FRIDAY, 31 JANUARY 2020
24 pages in 1 section
MUMBAI (CITY)
₹9.00
VOLUME XXIV NUMBER 120

www.business-standard.com

Business Standard

THE MARKETS ON THURSDAY

		Chg#
Sensex	40,913.8▼	284.8
Nifty	12,035.8▼	93.7
Nifty futures*	12,059.9▲	24.1
Dollar	₹71.5	₹71.3**
Euro	₹78.8	₹78.4**
Brent crude ($/bbl)##	57.6##	58.8**
Gold (10 gm)###	₹40,684.0▲	₹382.0

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

ECONOMY & PUBLIC AFFAIRS P22

LALIT MODI HOLDS OUT OLIVE BRANCH TO FAMILY MEMBERS

BACK PAGE P24

JUSTICE SRIKRISHNA SLAMS GOVT FOR DATA BILL CHANGES

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

PM URGES MPs TO 'GIVE DIRECTION' TO ECONOMY

At an all-party meeting on the eve of the Budget session, Prime Minister Narendra Modi on Thursday welcomed suggestions by political parties about the "need to discuss economic issues" during the session. "In this Budget, and in the beginning of the New Year, if we can give a proper direction to the country's economy it would be in the best interest of the country," the PM told the MPs. 4▶

Economic Survey 2020 to be released today

The government will release the Economic Survey for 2019-20 on Friday, a day before Finance Minister Nirmala Sitharaman presents the Union Budget 2020-21. The Survey, a detailed report card on the economic performance in the year, comes amid concerns over a deepening slowdown.

ECONOMY & PUBLIC AFFAIRS P22

NCCD CEO Pawanexh Kohli to demit office

One of the few remaining officers taken from the private sector by the previous UPA government, Pawanexh Kohli resigned as CEO of the National Central for Cold-chain Development a few days before his term ends.

COMPANIES P2

With no sign of recovery, NCR realty on tight belt

REALTY CHECK - II

The second part of a series on real estate compares the boom time in Delhi-NCR with the ongoing crisis that has hit both developers and homebuyers. **ARNAB DUTTA & NIVEDITA MOOKERJI** write

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 410 companies (results available of 474)

SALES		
Dec 31, '18	**27.7%**	₹6.44 trillion ↗
Dec 31, '19	**5.4%**	₹6.78 trillion ↗
PROFIT BEFORE TAX		
Dec 31, '18	**8.5%**	₹87,649 cr ↗
Dec 31, '19	**15.8%**	₹1.01 trillion ↗
NET PROFIT		
Dec 31, '18	**5.0%**	₹61,906 cr ↗
Dec 31, '19	**21.7%**	₹75,337 cr ↗

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

Tax estimate for FY20 likely to be slashed 4-6%

This will be the second time that the projection will be changed for the current fiscal year

DILASHA SETH & SHRIMI CHOUDHARY
New Delhi, 30 January

Economic slowdown and reduction in corporation tax rates will require the government to trim its tax revenue projection for 2019-20 in the upcoming Budget by ₹1-1.5 trillion, the biggest seen in recent times to arrive at a realistic target.

The shortfall means 4.1-6.1 per cent of the Budget estimate of ₹24.61 trillion.

The cuts seem steep, but would be less than what was initially expected, sources said. The government had initially expected a ₹1.45-trillion hit from corporation tax rate cuts only. This will be the second time that the tax projection will be changed for FY20 since the Interim Budget in February last year. It was initially fixed at ₹25.5 trillion, a growth rate of 22.5 per cent over the actuals of the previous fiscal year.

BUDGET INSIGHT OUT 2020-21

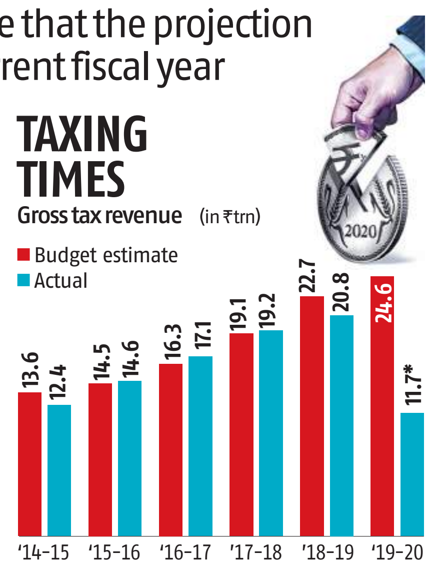
According to sources in the income-tax department, direct tax collection, net of refunds, fell 5.17 per cent till the previous week of January in 2019-20. This was due to a whopping ₹1.41-trillion refund.

Till that time, the government had collected ₹7.32 trillion against ₹7.71 trillion a year ago. The target for direct tax collection was ₹13.35 trillion for FY20, which means that the government has to collect a bit over ₹6 trillion in the remaining two months and a week.

With gross domestic product (GDP) growth at current prices officially estimated to fall to 7.5 per cent in 2019-20 against 12 per cent assumed at the time of the first Budget of the Modi government in its second stint and demand slowdown across sectors, goods and services tax (GST) collection has also been hit. Turn to Page 23 ▶

TAXING TIMES

Gross tax revenue (in ₹trn)



*Till November Source: Budget

M Ajit Kumar named new CBIC chairman

The government on Thursday appointed M Ajit Kumar as chairman of the Central Board of Indirect Taxes and Customs. The appointment comes just two days before the Union Budget presentation. "The Appointments Committee of the Cabinet has approved the appointment," said an official release.

INDIGO PILOT CONTESTS BAN ON KAMRA; PURI SAYS 'WILL GO BEYOND RULES'

Even as the pilot of the aircraft on which stand-up comedian Kunal Kamra had verbally harassed journalist Arnab Goswami earlier this week said on Thursday the incident wasn't serious enough to put the accused on a no-fly list for six months, the government defended its action. Civil Aviation Minister Hardeep Singh Puri told *Business Standard* that the incident was extraordinary as there was video evidence and that the actions of the airline were justified. 22▶

RBI allows promoters of Kotak Bank to hold 26% stake

Voting rights curtailed; private lender withdraws petition from court

SUBRATA PANDA
Mumbai, 30 January

Private sector lender Kotak Mahindra Bank on Thursday said that the Reserve Bank of India (RBI) had given in-principle approval to its proposal on stake reduction in the bank and capping the promoters' voting rights.

In a letter dated January 29, the RBI conveyed to the bank that the promoters would have to bring down their shareholding to 26 per cent of the paid-up voting equity share capital within six months of receiving the final approval from the central bank.

According to RBI rules, the bank was mandated to reduce promoter shareholding to 20 per cent by December 31, 2018, and to 15 per cent by March 2020. This rule has now been relaxed.

Promoters led by Managing Director and CEO Uday Kotak owned 29.96 per cent of the share capital as of December 2019.

However, the promoters' voting rights will stand curtailed. The banking regulator said the promoters would have 20 per cent of the paid-up voting equity share capital until March 31, 2020, and it would be brought down to 15 per cent from April 1, 2020.

The central bank said that after the stake reduction, the promoters would not purchase any further paid-up voting equity shares of the bank till the percentage of their shareholding reached 15 per cent of the bank or such higher percentage as might be permitted by the RBI in future.

The RBI further said the promoters would be entitled to purchase additional shares of the bank's equity capital up to 15 per cent or such higher percentage as might be permitted in the future, and exercise voting rights on such shares.

The private sector lender informed the stock exchanges that it had withdrawn the writ petition filed in the Bombay High Court against the regulator.

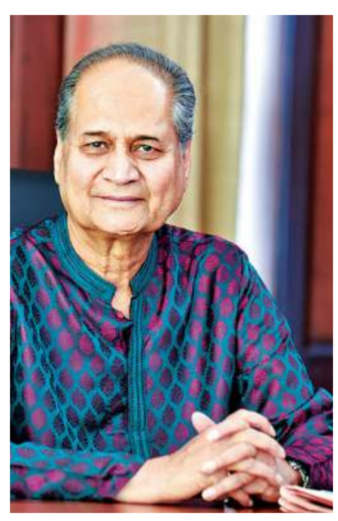
In December 2018, Kotak Mahindra Bank had moved the petition in the high court against the RBI after the central bank did not accept the reduction of promoter shareholding through an issue of preference shares. Turn to Page 23 ▶

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

TERMS OF AGREEMENT

- **RBI agrees in principle to cap promoters' voting rights** in the bank to 20% until March 2020
- **From April 1, 2020, the bank has to cut** promoters voting rights to 15%
- **Promoters have to cut their stake to 26%** within 6 months after final RBI approval
- **Promoters own 29.96% of share capital** in the bank as of December 2019
- **Kotak Bank to withdraw writ petition** against RBI in Bombay HC

Rahul Bajaj shifts gear, will assume non-executive role



Bajaj's resignation comes against the backdrop of the Sebi rule seeking a separation of the posts of chairman and MD of top 500 listed companies

SHALLY SETH MOHILE
Mumbai, 30 January

After several decades at the helm, Bajaj group patriarch Rahul Bajaj will step down as chairman of the holding company, Bajaj Holdings & Investments, Bajaj Auto, and Bajaj Finserv.

Bajaj Auto, the maker of the Pulsar brand of motorcycles and RE three-wheelers, said on Thursday that the 81-year-old business leader, who has been a whole-time director and chairman of the automobile making arm since April 1, 1970, would take a non-executive role.

He oversaw the successful transition of Bajaj Auto from the 'Hamara Bajaj' days through its popular Chetak brand of scooters to the World's Favourite Indian — Bajaj now sells its motorcycles in over 70 countries. Bajaj, who played an active role in the affairs of the company till 2005, took a backseat in group companies, passing on the baton to the elder son, Rajiv Bajaj, for the auto business, and for the financial services business to the younger son, Sanjiv Bajaj.

Bajaj's resignation from the top post comes against the backdrop of the Securities and Exchange Board of India (Sebi) rule that calls for a separation of the posts of chairman and managing director of top 500 listed companies. It also says the chairperson of a company's board should be a non-executive director and should not be related to the MD or CEO. The rule has now been deferred by two years.

"The tenure of appointment of Rahul Bajaj as executive chairman is expiring on March 31, 2020. Due to certain commitments and other preoccupation, Bajaj has decided not to continue as a whole-time director of the company after the expiry of his current term on March 31, 2020," the company said in a notification to the stock exchanges on Thursday. Turn to Page 23 ▶

PAGE 13
BAJAJ AUTO FACES DOMESTIC HURDLES

India Inc braces for Brexit as Britain leaves EU today

DEV CHATTERJEE, DEBASIS MOHAPATRA & NEHA ALAWADHI
Mumbai/Bengaluru/New Delhi, 30 January

Indian companies which have a significant presence in the United Kingdom are preparing for Britain's exit from the European Union on Friday by cutting jobs and relocating plants and staff. CEOs said they had time till December to finalise strategy for minimising supply chain disruption and sales. Britain plans to complete negotiations for a new trade deal with the EU by December.

Among the biggest, Tata Motors-owned Jaguar Land Rover (JLR) has announced it would cut 500 jobs from the UK operations due to Brexit. The company manufactures 77 per cent of its global shipments in the UK and has relocated the manufacturing of the Defender brand of SUV to Slovakia.

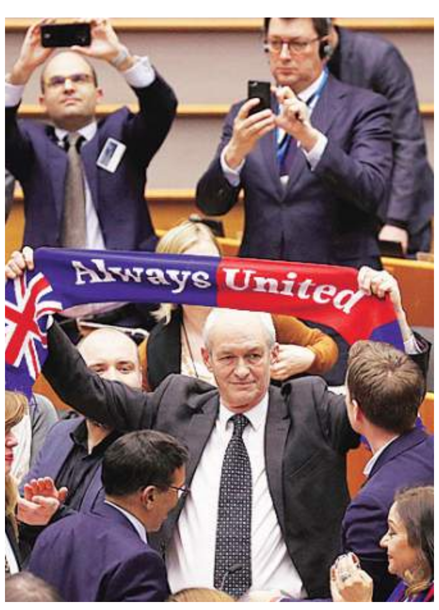
"We now need to see how the negotiations till the end of December pan out," said P B Balaji, chief financial officer, Tata Motors Group, at a conference call with reporters on Thursday. The fears that the company had expressed earlier regarding a hard Brexit are not there anymore, he added. In October 2018, Ralf Speth, chief executive at JLR, had flagged concerns about a hard Brexit.

JLR's sales in the UK have been under pressure due to uncertainties around Brexit for the past several quarters. The UK accounted for 23.1 per cent of the company's sales at the end of December quarter. The EU contributed 29.7 per cent in the same period, according to a presentation on Tata Motors' website.

Analysts are also watching the space to understand the impact of Brexit on the Indian information technology (IT) sector. Britain is the largest market for Indian IT services players after the United States. It contributes around 17 per cent of Indian IT exports of around $150 billion. Europe as a continent has a revenue share of 20-30 per cent for big IT services firms. Turn to Page 23 ▶

DEALING WITH BREXIT

- **Indian companies expect** UK-EU deal by Dec-end
- **Plan is to minimise** supply chain disruption
- **TCS relocating** 1,200 staff
- **JLR to cut** 500 jobs in the UK
- **Essar UK expects disruption** in production, sales



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

India confirms its first coronavirus case

T E NARASIMHAN
Chennai, 30 January

India has reported its first case of novel coronavirus in Kerala, where a woman studying in China's Wuhan University has tested positive for the deadly virus. The patient has been kept in an isolation ward at the general hospital in Thrissur and her condition is stable, according to an official release.

Kerala Chief Minister Pinarayi Vijayan said the state government was closely monitoring the situation. "While we need to be cautious, it is no cause for panic. Our health network is capable of handling any emergencies. People should avoid spreading the news that is intimidating," he said.

Novel coronavirus (2019-nCoV) is a virus identified as the cause of an outbreak of respiratory illness first detected in Wuhan. The death toll from the virus has risen to 170, and the majority of the victims are from China.

According to Kerala officials, the state government has asked people arriving from China to "voluntarily report" to the health department for screening for the virus, and it was during such screening that the patient was detected with coronavirus symptoms.

Kerala Health Minister K K Shailaja has called a meeting with the health secretary and other officials from the Directorate of Health Services to take stock of the situation.

She told reporters that the central health department confirmed the infection in one of the four people who had come back from Wuhan and were under observation in isolation wards in the Thrissur hospital. "Already we are vigilant. Now with this information we need to take care of things more," she said.

The state government has created isolation wards in one medical college and another major hospital in each district and has been keeping those who were suspected to have contracted the virus.

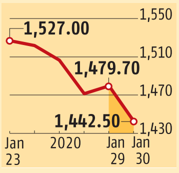
Around 806 people are under observation now, of which 796 are in home quarantine

CORONAVIRUS OUTBREAK | MEDICAL DEVICE FIRMS SEE OPPORTUNITY | FEAR GRIPS THE START-UP ECOSYSTEM | PAGE 6

STOCKS IN THE NEWS

* OVER PREVIOUS CLOSE

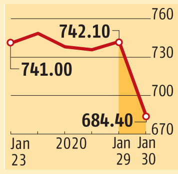
Reliance Industries



Top loser among the S&P BSE Sensex stocks

₹1,442.50 CLOSE
▼2.51% DOWN*

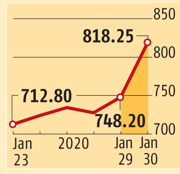
Godrej Consumer Products



Q3 net sales up 2% at ₹2,278 crore YoY

₹684.40 CLOSE
▼7.78% DOWN*

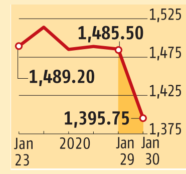
Escorts



Hits 52-week high on expectations of a tractor sales cycle recovery

₹818.25 CLOSE
▲ 9.36% UP*

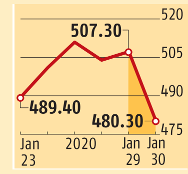
Colgate-Palmolive (India)



Q3 volume growth lower than expected at 2.3% YoY

₹1,395.75 CLOSE
▼6.04% DOWN

Aurobindo Pharma



USFDA classified Unit VII as official action indicated

₹480.30 CLOSE
▼ 5.32% DOWN*

IN BRIEF

Apple, Samsung tied for No.1 smartphone seller

While 2019 started off with expectations of Huawei Technologies challenging Samsung Electronics for the title of world's most prolific smartphone vendor, it's the more familiar foe of Apple that's now threatening the South Korean titan's throne. Industry trackers on Thursday released estimates that show the iPhone maker close to matching or surpassing its Korean rival in shipments during the pivotal holiday quarter. Strategy Analytics put Apple's iPhone shipments for the fourth quarter at 70.7 million, slightly ahead of Samsung's 68.8 million. Canalys gauged the US firm had moved 78 million, surpassing the Asian brand's 71 million. And researchers at IHS Markit have the positions flipped — with Samsung at 70.7 million and Apple at 67.7 million. **BLOOMBERG**

H&M India sales rise 43% in 2019 to ₹1,500 crore

The local unit of global fashion retailer Hennes & Mauritz (H&M) posted a 43 per cent increase in sales for the year ended November 30, 2019, to touch nearly ₹1,500 crore in topline, at a time when consumer sentiment has been tepid. The growth in turnover came as H&M pushed affordable collections and trendy fashion wear, tying up with e-tailer Myntra in addition to launching eight stores in 2019. **BS REPORTER**

AI: Entities can bid based on affiliates' financial strength

Entities can bid for national carrier Air India on the basis of the financial strength of their affiliates, a proposition that could attract more bidders. In its second attempt in as many years to divest loss-making Air India, the government came out with the Preliminary Information Memorandum on Monday. The government has proposed selling 100 per cent stake in Air India, along with budget airline Air India Express and the national carrier's 50 per cent stake in AISATS. **PTI**

Aurobindo's Telangana unit under USFDA lens

The US Food and Drug Administration (US FDA) has escalated the audit observations issued for Unit 7 of Aurobindo Pharma in October, 2019 to the Official Action Indicated(OAI) level in a latest communication to the company. The latest classification of the audit evaluation indicates the regulatory actions will be recommended against the unit by the US drug regulator, based on the objectionable conditions found during the inspection. **PTI**

UrbanClap changes its name to Urban Company

Home services firm UrbanClap on Thursday said it is rebranding itself as Urban Company, and said the India business is a clear path to profitability."The new umbrella brand captures our ambition to be a horizontal gig marketplace with a global footprint and leadership across services categories like beauty and wellness and home repairs and maintenance," Urban Company co-founder Abhiraj Bhal said. Bhalsaid company has over 25,000 professionals on board, which it plans to scale up to 10 lakh by the end of 2025. **BS REPORTER**

Dalmia Bharat to appeal to NCLAT to save Calcom

Dalmia Bharat Cement is planning to appeal to the National Company Law Appellate Tribunal (NCLAT) against the verdict of the Guwahati Bench of the National Company Law Tribunal (NCLT), which ordered commencement of insolvency proceedings against its subsidiary Calcom Cement. GuarantCo, had moved the NCLT in October 2019 to initiate insolvency proceedings against Calcom Cement for alleged failure to repay dues of ₹100 crore. **BS REPORTER**

Mahindra Electric unveils new brand identity

Mahindra Electric Mobility, a part of the $20.7-billion Mahindra Group, on Monday unveiled a new corporate brand identity with a new logo and tagline, 'Spark the New.' The move is meant to give the brand a renewed thrust to achieve its global ambition of being a leading player in electric mobility technology solutions, Mahindra Electric said in a statement. **BS REPORTER**

UltraTech Asia's 2nd biggest cement company by m-cap

KRISHNA KANT
Mumbai, 30 January

India's cement makers continue to race ahead of their global peers in terms of market capitalisation (m-cap) and valuation ratios. The market leader, UltraTech Cement, is now Asia's second-most valuable cement maker, behind China's Anhui Conch Cement and ahead of Thailand's Siam Cement PCL.

