism" charge from one end of the spectrum while any discussion on reform in enforcement is met with a dismissive "cronyism" charge from the other end.

Second, the government is staring at a gaping hole in the balance sheets of state-owned banks, which would obviously need to be recapitalised. This is the part that is not considered "populist" although essentially it involves funding the banks that have lost money lending to industry — in much the same way farm loan waivers are financed. Besides, multiple non-banking financial institutions, particularly "systemically important" ones, are failing. The lessons from these clearly point to how governance failures have grown like a cancer, hollowing the institutional core, leading to their being run like mom-and-pop shops with overarching control being wielded by individuals, at times, those not even holding office. At the end of the day, someone will have to foot the bill, and the temptation to expend taxpayers' money will be high.

However, the need for reform is way beyond finding the money to support institutions — without deep reforms in corporate governance for the banks and institutions, capitalising them with more money will simply pour more down the drain. There is no bigger opportunity cost suffered by the government than ignoring the need to corporatise the government's holdings across banks and to bring corporate governance norms for banks on par with company law that has taken long strides ahead since the 2013 law. In fact, governance of state-owned banks, codified in the bank nationalisation law and other legislative charters of specific banks, is rooted in an anachronistic and outmoded framework.

Finally, this time, the government would do well to use the Finance Act to purely focus on fiscal reform and shun the use of multiple schedules to rewrite multiple other laws passed by both Houses of Parliament. Quite apart from such an approach being abusive of provisions governing money bills, giving the Lok Sabha the right to negate various legal provisions that are on the statute book with the approval of Rajya Sabha, it diffuses focus from the key objectives of the Union Budget exercise. Recent experience suggests that this can only be a hope in vain, but it would be a pleasant surprise for this expectation to be belied.

The author is an advocate and independent counsel. Tweets @SomasekharS

CHINESE WHISPERS

'Third force' in Bihar?

The Janata Dal (United) on Wednesday sacked party vice-president and election strategist Prashant Kishor (*pictured*) and former diplomat Pavan Varma from the primary membership of the party. It said the two had been making anti-party statements. According to sources, Kishor is preparing in earnest for the Bihar Assembly polls, scheduled for September-October. Several senior leaders of the Rashtriya Janata Dal (RJD) are upset with Tejashwi Yadav. Allies, including Rashtriya Loktantrik Samata Party's Upendra Kushwaha and others, could also be amenable to join a "third force" in Bihar politics that Kishor hopes to shape. It could comprise RJD rebels, these smaller parties and the Left parties. Communist Party of India (CPI) leader Kanhaiya Kumar is set to start his whirlwind tour of Bihar in the coming days. With RJD chief Lalu Prasad unwell and in jail, the question now is whether the Congress will sever its alliance with Tejashwi-led RJD and lead such an alliance against Nitish Kumar-led JD (U) and Bharatiya Janata Party alliance.

Better interpretation

The Rajya Sabha currently has an interesting mix of interpreters within its ranks. It has expanded its pool of interpreters after Rajya Sabha Chairman M Venkaiah Naidu instructed officials to ensure that the House's "simultaneous interpretation service" in all the 22 scheduled languages of the country operates smoothly. A total of 32 consultant-interpreters have been hired for seven languages including Dogri, Konkani and Sindhi. Instead of recruiting full-time interpreters, the Rajya Sabha Secretariat has experimented with hiring consultants to be engaged on a need to basis. Rajya Sabha Secretary General Desh Dipak Verma said this was a cost-effective way of meeting the simultaneous interpretation need.

Congress' Shatru!

The bonhomie between maverick Congress leader Shatrughan Sinha and Samajwadi Party (SP) president Akhilesh Yadav continues to cause much consternation among Congressmen in Uttar Pradesh. Recently, Shatrughan Sinha and former Union minister Yashwant Sinha had shared the dais with Yadav at the SP headquarters in Lucknow. The actor-turned-politician had quit Bharatiya Janata Party (BJP) and joined Congress in the run up to the 2019 Lok Sabha polls. He contested from the Patna Sahib seat but lost, while his wife Poonam Sinha tasted defeat as the SP nominee from the Lucknow parliamentary seat. Congress' Lucknow Lok Sabha candidate Acharya Pramod Krishnam took to Twitter to hit out at Sinha over his alleged disloyalty towards the Congress. Other state Congress leaders also expressed dismay over the "conduct" of Sinha and demanded that such people should be shown the door.

Tap water for all: Ground-level challenges

The prime minister's pet mega-project relies heavily on state governments and local communities

RUCHIKA CHITRAVANSHI & NIVEDITA MOOKERJI

Last December while inaugurating the Atal Bhujal Yojana — a scheme for India's groundwater resources — Prime Minister Narendra Modi said he understood the pain of water scarcity, having grown up with it in his home state of Gujarat. He rightly pointed out that the water puzzle in India is a peculiar one, with half the country facing water shortage and the other half the problem of excess.

In the face of this twin challenge, Modi also declared detailed guidelines for providing functional household tap connection to the entire country by 2024, which would require tailormade solutions for each region.

According to government's estimates, this means reaching out to some 146 million rural households that do not have tap water coverage. Experts say the actual number could be much higher, making the job no easier.

At this stage, the government has announced a whopping budget of ₹3.6 trillion for the programme of which the central share will be ₹2.08 trillion. The Jal Shakti ministry has also set up a task force of bureaucrats, former officials and sector experts to analyse various drinking water programmes and ascertain whether substantial investments into such schemes have delivered satisfactory results.

The task force has already held four rounds of meetings and will give its recommendations for fine-tuning the Jal Jeevan Mission implementation strategy.

"We can only give a prescription but the medicine has to be administered by the states and communities," said Sashi Shekhar, former water resources secretary and co-chairman of the task force.

This is one of the major challenges of implementing a scheme of such scale in a time-bound manner. While most states have agreed to come on board, there are concerns the Centre-led programme should not get entangled in state-level bureaucracies and their individual Jal (water) board setups.

"Responsibility of water supply is assigned to state water boards, which as experience suggests, invariably go for major projects which often do not provide least cost, sustainable solutions with community ownership," Shekhar added.

The broad contours of the Jal Jeevan Mission have stated that states will have a definite operations and maintenance policy especially to meet with requirements such as monthly energy cost of piped water supply scheme, by ensuring cost recovery from user groups and thereby avoiding any unwanted burden on the public exchequer.

Every village will have to prepare an action plan that will have three components: Water source & its maintenance, water supply and grey water management. No expenditure towards operation and maintenance cost of the schemes such as electricity charges, salary of regular staff and purchase of land will be allowed out of the central share.

This brings us to the second big challenge: Community participation. Much of the success of the scheme depends on communities not only being proactive at the planning stage but also agreeing to pay for the water and other operation and maintenance costs.

INDIA AND WATER: KEY STATISTICS

1,160 mm Average rainfall

3.6 million kms length of river network

4 % of world water

18% of world population

132 Rank in per capita water availability

Source: Water Resources Information System

PER CAPITA WATER AVAILABILITY	1,486 cubic metre by 2021	1,508 cubic metre in 2011	1,816 cubic metre in 2001

Source: Parliament questions.

Once the assets are created through a one-time government investment, it will fall upon communities, going down to the gram panchayat level, to manage and operate. Not only do they have to be willing but also be equipped and capable of taking such responsibility.

Industry experts feel that the government has provided everything over the last 70 years such as handpumps and the shift to utility-based model, that comes at a fee, would require a behavioural change.

The government is likely to ask civil society to have a dialogue with the locals in areas where functional household tap connections are missing and to build consensus within the community.

Financially, the Jal Jeevan Mission feels secure. Bharat Lal, Jal Jeevan Mission Director and additional secretary, Jal Shakti Ministry, told *Business Standard*, "The government is committed to funding the scheme. Money is not an issue. We have to ensure proper utilisation."

While the task force has started to visit states to collect water-related data, Lal said that the initial response will be to go for low-hanging fruit. For instance, projects that are close to completion but remain unfinished can be taken up on priority. The government teams will also assess the ground and surface water availability in areas and consider providing connections to nearby areas where there is ample supply.

In order to understand local concerns, the government is also scanning Parliament questions of the past five years, engaging with NGOs and international organisations such as Unicef and WaterAid India in cities including Chandigarh, Gandhinagar, Puri, Guwahati and Bengaluru.

Another major challenge facing the authorities is the quality of water available. Not only does the Department of Water Resources lack adequate data of the overall water availability in the country, including mapping of aquifers which picked up only recently, there isn't enough work on studying the contamination of water bodies, water experts say.

India is believed to be the highest extractor of groundwater — drawing more water than the US and China combined. With so many claimants human, cattle, agriculture and industry — for the same catchment area of groundwater, Jal Jeevan Mission is making all the right noises about "source sustainability."

Narendra Modi's dream project after Swachch Bharat has all his attention, not unlike the building toilets mission or Aayushman Bharat. "PM is keeping a close watch and cabinet secretary is reviewing the progress every month," officials said. Indications are that the project could soon come under PRAGATI — the multi-modal platform chaired by the PM for timely implementation of important government schemes.

However, the 2024 deadline seems slightly compressed. Many feel that it may be too short a time to have behavioral change and coordination at the grassroot level to achieve 100 per cent target. "When there is a deadline, data does get fudged to show the right numbers," an official who did not wish to be named said.

While in some states such as Gujarat, Odisha and Bihar, the Jal Shakti Ministry feels, implementation will be easier owing to political consensus, the lack of it will make things difficult in say West Bengal. Also, dearth of water, infrastructure, arsenic contamination will pose a challenge in states including Uttar Pradesh, Assam and Maharashtra among others. To make things attractive for states, there may be rewards and incentives on the way.

The tall task can be accomplished, but all entities including the government, both at the Centre and states, as well as local communities and technology — will have to come together for it to become a reality.

INSIGHT

What next for India's MF industry?

The industry needs to innovate for the risk-focused, liquidity-preferring, return-agnostic masses

RAJIV SHASTRI

While the mutual fund (MF) industry has made great progress in India, it is undeniable that an overwhelming majority of our population is still excluded from the industry. This is largely because the focus of the industry has been on offering investment products to a largely savings-oriented population. As a result of this industry predilection with serving investors, most Indians continue to rely predominantly on banks to provide savings options.

As things stand, the MF industry in India caters to a tiny minority of the population which has achieved its basic financial needs. These basic financial needs go beyond the ability to manage regular expenses in a sustainable manner and includes savings that an overwhelming majority keep aside for emergencies and unforeseen circumstances. For these savers, the safety of their money and the ease with which they can access it in times of need are paramount. Returns come at a distant, and mostly irrelevant, third place.

A significant aspect of the industry's success till date has been its ability to change the behaviour of retail investors to suit the products that it offers. Product innovation has been largely focused on serving the needs of institutional investors, with fixed maturity plans being a prime example of this. While the benefits of this innovation did percolate to ultra-high networth individual investors as well, the majority to which it is eminently suited remains excluded.

The minority that the MF industry does serve has achieved a level of financial security and can take some risks with their investible surplus. Their goal is to ensure that this surplus grows at the highest possible rate. They prioritise returns and are often tolerant to risk and lower liquidity. Most MF products and services are designed to serve this minority and make their investment experience pleasant and sustainable. However, this minority only grows at a fast pace when the economy expands at a reasonable rate and doesn't grow when it doesn't. To break away from this link with the economic and market cycle, it is essential that the industry tries to expand its market and relevance.

One clear example of the beneficial effects of such expansion is a service implementation that that has become the bedrock of the MF industry in recent years: Systematic investment plans (SIPs).

In its early days, the SIP concept was promoted by the industry as a lower risk and disciplined approach to investing in equities for existing investors who were concerned about volatility. However, one of the primary reasons for its success is that it served not only those who had achieved a reasonable level of financial security, it expanded the market by including those at the cusp of it. The ability of the latter to access the equity markets by putting small amounts of money at risk and growing their exposure steadily was unparalleled in its innovation and the potential it unlocked. The resulting one-time increase in the number of potential investors meant that the industry grew at a very fast pace in recent years. However, the benefits of this increase are now tapering off and it is only a matter of time before investor numbers revert to becoming a function of national economic performance. Unless the industry grows its audience again.

Investors accessing the financial markets, either equity or debt, face a certain amount of complexity. For intermediaries to earn their keep, they can either reduce this complexity or increase efficiency by enhancing returns. Most products offered by the MF industry choose the latter route while savers have shown a marked preference for the former. Traditionally, banks have fulfilled this need by using their balance sheets to eliminate market risk and provide fixed returns for their depositors.

Faced with the coming plateau and the danger of remaining restricted to a niche, the industry needs to innovate for the risk-focused, liquidity-preferring, return-agnostic masses. Products designed to include even a fraction of this majority have the capacity to increase the industry's investor base manifold. The design and implementation of such products will necessarily need a multi-faceted understanding of regulations, underlying markets and investor behaviour. These products will need to be structured at the lowest possible cost to remain relevant. And since there is clear evidence that even existing low-cost products haven't been effectively distributed through the existing distribution infrastructure, these will need to be accompanied by service implementations that ease access.

This is a complex task but not one that is beyond the capability of the industry and certainly not one that isn't worthwhile. The ₹117 trillion fixed deposit market that these products can disrupt is more than four times the size of the MF industry.

The question for the industry is not whether it is up to the task, but whether it can afford to not be.

The author is an economist and former CEO of Essel Mutual Fund

LETTERS

Wrong approach

This refers to "Bankers get shield from fraud heat; boards of PSBs to be held accountable" (January 29). Watering down the framework for timely detection, reporting and investigations of high-value frauds with a view to reducing the accountability of MDs/CEOs of public sector banks (PSBs) is not the way to encourage lending. Dealing with frauds and lending are two independent issues. Are we saying that the responsibility and accountability for dealing with frauds gets diminished when there is an economic and, bank lending, slowdown? There must be consistency in dealing with frauds. There must be a clearly defined and consistent action plan in the framework to deal with high value frauds, despite insidious attempts to link the two. The instructions regarding high-value frauds come within the realm of the banking regulator. Instructions should be uniform across the banking industry. The government should not stray into the regulatory domain and set up a separate sets of rules for PSBs as this would send a wrong message to the banking community. Lending has slowed down because of the state of the economy and high non-performing assets of the PSBs and not because of the fear of dealing with high-value frauds.