Kolkata-based Shree Cement, on the other hand, is ranked four in Asia in terms of m-cap, ahead of China National Building Material (CNBM) Group Co (CNBM).

At the end of trading on January 27, UltraTech Cement had an m-cap of $19 billion while Shree Cement was valued at $11.8 billion based on its share price (see the adjoining table). A year ago, UltraTech was ranked No. 3 in Asia, behind Siam Cement, while Shree Cement was at No. 4. UltraTech and Shree Cement now together account for a fifth of the combined m-cap of Asia's leading listed cement makers, against their 6 per cent share in industry's revenues, according to data by Bloomberg.

Globally, UltraTech Cement is the fourth most-valuable cement maker, behind LafargeHolcim and Ireland's CRH. Shree Cement, on the other hand, is the ninth-largest cement maker in terms of m-cap, behind Thailand's Siam Cement but is ahead of CNBM Group of China.

World's top cement makers in terms of market capitalisation

Company	Country	Price-to earning multiple	M-cap* ($ billion)
Anhui Conch Cement	China	7.8	36,901.7
LafargeHolcim	Switzerland	13.8	32,149.8
CRH	Ireland	17.7	30,079.0
UltraTech Cement	India	52.9	18,947.4
Vulcan Materials	US	31.3	18,598.5
Martin Marietta Materials	US	28.0	16,493.3
HeidelbergCement	Germany	12.7	14,027.6
Siam Cement	Thailand	12.0	13,799.8
Shree Cement	India	81.4	11,880.4
CNBM Group	China	6.4	9,263.3

Note: *as of January 27, 2020; Source: Bloomberg, Compiled by BS Research Bureau

In the past year, both UltraTech and Shree Cement have jumped two places in the global m-cap list.

Anhui Conch tops the list with m-cap of $37 billion, followed by LafargeHolcim at $32.1 billion. CNBM Group Co, however, leads the revenue charts with trailing 12-months revenues of $34.5 billion, followed by Ireland-based CRH with $32 billion in revenues and LafargeHolcim at $27.4 billion.

Indian cement makers are, however, much smaller in terms of revenues and profits. With latest trailing 12-months (TTM) revenues of $5.2 billion UltraTech is the sixth-largest cement maker in Asia, while Shree Cement is 15th largest on the continent with TTM revenues of $1.8 billion. Analysts attribute this to the much higher stock valuation of Indian cement makers against their global peers.

"In most industries, leading Indian companies are currently among the most richly valued globally. It is same in cement where UltraTech and Shree Cement have the top preference for institutional investors, pushing their valuations to record highs," says G Chokkalingam, founder & MD Equinomics Research & Advisory Services.

Others attribute this to a low floating stock in these two counters compared to their peers. "Financial performance alone cannot account for such as large gap in the valuation ratio of UltraTech and Shree with respect to rest of the industry. Promoters' stake is in excess of 60 per cent in these companies, greatly reducing free float available for trade in the market," says an analyst on condition of anonymity.

It shows in the price to earnings (P/E) multiple of UltraTech and Shree Cement. Latter is currently the most expensive cement maker globally with P/E multiple of around 81x on trailing 12-months basis, followed by UltraTech at 53x. In comparison, Anhui Conch is trading at 8x its trailing earnings while LafargeHolcim is trading at 14x its trailing earnings.

Sale of India plants fetches Coca-Cola ₹500 crore

During the corresponding quarter in 2018, Coca-Cola had gained $47 mn by refranchising bottling operations in Latin America

ARNAB DUTTA
New Delhi, 30 January

Coca-Cola sold its three bottling plants in India for over ₹500 crore ($73 million) in December, the beverages major informed the New York Stock Exchange on Thursday.

"During the three months and year-ended December 2019, the company recorded a net gain of $73 million on account of the refranchising of certain bottling operations in India," it filed.

During the corresponding quarter in 2018, it had gained $47 million by refranchising bottling operations in Latin America.

As a part of the transition, Hindustan Coca-Cola Beverages (HCCB) divested three of its existing plants in the region — one each in Ghaziabad, Varanasi, and Jammu. The refranchising exercise, which resulted in the company exiting bottling operations in northern India, left the cola major with 15 plants in the country.

Following its global model, Coke owns and operates bottling plants through HCCB — a subsidiary of its global bottling arm Bottling Investment Group — in India. Coca-Cola India owns the rights for its secret formulations and is in charge of promotional activities.

As a part of the transition, Hindustan Coca-Cola Beverages divested three of its existing plants in the region — one each in Ghaziabad, Varanasi, and Jammu

"The impact of these refranchising activities has been included as a structural change in our analysis of net operating revenues on a consolidated basis, as well as for Asia Pacific, North America, Latin America and Bottling Investments operating segments," the firm added.

This move follows PepsiCo's divestment of bottling assets to its key franchise partners, such as Varun Beverages, in the past five years. Unlike Coke, PepsiCo does not bottle any of its beverages in India now.

While both have refrained from relating any of these moves to their respective profitability, experts said the exit from bottling operations were related directly to improving bottom lines. Being a low margin business, bottling and marketing of beverages usually puts strain on a firm's margins.

The company also informed its investors through its filings that during the December quarter, the India unit drove its operating income.

"Operating income growth in the quarter was driven by strong underlying operating leverage, primarily in the company's bottling operations in India," it said.

Unilever may put Lipton on the block

THOMAS BUCKLEY
30 January

As the flat white trounces black tea, Lipton's owner Unilever is weighing a sale of one of its best-known brands.

The Anglo-Dutch giant initiated a review of its global tea business, which includes the more than century-old label and generates sales of almost €3 billion ($3.3 billion). The move comes after the company's slowest quarterly growth in a decade.

Unilever is following a consumer shift to coffee as a primary source of caffeine, with takeaway cafes proliferating from London to Beijing and capsule-spewing espresso machines supplanting kettles on kitchen counters around the world.

In the UK, almost 900 million fewer cups of tea were drunk over the 12 months through May 2018, according to trade publication The Grocer. Even those who eschew coffee are giving a pass to the traditional cup of English Breakfast or Earl Grey, opting for herbal alternatives. Demand for black tea has been "slowing in developed markets for several years due to changing consumer preferences," CFO Graeme Pitkethly said on a call. The strategic review "could include a whole range of options — no ownership, partial ownership."

In the UK, almost 900 mn fewer cups of tea were drunk over the 12 months through May 2018, according to trade publication The Grocer

The review accelerates CEO Alan Jope's restructuring of the owner of Dove soap and Ben & Jerry's ice cream, which has been hurt by sluggish demand for big brands. Under predecessor Paul Polman, Unilever sold its margarine and spreads business to KKR & Co. for about $8 billion. The company tried to profit from growth in herbal tea by acquiring the Pukka brand in 2017.

The shares rose as much as 1.6 per cent early Thursday in Amsterdam. The tea review is expected to conclude by midyear. **BLOOMBERG**

No India impact, say analysts

Sector experts tracking Hindustan Unilever (HUL) say there is no impact on the India tea business, with Unilever deciding to review the business globally. The Indian tea portfolio includes brands such as Brooke Bond Red Label, 3 Roses, Taaza, Taj Mahal and Lipton green tea. These brands, along with coffee (Bru), packaged foods (Kissan, Knorr and Annapurna), ice creams and frozen desserts (Kwality Walls and Magnum) make up the integrated foods and refreshment business of HUL, whose top line at the end of FY19 was ₹7,131 crore. The business contributed 19 per cent to the company's FY19 overall top line and 15 per cent to its bottom line. The merger of GSK Consumer into HUL is also nearing completion, experts say, with the combined turnover estimated to cross ₹10,000 crore. "We do not expect HUL to evaluate selling its tea business in India given it is the market leader and has gained share over the past few years. The strategic review of the global tea business by Unilever is for some of its mature markets and for brands like PG Tips," said Abneesh Roy, executive vice-president, research, institutional equities, Edelweiss. HUL said in response to an email that it had no additional comments to offer since it was in its closed period. **VIVEAT PINTO**

With no sign of turnaround, NCR real estate market on tight belt

The second part of a series on real estate compares the boom time in Delhi-NCR with the ongoing crisis that has hit both developers and homebuyers

ARNAB DUTTA & NIVEDITA MOOKERJI
New Delhi, 30 January

Rewind to January 2013, when the Gurugram-Manesar region seemed like an ultimate real estate destination for fortune hunters. A broker, sitting in a non-descript room with his multiple mobile phones ringing non-stop, had told *Business Standard* about how the value of land was getting unlocked in this part of the national capital region of Delhi. On an average, a land-lot acquired for ₹25 lakh an acre in 2003 was valued at anything from ₹6 crore to ₹15 crore an acre in 2013, he had pointed out while explaining the interest in several unsung and unknown areas beyond the glitzy malls and skyscraper corporate offices in Gurugram. He was not alone; the entire stretch was dotted with such broker-dealer offices doing brisk business and selling dreams.

Seven years later, the brokers' offices have shrunk in number, not just in Gurugram but the entire NCR stretching to Noida and Greater Noida much beyond the Yamuna river. Those that have survived have no fairy tale figures to offer anymore for either land or apartments in NCR — a hotbed of delayed projects. While demonetisation along with the overall economic slowdown altered the real estate landscape, the narrative has changed even further with the government taking over the management of debt-laden builder Unitech, some big brands such as Jaypee going into insolvency and many more including Amrapali, Supertech and Ansals coming under criminal proceedings. Market estimates suggest some 150 real estate promoters had to go to jail over some violation or the other in the past couple of years.

That doesn't mean, however, there's no competition left in the market, DLF CEO Rajeev Talwar pointed out. Besides DLF, there are developers such as Godrej Properties, Mahindras and Tata Housing spreading out in NCR across various price range including luxury. Then there are others such as Vatika, M3M and ATS doing reasonably well, according to an analyst.

To a question on whether the bloodshed was over in the Delhi-NCR real estate, Talwar's prompt response was, "definitely not." He believes the property market, across the country, requires guidance and help from the government, regulatory authorities, judiciary and financial institutions so that the decline of the past decade is not repeated. While the introduction of Real Estate Regulation & Development Act (RERA) has been a confidence-building measure, there's ample opportunity still, Talwar added.

It has been a moment of caution for everyone including DLF, said Talwar, listing out the steps the developer had to take to beat the financial stress and cut its piling debt. "We offloaded everything that was not core, we curtailed expansion where announcement wasn't made, we concentrated on completing projects, and focused on leasing." His advice is that companies shouldn't splurge while observing that most realtors who had to go belly down didn't exercise caution.

Coming to numbers, Mumbai Metropolitan Region (MMR), NCR and Bengaluru together accounted for 80 per cent of the share of the total real estate loan of $93 billion (₹6.63 trillion), consulting firm Anarock said in a report. According to Anuj Puri, chairman, Anarock Property Consultants, multiple factors are responsible for the current state of Indian residential segment. "Demand-supply mismatch coupled with unscrupulous activities of some developers (that duped homebuyers) were the foremost reasons." In a bid to cash in on the growing residential demand from the migrant population across top cities, developers added massive supply into the market during 2013-2014 time periods. But this new supply didn't match demand, thus hampering sales and construction timelines, Puri said. Also, the government focus on affordable homes took the sheen away from luxury housing, he argued. Liquidity continues to be a major pain point in the residential segment. Amidst slow sales, funding to developers from banks, non-banking finance companies as well as housing finance companies is literally frozen, according to Puri.

UNSOLD INVENTORY PILES UP
(units)

	New launches	Sales	Inventory
2010	1,97,242	1,31,502	1,19,244
2011	1,21,347	99,866	1,40,725
2012	1,07,997	84,455	1,64,267
2013	94,957	74,615	1,84,609
2014	92,601	50,854	2,26,356
2015	59,188	82,364	2,03,180
2016	39,345	56,715	1,85,810
2017	27,129	38,453	1,74,486
2018	30,602	41,690	1,63,398
2019	35,892	38,556	1,60,734

Source: PropEquity

Unsold inventory pile-up is a logical follow-up, with Delhi-NCR having the second highest unsold stock of close to 1,60,700 units, numbers from real estate research firm Propequity show. Add to that the steep fall in new launches in NCR to 35,900 units in 2019 from a high of 197,240 units in 2010, to get the complete picture of the once booming property market.

In this gloomy backdrop, some are seeing signs of a turnaround in 2020. Pradeep Aggarwal, chairman of Assocham national council on real estate is one of them. "Several things went wrong during the initial years of the decade but in the past few years, dynamics of the market have begun to settle," he said.

Not everyone is that optimistic though. Sanjay Sharma, managing director, Quebrex, a Gurugram-based consultancy, said there's been a pick-up only in the builder plot market. What was selling at ₹60,000 per sq yard a year ago is now valued at ₹75,000 per sq yard in some of the well-located areas in Gurugram, for instance. But, the business is lacklustre in ready to move apartments, Sharma said. The most problematic segment is the high-end at over ₹5 crore a unit in NCR, according to analysts, as investors have moved away.

"There's just no money to invest. There's blood in the market and people are digging into their savings," Sharma said. He's clear that there's no way investors would come back in 2020. And until investors return, real estate won't revive. DLF's Talwar, however, is looking out for that inflexion point, when buyers would feel empowered with the knowledge that there's no possibility of being cheated.

That will be the moment of revival, and that can come in the near future.

Tata Motors turns in PBT of ₹1,350 cr

But says coronavirus in China, one of its biggest markets, may dent profits

SHALLY SETH MOHILE
Mumbai, 30 January

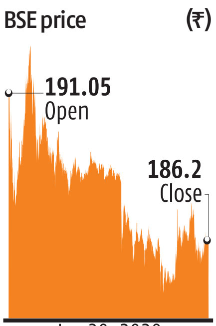
Tata Motors reported a profit on a consolidated basis for the quarter that ended December 31.

The owner of Jaguar Land Rover (JLR) benefited from brisk growth in China sales for a sixth month in a row. Earnings also got a boost from better sales mix and a cost-saving 'Project Charge'.

During the quarter, profit before tax was ₹1,350 crore; the same period a year before had seen a loss before tax of ₹29,228 crore. Net profit at the consolidated level at the end of these three months was ₹1,756 crore, against a net loss of ₹26,961 crore in the corresponding period last year. Total revenue from operations was ₹71,676 crore, compared to ₹76,916 crore in the year-ago period. Revenue at JLR, the British arm, rose to £6.4 billion, up 2.8 per cent compared to the same period of 2018-19.

STOCK DIPS

BSE price (₹)



P B Balaji, chief financial officer for the Tata Motors group, cautioned that demand in China — one of its most significant markets in terms of volume and profit — could be hit with the Coronavirus outbreak, derailing the margin targets for the ongoing financial year.

"A few things on the horizon worry us, the big one being this," Balaji said on Thursday. Saying they expected a three per cent Ebit (earnings before interest and tax) margin for JLR, he cautioned that this could be hit by the virus outbreak, which needed to be "watched closely...It's a developing situation and people are in the midst of a Chinese New Year break till February 8". JLR's retail sales in China rose rose 34.6 per cent, contributing 19.4 per cent in total sales. JLR's overall sales during the quarter contracted 2.3 per cent to 141,200 units.

The UK subsidiary has exceeded the Project Charge target it had envisaged. JLR says it will be able to save £2.9 billion in China recovery as against the target of £2.5 billion by March 2020.

Rohit Suri, president and MD, JLR India, at the launch of the Range Rover Evoque, priced at ₹54.94 lakh (ex-showroom), in Mumbai on Thursday PHOTO: KAMLESH PEDNEKAR

JLR CHIEF RALF SPETH TO RETIRE IN SEPT

Tata Motors said on Thursday Ralf Speth (*pictured*) will retire as executive director and chief executive of Jaguar Land Rover in September after his contract ends. Speth will take up the role of non-executive vice-chairman of JLR, Tata Motors' Chairman N Chandrasekaran said in a regulatory filing. Speth will also remain on the board of Tata Sons. "A search committee has been formed, which will work with me to identify a suitable successor in the coming months," he said. PTI

A higher contribution of more expensive models in the overall mix and the cost savings project helped the consolidated entity report an Ebit margin of 2.3 per cent. It plans to save an additional £1.9 bn through a focus on material cost reduction.

On the effect of Brexit from the European Union, from Friday formally, Balaji said the earlier concern with regard to the first phase of Brexit had remained unfounded. "We now need to see how the negotiations (between the EU and Britain) from now till the end of December pan out." Fears regarding a 'hard Brexit' that the company had expressed in previous quarters were not there any more, he stated.

IOC's pre-tax profit up 177% to ₹3,722 cr

PRESS TRUST OF INDIA
New Delhi, 30 January

Indian Oil Corporation (IOC), the nation's biggest oil firm, on Thursday reported profit before tax (PBT) to ₹3,722.17 crore for the quarter ended December 31, a 177 per cent rise over the ₹1,344.52 crore the previous year.

IOC tripled its net profit in the December quarter as inventory gains offset lower refinery margins and forex losses.

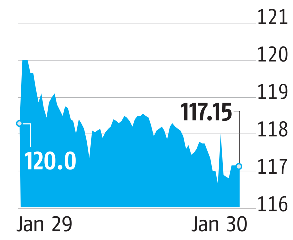
Standalone net profit in October-December stood at ₹2,339.02 crore, or ₹2.55 per share, was higher than ₹716.82 crore, or ₹0.76 per share, net profit in the same period in the previous year, IOC Chairman Sanjiv Singh said.

"The variation is majorly because of inventory gain during the current quarter against inventory loss during the corresponding quarter of the previous FY, partly offset by lower refining margins and exchange losses during the current quarter," he said.

The company had an inventory gain of ₹1,608 crore in the three-month period, as compared to an inventory loss of

SLIPPING STOCKS

BSE price (₹)



₹8,523 crore in the third quarter of 2018-19 financial year, he said, adding that the company's net refinery margin stood at $2.15 per barrel in Q3 as compared to $5.12 a year ago.

Inventory gain arises when a company buys raw material (crude oil in case of IOC) at a particular price, but by the time it is shipped to India and processed into final product (fuel), international prices would have moved up.

Colgate-Palmolive Q3 PBT down 5%

Colgate-Palmolive on Thursday reported a 5.1 per cent decline in its profit before tax to ₹267.4 crore for the three months ended December 31, 2019, versus ₹281.8 crore reported a year ago. Net sales increased 4.1 per cent only to ₹1,136.02 crore versus ₹1091.63 crore last year. This came as the firm struggled with its volume growth for the quarter under review amid soft demand and increased competition from rivals. Volume growth stood at 2.3 per cent only in the December quarter versus 7 per cent in the year-ago period. BS REPORTER

Marico's pre-tax profit up by 5%

Marico on Thursday reported a 5 per cent increase in its profit before tax to ₹358 crore for the December quarter against ₹341 crore seen a year ago. Net sales declined two per cent to ₹1, 824 crore versus ₹1,861 crore. The company said volume growth in its India business, declined one per cent as the consumption slowdown in staples got worse in the December quarter. Specifically, Parachute hair oil rigid packs saw a two per cent decline in volume growth, while value-added hair oils saw a decline of 7 per cent. BS REPORTER

Bharti Infratel records Q3 PBT at ₹1,068 crore

MEGHA MANCHANDA
New Delhi, 30 January

Bharti Infratel on Thursday reported profit before tax (PBT) of ₹1,068.8 crore for the quarter ended December 2019. It had posted PBT of ₹1,037.5 crore in December 2018.

The company's profit after tax (PAT) jumped 23 per cent for the December quarter to ₹798.7 crore. Its net profit stood at ₹648.4 crore in the year-ago period.

The total income of the company slipped 4.2 per cent to ₹1,684.5 crore, although after incorporating its share of revenue from Indus Towers, Bharti Infratel showed a 1 per cent year-on-year rise in its segment revenue to ₹3,673 crore for the reported quarter.

The company, in a regulatory filing, noted the recent $3-billion fundraising by Bharti Airtel had eliminated uncertainty about the ability of the parent firm to comply with the Supreme Court judgment on statutory dues.