Arun Pasricha New Delhi

Demands justified

This refers to "Bank union strike: Gujarat HC issues notice to RBI over trade body PIL" (January 29). The angst of the trade federations of Gujarat is understandable but one needs to take a holistic view of the strike call given by the bank unions. Besides being at the forefront of implementing every government-sponsored scheme, these banks have, over the years, become financial supermarkets, selling products such as mutual funds and insurances. With branches in remote villages, the staff has to work under great hardships, sacrificing work-life balance. When the central government staff is provided hefty pay hikes following every pay commission recommendation, irrespective of the state of the economy, denying a decent hike to PSB staff is akin to stepmotherly treatment.

V Jayaraman Chennai

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HAMBONE

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A taxing problem

The taxman has too much power in GST

The Union Budget is around the corner, and concerns related to the goods and services tax (GST) will be playing on the mind of both policymakers and investors. The GST has under-performed relative to expectations, and some in government have placed the blame on widespread evasion. In particular, there is concern that input tax credit facilities are being misused following the incorrect issue of invoices in the absence of the actual supply or movement of goods and services. This, under the current GST Act, is an offence, and GST commissioners have been provided with powers of arrest under these cases. The problem, though, is that courts have provided conflicting guidance on how this arrest should be carried out procedurally. This is certainly a fit matter for legislative clarification.

A fundamental principle in such cases is that the power of arrest should not be legislated to an officer simply because it may help the government collect more revenue. Questions of justice should also be considered. No arrests should be made before a proper assessment, for example. The Supreme Court held in 2019 that prosecution should normally be launched only after an adjudication is complete. Further, prosecution and arrests should only be considered if other methods fail — such as the payment of interest and penalty or of some other form of recovery. The government's approach to granting powers of arrest to the taxman has been inconsistent and opaque. For example, if the failure to deposit GST that has been collected is considered grounds for arrest, why is it being treated differently from the failure to deposit tax deducted at source that may also have been collected? Why are offences under the GST being considered differently from those under other forms of indirect taxes?

The power to arrest should only be granted to officers after a clear understanding of the costs and benefits. No such analysis has been the subject of public discussion, in spite of the increase in the frequency of arrests related in particular to input credit fraud. There are insufficient safeguards being provided to the taxpayer under the new GST system — indeed, fewer than what had evolved under the older system. It is hard to see this new process as anything but an outright power grab by the taxman under the pretext of tax reform and anti-evasion mechanisms. The government must re-examine its foundational assumptions on how the GST can and should work. A tax that is being widely evaded — if that is indeed the case — is one that is badly designed, and no amount of greater power to the taxman will correct the situation. This is a lesson that India learned painfully prior to the various tax reforms of the 1990s and 2000s. Unfortunately, it appears to be going backward on that front, spooked by a fear of lost revenue. The first step must be to examine whether the new regime of arrests has indeed aided in the recovery on the scale required. How much has been recovered? Has prosecution been launched in every case of an arrest? Because, if not, then was the arrest justifiable? It is time the government took a step back from a path that leads only to corruption and abuse of the law.

Sugar reforms

Prices should be determined by market dynamics

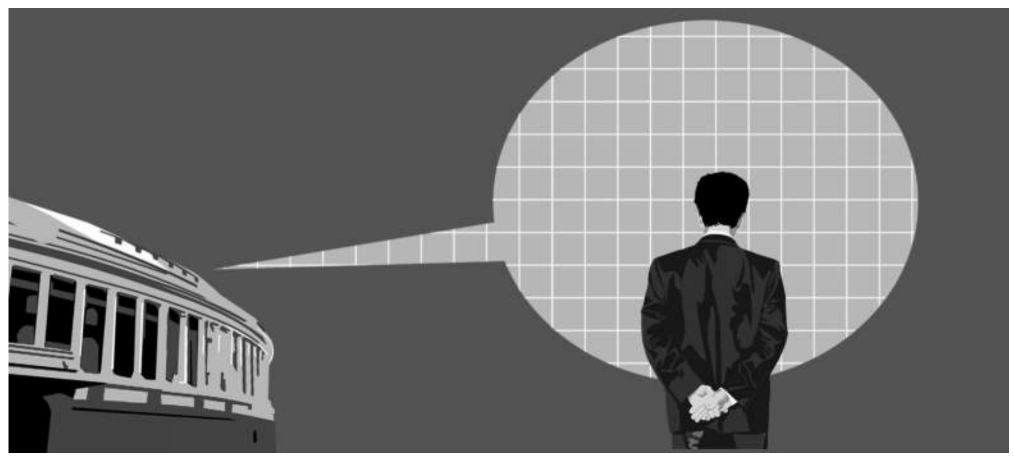
The suggestion from the Commission for Agricultural Costs and Prices to introduce dual pricing of sugar for commercial and domestic consumers is unlikely to resolve the recurring financial woes of this sector, as its problems are primarily the consequence of policy limitations and want of reforms. A similar suggestion was made in 2017 by the National Federation of Cooperative Sugar Factories, citing the differential rates for electricity supply to the industrial and domestic sectors. The proposition, however, was deemed impractical as sugar is different from power, which is delivered directly to consumers, leaving little scope for rerouting it to other destinations. But in the case of sugar, its diversion to non-targeted users is hard to forestall. In any case, mere tampering with sugar pricing cannot ensure economic stability for the sugar industry unless the output prices and the input costs (read sugarcane prices) are correlated.

Currently, the sugar industry is having a good run for several reasons. Exports have turned feasible, thanks to government subsidy and a spike in international prices. Realisations from domestic sales of sugar and its byproducts, notably ethanol, have also improved. The burdensome inventories have shrunk with many mills having already got rid of their surplus stocks. A series of bailout measures and fiscal sops have also been offered by the government in recent months. These include lucrative prices for ethanol; creation of sugar buffer stock; and soft loans to the industry with a hefty 7 per cent interest subvention. Though all this has been done in the name of benefiting the farmers by improving the sugar mills' ability to clear cane price arrears, the unpaid dues continue to remain worryingly at over ₹8,200 crore (as of mid-December). This puts a question mark on how long would this sweet phase last. The uncertainty on this count arises also because the official sops are neither limitless nor unending. Besides, the sugar sector is notorious for its cyclic ups and downs.

There is also another disquieting dimension of the recent policy modifications, especially those concerning ethanol production. The permission for converting sugarcane juice and sugar syrup directly into alcohol, without making any sugar, and fixing higher prices for such ethanol can be a case in point. This is set to incentivise cultivation of sugarcane, a water-guzzling crop, exclusively for alcohol making. A water-stressed country like India can ill-afford this. The ecological damage from increased cane farming may be higher than the benefits of using ethanol as transport fuel.

Thus, instead of further complicating the matters through dual pricing, it would be far better to dig up the report of the Rangarajan committee on sugar, submitted in 2012, and implement the prudent pricing system mooted by it. The proposed benefit sharing formula envisages apportioning 70 per cent of the revenue earned by sugar mills from the sale of sugar and its byproducts to the cane growers. The objective is to link the prices of sugarcane with those of sugar and its byproducts. This would, in turn, allow the output of both sugarcane and sugar to be determined by market dynamics and stave off scarcities and gluts. Most importantly, it would safeguard the interests of all stakeholders — cane farmers, sugar industry, traders and consumers.

ILLUSTRATION: BINAY SINHA



Needed: A boring Budget

The Budget should be judged on delivering boring principles — realism, fiscal prudence, fewer schemes and more governance

INDIA'S WORLD?

NAUSHAD FORBES

In two days, the Finance Minister will present her Budget for 2020-21. I wrote last month (*Business Standard*, December 19, 2019) of the speech I'd like to hear. In these last six weeks, the economy has matched the sky above Delhi — dull, dark and polluted. This Budget should be judged on principles that bring clarity, light and cleanliness.

Realism and transparency

There has been concern over the true budget deficit. The only thing worse than a bad number is not knowing how bad the number is (some say the true deficit is 4.7 per cent, others peg it at 5.5 per cent, the only thing all agree on is that it is not the official 3.3 per cent). This Budget should transparently acknowledge the true deficit, including the off-budget items. It should, equally, be realistic about revenue and expenditure. The Budget presented last July assumed nominal growth of 12 per cent this year; just six months later, the actual number is projected to be 7.5 per cent. Our target of being a $5 trillion economy by 2024 is worthy, but achieving it requires annual real growth of over 9 per cent (and nominal growth of over 13 per cent), for the remaining four years. If we do all the right things, we could perhaps see a rebound in growth in 2021, but the budget estimate for 2020 must reflect what we can realistically project today.

Using off-budget tools to meet the targeted budget deficit is well-known. The problem is facilitated by the government using cash-based accounting. Every Indian company and an increasing number of governments worldwide use accrual — the essential principle is to match the recognition of revenue with its associated expense. So when a company books a sale, one simultaneously books all the expenses associated with that sale. Cash accounting requires no such discipline. The government receives an interim dividend from the Reserve Bank of India (RBI) or ONGC, Indian Oil and other public sector units (PSUs) — it counts as revenue. Bharat Petroleum Corporation Limited and Indian Oil buy each other's shares from the government — it's disinvestment revenue. Instead of the government financing the food subsidy, the Food Corporation of India (FCI) borrows from the market to pay farmers for their produce and the government need only recognise the expenditure when it pays FCI. It draws on the National Small Savings Fund to finance a fifth of the deficit — and does not need to recognise the liability in the Budget. The government delays the payment of dues to private companies — it counts as next year's expenditure for work completed this year. The Union government delays paying the states their share of goods and services tax dues; it reduces the central budget deficit, increases those of the states, and leads to the states in turn delaying their payments to control their deficits. These games were not invented by this government, but it demonstrates unusual skill at them. The net consequence is less liquidity in the economy. And the best PSUs are left with less money to invest in growth. The Union government reportedly owes some ₹300,000 crore to enterprises and the states — clearing those dues would be an immediate stimulus like no other.

Over the last three years, all Indian companies have had to implement a new accounting standard, IndAS. More rigour has been brought in on the timing of revenue recognition, asset measurement, and bad debt provision. It is time IndAS, the Indian Accounting Standard, also applied to the Indian government.

Fiscal prudence

The first rule of government — all governments, for all countries — is Do No Harm. Having done no harm, we can then start to think of how to do some good. What are the signs of doing no harm? Given the real budget deficit, we must start with fiscal prudence — restraining spending and enhancing revenue. Tax cuts (corporate and personal), increases in tax thresholds, farm-loan waivers, and direct-income transfers (however worthy) would today all be as imprudent as they are popular. To stimulate our moribund economy, the government has already announced a massive infrastructure push — an investment of ₹100 trillion over the next four years, with the government share at about ₹40 trillion (the private sector and foreign investment are expected to make up the balance). This is indeed a good way to stimulate the economy, with a higher multiplier effect than tax cuts or income transfers. Building rural roads, say, creates essential infrastructure while directly putting money into the rural economy through local employment. But even this worthy investment must be financed without increasing the fiscal deficit. How does the government raise ₹40 trillion? The obvious way is through a massive privatisation programme — calling for the full privatisation of the state oil companies, public sector banks, insurance companies and other viable PSUs. Much opposition can be expected. But this government has great political capital — it needs to use the prime minister's outstanding communication capability to spread the right message in the national interest.

Fewer schemes, more reform

As we listen to the Budget on Saturday, we should be looking for the call of more governance and less government being put into practice. We know what government is. Wikipedia defines governance as "the process of decision-making and the process by which decisions are implemented (or not implemented)". Are decisions being made after deliberation, input from independent institutions, and building of consensus? Does successful implementation depend on the play of market forces and incentives? Or are we relying on bureaucratic choices to make decisions, and discretion and penalties to force implementation? Does the Budget see the role of the government as making policy or launching new schemes, however worthy their objectives may be? If we hear of powers being given to bureaucrats, of penalties for deviations, of myriad new schemes, we should see in those signs of more government. If we hear of the removal of bureaucratic discretion, decriminalisation of offences, the strengthening of the independence of institutions, and the deliberation of new policies, we should be encouraged by these signs of more governance.

Fiscal prudence, following the right accounting standards, including off-budget items, paying ones bills, being realistic about growth prospects and avoiding grand new schemes will not set our pulses racing with excitement. But a boring Budget is exactly what the country needs.

The writer is Co-Chairman Forbes Marshall, Past President CII, Chairman of Centre for Technology Innovation and Economic Research and Ananta Aspen Centre; ndforbes@forbesmarshall.com

India's fiscal experiments

REAL TERMS

RAJESH KUMAR

The decline in economic growth and the expected revenue shortfall have raised the importance of the Union Budget 2020-21 considerably. The way the government manages its finances in the next fiscal year will significantly affect the Indian economy in the medium term. The government will need to take a call on whether it wants to support growth — which is expected to slip to 5 per cent in the current year — or contain fiscal slippage. The way the government manages expectations will also be crucial. At a broader level, the fiscal situation today looks more acute, though the challenge itself is not new. The government has often faced this dilemma. In this context, revisiting the recent history of fiscal management could be helpful. This is also a good time to reflect as exactly 20 years ago (January 2000), the E A S Sarma committee was formed to study various aspects of fiscal management, which led to the introduction of the Fiscal Responsibility and Budget Management (FRBM) framework.

Even after the economic crisis of 1991, which, to a large extent, was driven by high and unsustainable budget deficits, government finances were in an undesirable shape in the late 1990s. Thus, to contain the fiscal pressure, the FRBM Bill was introduced in 2000. It was eventually passed in 2003. The Sarma committee recommended a progressive reduction in fiscal deficit to 3 per cent of gross domestic product (GDP) by March 2006. It also proposed to eliminate the revenue deficit during the same period. Interestingly, the parliamentary panel, which reviewed the Bill, suggested that numerical targets should be removed, and revenue and fiscal deficit be maintained at "prudent levels". The modified Bill had proposed a sharp reduction in fiscal deficit to 2 per cent of GDP. The fiscal deficit target of 3 per was notified in 2004.