However, it also cautioned that loss of a significant number of customers or failure to attract new business could have an adverse effect on the company. Bharti Infratel is in the process of merging with Indus Towers and is awaiting clearance from the Department of Telecom.

Bharti Infratel Chairman Akhil Gupta said the company witnessed another quarter of improved net additions on both towers and co-locations during the quarter ended December 31, with net tower additions being the highest in four years on a quarterly basis.

Hyundai expects to roll out mass market EV in 3 years

GIREESH BABU
Chennai, 30 January

Hyundai Motor India (HMIL) is expected to roll out a mass market electric vehicle product in two to three years.

The company expects the second half of the year to show improvement in domestic market and while there are concerns about the comparitively higher price for the BS-VI models, there might also excitement among the customers on the new technology, said Tarun Garg, director, sales and marketing division, HMIL.

With some of the diesel vehicle manufacturers planning to stop diesel vehicle models in the wake of BS-VI implementation, the company is expecting a growth in the market but the demand may not be fully met initially considering the lack of adequate capacity available.

The company is also targeting export of up to 200,000 passenger cars in the year 2020. It exported 181,200 in 2019.

On Thursday, it rolled out the three millionth made-in-India export car from its factory at Sriperumbudur, about 40 km from here.

The company is India's largest passenger car exporter, at 26 per cent of all shipments in 2019. In 2018, it had exported 160,010 of the total of 700,121 passenger cars from India.

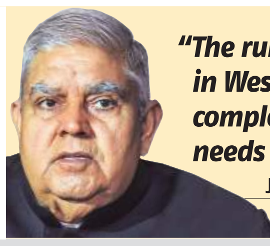
S S Kim, managing director, said the export aim this year was 190,000-200,000 unit export. The three-millionth car, an Aura, name for the exported Grand i10, will be sent to Colombia. It began car export in 1999, with 20 Santros to Nepal. A total of 100,000 was reached in 2004 and the first million in March 2010. The next million was in March 2014.

"We have been exporting cars from this facility to 88 countries — Africa, Middle East, Latin America and Asia-Pacific. There is growing interest from South Africa, Saudi Arabia and others," said Kim.

He said the company had invested around ₹24,000 crore in India into infrastructure enhancement, technology and other areas. And, committed to invest another ₹7,000 crore in new products, new technology and the like.

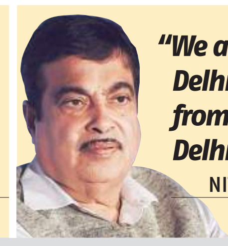
"The ideology is same. Nathuram Godse and Narendra Modi, they believe in the same ideology. There is no difference except that Modi does not have the guts to say he believes in the ideology of Godse"

RAHUL GANDHI
Congress leader



"The rule of law has completely broken down in West Bengal. Law and order situation has completely collapsed. The state government needs to do some serious soul searching"

JAGDEEP DHANKHAR
West Bengal governor



"We are building a highway worth ₹1.03 trillion between Delhi and Mumbai. I assure you that within three years from now, you will be able to drive to Mumbai from Delhi in your car and reach there within 12 hours"

NITIN GADKARI
Minister for road transport & highways and MSMEs

IEPF clears 6,000 refunds in 10 months

Govt also sends notices to companies

RUCHIKA CHITRAVANSHI
New Delhi, 30 January

The government, in the past 10 months, has approved over 6,000 investor claims such as matured company deposits and unpaid dividends through the Investor Education Protection Fund (IEPF) Authority, according to sources. The IEPF Authority, set up in 2016, had cleared only 800 claims till March last year.

The Ministry of Corporate Affairs has also issued notices to companies to submit the verification report of investor claims and also to transfer the unclaimed dividend and shares to the Fund. These monies are supposed to be moved to the IEPF if not claimed within seven years. The IEPF Authority has found that many companies are sitting on such amounts and not transferring them to the Fund even after the time limit lapses.

While the total amount claimed by investors is not known, according to industry estimates, the IEPF has more than ₹4,000 crore in its corpus.

More than 6,000 claims are still waiting government approval which can be given only after the company verifies these dues. Between September 2016 and March 2019, the IEPF Authority had cleared only 800 claims of investors. The activity has picked up after a series of awareness programmes were taken up to sensitise public about its investor education, rights, Ponzi schemes, etc.

SOURCE OF FUNDS FOR IEPF

UNCLAIMED:
- Debentures
- Dividends
- Matured deposits
- Share applications
- Interest

The IEPF has been set up under Section 205C of the Companies Act as a pool of refund of application money, unclaimed dividend, matured debentures, grants and donations by the government, companies or any other institutions, among others. Until 2016, there was no provision for investors to get their claim.

In April last year, Peerless General Finance and Investment Company had deposited over ₹1,500 crore into the Fund which it had owed its investors for more than 15 years.

"This is for the first time that government decided to return the money and allow investors to seek a refund on their unclaimed rewards. Till now this fund was just sitting in the Investor Protection fund," a senior official said.

However, experts say the IEPF Authority needs to plug a lot of technical issues and ease the process of claiming the funds. In many cases companies, too, have complained that they have not received or are unable to access the verification forms.

"While the process requires adequate documentation, it is very lengthy with a lot of back and forth between companies, investors and government... Some steps such as standardised forms will help," said Ankit Singhi, partner, Corporate Professionals.

IN BRIEF

Bank employee unions reject 15% wage hike offer

Bank employee unions on Thursday rejected the Indian Banks' Association's (IBA's) offer of a 15 per cent hike in wages, and decided to go ahead with the two-day strike from Friday. The IBA's offer of a 15 per cent hike came after a revision of the previous offer of 12.5 per cent, at a meeting of bank and trade union representatives, to avert an agitation by bank employees. C H Venkatachalam, general secretary, All India Bank Employees' Association, said the banks have declined to consider the demand for a five-day week and the merger of special allowance. "Banks, under the aegis of the IBA, have an improved offer (15 per cent). But it not acceptable and the United Forum of Bank Unions has decided to go ahead with the proposed two-day strike (January 31 and February 1)," he said. During discussions, IBA representatives explained the conditions of business, paying capacity of banks, and consistent efforts at providing various types of benefits to employees. Unions, however, are pressing for some other demands that are not possible to accept, the IBA said.

NAMRATA ACHARYA & ABHIJIT LELE

Ind-Ra: Agri, small biz, retail loans to be a concern for banks

After a prolonged period of troubles with big-ticket exposures, it will be the loans to agriculture, small businesses and unsecured retail debt which will become a concern for banks in 2020-21, India Ratings (Ind-Ra) said on Thursday. PTI

PNB fraud: Nirav remanded until February 27

Fugitive diamond merchant Nirav Modi, fighting extradition to India on charges over the nearly $2-billion Punjab National Bank fraud case was produced for a regular remand hearing at Westminster Magistrates' Court in London and remanded in custody until February 27. PTI

Govt plans to sell imported onion at ₹22-23/kg

The Centre could soon offload imported onions at a highly subsidised rate of ₹22-23/kg, down around 60 per cent from the current offered rate, as it apprehends rotting of the perishable kitchen item at ports, sources said. PTI

Axis Bank to raise up to ₹4,175 crore through NCDs

Axis Bank on Thursday said it plans to raise up to ₹4,175 crore through the issuance of non-convertible debentures (NCDs) on a private placement basis. "The committee approved the allotment of 41,750 senior unsecured redeemable NCDs of the face value of ₹10 lakh each," the bank said. PTI

Shriram City Union to raise upto $2 bn through GMTN

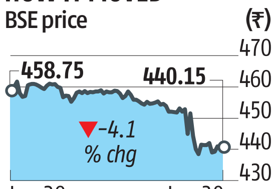
Shriram City Union Finance (SCUF) is planning to raise around $2 billion through establishment of a $ Global Medium Term Notes Programme by way of issuance of foreign currency debt securities or rupee denominated bonds to foreign investors. PTI

Petrol, diesel prices to go up by ₹0.5-1 a litre from April

Petrol and diesel prices may go up by 50 paise to ₹1 per litre beginning April, when India starts using Euro-VI emission-compliant auto fuels. Petrol currently costs ₹73.36 per litre in Delhi and diesel is priced at ₹66.36. PTI

LIC Housing Finance Q3 PBT down 13% to ₹745 crore

HOW IT MOVED
BSE price



LIC Housing Finance's profit before tax (PBT) fell 13 per cent to ₹745.32 crore in the third quarter ended December 2019 (Q3FY20) on sharp rise in provisions for stressed loans. It had posted a PBT of ₹859.59 crore in Q3FY19. Its stock closed 4.05 per cent lower at ₹440.15 per share on the BSE. Net profit for the reporting quarter was almost flat at ₹597.53 crore compared to ₹596.31 crore in Q3FY19. The provisions for expected credit loss stood at ₹2,584.72 crore as on December 31, 2019, as against ₹1,555.33 crore as on December 31, 2018. It set aside ₹390.68 crore for impairment of financial instruments in Q3FY20 as against reversal of provisions of ₹3.14 crore in Q3FY19.

ABHIJIT LELE

FPIs await RBI regulations for investments in InvITs, REITs

AMRITHA PILLAY
Mumbai, 30 January

Ahead of Finance Minister Nirmala Sitharaman's Budget announcements on Saturday, Indian companies flag some of the promises made in the last Budget that remain unfulfilled. Foreign Portfolio Investors (FPIs), for instance, still await guidelines by the Reserve Bank of India (RBI) for investments in debt securities issued by infrastructure investment trusts (InvITs) and Real Estate Investment Trusts (REITs).

"Last Budget, the finance ministry announced that FPIs would be allowed to invest in debt securities issued by InvITs and REITs, but the guidelines of the same has not yet been issued," said Harsh Shah, chief executive for India Grid Trust (INDIGRID), an InvIT holding power transmission assets.

The norms for FPI investments in InvITs were relaxed in the July 2019 Budget session. Earlier, while markets regulator Securities and Exchange Board of India (Sebi) had operationalised issue of debt securities under InvIT and REIT regulations, raising financing from FPIs had hit a roadblock due to restrictions under the FPI regulations as only corporate debentures were permitted.

"We are at the next Budget now, and the regulations are not yet out from the RBI... the efficacy then gets questioned," Shah from INDIGRID said.

India has an ambitious plan to invest ₹102 trillion worth of investment in infrastructure projects over the next five years. The multi-trillion investment is to be met through a combination of public and private investments. InvITs as a model was introduced in 2016 to help infrastructure companies monetise assets and churn capital for new projects. Attracting foreign investments into India's infrastructure sector will be crucial to meet the target.

"There are a lot of offshore bond investments already happening. Direct investments will definitely help," said Shubham Jain, senior vice-president and group head - corporate ratings for ICRA. He said there was interest from FPIs for investing in debt securities issued by InvITs and REITs.

REGULATORY TIMELINE

2014: InvIT regulations introduced for the first time

2017: India's first InvIT launched

2019: Budget announcement to allow FPI investment in InvIT debt securities

2020: FPIs await RBI guidelines for such investments

Food ministry seeks ₹2 trillion in Budget for food subsidies

REUTERS
New Delhi, 30 January

The food ministry has sought more than ₹2 trillion ($28.1 billion) to run the world's biggest food welfare programme in the fiscal year beginning April 1 (FY21), three government sources said. But the government is likely to earmark only around ₹1.9 trillion, they added.

"The finance ministry may not be able to allocate more than ₹1.9 trillion in the Budget," an official said. Details on the level of subsidy will be made public when Finance Minister Nirmala Sitharaman presents the 2020/21 budget on Saturday.

An inadequate allocation could force the state-run Food Corp of India, the main grain procurement agency, to borrow up to $2 billion outside of the budget, said the same official. A spokesman for the finance ministry was not immediately available for comment. In fiscal year 2018-19, the government earmarked ₹1.71 trillion for food subsidies but eventually allocated only ₹1.02 trillion. As a result, Food Corp had to borrow from the market, pushing its overall external borrowings to ₹2.19 trillion ($30.81 billion) as of October 31, 2019, according to disclosures made in Parliament.

Despite an allocation of ₹1.84 trillion for the current fiscal year, a resource crunch could again force the government to cut the payout to Food Corp, said the three officials, who asked not to be named due to the sensitivity of the matter.

India is likely to fund roughly $28 billion of its expenditure outlay in the upcoming Budget for 2020/21 via off-budget borrowings, as it seeks to revive a sagging economy while keeping its fiscal deficit in check. Under the National Food Security Act, Food Corp buys rice and wheat from farmers at a guaranteed price and sells the staples to 67 per cent of the 1.3 billion people at about one-tenth of the market price. Since coming to power in 2014, Prime Minister Narendra Modi has more than doubled food subsidies, making it the government's biggest line item after defence.

BUDGET INSIGHT OUT 2020-21

Need alternative measures, not fiscal stimulus, says Rajiv Kumar

The government should focus on alternative measures to stimulate the economy as it is not possible to give fiscal stimulus, NITI Aayog Vice-Chairman Rajiv Kumar (*pictured*) said ahead of the Budget. He attributed the slowdown to low investment, muted consumption expenditure and lagging exports. "Growth-enhancing measures are the need of the hour to achieve India's potential growth rate of 7-8 per cent per annum. However, the government's ability to finance a large stimulus is admittedly constrained. Therefore, attention will have to be on alternate measures to stimulate a recovery," Kumar said.

He noted that some green shoots of recovery are now visible with the Purchasing Managers' Index for both manufacturing and services showing a smart rise to above 52, which signifies expansion. He also said there have already been plenty of measures taken by the government in the recent past, including the decision to lower corporate tax rates in September 2019. PTI

No Budget Day exit for MF investors

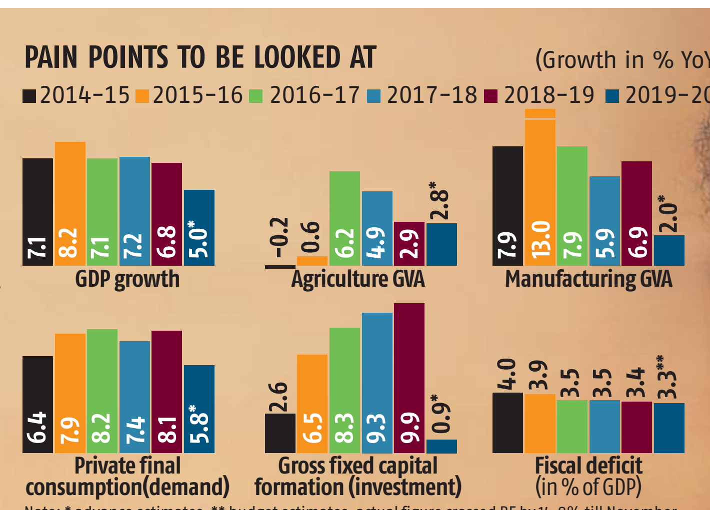
Mutual fund investors will not be able to make fresh investments or redeem investments on the Budget day, when equity markets are expected to see sharp swings. However, with equity markets open for trading on Saturday, fund managers will be able to buy and sell stocks in their respective schemes. According to industry players, if MF investors fear negative impact on their corpus from Budget day volatility, they will have to act before the 3 pm cut-off time on Friday.

JASH KRIPLANI

BUDGET: DEFICIT A MAJOR CONCERN

Finance Minister Nirmala Sitharaman will present her second Budget on Saturday at a time when the economic growth for FY20 is officially projected to be at a decade low, pulled down by a sharp decline in investment expansion. The Budget should have something for sectors such as agriculture and manufacturing, besides ways to push up demand. However, constraints such as bringing down fiscal deficit to 3 per cent of GDP in the next financial year in line with the papers laid under the Fiscal Responsibility and Budget Management Act come in the way. It is almost clear that the deficit will not be reduced to such an extent, or else the economy will struggle to recover

INDIVJAL DHASMANA



Note: * advance estimates, ** budget estimates, actual figure crossed BE by 14.8% till November

"LOOKING AT THE ECONOMY IN A DISCERNING VIEW, YOU SEE THAT GROWTH MAY HAVE COME DOWN BUT IT IS NOT RECESSION YET; IT WON'T BE RECESSION EVER."
NIRMALA SITHARAMAN, FINANCE MINISTER

Religare Finvest unveils debt resolution plan

Religare Finvest has proposed a resolution plan for its ₹5,852 crore of debt. The aim is to restructure the dues to enable the lenders to keep the account classified as a standard one.

If approved, this would be the first such recast plan for a non-banking financial company under the RBI's Prudential Framework for Resolution of Stressed Assets of June 2019, said Sanjay Palve, chief executive at Religare Finvest.

According to the plan, of the ₹5,852 crore, around ₹2,700 crore is sustainable debt and will be serviced by the SME portfolio. For the unsustainable debt (both components are secured), the firm would issue non-convertible debentures worth ₹1,800-1,900 crore to the lenders of 5-10 year duration.

There would be a capital component — the lenders get equity capital of ₹450 crore. They would also get bonds of ₹740 crore with a 10-year duration, at a coupon of 0.01 per cent. The lenders referred the plan to the Indian Banks' Association; the panel has sent its recommendations and the firm is getting the needed approvals, Palve said.

As part of the resolution plan, The Chatterjee Group will invest around ₹500 crore as new equity capital and buy out ₹300 crore worth of secondary purchases. The management is also seeking ₹3,000 crore from the lenders for a revival, which they hope to restart early in FY21.

ABHIJIT LELE & SUBRATA PANDA

Modi urges MPs to 'give direction' to economy

At an all-party meet, Opposition speaks of CAA, slowdown, and lack of jobs

Prime Minister Narendra Modi at an all-party meet in New Delhi PHOTO: PTI

ARCHIS MOHAN
New Delhi, 30 January

At the all-party meeting on the eve of the Budget session of Parliament on Friday, Prime Minister Narendra Modi welcomed suggestions by political parties about the "need to discuss economic issues" during the session.

"In this Budget session, and in the beginning of the New Year, if we can give a proper direction to the country's economy it would be in the best interest of the country," the PM told the MPs at the customary meeting.

Leaders of nearly all political parties, barring Bharatiya Janata Party (BJP) ally AIADMK, flagged issues related to the Citizenship Amendment Act (CAA), National Register of Citizens (NRC) and National Population Register (NPR).

Opposition parties also spoke of the economic slowdown and lack of jobs, demanded release of political leaders in Kashmir and complained of weakening federalism, including the Centre delaying transfer of GST revenue to states.

On CAA, Shiromani Akali Dal's (SAD's) Balwinder Singh Bhunder said legislations that discriminate on the basis of religion were "unacceptable". The SAD had supported the passage of CAA, but later demanded its withdrawal. MPs from political parties with presence in northeastern states, including National People's Party's Agatha Sangma, demanded that the region should be exempted from CAA. Trinamool Congress' Sudip Bandyopadhyay and Derek O'Brien represented the party at the meeting. Bandyopadhyay said the government was "suppressing" the voice of large and medium industrialists.

Accusing the government of "bulldozing" legislations and showing scant concern for opposition amendments, the Trinamool leader said the Congress in 1984 had 404 seats, which was reduced to 44 in 2014, and the BJP could suffer a similar fate with the zero in its 303 Lok Sabha tally could go missing and it could get reduced to 33.

Congress leader Ghulam Nabi Azad accused the government of not allowing discussions on issues confronting the nation, with such 'all party meetings' having become rituals and photo opportunities. He said the government was reducing the number of days that Parliament sat for, and alleged it was bringing in legislations that "divide India" instead of "uniting the country".

In his remarks, the PM said: "Most of the members have asked for discussion on the economic situation concerning the country. I welcome this and we need to discuss the economic issues as suggested by you all".

The PM urged members to see how the country can gain from the prevailing global economic scenario.

He said, "We should focus on how we can turn the global scenario in favour of India". He said the government was willing to discuss all issues.

As Defence Minister Rajnath Singh chaired the meeting before the PM arrived, Rashtriya Janata Dal's Manoj Jha spoke of the situation in Kashmir.