The government managed to contain the fiscal deficit at 2.5 per cent of GDP in the fiscal year 2008. However, as is the case now, the headline number did not reveal the true picture. Off-budget bonds issued to oil companies alone were estimated to be worth over 1 per cent of GDP in 2006-07. Further, as highlighted by the N K Singh committee, which reviewed the FRBM Act, the Centre used the space created by ending financial intermediation for state governments — as recommended by the Twelfth Finance Commission — to increase grants to states. The Centre could have used this opportunity to consolidate its finances.

Besides, gains made in the high growth years were quickly reversed after the global financial crisis. The reported fiscal deficit expanded to 6 per cent of GDP in 2008-09, while the actual was much higher. Although some expansion was warranted because of the financial crisis, a large part of the slippage was on account of election-related spending. Fiscal profligacy continued and India lived way beyond its means for years. Predictably, unsustainable fiscal deficit resulted in high inflation and unmanageable level of current account deficit. India had a mini currency crisis in 2013. A committee formed under Vijay Kelkar to suggest a road map for fiscal consolidation noted (2012): "... Potentially, if no action is taken, we are likely to be in a worse situation than in 1991 for several reasons." Differently put, a decade after the introduction of the FRBM framework, India was practically back to square one. Thankfully, the government got its act together and the change in political leadership did not change the fiscal priority, though reaching the 3 per cent fiscal deficit target remains elusive. In 2017, the Singh committee recommended a medium-term glide path to reduce the fiscal deficit to 2.5 per cent of GDP. This was aimed to reduce the Centre's debt liability to 40 per cent of GDP by the fiscal year 2023. It also recommended a total public debt ceiling of 60 per cent of GDP, with the share of state governments at 20 per cent. India is unlikely to attain these targets anytime soon.

Therefore, it is clear that, though fiscal targets improved things on the margin — Budget numbers often don't present the true picture — they have not instilled the desired discipline on the whole. Further, a significant expansion in deficit carries financial stability risks and is detrimental to growth. The 2013 mini-crisis is a case in point. Currently, the public sector is preempting practically the entire financial savings pool, affecting interest rates and economic activity in the private sector. Thus, at the present juncture, it is critical for the government to recognise fiscal limitations and risks associated with expansion. Further, since the credibility of the Budget is often questioned, its time to bring in an important missing part of fiscal reforms. India needs an independent fiscal council. The idea has been around since the introduction of the FRBM framework. It has been recommended by successive finance commissions and also the Singh committee. Depending on the terms, the council can independently assess government finances and periodically recommend the path for sustainable fiscal management. This will help infuse greater discipline, strengthen financial stability, and augment growth. Higher credibility will also reduce the element of risk and lower the government's borrowing cost.

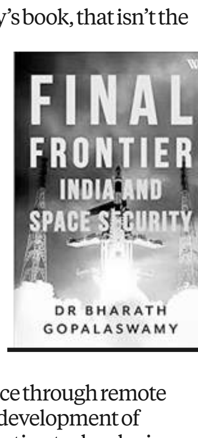
India's race to militarise space

BOOK REVIEW

SAI MANISH

On March 27, 2019, when newsrooms were told that Prime Minister Narendra Modi was to deliver an unexpected address to the nation, the joke was to scurry to the nearest ATM and withdraw as much cash as possible. The demonetisation-inspired joke turned out to be something else. The objective of this particular address was to announce India's Anti Satellite Missile (ASAT) test, the first offensive military measure in space by India in its independent history. Mr Modi's choice of an unexpected "address to the nation" mode of communicating this achievement was steeped in significance beyond impending election dynamics. Prime ministers before him had always opposed the militarisation of space. Former PM Rajiv Gandhi had even sponsored a six-nation summit in New Delhi in 1985 where he vowed to keep outer space free of weapons. Mr Modi's address on March 27, 2019, marked a U-turn from decades of what India's military had always demanded but the polity had refused. Announcing the successful ASAT test, Mr Modi had said, "It shows the remarkable dexterity of India's outstanding scientists and the success of our space programme. India stands tall as a space power. It will make India stronger, even more secure and will further peace and harmony."

Bharath Gopalaswamy's book *Final Frontier: India and Space Security* captures not just India's attempt to militarise space but also how humankind's achievements in outer space have inevitably found their way into building offensive military capabilities. Although the use of space technologies in defence is a continuous undercurrent in Mr Gopalaswamy's book, that isn't the only focus. It also provides valuable insights into the evolution of space technologies over the decades, the advancement of their capabilities and a glimpse of the future of space. It meticulously details the evolution of satellites; terrestrial surveillance through remote sensing from space, development of space-monitored location technologies and international policies, treaties and legal frameworks that govern the utilisation and exploitation of outer space by nations. Each chapter of this lucidly written book details the science behind a particular technology, its civilian and military use, its development in and relevance to India and capabilities of other nations that have developed the above mentioned fields.



FINAL FRONTIER: India And Space Security
Author: Bharath Gopalaswamy
Publisher: Westland
Price: ₹699

Of particular interest to some readers would be an explanation of why India shifted its position on peaceful use of space over the years. Mr Gopalaswamy reasons that China testing its ASAT missile in 2007 may have triggered the shift. He contends that over the years, the Indian Space Research Organisation (ISRO) and Defence Research and Development Organisation (DRDO), which are involved in space research and defence research respectively, had nothing to do with each other and functioned with little or no coordination and scant sharing of the respective technologies and capabilities that they developed. It was only in 1998 when India faced the imposition of sanctions following the nuclear tests at Pokhran that ISRO and DRDO started sharing resources. But it was not until 2010, in the aftermath of the Chinese ASAT test, that the first attempts were made to involve ISRO in national security matters.

Mr Gopalaswamy writes, "In 2010, the Integrated Space Cell (ISC) was set up by then defence minister AK Anthony. With the ISC, India took an important step towards using its space programme for the benefit of its military. The launch of GSAT-6 and GSAT-7, military communications satellites for the Indian Army and Indian Navy respectively displayed the effectiveness of the ISC in creating a bridge between the armed forces and the department of space."

Although the book broaches the topic, Mr Gopalaswamy could have shed more light on the commercial aspects of India's space programme. This deserved a chapter of its own but the book has only certain portions dedicated to the activities of Antrix Corporation, ISRO's commercial arm. Mr Gopalaswamy writes, "In order to give a commercial dimension to the space programme, ISRO established Antrix Corporation in 1992, which coincided wonderfully with a historical moment in Indian economy: liberalisation. One of the first commercial activities of Antrix was to market globally remote sensing data. One of the main reasons for the steady increase in Antrix's revenue is the growing reliability of the Polar Satellite Launch Vehicle (PSLV) and Geosynchronous Satellite Launch Vehicle (GSLV). With India having created a record of launching 104 satellites, not just its own but also of nations such as US, Israel, Switzerland, Kazakhstan and Netherlands aboard the PSLV in 2017, there is certainly growing interest in India's commercial space capabilities, more so when entrepreneurs such as Elon Musk and others are eyeing a chunk of a business expected to touch $37 billion by 2026.

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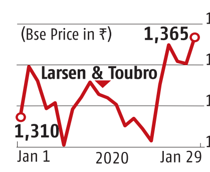
THURSDAY, 30 JANUARY 2020

The Smart Investor

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: HEALTHY GROWTH OUTLOOK FOR L&T



L&T was among the biggest gainers in Sensex stocks on Wednesday. Analysts expect better execution in the fourth quarter and order flows, too, are expected to remain healthy. Brokerages are positive on the company and expect strong profit growth going ahead

"Apple has bought back $319 billion in stock over the past 7 years, which is greater than the market cap of 490 companies in the S&P 500"

CHARLIE BILELLO
CEO and founder, Compound Capital Advisors

FIIs pick pharma stocks, drop IT

Investors boost exposure to drug companies in anticipation of easing of regulatory issues

JASH KRIPLANI
Mumbai, 29 January

Foreign institutional investors (FIIs) have rejigged their sectoral exposure ahead of the Union Budget, with overseas investors trimming their stake heavily in auto and ancillary companies, fast-moving consumer goods (FMCG), and the IT sector. They are picking stakes in pharma companies.

An analysis of data sourced from Capitaline showed that FIIs had cut stake in a dozen FMCG names and 14 auto and ancillary companies within the BSE 500 universe. According to market experts, FIIs are trimming stake in the two sectors because of rich valuations in the FMCG segment and low visibility on recovery in the auto sector.

"In the FMCG segment, valuations have been a concern. Further, there are also fears that the sector could be subject to higher tax liabilities in the coming Budget. In the auto segment, there are dim chances of recovery in the second half of the calendar year, following the implementation of BS-VI norms," said UR Bhat, director at Dalton Capital Advisors.

Meanwhile, FIIs have shown a differing stance on the so-called defensive sectors — IT and pharma.

In the pharma sector —which has seen a slew of regulatory issues from USFDA audits — FIIs have increased stake in 18 names. Meanwhile, they have cut stake in as many as 14 IT names.

"In the pharma segment, FIIs seem to be betting in anticipation of easing regulatory issues. We are seeing these issues being addressed gradually," Bhatt added.

Among prominent IT names, FIIs cut stake in Infosys by 1.75 percentage points, while marginally raising stake in TCS by 0.39 percentage points.

Market participants attribute FIIs' reduction in stake in IT names to profit-taking. In the 3-month period, the Nifty IT Index has gained 8.5 per cent, while the frontline index Nifty has gained 2.9 per cent in the same period.

Meanwhile, mutual funds' (MFs') holdings have moved in different directions in some of the sectors.

In FMCG and auto and auto ancillaries, MFs have trimmed stake in lower number of companies — nine and ten, respectively, while increasing stake in a sizeable number of firms.

According to domestic fund managers, auto companies can offer investment opportunities. " The auto sector should slowly start to look better as the low-base effect starts to play out," said Mahesh Patil, co-chief investment officer-equity, Aditya Birla Sun Life MF.

Both MFs and FIIs have been heavy sellers of state-owned banks. MFs have cut stake in 11 such banks, while FIIs have trimmed exposure in 13 of these banks.

Analysts tracking the sector say that for a large section of PSU banks, asset quality issues have still not been resolved, which is keeping investors averse. On the other hand, FIIs have increased stake in 10 private banks, while MFs have raised stake in eight such banks. Among PSU banks, Canara Bank saw the largest cut in FII stake (by 1.52 percentage points).

More on business-standard.com

A MIXED BAG

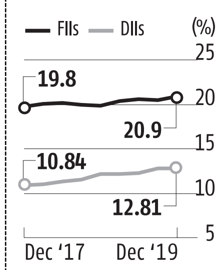
Sectoral scorecard for foreign institutional investors, mutual funds

	FIIs (QoQ % pt chg)		MFs	
	Stake increased	Stake cut	Stake increased	Stake cut
Pharma	18	15	16	13
Capital goods	11	9	10	9
Pvt banks	8	10	7	8
PSU banks	2	13	5	11
IT	9	14	11	9
Auto*	9	14	11	10
FMCG	7	12	8	9

* Auto and auto ancilliaries, change in Q3 (within BSE 500)
Source: Capitaline

NEW HIGH

Domestic institutional ownership in BSE 500 at a nine-quarter high



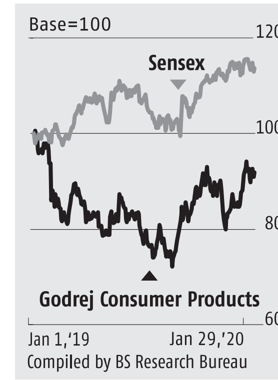
DIIs = MFs and insurance companies
Source: Capitaline

THE COMPASS

GCPL prefers volumes to margins

Inflationary pressure in segments like soaps will hurt

SHREEPAD S AUTE



Compiled by BS Research Bureau

Godrej Consumer Products' December 2019 quarter (Q3) performance was a tad below the market's expectations. On a consolidated basis, while GCPL's net sales grew 2.1 per cent year-on-year (YoY) to ₹2,775.1 crore, its profit before tax was up 3 per cent YoY to ₹553 crore. Analysts were expecting these two numbers at ₹2,790 crore and ₹450 crore, respectively.

The company continued to focus on volumes. On a sequential basis, GCPL, owner of popular consumer brands, such as Goodknight and Cinthol, was able to maintain its domestic volume growth at 7 per cent despite the further deterioration in consumption demand in Q3.

Besides lower base (1 per cent volume growth in Q3FY19), new launches, an effective marketing campaign, and price cuts continued to protect the broad-based volume growth of GCPL's domestic business. While GCPL clocked a 3.2 per cent rise in its household insecticides (HI) segment, its soaps and hair colours businesses each witnessed about a 4 per cent decline YoY.

However, volume growth (led by price cuts) came at the cost of margins.

Despite the benign input cost trajectory, the company's gross margin expansion was limited to just 49 basis points. This, along with higher other expenses, mainly because of one-time expenses, further reduced operating profit margin expansion to just 36 basis points.

Sameer Shah, head-finance, India and Saarc, GCPL, says: "Our focus on volume growth and market share is likely to continue."

Though the scaling up of new launches and innovation will support volumes, protecting margin will be difficult, given the inflationary pressure in segments like soaps and competitive intensity.

Nitin Gupta of SBICAP Securities believes that price hikes to pass on higher input cost in segments like soaps will be difficult for GCPL, given strong competition, though there can be some improvement in the HI segment. Near-term earnings growth is unlikely to be strong for GCPL.

Religare Finvest gets SAT relief in fund diversion case

Tribunal pulls up Sebi for passing contradicting orders

SAMIE MODAK
Mumbai, 29 January

Sebi had earlier held that Religare Finvest was liable to pay ₹200 crore to Fortis Healthcare, from where Shivinder Singh (left) and Malvinder Singh had allegedly siphoned off funds

Religare Finvest, an arm of Religare Enterprises, has obtained relief from the Securities Appellate Tribunal (SAT) in a fund diversion case, involving erstwhile promoters Shivinder and Malvinder Singh.

In an order dated October 17, 2018, the Securities and Exchange Board of India (Sebi) had held that Religare Finvest was liable to pay over ₹200 crore to Fortis Healthcare, from where the Singh brothers had allegedly siphoned off funds through a layer of companies controlled by them.

The regulator had held that Religare Finvest was beneficiary of this diversion and hence was liable to refund.

In another order dated March 14, 2019, Sebi's whole-time member (WTM) directed Religare Finvest to recover ₹200 crore given as loans to the companies belonging to the Singh brothers.