The session will continue until April 3. It will break for recess on February 11 to meet again on March 2.

China toll rises over 170; billionaires extend help

- 8,100 CONFIRMED CASES GLOBALLY; US TO SEND EXPERTS TO FLU-HIT NATION
- 7,000 HELD ON A CRUISE SHIP IN ITALY AFTER PASSENGER DISPLAYED SYMPTOMS
- RUSSIA SHUT ITS 2,600-MILE BORDER WITH CHINA
- JACK MA DONATES $14.5 MN, TENCENT $43.5 MN AS THE GATES ALSO PLEDGE HELP

Medical device firms see opportunity

But drug firms brace for supply disruptions

SOHINI DAS
Mumbai, 30 January

FEELING THE STRAIN
- Sudden rise in demand for comsumables and protective gear such as masks
- Indian players see demand increasing from both domestic and export markets, including China
- Prices of key products like masks have spiked by 60%
- China supplies low-end medical devices to India where domestic players can make hay
- Pharma industry says no shortage of drugs likely for 90 days
- If Chinese lockdown continues, situation could worsen after some time
- Government to meet industry stakeholders on Friday
- Bulk drug makers say easy to step up production of most APIs

Sumit Marwa, owner of Bengaluru-based Dispoline India, makers of single-use items used in the health care sector (especially hospitals), has seen a 15-fold surge in enquiries for masks. His sales have soared by four to five times.

As fear grips the world, demand for protective gear used by health care professionals and citizens is on a rise. And, supply disruption from China has opened a window of opportunities for Indian medical device makers.

Marwa gets masks made on contract and he think the total market for masks in this country runs into billions of units. At present, there is specific demand for what he called anti-viral or N-95 masks. The common surgical or pollution masks only offer protection from certain bacteria. The ex-factory price of the routine masks are often as low as a rupee, Marwa said.

As for the N-95 ones, even Chinese provinces are enquiring for sourcing from India. So, their prices have soared from ₹20-25 apiece earlier to around ₹40. "Traders are procuring the masks from manufacturers and are mostly shipping out of the country — there is demand from entire Southeast Asia. Prices in the domestic market have spiked as a result. The government, too, is procuring in large quantities for health care professionals as they create isolation centers in government hospitals," said one Mumbai-based surgical devices maker.

He said that this is a short-term opportunity. Once supplies stabilise from China, these export orders are likely to end. Rajiv Nath, forum coordinator of the Association of Indian Manufacturers of Medical Devices, an umbrella body for this industry, said demand from China for such protective medical gear and consumables comes in the wake of a shutdown in several of their provinces as the virus spreads.

India imports around 80 per cent of its medical devices from America, parts of Europe and China. China's share is about a tenth, mostly of low-end ones like surgical consumables, instruments, some electronic devices like ECG machines. Nath said these have some market share in India, being 15-30 per cent cheaper than the local produce. His own company, Hindustan Syringes and Medical Devices, of Dispovan fame, has lost market share in the India market from an earlier 80 per cent to a current 50 per cent, for cheaper import.

The China lockdown could, however, impact medicine supplies but after a lag. India is dependent on China for import of the raw material for active pharmaceutical ingredients (APIs) and intermediates to make drugs. About two-third of the country's API requirement is from China, around $2.4 billion worth of import in 2018-19.

The dependence is as high as 90 per cent for some fermentation-based APIs. These are used to make common antibiotics like penicillin.

More on www.business-standard.com

Electronics companies stare at uncertain future

ARNAB DUTTA & SUBHAYAN CHAKRABORTY
New Delhi, 30 January

The recent outbreak of the novel coronavirus disease in China may affect Indian electronics and appliances majors' plans if the pandemic continues to spread till the second half of February.

As a large number of components continue to be imported from the neighbouring country, makers of mobile handsets, air-conditioners, television sets, and refrigerators may face a supply crunch in coming months.

As Chinese officials shut down manufacturing a large number of items, till February 9, local industry bodies like the Consumer Electronics and Applied Manufacturers Association (CEAMA) and Indian Cellular and Electronics Association (ICEA), and manufacturers are keeping a watch on the developments.

According to Pankaj Mohindroo, chairman of the ICEA, which has all major electronics and handset manufacturers in India as its members, it has issued an advisory to the bodies under its umbrella. "We will monitor the situation every day. If things persist beyond February 10, it will be problem," he said.

According to Kamal Nandi, president of the CEAMA and executive vice-president of Godrej & Boyce, most companies have enough stocks to last till the end of February. "But if the shutdown in China continues beyond February, then there will be an impact on manufacturing (of appliances) in India," said Nandi.

Key components like flat panels for LCDs and LED TVs, printed circuit boards for smartphones, and compressors for ACs and refrigerators are imported from China.

THE BREAK-UP
Import value of electronic items from China (₹ crore)

	2018-19	2019-20 Apr-Nov
Telecom equipment, handsets, etc	50,554	28,140
TV & TV components	8,780	5,880
AC units & parts	3,990	1,820

Source: Department of Commerce

In the past five years, while the localisation of production of these items has improved with new manufacturing facilities coming up, local manufacturers' dependence on China for components continues. Lack of economies of scale here kept investors away from setting up large component manufacturing plants. Makers of mobile handsets, currently the largest category by sales value among all consumer electronic items here, are immune to any immediate threat, said industry watchers.

With inputs from Neha Alawadhi

Virus fear grips the start-up ecosystem

SAMREEN AHMAD
Bengaluru, 30 January

The novel coronavirus fear has now spread to the start-up ecosystem in India. Around half a dozen Chinese venture capital (VC) firms with active presence in India have postponed their trips to the subcontinent.

"There is a complete lockdown for these VCs till February 11. They have been asked not to travel out of China," said a start-up founder who works closely with Chinese investors. This could lead to delay in the funding process, said industry insiders.

Some of the top Chinese investors who have been frequently investing in India are CDH Investments, BAce, Qiming, Morningside, Hillhouse, GGV, and Shunwei. They have invested in over two dozen start-ups, including unicorns. In fact, CDH Investments, which has Cashify and XpressBees as some of its portfolio companies, had committed to deploy up to 90 per cent of its $200-million emerging markets fund in India starting this March. Ant Financial-backed BAce Capital is also planning to invest around $90 million in early-stage companies in India.

Xiaomi's investment unit Shunwei Capital has also made big bets in India.

FREQUENT CHINESE VISITORS TO INDIA
- **HILLHOUSE CAPITAL:** FIVE investments of over $200 mn. **Portfolio:** Epifi, Swiggy, Cardekho, Udaan, Cred
- **CDH INVESTMENTS:** SIX investments of over $100 mn. **Portfolio:** Cashify, GlowRoad, XpressBees, Mayfair, BulBul, Zomato
- **SHUNWEI CAPITAL:** NINE investments of over $100 mn. **Portfolio:** ShareChat, KrazyBee, Cashify, Pratilipi, Vokal, Meesho, Mech Mocha
- **QIMING:** TWO investments of over $15 mn. **Portfolio:** Pratilipi, Club Factory
- **BAce CAPITAL:** TWO investments of over $10 mn. **Portfolio:** Healofy, Rapido

Source: Venture Gurukool

Confirmed cases rise

Chinese regions on Thursday extended their holiday session till February 10 as more than 8,100 confirmed cases have been reported worldwide so far.

The US government said it will extend help to the flu-hit nation, while Russia shut its 2,600-mile border with China as a prevention to the virus.

Pledging assistance

Alibaba's Jack Ma has pledged $14.5 million to fight coronavirus on Thursday. Bill and Melinda Gates have also pledged assistance, while Tencent donated $43.5 million.

The good side of bad

How well-prepared is the world to contain and hopefully, cure, a new disease? NCoV will be a test case

QUANTUM LEAP

DEVANGSHU DATTA

On December 31, 2019, China informed the World Health Organ-ization that a new coronavirus was infecting people in Wuhan city (population 11 million), the capital of Hubei Province. The first case had been identified on December 8. Till date, the new virus has infected at least 8,000 people, caused at least 156 deaths and spread to multiple countries.

This is despite desperate attempts to quarantine Wuhan and other Chinese cities. The disease has arrived in India, courtesy a native of Kerala who was a student at Wuhan University. An estimated 40 million people are in a "no-travel" zone in China. Many commercial flights into China have been cancelled. The UK is insisting on two weeks quarantine for any traveller out of China, India has also imposed quarantine.

This is a zoonotic coronaviruses, a virus which can mutate to be transmitted from animals and birds to human beings. For example, SARS, which also started in China is believed to have leapt species from bats and civet cats, to humans. It is assumed the Wuhan virus (now called the Novel Coronavirus or NCoV) also leapt from an animal or bird to a human host and human-to-human transmissions are now occurring.

While the disease has flu-like symptoms, there may be a period of several days, when an infected person could display no symptoms. The spread of infectious diseases depends on many factors. One is, ironically, good infrastructure. In the 21st century, infectious cases can travel across the planet in a few hours. China with its excellent infrastructure can therefore, "export" a disease more easily than say, West Africa. We've already seen this with SARS in 2003.

Medical statisticians judge how infectious a disease is, by calculating a Basic Reproduction Number (R0 or R-nought in the jargon). This R0 indicates the average number of people, one infected person may infect before he or she is cured (or dies). The higher the R0, the more infectious the disease.

If the R0 is less than 1, the disease is self-limiting. It will gradually die out. If the number is higher than 1, the disease will spread unless patients are isolated. This R0 number can vary widely. Influenza for example, has a R0 of 2-3, while measles has an R0 of 12-18. This means that a single measles case could lead to 18 more infections. A highly infectious virus (like the common cold) could be non-fatal, and therefore, not so scary. But an infectious disease, with a high fatality rate like say, Ebola, is really frightening.

As of now, there isn't enough data to judge either the R0, or the fatality rate of NCoV with much accuracy. But researchers are making preliminary estimates. Two papers with multiple authors have been released (neither is peer-reviewed yet).

One of these, (*https://www.biorxiv.org/content/10.1101/2020.01.23.916395v2*) from a team of Hong Kong academics says "We estimated that the mean R0 ranges from 2.24 (95 per cent CI: 1.96-2.55) to 3.58 (95 per cent CI: 2.89-4.39) associated with 8-fold to 2-fold increase in the reporting rate." Even the lower estimate of 2.2 implies the disease is likely to spread rapidly.

The other paper, (*https://www.biorxiv.org/content/10.1101/2020.01.25.919787v1*, authored by a team from the Guangdong Provincial Center for Disease Control and Prevention says, "The average incubation duration of 2019-nCoV infection was 4.8 days. The average period from onset of symptoms to isolation of 2019-nCoV and SARS cases were 2.9 and 4.2 days, respectively." It continues "The 2019-nCoV may have a higher pandemic risk than SARS. The implemented public-health efforts have significantly decreased the pandemic risk. However, more rigorous control and prevention strategies and measures are needed to contain its further spread."

Chinese scientists have done a pretty good job of getting data to the global scientific community. By January 10, China had sequenced and released the NCoV genome (*https://www.ncbi.nlm.nih.gov/nuccore/MN908947*). This allows patients with flu-like symptoms to rapidly tested and diagnosed.

Genome sequencing is the first step in trying to generate a vaccine. The genome has now been sequenced from multiple patients (including patients in Thailand). Genomes from later infections can be compared to early ones to judge mutations.

The rate of mutation can tell us how long the virus has been in the "wild", and where it originated. The genome of the Wuhan virus is 29,903 bases long, and of very recent origin, because it has low mutations. Scientists estimate that it's likely to have originated in bats, jumped to some animal commonly consumed in Wuhan, and then to humans. The human version is believed to have "first appeared no earlier than October 30, 2019, and no later than November 29".

There have been terrific developments in genetic research in the last decade with new tools like CRISPR being discovered and deployed. How well-prepared is the world now to contain and hopefully, cure, a new disease? NCoV will be a test case.

CHINESE WHISPERS

Not Bihar, says Gadkari

Highway Minister Nitin Gadkari (*pictured*) at a recent press meet was applauded for the remarkable job done by his department in Haryana. But guests at the event were left scratching their heads because of a comment he made later during the event. When the minister was asked whether his ministry could replicate its efforts in Bihar also, Gadkari replied in his characteristic impishness: "No, I don't have the capability to do it." What was he implying? That his ministry didn't have the wherewithal to continue the great work, or did he simply take a swipe at the Bihar government? With Bihar Chief Minister Nitish Kumar being a Bharatiya Janata Party ally, a majority of those gathered were willing to rule out the second possibility.

Azad-Adhir synergy

Congress leader Ghulam Nabi Azad is the leader of the Opposition in the Rajya Sabha while Adhir Ranjan Chowdhury is the party's leader in the Lok Sabha, and recognised as the legislative leader of the principal Opposition party. Azad lives at 5, South Avenue Lane, in New Delhi. Until recently, Chowdhury lived in Humayun Road, which is a little over 5 km from South Avenue. At times, people in the Congress wish their Lok Sabha and Rajya Sabha strategies could do with greater synergy. This could be on the mend. According to sources, Chowdhury is set to shift to a bungalow across the lane where Azad lives and the two neighbours could get more opportunities to exchange notes on the party's parliamentary strategy.

Fewer 'Modi jackets'

The government on Thursday held the customary all-party meeting that takes place before the start of a Parliament session. The Budget session begins on Friday. Representatives, 34 in number and from nearly all political parties, attended the meeting, with Prime Minister Narendra Modi chairing it. MPs and officials who have tracked these meetings over the past few years observed that the number of MPs wearing "Modi jackets" used to be nearly a dozen until recently, including those from some of the regional parties that were not allies of the Bharatiya Janata Party. At Thursday's meeting, apart from the PM, Parliamentary Affairs Minister Pralhad Joshi and a YSR Congress MP were seen wearing the jacket. Some attributed this to the Delhi cold — which meant MPs wore clothing that covered their arms instead of a sleeveless "Modi jacket".

Bracing against Brent

It is time for India to be imaginative about its energy strategy

JAY CHEEMA & FAIZA KHAN

India's crude import bill in FY-2018-19, when the country had imported 84 per cent of its crude oil requirement, was the highest in the past five years. India spent $111.9 billion on oil imports in 2018-19 compared to $87.8 billion in FY 2017-18. Moreover, two-thirds of the imports were sourced from conflict-prone regions of the world. The increasing hostility between the US and Iran might thus have an adverse impact on India's domestic supply and import bill.

Iran is the second largest country in the Middle East and has the World's third largest oil reserves. It used to be the biggest supplier of crude oil to India after Iraq and Saudi Arabia in 2018. Iraq supplied 46.61 million tonne of the total 207.3 million tonne of crude import by India in 2018-19, followed by 40.33 million tonne from Saudi Arabia and 29.9 million tonne from Iran, as per the data released by the Directorate General of Commercial Intelligence and Statistics. The UAE, Venezuela, Nigeria and the US made up for rest of the imports. Indian oil refiners preferred West Asia crude as it was more cost effective; however, India stopped import of crude oil from Iran in May 2019 after the expiry of the waiver granted by the US.

The US started supplying crude oil to India in 2017, and has become a major source since then. In FY 2018-19, import from the US increased more than four-fold to 6.4 million tonne. There was a further increase of more than 72 per cent from April to August 2019 as the US supplied 4.5 million tonne compared to the 2.6 million tonne in the same period in the preceding year.

Recent US sanctions have cut off Iran from the international financial system and devalued its currency, decreased the Iranian oil exports to almost nil, scared off international banks and suppliers even in sectors like food and medicine and caused a decrease in foreign investment in energy, financial and shipping sectors.

Contrary to expectations, India remained largely unaffected by the cancellation of the exemption granted by the US to its sanctions. To meet its oil requirements, India increased imports from Saudi Arabia, Iraq, Venezuela and US.

Once the US imposed sanctions on Venezuela's production and the sale of crude oil, India had to stop oil imports from that country. According to the Ministry of Petroleum and Natural Gas, crude imports from the Organisation of Petroleum Exporting Countries (Opec) decreased to 78 per cent of the total imports during the first four months of FY2019 compared to 83.2 per cent during the corresponding period a year ago. On the other hand, India has increased its oil import from the US.

It is interesting that the theatre of the current West Asia crisis is Iraq which is another major supplier to India. The US sanctions and air strikes are being seen in some quarters as a strategic manoeuvre by the country to establish itself as global supplier of crude oil and natural gas. With Iran already closeted, there would be an increase in the demand of oil which would lead to an increase in prices.

While Brent crude prices shot up up to around $70 a barrel due to the prevailing hostilities, since the beginning of January, it has come down somewhat. But if the prices shoot up again, there is likely to be a heavy impact on India's economy and energy security. A spike in prices may also require a reconsideration of oil supply agreements.

Any increase in the price of crude oil has a significant impact on inflation as it drives monetary policy decisions. Retail inflation rose to an over three-year-high of 5.5 per cent in November 2019, triggered by a rise in prices of food items. Any increase in the price of crude oil would impact the Wholesale Price Index (WPI) inflation number commensurately. The government could consider reducing the burden of taxes like excise duty by the Centre and value added tax (VAT) by the states on fuels. However, this would dent revenues and widen the fiscal deficit of the exchequer.

If the Brent crude prices shoot up again, there will be a huge impact on India's economy and energy security

While India is becoming increasingly more reliant on US for meeting its energy requirements, there is a need to diversify its portfolio of energy suppliers, and reconfigure its supplier network. India also needs to bear in mind the tendency of US to impose restrictions in the form of sanctions against the actions of the countries that it perceives as hostile to its interests. That said, Iran's Ambassador to India, Ali Chegeni, welcomed peace initiatives from India to de-escalate the tumultuous situation in West Asia. India should look towards balancing its interests as any escalation may jeopardise its investments in Iran (such as the Chabahar Port), and any adversity of ties between India and Iran may also hamper India's future energy security and investments in the future.

India and the US are two vibrant democracies. Relying on historical kinship with Iran and shared democratic values with the US, India could help build a consanguine entente between the two. The proponents of the nation-first theory need to be imaginative about the opportunities that can be fashioned for trade, commerce, human advancement, and peace.

Jay Cheema is partner; Faiza Khan is an associate, Cyril Amarchand Mangaldas

BUSINESS LIFE

How Indian food can predict vote choice

Questions about food, travel and the kinds of sports people engage in can be used as an index of someone's local versus cosmopolitan orientation

LYNN VAVRECK

Sometimes, seemingly nonpolitical topics can shed light on people's political choices, even after accounting for things like partisanship, education, geography and ideology. It's as if the answers to these questions help account for some of what traditional political measures leave unexplained.

When was the last time you had *vindaloo* or *tandoori chicken*? Chances are if you're a Democrat in Iowa supporting Joe Biden, it has been a while.

The latest *New York Times*/Siena College poll asked 584 possible Iowa Democratic caucusgoers lots of typical political questions, like whether they were Democrats or Republicans, and whether they planned to vote. But it also asked a few less obviously political ones, like if they'd been out for Indian food or how important it is to buy organic food.

Questions about food, travel and the kinds of sports people engage in can be used as an index of someone's local versus cosmopolitan orientation. In polling during the 2008 Democratic primary, such questions helped differentiate voters who chose Barack Obama in the 2008 Democratic primary from those who chose Hillary Clinton. The more likely that people were to experience other cultures probably unfamiliar to them — through travel or food — the more likely they were to vote for Obama, even controlling for things like income, education, personality, racial attitudes and city living.

This orientation toward the world also helped differentiate people who supported Donald J Trump from those who supported any of the 16 other candidates in the Republican primary in 2016. Voters who had been to Europe,

Australia, Canada or Mexico or had eaten at an Indian restaurant were less likely to choose Mr. Trump by 10 to 12 percentage points beyond the differences explained by other factors like the ones mentioned above.

In a recent paper, David Broockman, Gregory Ferenstein and Neil Malhotra returned to a workplace setting and showed that these orientations also separated technology entrepreneurs from other economic elites in terms of their attitudes toward economic and social policy. (Tech entrepreneurs are more cosmopolitan than other economic elites, and the authors think the rise of tech could therefore help to reduce economic inequality and other social and political inequalities, as these cosmopolitans start influencing politics and policy.)