"It was contended that in one order the WTM had directed the appellant to refund the amount and in the other order, the WTM directed the appellant to recover the amount from the same companies. Therefore, (it was) urged that contradictory orders have been passed without considering the material and the evidence that was filed by the appellant," said SAT in an order.

Following the Sebi orders, Religare Finvest submitted documents to show that ₹200 crore it had received from the companies belonging to the two brothers was on account of repayment of loans. It argued that it didn't owe any money to Religare Healthcare.

Sebi said Religare Finvest's arguments were as ineffective. It further argued that the October and the March orders were related to two different companies, even though some entities were common.

"We find that the impugned orders cannot be sustained," the SAT held after hearing both Religare Finvest (appellate) and Sebi (respondent) at length.

"The submission of the appellant contending that it had never taken a loan or borrowed the money from the companies has not been dealt with by the WTM," it said.

The tribunal criticised Sebi for setting aside Religare Finvest's submissions merely by saying it "failed to effectively rebut the prima-facie finding."

The SAT directed Sebi to provide detailed reasoning.

"We may remind that the respondent is a quasi-judicial authority and is required to give reasons while passing the order. The impugned order does not contain reasons nor deals with the submissions and, therefore, we are of the opinion that the impugned order was passed without any application of mind," it said remitting the matter to Sebi.

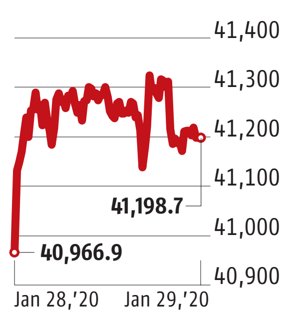
It said Sebi's WTM "can pass a fresh order if it so desires after giving an opportunity of hearing to the appellant."

The SAT, however, asked Religare Finvest to maintain its assets worth ₹200 crore for three months. "If the WTM is unable to pass the order within the aforesaid period, this limited restraint order that we have passed will come to an end," the tribunal added.

Indices rally on Budget hopes

PRESS TRUST OF INDIA
Mumbai, 29 January

SENSEX



The Sensex rallied 231.80 points on Wednesday, driven by gains in index heavyweights HDFC Bank, ITC, RIL and Infosys.

The 30-share BSE index settled 231 points, or 0.57 per cent, higher at 41,198. It hit an intra-day high of 41,334 and a low of 41,108.

Likewise, the Nifty closed 73 points, or 0.61 per cent, up at 12,129.

In the Sensex pack, Bajaj Finance was the biggest gainer, rising 4.95 per cent, followed by Nestlé India, ITC, Infosys, and NTPC.

On the other hand, TCS, HDFC, Sun Pharma, ICICI Bank, Bharti Airtel and Axis Bank ended in the negative territory.

According to traders, recovery in global equities and hopes of growth-boosting measures in the upcoming Budget buoyed market sentiment.

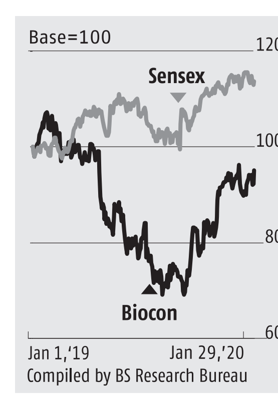
Further, short-covering ahead of January derivatives expiry also lifted key indices, they said.

Bourses in Japan and South Korea ended with gains, while Hong Kong closed with sharp losses as the market opened after the Lunar New Year break. Bourses in China remained closed.

Multiple growth levers for Biocon

Ramp-up and new biosimilars should help boost profit

UJJVAL JAUHARI



Compiled by BS Research Bureau

The Biocon stock continues to outperform its pharma peers, gaining 20 per cent since its September lows. The stock added 3 per cent to its returns on Wednesday after a decent December quarter performance, ramp-up of certain products, and fresh launches in the biologics space. The growing small molecules business, rising investments, and regulatory go-ahead for its plants are the additional triggers.

The company's December quarter growth was led by the biologics segment, which reported a 31 per cent growth year-on-year (YoY). The segment accounts for a third of its sales. The rising sales of key biosimilars, such as Ogivri (a biosimilar to oncology drug Trastuzumab) helped.

The approval to the company's new manufacturing facility for oncology drug Pegfilgrastim in Bengaluru will help Biocon Biologics scale up capacity multifold and address the growing market opportunities in the US and other global markets. The company also received zero observations during a pre-approval inspection of the Bengaluru oral solid dosage facility. However, a recent inspection at Bengaluru intermediates facility has resulted in five observations. Overall analysts feel regulatory compliance of the company has significantly improved.

Better traction shown by Pegfilgrastim, a ramp-up of Ogivri, and commissioning of incremental capacities, along with new launches, such as biosimilar to insulin glargine in the US, would aid growth, feel analysts. The company targets a revenue of $1 billion (₹7,100 crore by FY22. It should achieve this, given the FY20 estimated revenues at around ₹6,900 crore).

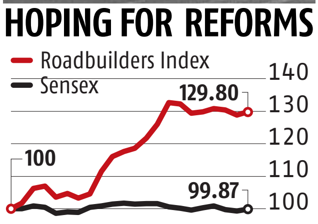
Growth of small molecules remains strong (16 per cent YoY in Q3), helped by increased sales of immunosuppressants in key geographies, as well as stable demand for cholesterol-control statins and speciality active pharma ingredients. With more filings and investments, the segment will be a significant growth driver.

Meanwhile, research services arm Syngene is growing in double digits. Intensifying competition and pricing pressure in developed markets will lead to more outsourcing by pharma companies which, in turn, will benefit Syngene.

Investors pile into shares of infra companies

RONOJOY MAZUMDAR & DHWANI PANDYA
Mumbai, 29 January

HOPING FOR REFORMS



Compiled by *BS* Research Bureau

Investors are piling into shares of Indian roadbuilders, betting that Saturday's federal Budget will contain measures to spur investment in infrastructure.

A custom *Bloomberg* index of nine roadbuilders is up 8.9 per cent this month, versus the 0.1% per cent drop in the main S&P BSE Sensex index. The gauge includes IRB Infrastructure Developers, Sadbhav Engineering and KNR Constructions, some of which struggled in 2019 as national elections caused the government to defer spending.

The rally is being led by belief that Finance Minister Nirmala Sitharaman will need to do more to revive economic growth from the lowest since 2008. She outlined $1.5 trillion in infrastructure investment last month, of which federal and state governments will contribute at least 75 per cent.

"Last year, the Budget was very pro-farmer and there was not much for the infrastructure sector," said Ankita Shah, a Mumbai-based analyst at Elara Securities India . "The sector has started to pick up only recently with the expectation that with the National Infrastructure Pipeline in place, there could be proper visibility on funding in the Budget."

India's road sector has been facing headwinds after the National Highways Authority of India slowed its pace of awarding contracts due to a pile up of debt and delays in land acquisition. India awarded 3,211 kilometers of contracts in the first eight months of the financial year, just a third of its 10,000 kilometer full-year target, official data shows.

Even so, the order pipeline from the NHAI is robust at 700 billion rupees ($14 billion), indicating that awarding will pick up pace in the current quarter, Alok Deora, an analyst at YES Securities, wrote earlier this month. Around 2,000 kms of road projects are up for grabs, with another 6,000 kms coming up in the year starting April 1, according to Deora. Brickwork Ratings predicts policy makers will opt to widen the Budget deficit and raise spending on infrastructure by about 30 per cent for FY21.

BLOOMBERG

Bajaj Fin stock may remain range-bound

Though PBT is up 33%, weak commentary makes analysts cautious

SUBRATA PANDA & HAMSINI KARTHIK
Mumbai, 29 January

RAJEEV JAIN, MD, Bajaj Finance

"THE DEGREE OF SLOWDOWN IS UNPRECEDENTED AND OUR EARNINGS MOMENTUM COULD HAVE BEEN STRONGER IF NOT FOR THE WEAK MACROECONOMIC ENVIRONMENT"

STRONG DECEMBER QUARTER SHOW
Consolidated (₹ cr)

	Q3FY19	Q3FY20	Chg (%)
Net interest income	3,206	4,537	42.0
Interest expense	1,786	2,489	39.0
Provisions & writeoffs	451	831	84.3
PBT	1,636	2,170	32.7
Net profit	1,060	1,614	52.3
Gross NPA	1,691	2,354	39.2
Gross NPA (%)	1.55	1.61	6 bps
Net NPA (%)	0.62	0.70	8 bps

Source: Capitaline Compiled by *BS* Research Bureau

Bajaj Finance reported 33 per cent growth in its profit before tax (PBT) at ₹2,170 crore in the December quarter of FY20, compared to ₹1,636 crore in the same quarter last financial year (Q3 FY19). Growth was driven by net interest income (NII), which increased 42 per cent year-on-year (YoY) to ₹4,537 crore in Q3FY20; total income expanded 41 per cent YoY to ₹7,026 crore.

The shadow lender's ability to rationalise cost also helped improve the quality of growth. For instance, in Q3, the operating expenses to NII ratio rose to 33.9 per cent, from 34.9 per cent in the year-ago quarter. As a result, the company maintained its profitability.

Helped by lower tax rates — adopted by Bajaj Finance and its subsidiaries (mainly Bajaj Home Finance) — the consolidated net profit of the lender increased 52 per cent to ₹1,614 crore, from ₹1,060 crore in Q3 FY19. Assets under management (AUM) of the lender grew 35 per cent YoY to ₹1.45 trillion as of December 31, 2019.

Reacting to strong numbers, the Bajaj Finance stock ended Wednesday's trade with gains of 4.95 per cent to close at ₹4,421.75 apiece.

On the asset quality front, it was a mixed bag for the lender. The numbers appeared fine during the quarter, with the gross non-performing assets (NPA) ratio at 1.61 per cent in Q3 versus 1.55 per cent in Q3FY19. On a sequential basis, the numbers remained flat, which was positive.

However, the quarter saw bad loan provisioning increase 84 per cent YoY to ₹831 crore as it made accelerated provision of ₹85 crore towards its exposure to a delinquent stockbroker against an outstanding of ₹303 crore, and ₹15 crore towards a south India-based conglomerate. The provisioning coverage ratio for the quarter dipped to 57 per cent, as against 60 per cent seen in the earlier quarters. Slippages have also increased by 31 per cent YoY to ₹936 crore.

In all, barring a few pockets of stress, Bajaj Finance' Q3 results were par for the course. The management commentary, however, was cautious.

"The degree of slowdown is unprecedented and our earnings momentum could have been stronger if not for the weak macroeconomic environment," said Rajeev Jain, MD, Bajaj Finance. This explained why growth in new loans was below the usual run rate (of 15-18 per cent) at 13 per cent to 7.64 million loan accounts in Q3. New customers acquired during the quarter stood at 2.46 million, marginally lower than the year-ago run rate of 2.6-2.8 million every quarter. There is also a growing dependence on the existing pool of customers, with Bajaj Finance's cross-sell ratio moving up to 3.1 per cent from about 2.4-2.6 per cent last year. The existing customers contributed 68 per cent of the new loans in Q3.

Jain sounded equally concerned about the quality of customers as well. "Other than the affluent and the salaried classes, every other segment is turning troublesome in terms of delinquencies," he warned. Also, calling out a genuine issue of collections and recoveries in the two-wheeler and three-wheeler space, Bajaj Finance has turned its view on the sector from cautious last quarter to high-risk in Q3. "Where there is a mix of salaried and self-employed customers, there is trouble," he said.

The lender, though, remains watchful on pockets, such as lifestyle and digital products loans, while maintaining its 'high-risk' stance on loan against property. That said, the 30-day past due ratio has steadily increased over a year even in relatively safer segments, such as consumer durable loans, personal loans, and business loans by 30-50 bps YoY in Q3.

With commentary from Bajaj Finance being one of the weakest in recent times, analysts say its stock price may remain range-bound in the near-term. Valuations at 8 times FY21 estimated book also caps the upside potential.

'Consumption better theme than capex bets'

Benchmark indices are available at rich valuations despite moderate earnings growth and a challenging economic situation. **SHREYASH DEVALKAR**, senior equity fund manager at Axis Mutual Fund, however, believes equities as an asset class would continue to remain attractive. Excerpts from an interview to **Shreepad S Aute**:

Gross domestic product (GDP) was recently revised downward. What is your reading of this? When do you expect recovery?

From the equity-market perspective, it was known that GDP numbers will be revised down. I'm not surprised or disappointed with the data. As far as recovery is concerned, expectations of a homogeneous recovery are unwarranted. One should look at each segment turning around on a cyclical basis. But, from a base-effect perspective, from Q4FY20 (March quarter) onwards, you'll see no further deterioration in the data points; the market is also factoring in that.

How do you see the upcoming Budget from a market perspective?

There are some market expectations in terms of direct tax cuts and capital gains. But the government has been taking most of the economic policy actions, be it the goods and services tax rate changes or corporate tax cuts outside the Budget. So, one need not focus much on the Budget for policy action. But, it will be important from a fiscal deficit perspective.

Q&A
SHREYASH DEVALKAR
Senior equity fund manager
Axis Mutual Fund

The markets are richly valued, despite modest earnings growth. How long will this disparity last?

Yes, growth has come down in sectors such as automobiles, fast-moving consumer goods (FMCG), among others. But, some stocks have also seen relative correction in recent times, given the corporate tax cuts. The market is rewarding sectors giving relatively better growth. I am not saying the stocks are not expensive. But something always comes up. After the Infrastructure Leasing & Financial Services crisis, the debt market got polarised. As and when the economy starts to see broad-based growth, you'll see valuation disparity coming down.

So, you don't see a sharp correction ahead?

In the market, if you keep the recent events aside, a couple of things have happened. Relative attractiveness of the equity market as an asset class has helped. I think that would continue as other asset classes are not performing well and absolute interest rates are low. In fact, stress in real estate has led to money flowing into equity. Even if real estate revives, the equity market will continue to outperform, as real estate growth will signal broad-based growth and support equity flows.

What is your fund allocation strategy?