In Iowa this year, a similar theme is emerging among possible Democratic caucusgoers. The Times/Siena poll revealed the same descriptive differences across the candidates' supporters on basic demographics like age, education and race, and on political characteristics like whether they describe themselves as ideologically moderate or very liberal. For example, Bernie Sanders's supporters tend to be younger and more liberal; Biden's are older and more likely to be nonwhite.

There were no discernible differences on most of the nonpolitical questions across the candidates' supporters in Iowa, such as on buying organic foods (most supporters of all the candidates think it's important), using Twitter to read political news (most don't) or watching television shows on premium outlets (also uncommon). Accounting for things like age and education soaked up most of the differences that appeared at first glance.

But, as has also been true in past contests, Indian food was a distinguishing characteristic. In Iowa, supporters of Sanders are its biggest fans: 71 per cent of them report going to an Indian restaurant sometime in the last 10 years. Biden's supporters are less likely to have done so by about 30 points. This makes sense. Sanders's supporters are younger and perhaps more likely to live in the college towns or in major metropolitan areas.

Of course, it's not that eating Indian food leads a person to support one Democratic candidate over another — that's silly. (And there are voters for whom Indian food is the taste of home.) But a voter's orientation toward the world is related to candidate choice, and it turns out that eating in restaurants that celebrate less familiar cultures is one way to measure where people think they are more connected: To those around them locally or to people farther afield.

Which Democrats will prevail this primary season — the cosmopolitans or the local-focussed? Something to consider the next time you eat out.

LETTERS

Unfortunate move

This refers to the editorial "Air India's new deal" (January 28). One of the major components of neo-liberal policies, popularly known as "LPG" (liberalisation, privatisation and globalisation) policies, is privatisation. This privatisation can be of public enterprises, public resources and public services. The process in our country was initiated under the Congress regime in 1991 and this has gained momentum since the Bharatiya Janata Party came to power. Dismantling the public sector means handing over our national assets, our national wealth to the corporates, domestic and foreign, on a silver platter. The fact is that the huge accumulated loss of Air India, which was a profit making company till 2007, was the result of bungling and misgovernance by successive governments. Selling it is nothing but frittering away national assets for the benefit of private airlines, domestic and foreign.

S K Khosla Chandigarh

Sale unavoidable, but...

After an unsuccessful attempt to sell its stake in Air India, the government is going to make another attempt. The airline, which is in debt, has been suffering for a long time now. Therefore, the government is adopting the path of disinvestment or privatisation. Those who were brought back to Air India in February 2019 to smoothly execute the process remained unsuccessful. Now whether this second attempt will be successful or not, remains a question. Despite the deterioration of Air India, some companies are showing interest because Air India has extensive domestic and international network, traffic rights in important airports such as London and Dubai. But there is a catch. Air India has a debt of thousands of crores of rupees. This includes long-term debt for the purchase of aircraft. The national carrier is currently incurring a daily loss of around ₹20-25 crore and has a debt of ₹5,000 crore.

Bhupender Ranga Panipat

Undue haste

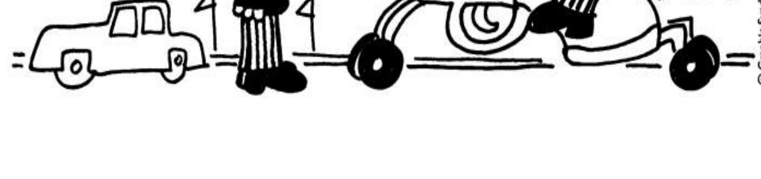
One wonders if the airline (IndiGo) would have shown the same level of alacrity in slapping a three-month flying ban on stand-up comic Kunal Kamra (*pictured*) had he targeted the likes of Ravish Kumar of NDTV or Rajdeep Sardesai of India Today instead of "heckling" TV anchor Arnab Goswami. This is not to defend or condone the uncivilised behaviour of this comedian on board the flight. However, imposition of a ban for three months is in flagrant violations of the rules framed by the Ministry of Civil Aviation under which a person can be placed on a "no-fly list" by an airline only after it concludes an internal inquiry constituted in a manner prescribed. The haste shown by IndiGo and other airlines betrays their eagerness to bend over backwards to please the authorities. The Civil Aviation Minister Hardeep Singh Puri's advice to the airlines to ban

Kamra from flying amounts to poking his nose in a matter falling entirely within the domain of airline's internal committee. The ban should be put on hold pending the recommendation of internal committee. After all, the right to travel is a basic one which can be curtailed only after observing the due process of law.

S K Choudhury Bengaluru

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

HAMBONE



Business Standard
Volume XXIV Number 120
MUMBAI | FRIDAY, 31 JANUARY 2020

Protecting bankers

Govt should not lose sight of wider reforms in PSBs

Bankers in the public sector have been reluctant to take lending decisions due to the fear of investigative agencies in case loans turn non-performing. The government has finally walked the talk on protecting bankers from harassment. This is a welcome move because an atmosphere of fear has affected the flow of credit to the productive sectors of the economy with bankers functioning on the understanding that the best safeguard against investigation is inaction. The government announced this week that the Prevention of Corruption Act had been modified and permission would be required for initiating action against public servants. It has also modified the 2015 framework on large-value frauds. As a result, managing directors and chief executive officers in public sector banks (PSBs) will not be personally responsible for compliance with different timelines.

The government has empowered the boards of PSBs to put in place a mechanism for compliance with various timelines placed by circulars of the Reserve Bank of India (RBI) and Central Vigilance Commission. Further, an Advisory Board for Banking and Financial Frauds has been set up to examine suspected frauds of more than ₹50 crore, which involves people of the rank of general manager and above. The board would examine cases before investigation starts. Also, the government has asked banks to set up a committee of senior officials to monitor disciplinary action and internal vigilance cases. Delays in addressing such cases tend to affect the internal environment of banks and result in inefficiency.

These are all steps in the right direction and should help allay fears among public sector bankers. To be sure, it is often not easy to differentiate between lending decisions taken in good faith or with malafide intent. It is possible that lending decisions can go wrong even after following all due processes. Therefore, an initial examination before the investigation is launched should help bankers. However, it is difficult to argue that these steps will be enough. Legal safeguards, in general, do not always prohibit investigating agencies from launching probes, or even making arrests.

Besides, the government should not lose sight of the broader picture. Frauds and non-performing assets (NPAs) in PSBs are not always a result of corruption. As the RBI's latest *Report on Trend and Progress of Banking* in India showed, PSBs accounted for over 90 per cent of the amount involved in fraud during 2018-19, "... mainly reflecting the lack of adequate internal processes, people and systems to tackle operational risks". This clearly indicates that PSBs need wider reforms to build capacity in evaluating risks associated with lending. In the absence of reforms, PSBs will remain vulnerable to frauds and the fear of investigation, despite the safeguards put in place by the government. Since PSBs dominate the banking system, their inability to extend credit directly affects economic activity, although they are losing market share rapidly, both in terms of lending and deposits. There are a number of reasons for the government to implement wider governance reforms in PSBs because — aside from growth concerns — frauds, NPAs, and loss of market share have fiscal implications. The government is not in a position to continuously infuse capital into PSBs.

Sub-par performance

Central e-NAM law should override state marketing laws

The official data presented at a recent workshop on electronic National Agriculture Market (e-NAM) revealed that farm produce worth only about ₹91,000 crore had been traded through it since its inception in 2016. This is just a minor fraction of the country's agricultural trade and indicates an unimpressive showing of this highly vaunted agri-marketing initiative. Though e-NAM links as many as 585 *mandis* operated by the Agricultural Produce Marketing Committees (APMCs) in 16 states, just about 14 per cent of farmers in the country are registered with it to sell their produce. What is worse, most of the business transacted through this portal comprises the deals within the same *mandi* or the *mandis* in the same state. Instances have also come to light where the business is conducted as usual but the data is uploaded on e-NAM's portal at the end of the day. Inter-state dealings, for which e-NAM was primarily set up, have been very few — totalling just 136 till now. Most of these transactions, too, have been between the adjoining states like Telangana and Andhra Pradesh, and Uttarakhand and Uttar Pradesh. Only 21 *mandis* in eight states have so far acquired the facilities needed for inter-state trade in farm goods.

Thus, e-NAM has so far failed to serve its prime objective of letting the farmers sell their produce in the country to any buyer who offers the best price. The reasons for the sub-par performance are many and fairly apparent too. Most of the essential preconditions for the success of a seamless common agricultural market for the country as a whole have yet to be fulfilled. These include a single trading licence valid across the country; uniform *mandi* levies in all states payable at a single point; hassle-free inter-state movements of traded goods; standardised quality parameters for agri-commodities; and credible assaying facilities in all the participating *mandis*.

The Small Farmers' Agribusiness Consortium, which oversees the functioning of e-NAM, has recently introduced several novel features to woo traders and farmers, particularly the Farmers Producers Organisations (FPOs). These include farm-gate and warehouse-based trading for the farmers and FPOs and the systems like shopping carts, bunching of invoices and part-payment facilities for the convenience of traders. However, these amenities and services are also likely to end up facilitating only intra-state, not inter-state, business unless the farm marketing laws of states are aligned with the model APMC legislation drafted by the Centre. This requires cooperation from the states, which is not forthcoming in full measures. Though many states have amended their APMC Acts, most of the modified statutes are not strictly on the lines suggested by the Centre through the model Bill. If the government is serious about the success of e-NAM — which it should be, given the benefits of a wider market for the farmers — it should consider the idea mooted in the Economic Survey (2014-15) to enact Central e-NAM legislation overriding the state marketing laws. This is allowed under List III of the Seventh Schedule (Concurrent List) of the Indian Constitution. The state laws could continue to govern spot physical trading at the local level. No doubt, the states would resist such a move, but there seems hardly any alternative to it.

ILLUSTRATION: BINAY SINHA

Towards a new 'road to serfdom'?

The classical liberal order is under threat from 'woke' progressives

After the Second World War, Fredrich Hayek, a young professor at the London School of Economics wrote a book, *The Road to Serfdom*, which pilloried the growing acceptance of socialism in the UK, and made the case for a return to classical liberalism. He also set up an academy of classical liberal scholars —the Mont Pelerin Society (MPS) — in 1947 to discuss the ideals and ideas of economic and political liberty as a counter to the existing collectivist socialist dogmas, which he described as the "Road to Serfdom". The MPS held its latest meeting this month at the Hoover Institution at Stanford University. A major theme was the threats to the classical liberal order, which had seemingly triumphed worldwide since the end of the "evil empire".

One major worry expressed was the growing number of the young in both the UK and the US who proclaimed themselves as socialists, advocating the dirigiste panaceas that had failed worldwide in the past. Thus, in the UK, a 2017 survey found 70 per cent of university students planning to vote for Jeremy Corbyn's far left Labour party. In the US, young Americans aged 18-29 surveyed in 2018 said they were more positive about socialism (51 per cent) than capitalism (45 per cent).

DEEPAK LAL

Various explanations have been provided for this turn of the young to socialism: The domination by left wing professors of the academy, the laziness of the "snowflake" generation, and the capture by the left of the cultural narrative as advocated by the Italian Marxist Antonio Gramsci. But none of these are persuasive. The academy has been left wing in both the UK and the US since I joined it in the mid-1960s. The young have always been dismissed as lazy by the old, and I doubt if the US and UK millennials have even heard of, leave alone been influenced by Gramsci. A more cogent explanation is provided by their experience during the Great Recession.

This is best exemplified by the leading charismatic tribune of the US left, the 29-year-old Alexandria Ocasio-Cortez (AOC). (See Prachi Gupta: *AOC*, Workman, NY 2019). She was born in Puerto Rico but her parents moved to the Bronx in New York soon afterwards, where her father had a small business. As the Bronx had the highest school dropout rate of any county in the state, her father pooled money from relatives to buy a modest house in Yorktown Heights in affluent Westchester county, where his two young children could have access to better public schools. AOC did well in school, and by age 17 was set to pursue a science-based career at Boston University. Then tragedy struck, when in 2008 her 48-year-old father died of lung cancer. This destabilised the family.Her mother barely staved off foreclosure and eviction. AOC realising that her chosen medical career would take over 10 years to fructify switched to economics and international relations, in which she graduated cum laude in 2011 but with "thousands of dollars in student debt, adding to her financial burden". Throughout college, AOC "had witnessed the corporate greed that fuelled the financial crisis and watched taxpayers bail out Wall Street executives who faced virtually no consequences. This recession deepened wealth inequality and it was the middle and lower classes, disproportionately communities of colour like hers, that suffered most" (p.17). This and the public activism she had shown since high school radicalised her.

Professor Edward Glaeser in *Boomer Socialism* led to Bernie Sanders (WSJ, Jan 18, 2020) also argues that young people have been radicalised because the economy isn't working that well for them. "Many public policies make it harder to get a job, save money or find an affordable home, leaving young idealists thinking, "Why not try socialism?" But Boris Johnson's victory in the recent UK election faced with similar youth support for Jeremy Corbyn shows the victory of socialism is not inevitable.

The second fear is of the undermining of the constitutional order of the US. The late Oxford political scientist Sam Finer in his magisterial 3 volume, *The History of Government*, summed up the legacy of the American revolution as embodied in the US constitution as "having shown how political power may be bridled; and it has stood for two centuries as the ultimate exercise in law-boundedness. This is a formidable achievement". As the Hon. Douglas Ginsberg, Chief Judge, US Court of Appeals for the DC Circuit, explained in his paper for the MPS meeting, the major reason for this achievement is that the US has a written Constitution. "To be faithful to the written constitution a jurist must make it his goal to illuminate the meaning of the text as the Framers understood it". Despite some exceptions this was the norm till the Great Depression and Roosevelt's determination to pass his New Deal "put the Supreme Court's commitment to the Constitution as written under severe stress, and it was then that the wheels began to come off" with FDR's threat to pack the court (though voted down by the Senate) hanging like the sword of Damocles over the Court's "adherence to their announced understanding of the Constitution."

Since then there has been an ongoing battle between progressive jurists who believe in a "living" (hence changeable) constitution and traditionalists who believe in fidelity to the written constitution.

This debate has been overtaken, argues Christopher Caldwell in an important book (*The Age of Entitlement*, Simon and Schuster, 2020), by the Civil Rights Act of 1964, which rightly banned racial discrimination but created a vast enforcement mechanism to monitor nearly every aspect of American life for the proper racial balance, acting against racism "even if there was no evidence of racist intent." Ordinary citizens were afraid to speak for fear of being called racist. "America had something it never had at the federal level. Something the overwhelming majority of its citizens would never have approved, an explicit system of racial preference".

This change in constitutional culture, argues Caldwell, was then extended to women's rights, sexual preference and recently to gender identity. "The new system for overthrowing the traditions that hindered black people became the model for overthrowing every tradition in American life." The civil rights revolution was not just a major new element in the Constitution. It was"a rival constitution, with which the original one was frequently incompatible". The disagreement over the two constitutions "the *de jure* constitution of 1788 with all the traditional forms of jurisprudential legitimacy and centuries of American culture behind it, or the *de facto* constitution of 1964, which lacks this traditional kind of legitimacy but commands the near unanimous endorsement of judicial elites and civic educators and the passionate allegiance of those who received it as a liberation" will continue to polarise the polity. Who wins in these disputes —the traditional constitutionalist or the "woke" progressives will determine whether the West is now on another road to serfdom.

India's fraying ties on the global stage

Economically, socially and politically India must put its house in order if it wants to enhance its regional and world standing in 2020. Two domestic developments that are quite different from one another— India's economic decline and the Citizenship Amendment Act (CAA) — have adversely affected its Asian and global stature. They have raised questions about its ties even with friendly countries including the US, Japan, Asean nations, Bangladesh, Iran, Saudi Arabia, and even the European Parliament.

India and its mercurial American strategic superpower partner are challenged by their ascending rival, China. Simultaneously, India must advance progress to improve the life chances of its citizens. The CAA, which would make religion a test for Indian citizenship, will not empower India to cope with a technologically advancing world, if only because the Act highlights the extent to which New Delhi is marching backwards into its own atavistic version of the past to create a Hindu-majoritarian state in the 21st century.

ANITA INDER SINGH

For some years after 2004, India was one of the world's fastest growing economies. Today, it is not even one of the top 40. And it is unable to modernise its armed forces and defend its position in the Indian Ocean without the help of the US.

In the 21st century, maritime power is a determinant of "great power". China's economically and strategically important Belt-and-Road Initiative displays its increased naval presence in the international waters of the Indian Ocean and has received the support of Russia and Iran. They are countries that New Delhi views as India's friends. But both have far stronger trade and investment ties with China than with India.

The foreign policies of countries are shaped by complex factors and the strategic partnership between China and Russia reflects their wish to challenge global primacy of the US. That is why they are expanding their presence in the Indian Ocean. In November 2019, Russia held naval exercises with China and South Africa off the strategically important Cape of Good Hope. On December 27, it conducted naval drills with China and Iran in the Strait of Hormuz, through which one-fifth of the world's oil is transported. Sanctions-hit Iran can now claim that it has two powerful suitors in the Indian Ocean; Russia can play the lead actor in West Asia; China can show off its global naval power.

Meanwhile, India's last-minute decision to stay out of the Regional Comprehensive Economic Partnership — after taking part in several years of negotiations — did not burnish its image in Southeast and East Asia. Absent from Asia's multilateral trade agreements, how much will India contribute to the region's economic future? And with its slowing economy, always straggling behind that of Asean, Japan and South Korea, India can hardly be perceived as the Asian counterpoise to rising China.

The CAA has also had a bearing on India's ties with friendly countries. In December, the outbreak of violence in northeast India that followed the passing of the CAA prompted Shinzo Abe, the India-friendly Japanese premier, to cancel his annual summit with Prime Minister Narendra Modi.

India's neighbour, Bangladesh, is offended by the CAA. New Delhi's reference to immigrants from Bangladesh as "termites" could only strain their ties. Bangladesh's foreign and home ministers recently cancelled their official trips to India. Foreign Minister A K Abdul Momen opined that the CAA "weakens India's historic character as a secular nation" and any "uncertainty" there could affect its neighbours.

Other friendly Muslim-majority countries are not backing India through thick and thin. Last October, New Delhi hailed Saudi Arabia as "a valued friend" for showing an interest in investing $100 billion in India's energy sector. Now Riyadh has agreed to Islamabad's request to hold a special foreign ministers' meeting of the Organisation of Islamic Cooperation to discuss Kashmir.

The US remains India's most important strategic partner. But with the slowing Indian economy unable to sustain the modernisation of India's military and with trade ties bogged down by what Washington brands as India's protectionist tariffs, a new take-off in Indo-US relationship seems unlikely. The official snub to Amazon's offer of investment has not enhanced India's reputation as business-friendly country. Additionally, India's stance on Kashmir and the CAA has adversely affected its image as a modern secular democracy among American and European lawmakers.

Generally, the practice of international power politics shows that talk of non-interference in domestic affairs is futile. Questions raised in the US Congress about India's democracy cannot be lightly dismissed. Congressmen can block arms sales to India, or pursue sanctions because India will buy the S-400 missile system from Russia. International history also reveals that a country's economic weakness and socio-political strife are exploited by foreign states.

India's eroding economic cachet and polarised society will lead the US, Japan and Asean countries to question its capacity to become a major Asian power. A government enjoying a political majority is doing little to revive the economy and stabilise the socio-political situation. The backward-looking, strife-provoking CAA is simultaneously displeasing India's democratic friends like the US and Japan, while failing to win the support of authoritarian Saudi Arabia. Both democratic and autocratic friends are of economic import to India — the democratic US the most. The European Parliament's critique of the CAA will cast its shadow over the EU-India summit in March. Are New Delhi's economic ineptitude and socio-political truculence risking India's good ties with practically all of its friends?