We follow the quality and growth principle. In sectors where growth deceleration is relatively higher as compared to GDP, we lower our exposure and vice-versa. Recently, we have bottom-fished automobile stocks in the past few months after lowering our allocation in 2018. Also, given the concerns over fiscal, consumption, including all consumption-related segments like FMCG, retail lenders will be a better bet than trying to venture into capital expenditure stories.

Year 2020 started on a good note for mid- and small-caps. Will this trend continue?

I think all the three segments (large-cap, mid-cap, and small-cap) will give similar returns. Mid- and small-caps may not outperform large-caps, but they will not underperform either.

Street cheers M&M Fin's Q3 results

SHREEPAD S AUTE
Mumbai, 29 January

Despite sluggish disbursements in the December 2019 quarter (Q3FY20) and higher provisioning, the stock of Mahindra and Mahindra Financial Services (M&MFS) gained about 8 per cent intra-day on Wednesday. The stock ended the day with gains of 4.5 per cent.

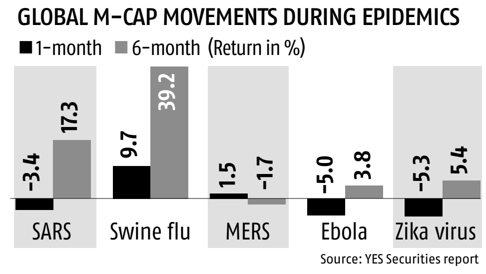
While bullish market sentiments helped, improved operating performance and expectations of some recovery in rural demand has led investors to turn positive. The rural-focused vehicle financier announced its Q3FY20 results on Tuesday after market hours.

Though the overall disbursements declined around 4 per cent year-on-year (YoY), they were up 31 per cent sequentially due to festive demand. However, even as disbursements were down YoY, M&MFS' operating profits before provisioning grew by 19.3 per cent YoY to ₹888.3 crore against analyst expectations of ₹793 crore. This was mainly driven by stringent cost control.

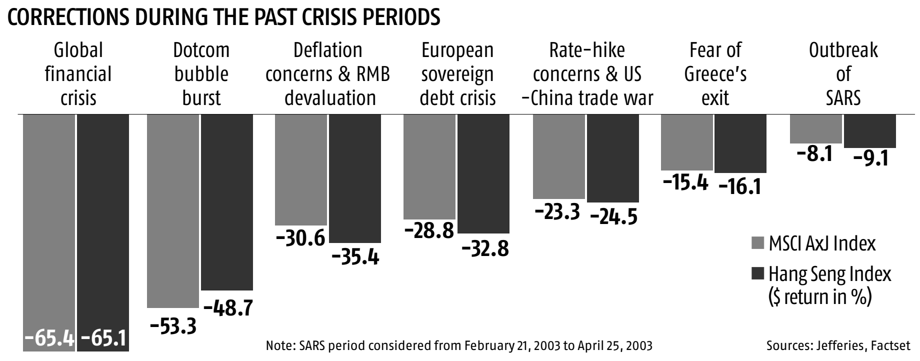
Flu may put brakes on momentum stocks

PUNEET WADHWA
New Delhi, 29 January

HOW EARLIER EVENTS TOOK A TOLL ON BOURSES



Source: YES Securities report



Note: SARS period considered from February 21, 2003 to April 25, 2003 Sources: Jefferies, Factset

Momentum-driven stocks such as Gujarat Gas, Relaxo Footwears, Bharti Airtel, and SRF are likely to take a pause as global markets brace for a possible escalation of coronavirus, according to a report from Jefferies. Given that global markets have witnessed a good run over the past six months, the "Wuhan virus" epidemic/coronavirus outbreak may put brakes on their rally, with momentum stocks (stocks that have seen a good run over the past few months) most at risk, while cash/bond-proxies could return in favour over the short-term.

"After strong returns since the August 2019 bottom, global equities are trading at elevated valuations. For the MSCI Asia ex-Japan, the current 12-month forward price-to-earnings (PE) is at a post-GFC (global financial crisis) peak, which further adds to the concern that equities could take a breather before focusing on quality/growth at a reasonable price. From a stock perspective, we believe that high momentum stocks are most at risk during such a correction, while cash/bond proxies are likely to be the most resilient in the short-term," wrote Desh Peramunetilleke, global head of microstrategy at Jefferies, in a co-authored report with Mahesh Kedia and Shrikant Kale, their microstrategy analysts. While the markets did not react when the virus was first detected in December 2019, confirmation regarding human-to-human transmission has significantly increased the risk of an epidemic. In this backdrop, global markets have reacted sharply to the developments over the past few sessions, even as China took drastic steps and extended the Lunar New Year holiday to February 2 nationally, and to February 9 for Shanghai.

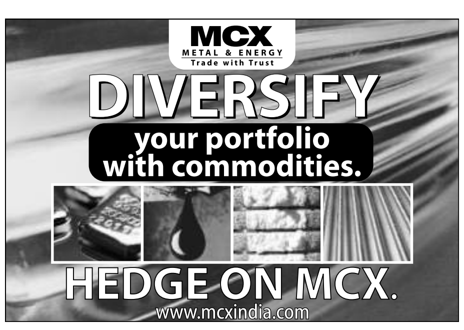
Economic impact

Back in 2003, the Severe Acute Respiratory Syndrome, or the SARS crisis as it was commonly known, had led to over 700 fatalities in over 30 countries. Every Asia Pacific (APAC) market other than India, Indonesia, and Japan saw a significant decline in GDP growth in the second quarter of 2003 (Q2FY03) at the height of the SARS outbreak. The Chinese economy slowed to 9.1 per cent in this quarter, from 11.1 per cent in Q1FY03. In Hong Kong and Singapore, growth dipped 4.5 percentage points (ppt), while Taiwan's growth plummeted 6.4 ppt, suggests a Credit Suisse report. However, most markets fully normalised in the second half of 2003.

Asian economies entered the coronavirus crisis with much less momentum than during SARS, and will likely face a bigger short-term setback. "Epidemiologically, SARS was essentially a one-quarter event, but Wuhan's spread might last longer, especially if the virus mutates, and if asymptomatic transmission is possible. With the exception of a few markets, we doubt that monetary or fiscal policy can provide much help," wrote Dan Fineman, co-head of equity strategy for Asia Pacific at Credit Suisse in a co-authored report with Siriporn Sothikul.

Given the recent developments, they rate Hong Kong, Singapore, Thailand and China as most vulnerable. "The virus should not greatly affect global IT demand and could help internet names with e-commerce businesses," the Credit Suisse note says. According to Jefferies, Hong Kong-listed stocks that corrected the most during the SARS crisis in 2003 included hotels, airlines, telecom and developers. On the other hand, the most resilient ones were insurance, utilities and railroad. The most resilient sectors included pharma, telecom, health care, real estate investment trusts, and utilities.

COMMODITIES



PRICE CARD

As on Jan 29	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,744.5	0.4	2,020.8	5.3
Copper	5,715.0	-2.8	6,286.8	2.9
Zinc	2,270.0	-12.2	2,540.0	-5.8
Gold ($/ounce)	1,571.3*	5.6	1,759.1	5.0
Silver ($/ounce)	17.5*	-1.7	19.9	-1.3
ENERGY				
Crude Oil ($/bbl)	59.1*	-3.0	59.0	-3.4
Natural Gas ($/mmBtu)	1.9*	-26.5	1.9	-29.6
AGRI COMMODITIES ($/tonne)				
Wheat	198.2	10.4	291.2	-4.1
Maize	186.7*	2.8	273.1	-2.8
Sugar	413.9*	22.3	487.4	-1.8
Palm oil	690.0	20.5	1,178.8	28.5
Cotton	1,560.4	9.4	1,602.3	-1.0

* As on Jan 29, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 71.3 & 1 Ounce = 31.1032316 grams.
Notes
1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no. 2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.
\Source: Bloomberg Compiled by BS Research Bureau

Industrial commodities drop as virus scare hurts demand

Base metals, energy, rubber and silver decline, but early revival is expected

DILIP KUMAR JHA
Mumbai, 29 January

The prices of industrial commodities — led by copper, Brent crude and rubber — declined by up to 9 per cent in less than two weeks because of weak demand caused by an extended new year holiday in China, which has been hit by the coronavirus outbreak.

Since January 17, when the coronavirus outbreak came to light, copper on the benchmark London Metal Exchange (LME) has plunged 9 per cent, followed by nickel (8 per cent), and zinc (6.7 per cent). The price of Brent crude declined 9 per cent in the same period to trade at $59.3 a barrel currently. Natural gas and rubber, too, became cheaper by 3.4 per cent and 7.7 per cent, respectively.

China — the largest consumer of base metal and rubber, and second-largest consumer of crude oil — has extended the lunar new year break to February 2 in an effort to prevent travellers from contributing to the spread of coronavirus.

The holiday week was originally from January 24 to January 30.

Since the Chinese government isolated affected cities from the rest of the country, the supply of finished products and demand for industrial commodities has waned. "The only reason for the price decline in industrial commodities is weak demand because of the coronavirus outbreak in China. Prices of industrial commodities are likely to bounce back in the medium term, given the Chinese government acted quickly to control further spread of coronavirus. Also, the demand for industrial commodities is expected to revive gradually after Chinese traders resume activities following the new year holiday," said Gnanasekar Thiagarajan, director, Commtrendz.

MELTING DOWN
Prices of commodities

	Jan 28, 2020	% Change*
Brent crude ($/BBL)	59.3	-9.0
Copper ($/tonne)	5,715	-8.9
Nickel ($/tonne)	12,740	-7.9
Tokyo rubber futures ($/kg)	1.47	-7.7
Zinc ($/tonne)	2,270	-6.7
Natural gas ($/mmBtu)	1.93	-3.4
Silver spot ($/Oz)	17.5	-3.2
Aluminium ($/tonne)	1,745	-2.9
Gold spot ($/Oz)	1,567	0.6

*Change over Jan 17 ,2020; Compiled by *BS* Research Bureau
Sources: LME, Bloomberg

Nearly half a dozen Chinese cities, which are connected closely to the southeast Asian markets, have been quarantined, potentially cutting off the Chinese market from the world.

"Cities have been quarantined, travel restriction imposed, and industrial and retail procurement is at a standstill. Even the festive season buying has been greatly affected as tourist movement from and to China has been curtailed, leading to the decline in the prices of rubber, crude oil and base metals. While there was a small recovery on Tuesday, the long-term impact of the virus attack on the commodity demand and prices will continue until China recovers from the pandemic," said Pritam Patnaik, head (commodities), Reliance Commodities.

Meanwhile, the long-term prospects of industrial commodities are expected to remain highly volatile — bullish in the first half of the calendar year 2020 and bearish in the second half because of the US presidential election.

Also, global equity markets have reacted sharply to the coronavirus outbreak, with leading world indices nose-diving in the last two weeks. While the price of silver declined because of slow industrial production growth, gold moved in a narrow range.

Top cotton trader to stop sales to China

Kotak Commodity Services, one of the country's top cotton exporters, will stop selling new cargoes to China on concern the spread of coronavirus may force the top buyer of the fibre to close ports and banks. The Mumbai-based company will look for new buyers of cotton in countries such as Bangladesh, Indonesia, Taiwan and Vietnam to make up for any possible shortfall in sales to China, Vinay Kotak, director of the company, said in an interview by phone on Tuesday. "Let's not panic today, but if the virus keeps spreading and is not controlled in the next 10 to 15 days then it will create a big problem for the cotton industry globally," he said. **BLOOMBERG**

Promoters of textile firms increase stake

DILIP KUMAR JHA
Mumbai, 29 January

The promoters of several textile companies have increased their stake in the last nine months by purchasing fresh shares in the open market on expectations of a recovery in demand, and thus better profit margins.

The promoters of Raymond have increased their stake by 290 basis points (bps) to 46.7 per cent between April and December 2019. Similarly, the promoters of Arvind have raised their stake by 165 basis points in the same period. Indo Rama Synthetics, which has a low market capitalisation, has witnessed its promoters increasing their stake by over 18 percentage points. Other players, such as Filatex India and Trident, too, have raised their stake since April 2019.

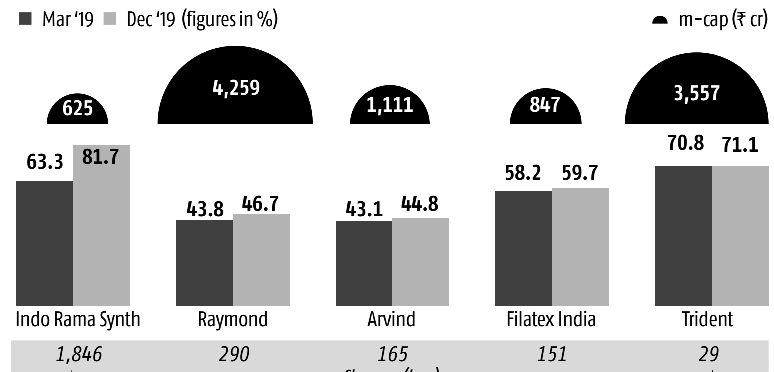
"We have recently completed an expansion at our Dahej plant and we will commence commercial operations of additional drawn textured yarn capacity plant by April 2020. There is an increasing demand for polyester yarn in both domestic and international markets, which prompted us to buy additional shares," said Madhu Sudhan Bhageria, chairman & managing director, Filatex India.

India has become competitive in both polyester yarn and fabric businesses in the last couple of quarters. This has prompted leading companies in the sector — Arvind and Filatex — to expand their fabric and polyester yarn capacities, respectively.

"The overall sentiment is currently weak because of the global economic slowdown. But we are expecting the sentiment to recover in the next one or two quarters, and domestic textile consumption and exports to go up. The government is providing all possible avenues for the industry to take advantage of China's decline in the global textile export market share," said an analyst.

An increase in shareholding of promoters is considered positive as it sends out an affirmative message that they see value in their companies at the current levels and are optimistic about the long-term prospects.

PROMOTERS ON A BUYING SPREE IN THE OPEN MARKET



Market cap is as on January 29; Compiled by *BS* Research Bureau Source: Capitaline

Don't get intimidated by Budget documents

While Part B is crucial for taxpayers, look at some other sections too for key numbers

BINDISHA SARANG AND SANJAY KUMAR SINGH

Saumya, a 20-plus millennial has returned to India almost after ten years, and as a budding entrepreneur, he is looking forward to the Union Budget on February 1. Says Saumya: "I studied for the first few years abroad and after that worked in the Middle East. I want to start something in India now, and hence am looking forward to the Budget."