The writer is a founding professor of the Centre for Peace and Conflict Resolution in New Delhi. Website: www.anitaindersingh.com

The evolution of the BJP

BOOK REVIEW

T C A SRINIVASA RAGHAVAN

This book is a calm, unhurried and adjective-free narration of how and why an ideological alternative to the Left, represented by the Congress since 1937, has evolved in India. That's what's good about it.

What's bad is that Shantanu Gupta fails to explain when the flag bearer of that alternative, the Bharatiya Janata Party (BJP), grown child of the Jana Sangh, turned left itself. Truth be told, today's BJP is almost exactly like the Congress of the 1970s except in the matter of how to treat India's 200 million Muslims.

Mr Gupta starts at the beginning but omits many details, perhaps because they are slight. But then, this is not intended to be a detailed history of the BJP but a sort of beginners' guide. It performs that role admirably.

The 20 chapters are designed to answer the sort of questions that the English-speaking middle class occasionally asks. The answer may not satisfy it but the facts are laid out succinctly.

Thus, to cite just three examples, there's a chapter called "Who Taught Muslim Appeasement to the Congress". There is another called "How the RSS Came Into Being" and a third called "The Advent of Deen Dayal Upadhyay and the Jana Sangh under Him".

Each chapter seeks to explain exactly what happened and what the context was for it. In that sense, the book seeks to set the record straight and, for that reason, is a valuable contribution. It shows how, politically at least, India's greatness lay in allowing different ideologies to exist. Sadly, that is under serious threat now.

Mr Gupta has not seen it necessary to deal with this particular middle-class question about the threat to political pluralism. That weakens the book's appeal.

BHARATIYA JANATA PARTY: Past, Present And Future
Author: Shantanu Gupta
Publisher: Rupa
Price: ₹695
Pages: 608

Muslim appeasement: So why did the Congress "appease" the Muslims? After a long and accurate narration of the events leading up to the Lucknow Pact of 1916 between the Congress and the Muslim League, Mr Gupta doesn't offer what can be called a credible explanation.

But he is right in reminding us that the Congress gave Jinnah a disproportionate share of representation in the provincial legislatures. That gave Jinnah the first hint of Congress weakness, which he exploited when the Congress had to choose between political expediency and principle in 1946.

The odd thing is that in 1916 it chose to give in to Jinnah's demands for greater than justified representation in order to present a united face to the British. In 1947 it chose to give in to him for a disunited India. Only Gandhiji resisted.

In that sense, it wasn't really the Muslims who were a problem. It was the Congress. That's why it is difficult to see why the BJP treats the two as being two sides of the same political problem.

After all, the greater damage has been done by Congress socialism than its assiduous wooing of the Muslims. Yet while the BJP has made the Muslims the "other" it has embraced Congress socialism.

Mr Gupta might like to explain this in the second edition.

Narendra Modi and Amit Shah: It is widely conceded that the BJP after 2014 is not the same BJP before that year. The two men who transformed it so completely are Narendra Modi as prime minister and Amit Shah as party president.

Yet the chapter on the post-2014 years is the weakest. It restricts itself to a justifiable narration of achievements. It also lists all the problems that the BJP as a party and the government that it led had to tackle. There's no question that after a decade of Sonia Gandhi rule these were difficult and several.

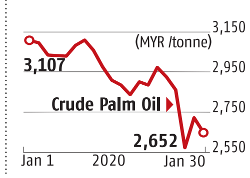
But what's lacking is a proper discussion of the economy, which is in sharp contrast to the paragraphs on other topics such as foreign policy and internal security. There is only a passing mention of either demonetisation or the Goods and Services Tax, the twins that the critics accuse for the economy's downfall. This is one more thing for the second edition to tackle and it should explain the BJP's preference for a greater-than-warranted role for the state in economic activity.

Nor has Mr Gupta discussed the Modi-Shah duo's general hammer-and-tongs approach to governance, not least of which is the undisguised demonisation of Muslims and Marxists. This makes no sense except as a way of winning national elections.

Despite these shortcomings, this is one of the better books on the BJP that, the author says, with its nearly 90 million members, is now even bigger than the Communist Party of China. That being so, it is time the party adopted acceptable political tools than the ones it is currently using.

Business Standard
The Smart Investor
MUMBAI | FRIDAY, 31 JANUARY 2020

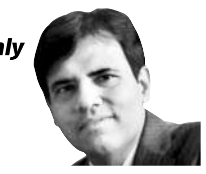
QUICK TAKE: CPO PRICE MAY WEAKEN FURTHER



Crude palm oil (CPO) prices have fallen 10 per cent after the outbreak of coronavirus in China. The fear in the market is that China's palm oil demand will decline sharply. Further, CPO prices, which were on an uptrend in the past six months, had reached unsustainable levels

"Looks like all punters are giving up on YES Bank now. Headed to the lowest monthly close since 2009"

SANDIP SABHARWAL
Investment advisor



WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

Global markets hit hard as indices catch Wuhan flu

JASH KRIPLANI
Mumbai, 30 January

The outbreak of coronavirus is quickly unraveling gains made by global markets from the US-China trade deal euphoria, with major indices trading 2-9 per cent lower than their mid-January peaks. The global market capitalisation has seen an erosion of \$2.2 trillion in the last week of January.

Foreign brokerages are bracing for a larger impact on the global markets than what was during the SARS outbreak, which also originated in China, back in 2003.

"We expect a bigger and possibly longer macro impact on Asia than what was seen during SARS. Our base case is that 12 months from now, the Asian economy will be near where it would have been without the Wuhan virus, but we see a sizeable risk of a significantly worse outcome," Credit Suisse said in a note.

Coronavirus has also been termed as the Wuhan virus, as it is believed to have originated from the animal and seafood market of the Chinese city. Before the outbreak became known, global markets had seen a sharp spurt after the first phase of the US-China trade deal was announced in mid-December. The rally had lifted some of the major global indices to fresh lifetime highs.

PHOTO: REUTERS

Dow Jones, Nasdaq, S&P 500, Nifty, Sensex and German DAX Index, had claimed fresh highs in January. Brokerages fear possibility of a more protracted outbreak. "SARS was basically a one-quarter event, as far as consumer and travel panic is concerned, but the Wuhan virus might hurt sentiment for a longer period. If mutation leads to a Spanish flu-style second wave, the impact on sentiment could prove prolonged," analysts at Credit Suisse said.

So far, Asian indices have been worst hit. Hang Seng is down nine per cent from its mid-January peak, giving up most of the gains (11.5 per cent) it made on the back of the US-China trade deal.

Among other Asian indices, Taiwan Taiex is down 6.2 per cent from this year's peak, South Korea's Kospi is down 5.26 per cent, and China's Shanghai Composite is down 4.46 per cent. Domestic indices — Nifty and Sensex — are down 2.6 per cent and 2.5 per cent, respectively.

Market experts say that India may be among Asian countries which could see lesser impact from the outbreak because of its low connectivity with China. However, they caution that highly bureaucratic structures could hamper the government's ability to fight the disease outbreak. Analysts say the outbreak is likely to have a wider global impact, as China's linkage to global trade has grown significantly.

"...While the impact is once again likely to be concentrated on Asian consumption (travel will be hard hit), the increased importance of the Chinese economy suggests a bigger global drag," Macquarie said in a note. "As China has become an integral part of the global supply chain, any further extension of factory closures would raise risks of temporary supply chain disruptions for multinational companies," Franklin Templeton EM Equity said in its note. The latest estimate from The Economist Intelligence Unit (EIU) shows that a virus of SARS-like proportion could reduce China's real GDP growth in 2020 by 0.5-1.5 percentage points against EIU's baseline forecast of 5.9 per cent in 2020. Further, the assessment showed that a drop of 1.5 percentage points in China's growth could lead to a 0.2-0.3 percentage points hit on global growth, without factoring in for the potential impact on other Asian economies.

ON SLIPPERY GROUND
Global markets see sharp corrections as virus outbreak spreads

Index name	Country	Last traded price	Chng from CY20 peak (%)
Hang Seng	Hong Kong	26,449.13	-8.97
Kospi	South Korea	2,148.00	-5.26
Nikkei 225	Japan	22,977.75	-4.59
Shanghai Composite	China	2,976.53	-4.46
Jakarta Composite	Indonesia	6,057.60	-4.23
Nifty	India	12,035.80	-2.64
DAX Index	Germany	13,237.60	-2.50
Sensex	India	40,913.82	-2.48
Dow Jones**	US	28,734.45	-2.09
Nasdaq Composite**	US	9,275.16	-1.35

*As of Jan 30; **as on Jan 29, 2019; Note: US and Indian indices hit fresh lifetime highs in CY20
Source: Bloomberg; compiled by *BS* Research Bureau

International oil demand may nearly halve in Feb if virus threat escalates

PUNEET WADHWA
New Delhi, 30 January

Global crude oil demand could drop as much as 42 per cent to 0.77 million barrels per day (million b/d) from the current estimated 1.33 million b/d in February 2020 on a year-on-year (YoY) basis if the Wuhan virus spreads more, according to a note from S&P Global Platts.

"In the worst case, global demand growth will remain negative until May. In the best case, it would bounce back to positive in March. Yet, notice worst case is, for now, assumed recession-free. In the worst case, demand reduction would be comparable with a major slowdown. In the best case, it would be similar to a three-month warm winter effect," the S&P Global Platts note said.

Coronavirus already has financial markets rattled.

While experience with virus outbreaks in the past suggests that they often bounce back quickly, the actual economic impact on China, according to analysts at Rabobank International, hinges on the ability of the Chinese government to contain the virus and its policy actions to mitigate the impact.

CPSE ETF's 7th tranche gets bids worth ₹9,200 cr

The seventh tranche of CPSE ETF received bids worth ₹9,200 crore on Thursday from institutional investors in its anchor book.

The government has floated the fresh tranche of the CPSE ETF with the view of raising at least ₹10,000 crore. However, the government could exercise the greenshoe option to retain the excess bids over the base issue size. The secretary of the Department of Investment and Public Asset Management (Dipam), in a tweet, said the anchor book — which had a base issue size of ₹3,000 crore — received strong interest from institutional investors.

The portion allocated for anchor book was 30 per cent of the maximum amount to be raised.

JASH KRIPLANI

THE COMPASS

Dabur's strategic moves bear fruit in Q3

Focus on power brands, rural markets paid dividend

SHREEPAD S AUTE

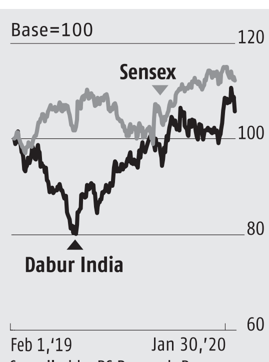
Dabur's December 2019 quarter (Q3) numbers were ahead of Street estimates, save net profit that missed estimates on account of non-operational items. Analysts say that a favourable raw material environment, along with Dabur's efforts to drive sales, augers well for the company.

The company — which owns popular brands like Chyawanprash and Hajmola —clocked 7 per cent year-on-year (YoY) growth in revenue to ₹2,353 crore in Q3, versus Bloomberg consensus estimates of ₹2,313 crore.

Profit before tax grew 9.3 per cent YoY to ₹502.3 crore, beating expectations of ₹496 crore. However, provisioning for impairment in treasury investments continued to hurt the bottom line for the third consecutive quarter. Thus, net profit at ₹399 crore missed estimates of ₹413 crore.

This, along with the overall bearish sentiment (Sensex down 0.7 per cent) led to the stock falling 2.8 per cent to ₹478.15 on Thursday.

Operationally, Dabur's efforts towards its power brands — in terms of marketing spend and rural infrastructure — contained the impact of further deterioration in overall demand.



Compiled by BS Research Bureau

For instance, Dabur's rural count in Q3 reached 51,511 villages, against 49,000 two quarters ago. This resulted in its rural business (45-50 per cent of sales) growing faster (by 400 bps) than urban sales. This is in sheer contrast to the deceleration (vis-à-vis rural) witnessed by most FMCG peers.

Dabur's domestic volume growth improved to 5.6 per cent, from 4.8 per cent in the September quarter. Even as Q3 witnessed increased demand pressure across sectors, value growth of Dabur's two key segments — healthcare and home & personal care (over 85 per cent of domestic business) — was only marginally lower on a sequential basis.

Strong international business, with 12 per cent growth (3.2 per cent in Q2) in constant currency terms, also helped drive up top line.

However, even as the top line grew and raw material prices remained benign, Ebitda margin rose just 70 bps YoY to 20.9 per cent. The management says it partly reinvested gains from input costs on advertising and promotions, a trend likely to continue as Dabur remains focused on volumes while maintaining profitability.

The management also expects input costs to remain supportive in the near term, and has indicated that demand pressures have continued in January.

Analysts, nevertheless, remain positive on Dabur. Dhaval Dama, analyst at Equirus Securities, says: "Dabur's strategic decision, either in terms of rural distribution or focus on power brands, will continue faring better. Further, Dabur will be a key beneficiary of any rural-related announcement in the Budget."

At 45x its FY21 estimated earnings, Dabur remains a good option in the FMCG category.

Crompton surprises Street with Q3 profit

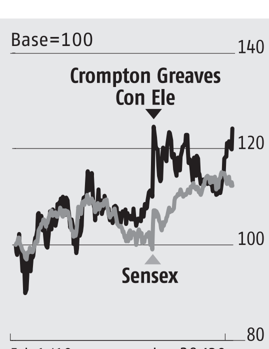
Analysts remain bullish on stock with 'buy' rating

UJJVAL JAUHARI

Crompton Greaves Consumer Electricals' (Crompton Greaves') better-than-expected profit came as a surprise to the Street. On a day when the leading indices were in the red, the stock scaled to its 52-week high before closing 3.6 per cent up. Analysts indicate there could be more gains ahead for the electrical and consumer goods maker.

For the December quarter, though the company's lighting products segment (a fourth of revenues) saw continued pricing pressure and hence led to a 9 per cent year-on-year decline in revenues (excluding EESL), the electrical consumer durables (ECD) business saved its blushes, with growth of 11 per cent.

Fans, domestic pumps, and appliances (such as geysers) continued to drive growth in its ECD business, indicating increasing acceptance of the company's products. A surge in geyser volumes (up 66 per cent) drove sales of appliances, while fans and domestic pumps continued to grow at a decent pace of 8 per cent.



Compiled by BS Research Bureau

Although sales of agricultural pumps were hit by unseasonal rains, it may pick up moving forward. Market share in fans increased further by 80 basis points (bps) to about 27 per cent. A higher share of premium fans, at about 20 per cent (industry average of 10 per cent), also aided margins. In geysers, too, its ranking jumped three spots to fourth.

Lightings volumes, too, continue to grow. Crompton Greaves' market share increased by 100 bps in LED lamps too, as LED panel and battens registered 15 per cent volume growth.

The B2B (tender and institutional) business continues to experience slowdown in government/EESL orders. Overall, in lighting business, pricing pressure YoY may have pulled down the segment's profit by 31 per cent. However, profit was up 29.6 per cent sequentially.

Notably, pricing pressure in LED bulbs is now lower and may stabilise.

December quarter profits were driven by ECD (segment profit up 17.6 per cent YoY). Net profit at ₹161 crore was helped by tax write-backs of ₹57 crore. However, even adjusted for tax write-backs, it was ahead of estimates of ₹101 crore.

The ECD segment will continue to be a key growth driver. As inventory build-up for products like fans, coolers and water pumps picks pace in the March quarter, launch of new products/models of fans and coolers should drive growth.

All five analysts polled by Bloomberg after the results have a 'buy' rating on the stock; the average target price being ₹306.

LTCG, DDT ROLL-BACK ON TOP OF BUDGET WISHLIST

Capital market players are hoping for a slew of changes that will make life easier for them in terms of taxation. Here are a few expectations:

ASHLEY COUTINHO

Long-term capital gains

- Industry players expect the government to exempt tax on long-term capital gains (LTCG) arising on sale of listed equity shares.
- The government could also streamline the holding period for granting such exemption to 24 months, bringing the same at a par with unlisted shares
- "This will boost investment and make capital markets more attractive and in line with global markets. At the same time ,the longer holding period would ensure that the benefits are only available to investors having a longer term horizon," said Mehul Bheda, partner, Dhruva Advisors

Increase in FPI limits

- Market players want the government to increase the bond investment limit of foreign portfolio investors (FPIs) with a view to help India become a part of global bond indices

Dividend distribution tax

- There is an expectation that the government will remove the dividend distribution tax (DDT) in the hands of the company and substitute it with tax in the hands of non-corporate shareholders at a concessional rate
- "The government should abolish dividend distribution tax. This will promote foreign investment. Small tax payers will also benefit as their effective rate of tax is much lower than the DDT rate of 20.56 per cent, said Ashok Shah, partner, NA Shah Associates LLP
- "Non-resident shareholders will be able to claim tax credit in their home jurisdiction. Withdrawal of the DDT will remove the cascading impact of taxation. Government should tax dividend in the hands of the shareholders at concessional rates which may be 15-20 per cent," he added

Parity between MFs and ULIPs

- ULIPs and equity mutual funds need to be brought on a par on tax treatment. To do that, industry body Association of Mutual Funds in India has asked for the removal of LTCG tax and the abolishment of STT on equity funds at time of redemption.
- The industry wants DDT on dividends paid by equity-oriented funds to be abolished, and switches within MF schemes be made exempt from the capital gains tax

Category-III AIFs

- The other long-standing demand is for Category- III AIFs to get a pass-through status, similar to what was provided for Category-I and Category-II AIFs in 2015.
- They also want higher surcharge applicable to certain Category-III AIFs to be rationalised

Bajaj Auto faces domestic hurdles

Numbers of December quarter beat estimates, aided by higher exports and margin gains

RAM PRASAD SAHU
Mumbai, 30 January

Two-wheeler major Bajaj Auto put up a better-than-expected performance in the December quarter, driven by an uptick in exports, favourable exchange rates, and better product mix.

Exports — accounting for 43 per cent of volumes — rose 7 per cent, which helped offset the slowdown in the domestic segment. Domestic sales fell 13 per cent, largely on account of the sharp 16 per cent drop in motorcycle sales.

The firm expects to maintain the pace of sales growth in the exports segment. Exports in the quarter were driven by the motorcycle segment, with strong demand from Nigeria and East Africa.

While the company expects incremental revenues from 16 new markets including Philippines and Cambodia, the revival of exports to Egypt will also be a boost. The company started sales of three-wheelers in Egypt from January, which should help improve the three-wheeler export volumes that fell 13 per cent in the quarter.

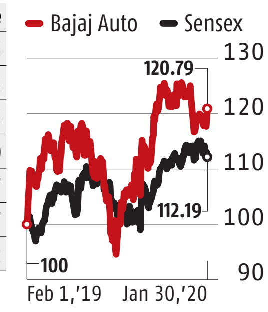
Even in the domestic market, there are a couple of tailwinds in the three-wheeler segment. The management, along with some brokerages, believes that in the small commercial vehicle segment, there could be a shift from four-wheelers to three-wheelers, given the higher cost of BS-VI transition.

IMPROVEMENT IN OPERATING PROFIT

	Q3FY20	Q3FY19	% change
Motorcycles (units)	1,027,161	1,078,384	-5
Three-wheelers (units)	175,325	181,444	-3
Total (units)	1,202,486	1,259,828	-5
Net sales (₹ cr)	7,640	7,346	4.0
Operating profit (₹ cr)	1,344	1,172	14.7
OPM (%)	17.6	16.0	163.7
Profit before tax (₹ cr)	1,671	1,559	7.2

OPM: Operating profit margin – change in basis points
Source: Company

RECOVERY



The cost of smaller commercial vehicles or pickup trucks below the 1-tonne carrying capacity could see a 15 per cent impact, compared to 11 per cent for three-wheeler cargo vehicles. Even the passenger segment should benefit from policies of various state governments.

In addition to exports, the takeaway from the quarter was gains on the profit margin front. Operating profit margins rose over 160 basis points (bps) to 17.6 per cent, the highest profitability level in seven quarters.

These came from favourable forex movement, higher share of the three-wheeler segment, and margin-accretive new launches. Majority of the gains came from lower raw material costs, which fell 250 bps to 69.9 per cent of sales.

However, margin gains could be difficult to sustain. Commodity costs have started increasing, especially inputs for catalytic convertors. While exports and a weaker rupee should help keep volumes steady, domestic sales face multiple challenges.

Implementation of BS-VI norms has led to a sharp price increase; the company will stop manufacturing BS-IV vehicles over the next couple of weeks. While the company indicated that there has been some pre-buying of BS-IV vehicles — which is a positive — analysts believe there could be postponement of purchases.

Domestic sales over the next couple of quarters could see the impact of the transition, and therefore be on the slow lane. While the company has maintained that its pricing would be sustainable and competitive, any price war during the transition would jeopardise margin improvement.

The other negative for the stock is its valuation. At 16.7x its FY21 estimated earnings per share, the company is trading at a 34 per cent premium to larger peer Hero MotoCorp.

Given the uncertainty on the volume front, especially in the domestic segment that accounts for majority of sales, as well as the valuations, investors should await a consistent pick-up before considering the stock.

'Rise in RoA is giving India Inc a major jump in earnings'

The price-to-earnings (P/E) multiple of corporate India as measured by 'uniform earnings' is at a 10-year low, signalling markets have room to run, says **JOEL LITMAN**, president and chief executive officer (CEO) of Valens Research, and Chief Investment Strategist of Altimetry, who was in India earlier this month to speak at the CFA Society India's 10th India Investment Conference. In conversation with **Ashley Coutinho**, he says the as-reported financial information given under current accounting standards cannot be trusted. Edited excerpts:

Could you tell us more about your 'uniform accounting' system, and the flaws with the prevalent reporting and accounting standards around the world?

The as-reported financial information cannot be trusted and has blinded investors from seeing the true earning power, valuation, and credit health of companies. The goal of uniform accounting financial reporting standards (UAFRS) is to create reliable and comparable reports of financial activity. With the UAFRS Advisory Council of more than 50 financial experts around the world, we've identified over 130 inconsistencies in both generally accepted accounting principles (GAAP) and international financial reporting standards (IFRS).

Take research and development (R&D) as an example. The R&D a company invests in any given year is likely to generate revenue for future periods as well. Facebook is still generating revenue from the R&D it spent developing its newsfeed and ad-embedding capabilities years ago. Despite the matching principle being a core of any reliable accounting system, current GAAP and IFRS accounting standards require firms to expense R&D, which violates the matching principle.

Ratings agencies have come under criticism for being late in spotting trouble in companies. Where do you think the problem lies, and what is the way around it?

It can be very difficult for rating agencies such as Moody's, S&P, and Fitch to issue negative credit ratings. Often, the companies they are rating are their clients. That bias has been well-documented.

In other cases, however, the agencies simply don't have the best tools and resources for assessing corporate credit risk. Being dependent on as-reported GAAP and IFRS (Indian accounting standards are similar to IFRS), it's no wonder they miss the early signals or problems that the best investors see far ahead of time. Cash flow is a key component to assigning proper credit ratings, and it is impossible to accurately measure cash flow without adjusting GAAP and IFRS data. The as-reported statement for cash flows is notorious for including non-cash items like pension and stock options in the cash flow calculation. It's also highly susceptible to mis-categorisation, like not placing interest expense or leasing under financing activities.

Investors need to remove their dependency on rating agencies and utilise more reliable analysis.

Valuations of Indian shares relative to Asian peers remain at a premium both on P/E multiples and price-to-book (P/B) value. How bullish or bearish are you on Indian stocks? What is your take on valuations?

We need to reduce our reliance and ongoing commentary on antiquated measures of as-reported P/E and P/B multiples. On a uniform accounting basis, India's equity market is trading at the upper end of regional valuations, compared to some other Asian countries. India is more expensive than its peers, trading at 23x uniform P/E, but not as expensive as its as-reported P/E of 26x would suggest at this time. With a return on assets (RoA) that has increased from 5 per cent to 7 per cent for Corporate India, as measured by uniform accounting, that's a major jump in corporate earnings power. We calculated the aggregate uniform RoA by measuring across most of the largest of 412 publicly listed Indian corporations.

Meanwhile, the P/E of Corporate India as measured by uniform earnings is currently at a 10-year low, signalling markets have room to run before valuations get out of hand. These are bullish signals for the Indian stock market and longer term, suggesting more upside than downside when the right trends are in place.

Q&A

JOEL LITMAN
President & CEO of Valens Research & Chief Investment Strategist of Altimetry

You have said that an active credit default swap market could help Indian firms and banks address the country's corporate debt problem. Explain.

An active credit default swap (CDS) market, similar to what we have in the US, allows institutional investors to better assess and price in corporate credit risk. Investors can use the CDS spread — approximately the amount of money it costs to 'insure' a company's credit — as a barometer for a company's perceived credit risk. Lower spreads mean less credit risk, and higher spreads imply higher credit risk. Because many emerging markets do not have an actively traded CDS market, investors lack this source of information.

More on business-standard.com

Concentrated index makes CPSE ETF risky

Recent changes have not altered the heavy tilt towards energy and commodity sectors

SANJAY KUMAR SINGH

In case of fixed-income products like Public Provident Fund, Senior Citizens Savings Scheme, and so on, a sovereign guarantee provides assurance to risk-averse investors. In the equity markets, however, government ownership is no guarantee of wealth creation for investors.

The sixth further fund offer (FFO) of the Central Public Sector Enterprise Exchange Traded Fund (CPSE ETF) opens to non-anchor investors on Friday (it will last just for a day). It is being offered at a 3 per cent discount to the reference market price. This price will be determined, based on the average of full-day, volume-weighted average price of each constituent of the Nifty CPSE Index on the National Stock Exchange during the non-anchor FFO period.

The ETF offers investors access to a basket of 12 quality CPSE stocks. Many of them are either sector leaders or near-monopolies in their segments.

Among the positives of the offer, the Nifty CPSE Index's valuations are more reasonable than that of front line indices. It is trading at a price-to-earnings ratio of 8.71, whereas the Nifty50 is trading at 28.30, and the Nifty Next 50 at 68.86 (as on January 29, 2020). This ETF also has a negligible expense ratio of 0.0095 per cent.

Experts, however, have a few reservations about the offering. The first pertains to majority ownership by the government. "The government has not traditionally been a good allocator of capital. It has not demonstrated high skill in using the assets within a company to generate returns for shareholders," says Ankur Kapur, managing partner, Plutus Capital.

YOUR MONEY

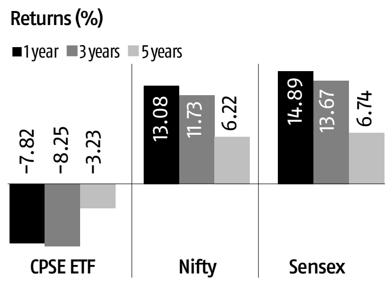
Adds Rajesh Cheruvu, chief investment officer, Validus Wealth: "Public-sector enterprises have been facing a lot of challenges in business execution. Even the near-monopoly situation in their segment for many has not translated into attractive profits and strong growth."

The index underlying this ETF has only 12 stocks, which makes it highly concentrated. Furthermore, the top four holdings alone constitute 79.48 per cent of the portfolio. "Mutual fund and ETF investors desire diversification and stability, which they may not get here," says Mumbai-based financial planner Arnav Pandya.

Many of the companies in this ETF are commodity-oriented. "Commodity companies tend to be highly cyclical. They are also low-return on investment businesses," adds Kapur.

LAGGING BEHIND FRONTLINE INDICES

Returns (%)



*Returns of one year and above are compound annualised
Source: mutualfundindia.com

This ETF is also tilted heavily in favour of the energy sector. Power has a weight of 44.98 per cent, and oil, 22.2 per cent. The minerals and mining sector accounts for 25.18 per cent weight. Despite two stocks — Indian Oil Corporation and Power Finance Corporation — exiting the index, and four new ones — Power Grid Corporation of India, Cochin Shipyard, NHPC, and NMDC — being added, the essential nature of the index — concentrated and energy-/commodity-oriented — has not changed.

"Barring PowerGrid, the other entrants have little weight to make much of an impact on the nature of the index," says Pandya.

The ETF's past performance also does not inspire confidence. Over a five-year period, it has underperformed front line indices like the Nifty and the Sensex.

The discount offered on successive FFOs has been coming down from the level of 5 per cent in the earliest offers to 3 per cent now. The lower discount rate makes taking a short-term bet on the FFO risky.

"It is not advisable to take short-term bets in the current macroeconomic conditions, where downside risks in the market are high," says Cheruvu.

Investors who want to invest in a large-cap ETF should go for one based on the Sensex or Nifty.

COMMODITIES

PRICE CARD

As on Jan 30	International Price	International %Chg*	Domestic Price	Domestic %Chg*
METALS ($/tonne)				
Aluminium	1,732.5	-0.8	2,014.3	5.0
Copper	5,698.0	-3.1	6,252.6	2.1
Zinc	2,256.0	-12.0	2,531.8	-6.0
Gold ($/ounce)	1,581.3*	5.7	1,770.0	5.3
Silver ($/ounce)	17.8*	-0.6	20.1	-1.0
ENERGY				
Crude Oil ($/bbl)	57.3*	-4.6	59.0	-3.5
Natural Gas ($/mmBtu)	1.9*	-31.2	1.9	-31.2
AGRI COMMODITIES ($/tonne)				
Wheat	197.3	9.4	290.3	-4.3
Maize	186.6*	2.5	273.2	-2.7
Sugar	410.6*	20.6	486.6	-1.7
Palm oil	712.5	22.3	1,159.8	26.3
Cotton	1,536.4	6.1	1,581.5	-2.5

* As on Jan 30, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 71.5 & 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 LIFFE 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

Gold demand down 18% in Q3

Dropped to 8-year low of 194 tonnes; revival hinges on Budget measures

RAJESH BHAYANI & PUNEET WADHWA
Mumbai/New Delhi, 30 January

Gold demand in India in the December quarter dropped 18 per cent over the same period in the previous year to an eight-year low of 194.3 tonnes, said the World Gold Council (WGC) in its 2019 Gold Demand Trend Report, released on Thursday.

This quarter was crucial because of a fall in demand in the Diwali days in the year-ago equivalent period. However, that failed to boost numbers because of high prices, weak consumer sentiment, and rural distress.

India's demand in 2019 was down 9 per cent at 690.4 tonnes.

India's net import of gold in 2019 was down 14 per cent to 646.8 tonnes, but in the December quarter it was lower by 18 per cent at 138.5 tonnes.

The council is hopeful of revival in India's demand in 2020.

Somasundaram PR, India managing director, WGC, said India's gold demand in 2020 would likely be 700-800 tonnes.

He, however, said in the past 10 years India's average gold demand had been 843 tonnes and "the government measures aimed at bringing transparency in bullion trading are likely to keep demand below that".

GFMS, another agency tracking gold demand trends globally, said unofficial gold had changed the demand dynamics in India.

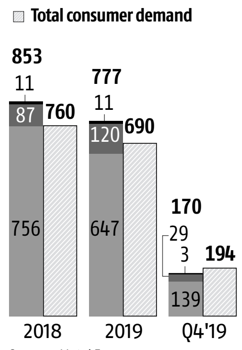
The agency, which also released its second half 2019 gold demand report, said: "We estimate retail demand (jewellery + investment) decreased by 17 per cent to 167 tonnes compared to 201 tonnes a year ago. However, the official market suffered a 25 per cent drop in demand. This was due to the availability of gold from unofficial sources. Anecdotal evidence shows that gold was available at a 2.5 per cent discount in the unofficial market. In rural and semi-urban areas, jewellery manufactured out of unofficial gold saw good demand."

India and China, the world's two biggest gold consumers, accounted for an 80 per cent drop in demand in the fourth quarter of calendar 2019 on the back of rising yellow metal prices and soft economic conditions, according to the WGC.

SECTOR-WISE WORLD DATA (tonnes)

	2018	2019	Q4'19
Jewellery	2,240	2,107	584
Technology	335	327	84
Retail investment	1,094	871	241
ETFs and similar products	76	401	27
Central banks & other inst	656	650	110
Gold demand	**4,401**	**4,356**	**1,045**

DOMESTIC DEMAND/SUPPLY



Sources: Metal Focus, World Gold Council

China's fourth-quarter jewellery demand was 10 per cent lower on a year-on-year (y-o-y) basis at 159.7 tonnes, while the full-year 2019 demand slipped 7 per cent to 637.3 tonnes.

The WGC estimates fourth-quarter demand for gold at 1,045.2 tonnes, a drop of 19 per cent y-o-y.

The two main segments contributing to this were jewellery demand, which fell 10 per cent y-o-y to 584.5 tonnes to reach its lowest level since 2011 and physical bar demand, both of which reacted to the elevated gold price.

On an annual basis (2019), gold demand dropped 1 per cent y-o-y to 4,355.7 tonnes with demand for bar and coins, jewellery and technology, denting sentiment most.

On the demand outlook for 2020, GFMS said in the first half of 2020, the outlook was cautious following persistent high price and monsoon progress.

"Demand will remain at a moderately stable or slightly lower level than the average we have witnessed in the last five years," it said. Interestingly, consumers will not have any respite on gold prices. GFMS estimates prices rising further.

It said that "demand from key Asian markets will likely to remain weak this year, ongoing central bank purchases and renewed investor interest will lend support for higher gold prices. We therefore expect gold to average $1,558/oz in 2020, with a possibility to test and move beyond $1,700/oz later in the year". In 2019, the gold price averaged $1,392.6 per ounce.

In last July, the finance minister had increased import duty on gold to 12.5 per cent from 10 per cent, which resulted in higher smuggling in India.

In a media interaction on the WGC report, Somasundaram had stated that "around 115-120 tonnes of gold were smuggled into the country in 2019, up from 90-95 tonnes a year earlier".

He prescribed cuts in import duty to bring that to a reasonable level, without which "no amount of reform is going to work".

The government early this month had mandated compulsory hall-making of gold jewellery from January next year and issued gold delivery norms for the metal refined in India.

Drawback rates increased for apparel export

T E NARASIMHAN
Chennai, 30 January

The Union Ministry of Finance has notified a rise in the duty drawback rates for the apparel sector, to take effect from Tuesday.

The drawback scheme aims to provide refund/recouping of customs and excise duties paid on import of inputs or raw materials and service tax paid on input services used in the manufacture of export goods.

For cotton-based products, there would be a 0.2 percentage point increase. For man-made fibre and blended garments, of 0.4-0.6 percentage points.

While welcoming the announcement, exporters say the rise is not enough. They'd also like free trade agreements (FTAs) with countries they export to and despatch in the Centre's clearance of payments under the Scheme for Rebate of State Levies on Export of Garments (ROSTL), delays in which affect their working capital.

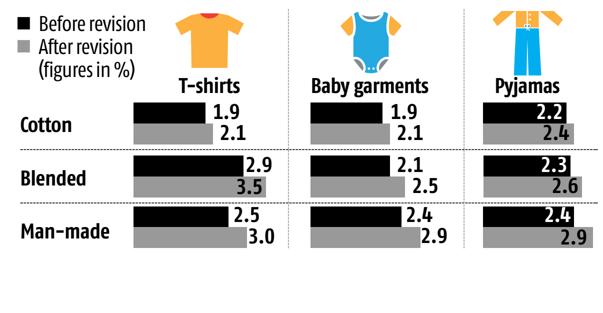
After the revision, the drawback rate for cotton t-shirts would be 2.1 per cent, as against the earlier 1.9 per cent.

In blended garments, 3.5 per cent versus 2.9 per cent earlier; for man-made fibre, 3 per cent as against the earlier 2.5 per cent.

In the first nine months of 2018-19 (April-December), export of readymade garments was $11.36 billion which rose to $11.46 billion in 2019-2020.

The Tirupur Exporters Association in this state, whose shipment abroad last year was ₹24,000 crore, says it would like FTAs with Britain, the European Union, Australia and Canada. As for claims under ROSTL, their units say around ₹1,400 crore is pending.

DRAWBACK RATE FOR MAJOR ITEMS



Will go beyond rules, says Puri as pilot contests ban on Kamra

Pilot complaint is the first step after which a passenger can be classified disruptive

ARINDAM MAJUMDER
New Delhi, 30 January

Even as the pilot of the aircraft, where stand-up comedian Kunal Kamra had verbally harassed journalist Arnab Goswami earlier in the week, said on Thursday the incident wasn't serious enough to put the accused in a no-fly list for six months, the government defended its action.

Civil Aviation Minister Hardeep Singh Puri told Business Standard that the incident was extraordinary as there was video evidence and that the actions of the airline were justified. "This particular incident has been recorded and constitutes an extraordinary situation of what a passenger can or cannot do. We cannot allow such incidents in our skies. The action is justified," the minister said, when asked about the pilot's stand.

The pilot said he was disheartened that the airline didn't consult him and took a decision based solely on social media posts.

Kamra was suspended for six months following the incident by IndiGo. Air India, SpiceJet, and GoAir followed the action, followed by instruction from the civil aviation minister raising concerns that rules weren't followed by airlines in suspending Kamra without any enquiry.

"This particular incident has been recorded and constitutes an extraordinary situation of what a passenger can or cannot do. We cannot allow such incidents in our skies. The action is justified"

HARDEEP SINGH PURI, Civil aviation minister

According to the Indian civil aviation rules, pilots' complaint is the first step, following which a passenger can be classified 'disruptive' and action can be initiated, which includes a ban from three months to an indefinite period.

"As captain of 6E5317 Mumbai-Lucknow flight on January 28, I do not find the events reportable in any way. Mr Kamra's behaviour, while unsavoury, was not qualifying of a level 1 unruly passenger. Indeed, we pilots can all attest to incidents similar and/or worse in nature that were not deemed unruly," the pilot-in-command of 6E-5317 wrote to Senior Vice-President Ashim Mitra on Thursday. IndiGo confirmed that it is in receipt of the mail and is investigating the incident.

According to the rules on how to handle and initiate action against disruptive passengers, aviation regulator Directorate General of Civil Aviation states that the first action begins only when the pilots report the incident, following which the airline should refer the case to an internal committee.

"The pilot-in-command should quickly assess if the cabin crew can control the situation. Whenever an airline receives a complaint from the pilot, it should refer the incident to an internal committee," state the rules framed in 2017.

In this case, the pilot in his email confirmed that Kamra went back to his seat, following the cabin crew's instructions and the situation was defused, according to the process defined by IndiGo in its instruction manual.

When pointed out about the rule, Puri said that if the situation demands, the government will go beyond the rules to punish flyers. "If such extraordinary things happen, it is necessary that we go beyond the rules to keep our skies safe," said Puri.

If it would have been other countries like the US, sky marshals would have dragged out Kamra, Puri said. However, according to global civil aviation norms, the cabin crew is trained by airlines to restrain an extreme unruly passenger before calling in law enforcement agencies.

When asked if there was a need to reframe the no-fly list to give more teeth, Puri said he hasn't applied his mind to it. "I can say this action was not political but completely keeping in mind to make our skies 100 per cent safe," the minister added.

Lalit Modi holds out an olive branch to family members

SURAJEET DAS GUPTA
New Delhi, 30 January

In an attempt at an "amicable settlement", Lalit Modi, son of the late industrialist K K Modi, on Thursday said "all family members are working on a solution to safeguard the interest of shareholders".

He also reiterated that the group flagship, the tobacco company Godfrey Phillips India (GPI), was not fully conversant with the efforts of the Modi family on an "amicable solution to some issues that are in the process of discussion".

The new move comes just days after Lalit Modi, through a series of tweets, had declared war on his family members, saying that all key assets of the K K Modi group were up for sale. These included GPI, Indofil Industries, and Modicare. The differences between him and his family members — Bina, the mother; Samir, the brother; and Charu, the sister — came out into the open when he said that while three trustees wanted to "continue to run the business his feeling was that after his father's demise the value of the assets will deplete".