Like Saumya, many are glued to the television on Budget day or scan websites and newspapers to find out how this crucial document will impact their lives. Says Naveen Wadhwa, DGM, Taxmann.com: "A layman may not be able to understand too many technicalities. But if he wants something instantly, he should look at the Budget highlights." The Budget focuses on several aspects that impact citizens directly, such as personal income tax rates.

The Union Budget gives the account of the government's finances for the fiscal year that runs from April 1 to March 31. It gives vital information on the capital budget and revenue budget. The former provides details of government-related capital payment and receipts, while the latter gives information about all the revenue expenditure and receipts. Understanding the budget document is not easy, but if you read it, you will realise it has two parts, A and B.

Part A: This part focuses on the macro aspects of the economy and large-scale plans that impact all the states. For instance, new schemes like Ujjwala Yojana and Saubhagya Yojana were announced last year. Says Ankur Maheshwari, chief executive officer, Equirus Wealth Management: "On the macro-economic side, you should understand the focus area of government spending. If the government announces big infrastructure investments, you could find an opportunity to invest more in infrastructure companies."

WHERE TO HUNT FOR DETAILS

PART B, which deals with tax proposals, should be read with Finance Bill (Schedule one)

- **Part 1** – Rates of income-tax
- **Part 2** – Rates for deduction of tax at source*
- **Part 3** – Rates for charging income tax in certain cases, deducting income tax from income chargeable under the head "Salaries"
- **Part 3** – For new rates
- **Part 3** – For computing advance tax
- **Part 4** – Rules for net agriculture income
- **Part 2 and 3** – Changes in capital gains/losses will be mentioned in this part of the Finance Bill

*In certain cases; Source: Taxmann. Union Budget Website

Part B: This is the key part for an individual as it deals with various taxation proposals.

Ordinary taxpayers: The key information for them is in Part B – yes, the income-tax slabs and corresponding rates. Any change in these will directly impact your finances. In the last Budget, the Finance Minister had increased the tax rate for people with incomes of ₹2-5 crore to 39 per cent, and of those with incomes of ₹5-10 crore to a whopping 42.71 per cent. Effectively, the rates rose by 3.12 per cent and 6.8 per cent for taxpayers in these two brackets. Given that consumption has been hit significantly during the past year, the government may try to soften the blow for some categories of taxpayers.

In September, there was a tax cut on the corporate side. Now, the expectation is getting built up that there will be some tinkering with personal tax slabs, the idea being that more disposable surplus in the hands of individuals will lead to higher consumer spending.

Senior citizens: They look for new schemes especially designed for them, in terms of social security, retirement, exemption on interest income, and so on. Says Maheshwari: "It will be immensely helpful if interest income from annuities, which many retirees buy to maintain regular monthly cash flow, is exempted from taxation."

There are chances that the Finance Minister may increase the basic exemption limit for senior citizens from ₹3 lakh to ₹5 lakh. Says Ashok Shah of N A Shah Associates LLP: "If this happens, their compliance burden will come down and it will put them at par with a super senior citizen who is 80 years and above."

Investors: Investors should look forward to moves on long-term capital gains (LTCG) and dividend distribution tax (DDT). Says Shah: "Exemption on LTCG on equity shares purchased through the stock exchange or equity-oriented mutual funds should be reintroduced. DDT should be abolished, and dividend should be made taxable in the hands of the investor."

Traun Birani, founder and director of TBNG Capital Advisors, is of the view that the Section 80C limit of ₹1.5 lakh should be increased. "Since real estate is going through tough times, there could be some relief to this sector as well," he says. This means you should watch out for the deduction limit on home loans being increased. The government could also allow a higher deduction on interest repaid on a home loan, which is ₹2 lakh at present for an individual if the house is self-occupied. Similarly, the restriction of allowing the loss of ₹2 lakh from letting out house property due to interest on borrowing could be removed.

Home-makers: There could be some impact from customs and excise duty changes. In Union Budget FY20, custom duties were increased on cashew kernels, tiles, auto parts, marble slabs, optical fibre cable, CCTV camera and some other products. And a five per cent customs duty was imposed on imported books. Such changes might impact the household budget. For wannabe entrepreneurs, there could be schemes or announcements related to various programmes such as MUDRA, Stand UP India and those targeting Self Help Groups (SHGs).

Company liable for electrocution

CONSUMER PROTECTION

JEHANGIR B GAI

C.J. Krishna was travelling to work on a moped to attend duty at Tirupathi. He reached Manglampet Road at 5.30 am on April 22, 2011 when he came into contact with a live 11 kilovolt (KV) electrical wire and died due to electrocution.

His widow, Vijaya Kumari, and three minor children filed a complaint before the State Consumer Commission of Andhra Pradesh alleging deficiency on the part of the Andhra Pradesh Southern Power Distribution Company Ltd. (APSPDCL). The case was defended by APSPDCL, which claimed that heavy rains and thunderstorm had caused the wire to get detached and fall on the ground. It argued Krishna had come into contact with the wire because he had failed to exercise proper care and caution.

The National Commission disagreed that the victim could also be held responsible for negligence

The State Commission held that the electric company had been negligent in performing its pubic duty. It also held Krishna responsible for contributory negligence. So, it adjusted ₹5,14,580 towards contributory negligence and ordered APSPDCL to pay ₹10,30,000. Additionally, ₹5,000 was awarded for costs.

Both the parties appealed against the order. While Krishna's family wanted the compensation to be enhanced, the electric company wanted to be exonerated from liability for negligence. APSPDCL argued that Krishna could not be considered a consumer and that the complaint was not maintainable. The National Commission pointed out that APSPDCL was the electricity supplier in Tirupathi. So, even though street lighting was not paid for, Krishna could still be considered a consumer of the street lighting services provided by the electric company.

The National Commission observed that no expert evidence had been produced by APSPDCL to substantiate how a 11 KV wire could get detached due to rain and thunderstorm. The Commission concluded that the wire had got separated due to lack of proper maintenance, supervision, and adoption of safety measures. It also observed that a higher duty of care is required for maintenance and monitoring of high voltage lines to keep them in good condition and prevent mishaps due to thunderstorms, a standard feature. This duty becomes more onerous when a high voltage line passes over a main road since it would endanger traffic, as held by the Supreme Court in M.P. Electricity Board vs. Shail Kumar.

The National Commission disagreed that Krishna could be held responsible for contributory negligence, considering the poor visibility at 5.30 am and the adverse weather conditions on the day when the incident occurred.

Accordingly, by its order of January 27, 2020, delivered by Justice V.K. Jain, the National Commission dismissed the electric company's appeal. The appeal filed by Krishna's family was allowed, and compensation was enhanced to ₹15,43,740 to be paid along with 8 per cent interest from the date of the complaint.

The writer is a consumer activist

BUDGET: ₹30 LAKH –₹50 LAKH

REALTY CHECK

Business Standard **brings you a snapshot of average current rates and unit sizes in localities that offer property in the price range of ₹30 lakh and ₹50 lakh. If you are looking at buying real estate, an idea about prevailing rates would come in handy**

	Avg price (₹/sq ft)	Avg unit size (sq ft)
JAIPUR		
Jagatpura	3,245	1,241
Sodala	8,200	492
Ajmer Road	2,586	1,404
Mansarovar Extension	3,473	1,141
Vaishali Nagar	3,520	1,158
Tonk Road	2,868	1,344
Choki Dhani	5,070	798
MWC Road	2,960	1,280
MANGALORE		
Jeppu	3,733	1,028
Derebail	4,083	1,010
Kavoor	3,436	1,194
Kulshekar	3,415	1,166
Shakti Nagar	3,455	1,149
Urwa	4,025	1,103
Bejai	4,945	771
Kulai	4,262	978
THIRUVANANTHAPURAM		
Sreekariyam	4,117	1,046
Vazhayila	3,963	1,106
Technopark	3,611	1,159
Pallippuram	2,961	1,161
Akkulam	4,172	818
Kazhakoottam	4,448	1,008
Mannanthala	3,899	1,010
Peyad	4,200	925
VASAI-VIRAR		
Virar (W)	4,715	808
Naigaon (E)	5,057	766
Vasai (E)	4,664	789
Nalasopara (E)	4,846	760
Vasai (W)	5,844	679
Nalasopara (W)	4,458	809
Virar(E)	5,144	747
Naigaon (W)	5,000	658
INDORE		
Nipania	3,369	1,285
Super Corridor	2,486	1,472
New Rani Bagh	2,965	1,315
Vijay Nagar	2,911	1,249
Rajendra Nagar	2,860	1,283
Piplyahan	3,608	1,053
Palda	2,499	1,491
Sukhlia	2,895	1,281
VADODARA		
Harni	2,623	1,403
Vasna Bhayli	2,511	1,535
Bhayali Road	2,470	1,492

Note
- The ticket price range considered for the above data points is between ₹30 lakh and ₹50 lakh
- All the data points discussed in the above table refer to primary market only
- Above residential data set comprises of residential apartments only
- Above residential data is representative of organised real estate developers only
- The top performing micromarkets based on sales during last year (December–2018 to November–2019) is represented on the above table
- Data points are updated till November 2019

Source: PropEquity

Trial products promise accurate pricing

It will be based on the individual's own condition and behaviour, not the group he belongs to

SANJAY KUMAR SINGH

The pricing of health or motor insurance policies you buy currently is based on rather crude measures. A car owner, for instance, pays a premium based on the type of car he owns and its age. A health insurance customer pays a premium based on his age bracket. Thanks to technology, it is now possible to price covers based on an individual's own behaviour or his health condition.

The Insurance Regulatory and Development Authority (IRDAI) recently gave the green light to 33 products and services under its regulatory sandbox framework. Companies will run these products for six months on a pilot basis. If they work well, IRDAI will allow all companies to launch regular policies based on these ideas.

The first question that arises is whether customers, if offered, should buy these experimental products at all. "Even if the idea gets dropped, the benefits you have been promised will be passed on," says Kapil Mehta, co-founder and managing director, Secure Now Insurance Broker. Any no-claim bonus, discount or reward earned will accrue. For the sake of safety, however, check out the policy's terms and conditions. Next, let us turn to some of the interesting ideas that will be tried out soon.

EXCITING INSURANCE IDEAS IN THE OFFING

Product idea	Insurer trying it out
Pay as you go	Bharti AXA, Tata AIG, Go Digit, ICICI Lombard, Acko, Bajaj Allianz, Liberty (GIC)
Motor floater	ICICI Lombard, Reliance, Edelweiss (GIC)
Friend assurance	Max Bupa Health, Religare Health, Kotak Mahindra GIC
Wearable fitness tracker based covers	Max Bupa Health, Star Health, Kotak Mahindra GIC,
Short-term health insurance	Religare Health, Bharti Axa GIC,
Co-pay model	Bajaj Allianz GIC
App-monitored programmes for diabetes & dyslipidemia	ICICI Lombard GIC

GIC is general insurance company. Source: irdai.gov.in

Motor insurance: Eight general insurers will try out pay-as-you-drive covers. Acko General Insurance, for instance, will allow customers to buy motor cover packages based on the number of kilometres (kms), ranging from 1,000-12,000 kms. "Car owners who do not drive their car much during a year will pay a lower premium than what they do currently," says Animesh Das, head of product strategy, Acko General Insurance.

In addition to measuring the number of kilometres, ICICI Lombard General Insurance's product will also assess the quality of driving. "We will use technology to assess driving quality. Good drivers will get a better rating which will translate into a price benefit," says Sanjay Datta, chief-underwritings, claims, reinsurance and actuary, ICICI Lombard General Insurance. Heavy or rash drivers should stay away from this product.

YOUR MONEY

Three issuers will run pilots for motor floater policies. An individual who owns several vehicles will be able to cover all of them under one umbrella policy, with sub-limits for each. "It will allow a customer to renew the covers on all his vehicles on the same date," says Datta. They may also enjoy price benefits.

Health insurance: Friends Assurance is one novel idea that will be tried out. Current products allow only family members to be part of a floater cover. This one will allow friends too. "Since a number of people will get insured at one go, a discount will be offered on premium, making it cheaper than an individual policy," says Ashish Mehrotra, MD & CEO, Max Bupa Health Insurance. Discounts up to 10 per cent could be offered. A health coach and a wearable device will monitor the number of steps, sleep pattern, etc. The group's cumulative score will determine the reward or discount at renewal. The health condition and propensity to exercise should be important criteria for selecting one's group members.

Health-profile based covers will also be offered. In the current system, where premium depends on age, healthier customers subsidise the less healthy ones. "Those with a better score will pay a lower premium in this product," says Mehrotra.

Co-payment based products for those with existing health conditions are another welcome idea. "People with health conditions are unable to get a cover. This product will work for them," says Mehta.

TIPPING POINT

Are small-cap funds in revival mode?

Small-cap funds, which performed poorly in 2019, are witnessing an upswing. They are up 9.6 per cent on an average over the past three months. One reason for this sound performance is that large-cap funds have done well over the past year. Stocks in this segment have become expensive due to a lot of liquidity chasing them. So, many investors are now shifting to mid- and small-cap funds, where valuations are more attractive. However, the formalisation of the economy that has taken place due to measures like the goods and services tax will affect companies in the small-cap segment. While some may manage this transition well, others may falter. Hence, go with an experienced small-cap fund manager who has seen a number of market cycles. Keeping in mind their volatility, allocation to small-cap funds should not exceed 10-15 per cent of equity holdings.

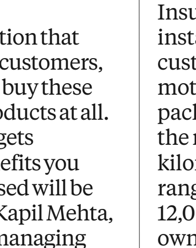
GOOD YTD RETURN

Year	Return (%)
2015	10.27
2016	5.82
2017	49.95
2018	-17.19
2019	-1.51
2020 YTD	8.38

Source: mutualfundindia.com

READER'S CORNER

FINANCIAL PLANNING



KARTIK JHAVERI

I am 29 years old. I returned to India after ten years after a failed marriage. I did not claim any alimony. I have saved up ₹10 lakh. I have rent-free accommodation in my parents' house. But I won't inherit the house due to my siblings. Should I start a business or should I look for a job and invest this amount? I am a hotel management graduate from Australia and want to start a cloud kitchen.

We need to re-start building your life. And the good news is that you have everything that you need. You need cash flows, and for that you have a qualification that will get you a good job. You need a backup, and for that you have ₹10 lakh. Put the money in a fixed deposit (FD) or debt mutual fund till you find your feet. You have a house to stay in. Over time you will need money to buy your own home. Take up a job, save all you can, for starting your own business in a couple of years, or earlier, when you feel more confident.

I am 30 years old and an only child. I am single. My salary is ₹50,000 of which I save ₹20,000. I am an executive assistant and live with my parents. I am debt-free but have no investments. My father has rental income of ₹60,000. He also has ₹3 crore in the bank, obtained by selling our ancestral property in Mangalore. Where should I invest?

As a family, you have adequate financial security. Monthly cash flows are not a problem. Therefore, you should use your corpus wisely so that it multiplies over the years. And then you can use the profits from this investment to start a new business venture, or do something charitable with your father in Mangalore, like starting an NGO. The options are numerous once you have your massive backup of financial security.

Which is a better option—bank savings account that gives a 7 per cent rate of interest, fixed deposit or debt fund?

The savings bank rate and the debt fund rate of return are variable and market-driven. However, you can withdraw money from them at a moment's notice. With a fixed deposit, you have a fixed rate of return for a certain period. If you decide to break your FD, you will lose a little bit. You will either get a reduced rate of interest or will have to pay a penalty for premature foreclosure.

My spouse and I are 41 and 51 respectively. We have zero debt. Our income is ₹75,000. We pay EMIs worth ₹50,000. Our child is in the 10th grade. What should our investment strategy be?

Your EMIs are way too high. I hope you are in a position to reduce them. If this is for a home loan, I understand that you have very limited choices. If you wish to build assets, then focus on just one investment strategy—equity markets. Consult your adviser. If you don't have one, start putting your monthly surpluses in a focused fund and a multi-cap fund. Continue for as long as you can without missing out on a single month's investment.

I am 42 years old. My salary is ₹90,000. I want to take a break from work for one year to write a book. My monthly living expense is ₹30,000. I have no debt and no loans, but I have nothing saved for retirement either. Can I afford a break, and how soon?

The formula is straightforward. It would help if you had ₹3.6 lakh to take care of your expenses for a year. Add another ₹1.8 lakh for another six months for contingency expenses. Say up about ₹5.4 lakh and then take a break. May I also offer you a better idea? Why don't you start working diligently every evening and on every weekend and get your book underway?

The writer is director, Transcend Consulting. The views expressed are the expert's own. Send your queries to yourmoney@bsmail.in

Premium private labels pack the aisles

Retailers are taking the next big leap with their own brands, trading up and competing with rivals within and outside their stores

VIVEAT SUSAN PINTO

Trademarks such as Tasty Treat, Desi Atta, Kara and Voom have become increasingly visible in general stores around Mumbai and other metros in recent months. Slick and packaged well, these products are not from the stable of Hindustan Unilever (HUL) or Procter & Gamble. Instead, it is the Future group, among the country's leading retailers, which is pushing these brands aggressively in stores across the country. Built and nurtured from the start, Future group's chief executive officer Kishore Biyani says these products have been created to sell "everywhere". His confidence stems from the niche his private brands, which would earlier sell only within his stores, have carved for themselves over the years. About 25-30 per cent of the sales from Future group's private brands, says Biyani, already comes from stores outside its network. And this number will go up, he says, as he pushes more of them into general trade.

Retail-led brands, say experts, are increasingly acquiring an identity of their own, goading some players such as the Future group to have a widespread distribution strategy, encompassing all trade channels. Some others, such as the Tata group's Westside stores or Max outlets from Lifestyle International, are packing their aisles with more of their home brands, offering great designs, fabrics and collections at price points that cater to the mass as well as premium consumers.

Shoppers Stop, on the other hand, has been slowly but steadily bringing its focus back on premium private labels and international merchandise as part of its larger strategy to launch stores based on the affluence index of the catchment. Rajiv Suri, managing director and chief executive officer, Shoppers Stop, says the emphasis on premiumisation is in keeping with consumers' tastes and preferences and undertaken at places where aspiration levels are high and shoppers are global in their appeal.

"The consumer at Golf Course Road, Gurugram, is different from the one at Vasant Kunj in Delhi or Gaur City in Noida," he says. "One size cannot fit all and our store strategy has to reflect the change in approach," he says.

PRIVATE BRANDS: CATEGORY-WISE BREAKUP
(overall figures; includes mass+premium)

▸Retail format

Share	
50-70%	25-30%
Apparels/fashion	Food & FMCG

PREMIUM PRIVATE BRANDS: CATEGORY-WISE BREAKUP
(premium share within overall pie)

▸Retail format

share	
30%	15%
Apparels/fashion	Food & FMCG

Source: Industry

Shoppers Stop's private brand push has seen it invest in an in-house studio and sampling unit as well as hire more than 140 designers, so that they can churn out fashionable products across price points. The retailer is also co-creating collections with celebrities and coming out with exclusive line-ups with help from its in-house designers as part of its overall push into the premium segment.

In ethnic wear, for instance, Shoppers Stop's in-house brands already contribute over 50 per cent to its overall sales. Singh says that the retailer is working to improve its sales share from private labels in other categories as well including western and casual wear.

Analysts estimate that categories such as apparel and fashion are driven mostly by private labels, with contribution to sales varying anywhere between 50 per cent and 70 per cent for many retailers, though some such as Trent and Max Fashion could see that contribution closer to 90 per cent, given their exclusive focus on private brands. Of this, premium private labels are estimated to contribute around 25-30 per cent to an apparel retailer's sales.

Food and fast moving consumer goods, in contrast, have a smaller proportion of private labels driving it, around 30 per cent, say experts, with premium brands making up around 10-15 per cent of the portfolio in terms of sales. "Private labels typically get pushed when there is an underrepresentation of established brands or a retailer wishes to give an affordable alternative to popular trademarks," says Ankur Bisen, senior vice-president, retail and consumer products, Technopak.

"Within fashion, consumers now seek mainly retailers' brands, so independent brands are coming under pressure at all levels, be it premium or otherwise. In food and FMCG, on the other hand, the trend of premium private labels is now beginning to show as consumers look for newer products and services and their confidence in the retailer's ability to deliver these life experiences increases," he says.

In Future's case, for instance, the launch of Voom, which is a liquid detergent, positioned as one that cares for fabric and fashion, triggered an instant response from HUL, which rolled out its premium detergent, Love & Care in the market a few months ago.Industry sources say that Reliance Retail is steadily working on its own set of labels in grocery to increase its sales contribution from private brands, which currently stands at 14 per cent only in the segment. Sources say the plan is to take sales contribution from private brands in grocery to at least 25-30 per in the coming quarters as footfalls into its stores increase.

Within fashion and lifestyle, Reliance Retail already derives around 75 per cent of its sales from private brands, while in electronics, the figure is around 60 per cent, the company said during its third-quarter results recently. The push into private labels, especially at the premium end, is tied in with Reliance's larger objective of being future-ready as it gears up for the commercial launch of its new commerce platform later this year.

GUEST COLUMN

For meaningful transformation

Experiences will be powered by robotic efficiency and human empathy

With 5G and 6G launch on the anvil, 2020 will mark the beginning of an exciting and interesting decade. In my view, quite a few things will shape our world this year and beyond. First, look at the steps being taken towards a cohesive sustainable world. It is important that the conversations around sustainability and business profitability translate into a war cry to save the earth and our future.

As business leaders, the onus is on us to make our industry the champions of sustainability. Technology will be that ultimate bridge which will help businesses drive measures that focus on managing social and environmental impacts, improve operational efficiency while ensuring that corporate decisions lead to equitable growth. Closing the divide between rural towns and villages and better off urban hubs has long been one of the most difficult development challenges, especially in India. Improving access to technology will be the key to bridging this digital divide and here, the internet will be the equaliser.


C P GURNANI
MD & CEO
Tech Mahindra

Second we must root for a culture of diversity and inclusion. The mass appeal of technology has the potential to lead us to a path of shared future in this fragmented world. Technology will bind all stakeholders with the common thread of innovation and experiment that lead to a superior connected experience.

As new technologies make way into our lives, we will witness a world where humanoids and human beings co-exist and work together to create new possibilities. This beautiful amalgamation of augmented intelligence and human intelligence will help us address some of the complex problems facing the world today. Cobots and humans will work together to create more humane experiences. The experiences of tomorrow will be powered by robotic efficiency and human empathy. From emotion analysis to AI-powered career platforms, from virtually assisted services to gamification for culture and training purposes, new-age businesses are leveraging technology to create personalised experiences. The interesting thing is that while technology will be an enabler of new experiences, the final decision maker will always be human.

The network of the future — 5G and 6G — is here to disrupt the way we live and work, and the explosion of connected devices like mobile phones, televisions, security systems, speakers among others, is only going to intensify. The journey will move beyond mobile broadband, and impact self-sustaining, modern human establishments like smart cities, robotics, self-driving cars, and foster innovation in critical sectors such as health care, agriculture and education. For businesses, 5G is poised to be the tipping point that will accelerate global market reach and reshape the competitive landscape. 5G network will become the differentiator that will foster new innovations with its ability to deliver unprecedented productivity gains, while pioneering new distribution and consumption models. The potential for disruption is enormous and those who prepare well for 5G, will have much to gain.

While new-age technologies are creating new possibilities every day, we are betting big on a "more human" workforce of the future. The youth population across the globe with their abundant energy and ideas have a crucial role to play in fructifying the vision of a better tomorrow.

More on www.business-standard.com

SNIPPETS

Picking up

According to Gartner, Inc. the worldwide sales of smartphones will reach 1.57 billion units by the end of this calendar year. This will be due to an estimated 3 per cent increase in sales compared to the previous year. In the process, it will reverse a year-over-year decline seen in 2019. Last year, the worldwide smartphone sales declined 2 per cent, the first time since 2008 that the global smartphone market experienced a decline. The optimistic predictions for the current year are based on the belief that new devices will be needed as a change in technology happens. Gartner forecasts that sales of 5G mobile phones will total 221 million units in 2020 — which will account for 12 per cent of overall mobile phone sales — and it will more than double in 2021, to 489 million units. "The year 2019 was a challenging year for smartphone vendors, primarily due to oversupply in the high-end sector in mature markets and longer replacement cycles overall," said Annette Zimmermann, research vice president at Gartner.

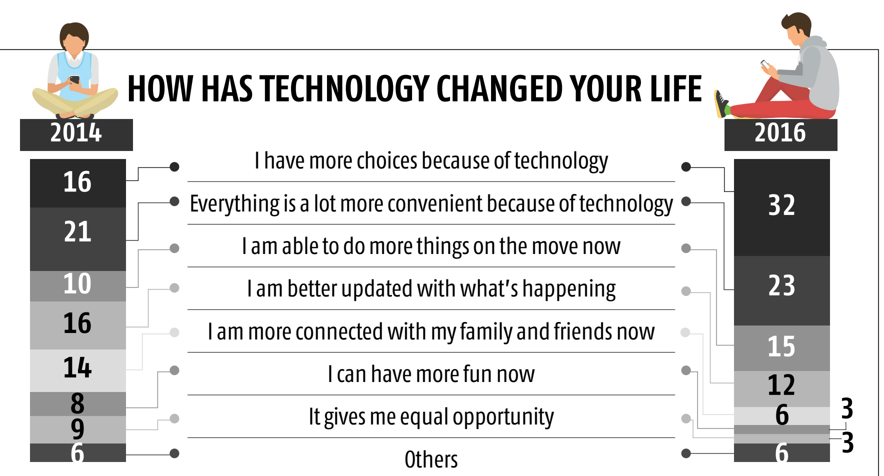
Saving up

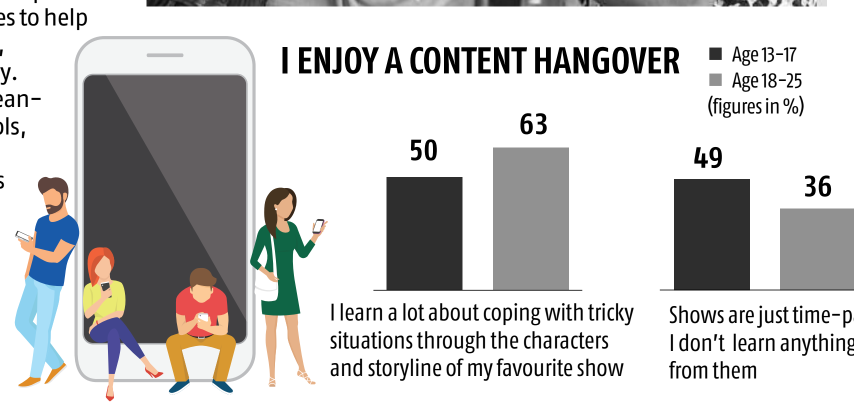
As venture capitalists (VCs) demand better results, tightening purse strings will be the norm, says the *Venture Pulse Q4'2019* report. The report — that highlights the key issues, trends, and opportunities facing the VC market in India and in key jurisdictions around the world — says that heading into 2020, companies in India looking to attract attention from VC investors are expected to put more emphasis on reducing their cash flow and providing clear paths to profitability. Additionally, the report reveals the increasing focus of investors on the unit economics of consumer focused businesses and the growing diversity of unicorns. "VC investment in India was relatively mixed during 2019. While VC investment started off soft, the last two quarters have seen a number of excellent deals. This activity is very encouraging and suggests a growing positivity heading into Q1'20. Further, of late, there is a growing interest in the space from Japan's trading houses, who are betting on the India consumption story," says Nitish Poddar, partner and national leader, private equity, KPMG in India.

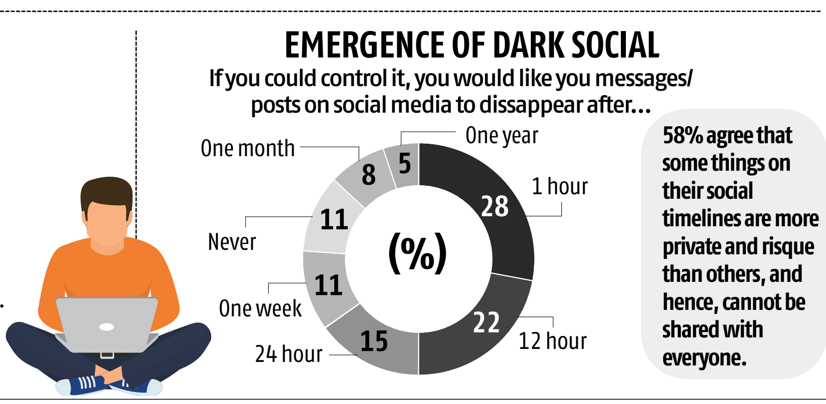
STATSPEAK

CATCHING THEM YOUNG

What do young people want? This is a question that has frazzled older people across generations. MTV's *Mera Bharat Amazeballs* survey tries to unravel what Indian Gen Z and millennials really want. Over 80 per cent of them have actively participated in citizen-led initiatives to help their neighbourhoods, according to the survey. Activities like beach clean-ups, organising carpools, participating in government initiatives are popular among this age cohort. Here are some insights into their relationship with technology based on the findings of the survey.







MY FAVOURITE CAMPAIGN

Keeping up with the times

MY TAKE

The ad gives the brand a certain scale, some kind of an aura. This is what advertising is supposed to do

BRAND: *The Guardian*
YEAR OF LAUNCH: November 2012
AGENCIES: BBH London

SHUBHOMOY SIKDAR

Which is your favourite campaign and why?
One of the great pieces of advertising that has stayed with me is the Three Little Pigs campaign by *The Guardian*. It was a film campaign and they had done some print work around it as well. They have taken the fable of the wolf coming and destroying the houses of the pig brothers and made a modern satire — one which tells you how you can look at that story from different angles and how that narrative would look today. It was also done at a time when the very concept of news was evolving, public opinion had started to matter and different sources were emerging.

The campaign emphasised that the story can't be a closed one, cannot rely on a one-way narrative and the society has a point of view on news. It brings alive the concept really well and is extremely entertaining. There is great storytelling and has a movie-like quality which makes you wonder who would have been behind the ad.

On what parameters did you base your decision?
It certainly works towards building affinity for the brand. It helps the brand scale by showcasing its core principles. Telling the readers that *The Guardian* is an open and collaborative brand, all that a newspaper needs to be. Second, they have been able to demonstrate clearly what is it that the brand does, its way of working. It's a beautifully crafted ad because sometimes, not enough effort is put on how an ad looks. Not in this one.

What do you think was the key idea the campaign was trying to drive home?
The idea they were driving home was how does a really old newspaper rediscover itself in the day and age of technology. One mustn't forget that 2012 (the year that it came out) was a year when there was a rapid change in technology, citizenship journalism was emerging. And till that time, newspapers were still giving news but with the use of social media picking up, news-gathering and consumption techniques were changing. Public opinion became an integral part of the news business and the paper showed through this campaign that it had realised that change was inevitable. It sent a clear message that it was ready for that change.


SARITA RAGHAVAN
General manager
BBH India

Do you remember this campaign winning any award(s)? Do advertising awards serve any purpose?
It won the Golden Lion at Cannes and some other awards. Awards do compel people to tell stories in interesting ways. Especially, in an era where there is so much content, compelling people to create stuff which are different is actually a good thing. It's good for the agency and the clients and it is also good for the consumers to watch these ads. So, it's always better to get a story well told than just told. That brings a different culture into regular advertising, pushes people for better memorability. Awards thus become a marker to observe these changes.

Do you feel the message in the ad was drowned by the art?
There are stories that make you love the brand but what the brand does is not clear. *The Guardian* ad manages to find a great balance. It talks about how *The Guardian* approaches news. The tagline for the campaign was "The whole picture" conveying that the newspaper will bring out the complete picture.

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Resurrecting Kapil Dev

A movie, being made on one of the country's most audacious World Cup victories, wins the Haryana Hurricane a chance to revive his brand

SACHIN P MAMPATTA & SAMEER MULGAONKAR
Mumbai, 29 January

For years Kapil Dev has been little else than a memory, or at the most a fading patch in a scrapbook from the eighties. The man who once struck terror on the cricket field and won hearts outside, with his rustic plain speak, has been long gone from the public eye. But now as a movie around the Indian cricket team's 1983 World Cup victory gets ready for release in April, Brand Kapil is being dressed up in a new coat of paint.

In the promotions for the movie '83, Kapil Dev is the key person of interest. His role is being essayed by Ranveer Singh and the two together are driving the buzz around the upcoming release. Short videos of his bowling action, interactions with the movie crew and images that hark back to his famous 175 not out against Zimbabwe in the 1983 World Cup are all part of the promotional thrust.

There is also a steady supply of 'Kapil *Paaji*' (elder brother) stories shared by Ranveer Singh on social media with the two also coming together in memes and tweets. Slowly, the movie, the actor and the cricketer are being melded into an indistinguishable composite and turned into the pivot for film's nostalgia pitch.

Is this then a fresh lease of life for the cricketing legend's endorsement career?

At present, he endorses a short list of brands, mostly hardware firms and tech start-ups in which he has also picked up a stake. He is the ambassador for AIPL ABRO, a hardware, construction chemicals and auto care solutions company, Vaoo, a cab aggregator that offers free rides in exchange for viewing advertisements, SRMB Steel and previously was the face for Samco Securities. Dev has also recently launched an eponymous clothing line for men.

MAGIC ON THE PITCH

Key milestones	Opponent team
Jan24,1979: Maiden test Century (126 not out)	**West Indies**
July 12, 1979: First 5-wicket haul	**England**
Mar 18,1983: A match-winning175 not out, still seen as one of the the greatest ODI innings	**Zimbabwe**
Jun 25, 1983: A breathtaking catch to remove Viv Richards won India the World Cup, he was captain of the winning team too	**West Indies**
Feb 8,1994: Surpassed Richard Hadlee's record of 431 Test wickets to become the world's leading wicket-taker	**Sri Lanka**

Among the early cricketers to have jumped on to the endorsement track, Dev was the face of Palmolive in his heyday and his unforgettable rendering of the line 'Palmolive *da jawaab nahi*,' (nothing compares with...) still defines him and the shaving cream. He is also remembered for his ad for the health drink Boost, it had him running into the morning sun and mouthing the line, "Boost is the secret of my energy". His endorsements dried up soon after he retired and he found himself under the scanner over match fixing allegations. All that is now history , however, and Dev's image is being remade into that of a straight talking, talented sportsman-mentor.

"Once the movie goes out, I think people will only respect him more and that it will add a lot to his brand value," Jimeet Modi, chief executive officer at Samco Securities said.

Sandeep Goyal, chief mentor, Indian Institute of Human Brands (IIHB) and an old advertising hand believes that Dev's brand is still relevant. While he may need some help managing the twists and turns of the endorsement track, he has what brands want. "I was Kapil's contemporary at DAV College Chandigarh, I saw the legend grow and I was there when he was shooting his first Boost ad in 1986, all brawn, all muscle and all energy. Zero airs, zero attitude. The Kapil Dev brand is the original on which the current Dhoni brand is built," he adds. No one but Kapil would have agreed to endorse Rapidex (English speaking courses) and admitted to his poor knowledge of the language in those years, Goyal points out. But that is Kapil, honest and uncomplicated, these are values brands can harness even today.

"He is also seen, because of his seniority, as a person bringing in a lot of credibility," adds Modi, which has endeared him to start-ups looking for a reputational boost to their brands.

Dev's earthiness, sagacity and lack of artifice may be valuable, but can he speak to the young, who have never seen him play? "There are a lot of people who connect with him, but the younger lot may not. Jasprit Bumrah is much more of a hero to them than Kapil Dev," said Pops K V Sridhar, senior brand consultant and founder, chief creative officer at HyperCollective. He believes that brands can draw upon Dev's experience to add credibility to their stories. And there is no doubt that the movie will bring in a bunch of endorsements and a fresh look at the man as a brand. Will it lead to something bigger and lasting, the jury is out on that one.

FROM PAGE 1

Chinese influx...

Today, close to 70 per cent of the market is accounted for by what the industry deems A and B segment cars or models like the Maruti Alto and the Swift. With the SUV segment growing at 50 per cent or more, their current dominance will not be able to survive in the short term, say analysts.

"Chinese firms are well-equipped with electric tech, the latest telematics, and connectivity and they have the scale to offer all this at affordable price points," said Ghosh.

Indian carmakers face a 'clear and present danger', Hormazd Sorabjee, editor of Autocar India magazine said. He said the key advantage enjoyed by Chinese players is that they have developed their products over the years and loaded them with technology and gizmos. "Most of the other Chinese players have watched the outright success of one SUV — the MG Hector — and are chasing that very model down," he said. "MG's success with the Hector generated the confidence needed by first time manufacturers to go the same route."

The Hector sold around 20,000 units in the 2019 and has received orders well above its current capacity. The car was only launched in the second half of the year.

Rajeev Chaba, president and MD of MG Motor India, said the MG was bought by SAIC and it is this brand which has driven the successful narrative. "We already have 2,800 bookings for our e-SUV and we haven't announced the price yet," he said.

In many ways the present Chinese entry is a redux of 2008 when the industry experienced the onslaught of Japanese, European and American carmakers such as General Motors, Volkswagen, Nissan Ford, Fiat, Renault and others. However, a majority of them read the market wrong and either left the country or were reduced to bit players with small export operations.

Will the Corona virus scare change things for the Chinese wanting to come to India? Balendran says he has a team of executives who have been camped out in India for the last three weeks and says that any contagion will only be a short-term blip.

Job incentive...

Interestingly, the EPFO's payroll database, which takes into account the PMRPY beneficiaries, is used by the government to highlight job creation in the formal sector.

In 2016, the NDA government unveiled the PMRPY to share the financial burden of firms. The scheme, which came into being in August 2016, was meant for new employees hired by companies from April 1, 2016.

Through the PMRPY, the Centre pays the employer's share of workers' contribution towards the PF for three years. The most important criterion was that firms would get support only if they hired a worker who was not part of EPFO schemes in the past. But till July 16, 2019, 898,576 employees, belonging to 80,000 firms, were found to be those who already had an old PF account. This was roughly 7 per cent of the 12.1 million employees who had benefitted from the scheme till then. Documents showed that the EPFO had already recovered ₹222 crore from employers till July 2019.

To ensure firms take benefit only for new staff, the Centre said the Universal Account Number (UAN), issued after April 1, 2016, should be linked to Aadhaar. But here's the catch: Linking Aadhaar with UAN became compulsory from July 2017. New UANs were created for 898,576-odd workers. In the case of 622,000, Aadhaar was linked to old UANs, so their accounts were blocked by the EPFO. The EPFO then started a de-duplication exercise to find out more potential ineligible cases under the PMRPY. The different combinations of details of workers (part of the PMRPY) were matched with the EPFO's database. Till July 2019, it found at least 276,472 cases that had a PF account before 2016, according to a presentation given by the EPFO to the labour and employment secretary on October 9, 2019.

The labour ministry had asked the EPFO "to undertake third-party evaluation of the scheme on an urgent basis" in October 2018. Till November 2018, the EPFO had found over 360,000 such cases, which rose sharply to around 900,000 in a gap of eight months.

An EPFO official said the situation might have occurred due to lack of awareness among workers. "Apart from that, in some cases, workers might have closed their PF accounts after withdrawing all the money. This led to creation of a new account unintentionally," the official explained.

However, employers blamed lack of proper checks. "Checks and balances should have been put in place since day one as it's hard for employers to validate a worker's claim that they didn't have a PF account in the past. The EPFO does have tools to check for duplication," Rituparna Chakraborty, president, Indian Staffing Federation, said.

Another executive said firms had verified details of the new employee from the EPFO database and the authorities had unnecessary demanded penalty from them.

DHFL siphoned...

Kapil Wadhawan first diverted huge funds from DHFL to the five shell companies and later amalgamated them with Sunblink to cover the alleged diversion of loans acquired from DHFL, the ED said. These five entities and Sunblink are inter-related and have been used and controlled by Kapil Wadhawan to layer and obfuscate the origin on monies, it noted. These loans were disbursed and diverted in 5-6 years (2010-2016), when in 2010, Kapil's brother and DHFL promoter Dheeraj Wadhawan bought three properties in Worli, Mumbai, from Mirchi in the name of Sunblink. This deal was allegedly finalised for surrender of tenancy rights in favour of Sunblink for ₹225 crore. The source of the amount paid in India towards the deal, ₹111 crore, was arranged by DHFL and RKW Developers.

IndiGo...

The clauses remain embedded in the Article of Association despite the expiry of the SHA. The SHA, signed between Bhatia and Gangwal according to the conditions, expired last November — four years after the company's listing in 2015.

There was much drama at the EGM over the absence of Gangwal, who had called the meeting. Worried that the value of their shares was getting eroded and with little clarity on what the new resolution would mean, shareholders raised alarm resulting in chaotic scenes. While Chairman M Damodaran called for peace, investors refused to pay heed. "There is no requirement of changing any articles of the company when everything is going so good. We have got dividends from the company. Don't want anything to change," said a shareholder Anil Saxena, who travelled from Pune. "We are all grown up people and I request you to please sit down," Damodaran kept requesting as he tried to clarify that the resolution coming to vote doesn't mean a promoter is quitting the company. In the midst of the pandemonium, Damodaran was heard saying that "nobody's shareholding is going away" and that "shareholders have a right to decide what to do with their shares".

Tatas, AirAsia...

The talks between the two partners come at a time when Fernandes is facing an Enforcement Directorate (ED) enquiry over allegations of money laundering and has been summoned by the probe agency on February 5, seeking details about the airline's operations since it was launched in 2014. Apart from the ED probe, Fernandes is also facing a CBI investigation on charges of criminal conspiracy. AirAsia has denied the allegations and Fernandes has not yet appeared before the investigating agencies.

According to a source, the fracas over the non-compete clause is a prelude to the exit of AirAsia from the joint venture at a higher valuation for its stake.

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SOLUTION TO #2959

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Fill in the grid so that every row, every column and every 3x3 box contains the digits 1 to 9