He also questioned the ability of his mother to take over as president and managing director of GPI after his father. However, in a regulatory filing, GPI hit back, clarifying that it was neither engaged in nor privy to any discussion on "rumoured potential transaction" by its promoters. It added the company had received clarification from its significant promoter that there had been no decision to put its assets on sale.

CONTENTIOUS CLAUSES

CLAUSE 4.1: Within 30 days of the earlier of
a) Bina Modi assuming office of a managing trustee
b) Bina Modi predeceasing K K Modi, in which case a meeting of the board of trustees shall be convened to decide unanimously in relation to the trust fund

4.1.1 to continue and own and manage all assets of the trust fund, including the family-controlled businesses

4.1.2 to sell part of the trust fund and family-controlled and own and manage the remaining assets

4.1.3 to sell the whole of the trust fund, including family-controlled businesses

CLAUSE 4.2: if the board of trustees is unable to take any decision in clauses 4.1.1 to 4.1.3 unanimously, the entire trust fund, including all family-controlled businesses shall be sold

However, Lalit Modi in his statement on Thursday stuck to his stand that the "best possible solution is, if the family group and majority shareholders allow new strategic investments in the group". He said this was the only way to tap the growth potential of this market comprehensively.

Sources in the know say Lalit Modi is trying to persuade his family members at this stage because he sees global advantages in the route he's recommended. "He's hopeful they will be persuaded," a source involved in the negotiations said. However, Samir Modi, when contacted, did not respond to any queries.

Lalit Modi had cited clauses in the family trust, which controls shares in various companies and in which all the family members are equal partners, to build his case. However, citing clauses of the trust deed, Lalit Modi said that unlike K K Modi, his mother did not have the same powers and the authority to manage and administer the trust fund, including the family-controlled business.

The trust clause states that Bina Modi will continue to be the managing trustee and have the authority to take decisions, which will be final and binding on all, provided it has been agreed to continue to keep the trust and not dispose of all assets at the meeting to be held within 30 days.

The board of trustees had decided unanimously three options earmarked in the deed — continue to own and manage the businesses, to sell part of the trust fund, or sell the whole trust fund.

NCCD CEO Pawanexh Kohli to demit office

SANJEEB MUKHERJEE
New Delhi, 30 January

One of the few remaining officers taken from the private sector by the previous United Progressive Alliance (UPA) government, Pawanexh Kohli (*pictured*) resigned as chief executive officer of the National Central for Cold-chain Development (NCCD) a few days before his term ends.

Kohli, who was appointed during the UPA government, put in his papers on December 9, 2019, while his term ends on Friday. Kohli, who joined NCCD in 2012 as its first CEO and chief advisor from outside the government, was allegedly unhappy over the functioning of the body in the last few years and the way its affairs were being handled.

Before joining NCCD, Kohli held top positions in leading logistics companies such as Gati, Arshiya International and others. NCCD, formed in 2012 as an autonomous organisation of the government on the public-private participation model, was meant to serve as a senior think tank in respect of interministerial policy interventions to rationalise cold chain development in the country — encompassing fresh, frozen and pharma cold supply chains.

The governing council of NCCD and its executive council comprises senior representatives from the government and the private sector. The agriculture secretary is its ex-officio president. The NCCD does not give any subsidy for setting up cold-chain but acts as a project developer, think tank and hand-holding body for developing a network of cold chains in the country. Though it was set up with a government grant, officials said it is not dependent on the Centre for running its operations and instead manages its resources from contributions made by its members.

Committee on micro insurance suggests ways to boost segment

SUBRATA PANDA
Mumbai, 30 January

The insurance regulator's committee on micro insurance has suggested such policies be allowed up to ₹5 lakh, from the current level of ₹2 lakh, and that even general insurance or health products have return of premium as an option.

"It appears return of premium is one feature which holds greater value for this section of customers," the committee said in its recommendations. Also, that general insurance policies, typically renewed annually, be allowed for a longer term.

Micro insurance is specifically intended for protection of low income people, with affordable products to help them cope with and recover from financial loss.

"Liberalisation of the sector and government schemes has created new opportunities for micro insurance to reach the vast majority of the poor, including those working in the informal sector," says the panel. One big problems is hesitation among the poor to pay now for a future event that might or might not happen, when they face a problem in meeting even daily needs. Also, regular payment of premium for cover continuity is an issue, due to absence of any certainty of income.

The poor also do not perceive many of the existing insurance products to be useful, with the servicing of poor quality. Among other recommendations, the committee has said there is a requirement for waiver of stamp duty on micro insurance, especially for life policies. The stamp duty on a ₹289 premium of the Pradhan Mantri Jeevan Jyoti Bima Yojana, for instance, is ₹40 or 14 per cent.

Also, a relaxation in capital reserve requirement on micro products for general and health insurers. Plus, pricing flexibility for insurers, wherein they be allowed to revise their pricing within a reasonable range within a year from the date of launch of a product.

The committee has also advocated for paying premiums in daily, fortnightly, monthly or quarterly instalments. "We should also explore possibility of allowing the premium to be a defined percentage of a daily wage, with the savings benefit depending on the amount of contribution," it has said.

On the distribution front, it says micro finance institutions which are master policyholders need to become corporate agents if they want to earn commissions on the credit life business procured by them.

Also, that there is a need for micro insurance products to be simple, so that these could be easily conveyed by the distributor and understood by the customer. Consultations should be held with potential customers at the product design stage. And, that micro insurance be available through small shop owners or business correspondents, to increase the penetration.

Govt plans to sell 15% stake in HAL via offer for sale

PRESS TRUST OF INDIA
New Delhi, 30 January

The government is planning to sell 15 per cent stake in Hindustan Aeronautics (HAL) through an offer for sale, which could fetch about ₹4,000 crore to the exchequer.

The government is looking to appoint up to three merchant bankers for managing the offer for sale (OFS) and has invited bids for the same by February 21.

It holds 89.97 per cent stake in state-owned defence firm HAL, which was listed on the stock exchanges in March 2018. "The government intends to divest 15 per cent paid-up equity capital of HAL out of its shareholding of 89.97 per cent through OFS method of shares by promoters," said the request for proposal (RfP) floated by the finance ministry for appointment of merchant bankers.

The sale of 15 per cent stake in HAL would fetch about ₹4,000 crore to the government, calculated at the current market price. Shares of HAL closed at ₹811.60, down 1.69 per cent over the previous close on the BSE.

The merchant bankers would advise the government on the timing and modalities of the OFS, conduct market surveys and roadshows and advise on regulatory norms, among others.

PFC, REC merger hits roadblock

The proposed merger of REC with Power Finance Corporation has hit a roadblock and is not likely to happen in near future as it would violate Reserve Bank norms on the exposure of non-banking financial companies, according to sources. According to the RBI's norms, debt exposure of an NBFC in a project cannot exceed 25 per cent. The exposure of PFC and REC as a merged entity would exceed the limit of 25 per cent in any existing project as the two firms have been financing power sector projects. **PTI**

Centre to get over ₹39,500 crore under Sabka Vishwas Scheme

PRESS TRUST OF INDIA
New Delhi, 30 January

The government is expected to realise ₹39,500 crore from the Sabka Vishwas Scheme, a dispute resolution-cum-amnesty scheme for settling pending disputes of service tax and central excise, according to sources.

This will act as a big booster for the government, which is staring at revenue shortage from both direct and indirect taxes.

Nearly 190,000 applications involving duties of about ₹90,000 crore were filed during the amnesty window which closed on January 15, sources said.

The Central Board of Indirect Taxes and Customs (CBIC) closed the Sabka Vishwas (Legacy Dispute Resolution) Scheme with duty payable being ₹39,591.91 crore (₹24,770.61 crore pre-deposit and ₹14,821.30 crore freshly payable), the sources said adding that out of this, ₹1,855.10 is already paid.

Total 1,89,215 applications involving a total duty of ₹89,823.32 crore were filed, one of the sources said.

Finance Minister Nirmala Sitharaman had unveiled the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, in the Budget 2019-20 with the objective of settling pending disputes of service tax and central excise.

The Sabka Vishwas Scheme, which became operational on September 1, 2019, provides a one-time window to eligible persons to declare their tax dues and pay the same in accordance with the provisions.

According to the finance ministry, a total of ₹3.6 trillion is locked up in 1.83 lakh cases at various quasi-judicial, appellate and judicial forums under service tax and central excise put together.

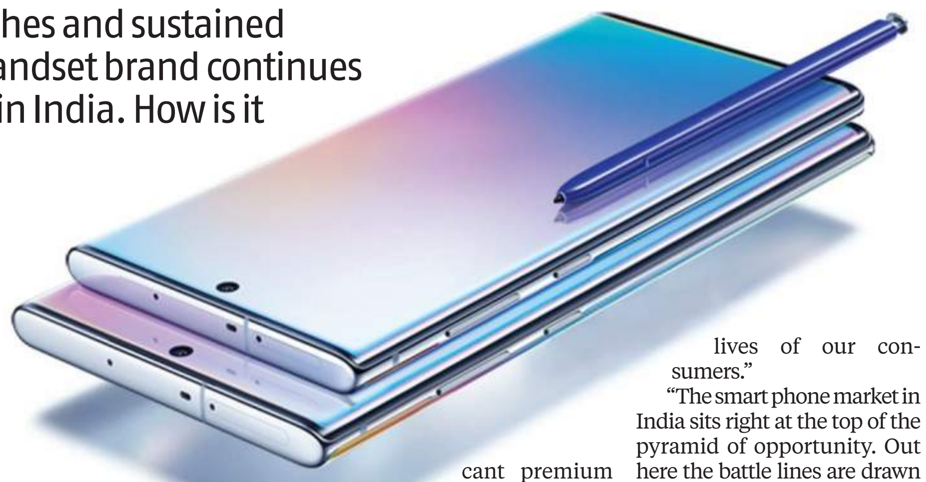
The introduction of the goods and services tax regime, which has subsumed these legacy taxes, has given an opportunity to the government and also to taxpayers to settle these cases.

Under this scheme, relief is to the tune of 70 per cent of the duty involved if it is ₹50 lakh or less, and that of 50 per cent if it is more than ₹50 lakh.

This scheme was for cases pending in adjudication or appeal or in investigation and audit in latter cases, the duty involved must be quantified and communicated or admitted by the taxpayer in a statement on or before June 30, 2019.

Samsung looks for its old grip as market share dips

Despite new launches and sustained advertising, the handset brand continues to lag rival Xiaomi in India. How is it fighting back?



T E NARASIMHAN
Chennai, 30 January

How does a brand that once rode the highs, in one of the fastest growing smartphone markets in the world, navigate the troughs? Ask Samsung. The Korean mobile handset brand has been steadily losing market share in India, with its gap with market leader Xiaomi widening through 2019.

It has 18.9 per cent share of the market (Q3 2019, IDC), down from 22.6 per cent for the third quarter of 2018. Xiaomi has 27.1 per cent share (Q3 2019), marginally lower than the 27.3 per cent in Q3 2018. The IDC report added, "Samsung was the only vendor amongst the top five to fall (in terms of shipments), dropping 8.5 per cent YoY in Q3 2019. The lag between older Galaxy A series (Galaxy A10, 50, etc.) and the refreshed Galaxy As (Galaxy A10s, A50s etc.) series just before the Diwali quarter led to this sharp decline. However, newly launched Galaxy M30s registered strong shipments in its opening quarter."

For a brand that has been on the list of top 5 smartphone brands in the country for years and was once pitched as a rival to the iconic Apple brand in India, the numbers paint a sorry picture. How is the company retooling the brand to reconnect with its consumers?

The big lesson from the crisis is that a 'one size fits all' approach does not work. Consumers today seek unique propositions and the company is not just tuning in more closely to what they want, but the company said it is also crafting a more localised communication strategy.

"At Samsung, we spend a lot of time understanding our consumers. We know that our consumers are spending a lot of time binge watching, clicking pictures and playing games. Consumer behaviour has inspired some of our most important innovations," said Aditya Babbar, director, Mobile Business, Samsung India. He points to (handsets in the ₹15,000 and above range) new screens, batteries and premium camera features that are delivering an experience closer to what users want, than ever before. "The core smartphone experience has been better than ever in 2019," he added.

> **"The core smartphone experience (for Samsung mobile phone users) has been better than ever in 2019"**
>
> ADITYA BABBAR
> Director, Mobile Business, Samsung India

Babbar highlights the innovations introduced during 2019, especially the Galaxy Fold that costs over a lakh in the Indian market. Increasingly the brand is using tech-driven innovations to create an experience that helps command a significant premium for its phones, thereby moving away from the discounting game that is the forte of its Chinese rivals.

According to a report by Kantar, a research, data and insight company, brands are driving 'premium-ness' by embedding what it calls purposeful innovation. The exercise has been on globally for several years now, with brands managing to more than double their brand values and between 2014 and 2018 (the latest numbers tracked by the agency) brands that were able to innovate and convey purpose effectively were able to climb up the premium index and increase their average brand value by 106 per cent.

Samsung wants to demonstrate its tech credentials to a generation that puts a huge premium on such features and is hoping to thereby, drive up the value of the brand. Babbar said, "Our aim is to enable the 'Galaxy Lifestyle' in which technology is seamlessly integrated to enhance every aspect of the lives of our consumers."

"The smart phone market in India sits right at the top of the pyramid of opportunity. Out here the battle lines are drawn between players with cosmetic brand appeal, versus players with functional superior appeal. While Apple sits at the top, players like One Plus, Vivo and Oppo sit at the bottom. Samsung enjoys the unique position of being in between," said Harish Bijoor, founder Bijoor Consults.

Customer research by Samsung shows that Indian phone users are upgrading faster than they used to. Indian consumers have evolved faster than their global counterparts and have become increasingly demanding. The average upgrade cycle for Indian consumers are coming down because consumers are no longer driven just by necessity, but by the desire for newer innovations and better technology, according to Babbar.

The company is also focusing on digital as a channel for communication, sales and delivery, but also to understand and reach out to customers who spend a long time researching their brands online. "We have also shifted focus with digital now being one of the most salient channels for us. A significant portion of our ATL spends are parked for digital," said Babbar.

FROM PAGE 1

Tax estimate...

So far as GST collection is concerned, the government had re-set the target to ₹1.10 trillion in each of the last four months of the current financial year with one of them yielding ₹1.25 trillion. However, after the target was set, GST collection for December came in at ₹1.03 trillion. After that, the revenue department again revised the target at ₹1.15 trillion for January and February each and ₹1.25 trillion for March.

The indirect tax amnesty scheme, Sabka Vishwas (Legacy Dispute Resolution Scheme), has, meanwhile, come to the rescue of the government with an additional ₹38,000 crore to be added to the exchequer.

Initial expectations of the government were that the exchequer would be hit by ₹1.45 trillion due to corporation tax rate cuts. But Revenue Secretary A B Pandey had kept the direct tax collection target intact at ₹13.35 trillion for FY20 at his meeting with senior tax officers in December.

Experts, however, said the tax target, including that of direct taxes, would be missed. Officials too admitted it. "Ideally, the tax target for the fiscal year should be cut by ₹1-1.5 trillion in the Budget," said Madan Sabnavis, chief economist, CARE Ratings.

Rakesh Nangia, chairman of Nangia Andersen Consulting, said the Centre was looking at a shortfall in its tax collection target. "This surely leaves less room for the government to grant further tax cuts."

The forecasting exercise for revenue targets by the government has come under the scanner of even the International Monetary Fund, which questioned the basis of the high growth projected this fiscal year despite economic slowdown.

The target for the fiscal year was revised lower by ₹90,000 crore in the Budget presented in July 2019 compared to the one given in the Interim Budget presented in February of that year but it still required a growth rate of 18.26 per cent, far higher than the 8.3 per cent growth achieved in 2018-19. The FY19 saw a big shortfall of ₹1.67 trillion compared to the revised estimates, the highest in several years. It was the only year since at least FY15 that the revenue projections were cut in the revised estimates, and yet the target was not met.

The demonetisation year, 2016-17, was the only year when the collection, at ₹17.1 trillion, exceeded the Budget estimate of ₹16.3 trillion and even the revised estimate of ₹17 trillion. However, experts say the demonetisation year of 2016-17 and its following year 2017-18 should have been treated as outlier years to set targets for normal years like 2018-19 and 2019-20.

"One cannot expect the collection trend seen in the demonetisation year to continue, hence it should be taken as an outlier while doing growth projections. There were new taxpayers and people revised returns, which eventually had to fizzle out," said a government official.

In FY19, the tax department had internally pitched for a reduction in the collection target to ₹11.3 trillion from ₹11.5 trillion in the Budget estimates but was instead entrusted with the task of collecting an additional sum of ₹50,000 crore to spend on farmer-related welfare schemes.

RBI allows...

In August 2018, the lender had issued perpetual non-convertible preference shares, which it said would trim promoter shareholding from 30.3 per cent to 19.7 per cent, but the regulator did not agree with this method. The bank had sought interim protection from the RBI directive and proposed capping of voting rights of the promoters. The private lender was ready to issue an undertaking to limit its promoter voting rights to 20 per cent until May 2020 as concentration of power by the promoter was the main issue for the banking regulator. According to RBI norms, a bank needs to bring down its promoter shareholding to 40 per cent in the first three years after starting operations. Thereafter, the bank needs to bring down its promoter shareholding to 20 per cent in 10 years and 15 per cent in 15 years.

Rahul Bajaj...

The company will seek shareholders' approval through a special resolution, it said. On Wednesday, Bajaj Finserv, the group's financial services business, also notified Bajaj's resignation as chairman, including from subsidiaries Bajaj Finance and Bajaj Allianz General Insurance.

Popular for his plain speak and harsh critique of the government's policies since the pre-liberalisation era, the Padma Bhushan awardee is a Harvard Business School alumnus. He is known in corporate circles as the man who does not mince words when it comes to any matter of national interest, or echoing corporate India's woes. On November 30, 2019, at an awards event organised by the Economic Times in Mumbai, Rahul Bajaj said he was "born anti-establishment".

In the 1970s, when Italy's Piaggio didn't renew Bajaj's licence, he began manufacturing his own brand of scooters with names like Chetak and Super.

India Inc...

While Infosys draws around 25 per cent of its total revenues from European continent including the UK, TCS has a 30 per cent contribution from this geography. UK itself constitutes 16 per cent of TCS' top line. Similarly, Wipro has a revenue share of 24 per cent from Europe.

However, uncertainties related to Brexit have slowed the pace of revenue growth for most of these firms. For instance, TCS revenues from the UK grew at 7.5 per cent in Q3 of FY20, down from 14 per cent in the previous quarter. With Britain formally exiting EU, company executives expect better days ahead. In preparation for Brexit, TCS would relocate 1,200 workers from the UK, the company said.

Infosys officials had indicated last May that Brexit was turning out to be worse than the Y2K fear due to uncertainties surrounding the actual exit. "It is something which is a huge concern to all our clients.

Brexit, however, can be a blessing in disguise for the IT sector as more digital solutions will be needed for a new set of customs and border control between the UK and the EU. As most companies try to minimise supply chain disruptions, Indian firms can offer software solutions to manufacturing companies. "The only thing that has been confirmed is that Brexit is happening. However, the real challenge is yet to come. Brexit's biggest impact will be on the UK's ability to trade freely with the rest of the world until it has negotiated separate trade agreements, which were formerly covered by the EU," said Hansa Iyengar, senior analyst at Ovum Research. "We expect some uptick in UK revenues (of Indian IT firms) from calendar Q2 (April-June) and beyond."

The adjustments that IT firms are required to make for Brexit are modest, according to Peter Bendor-Samuel, founder and CEO of outsourcing advisory firm Everest Group. ''They have repositioned some of their talent out of the UK into the EU. Also, most firms have already been present in the EU countries with strong sales and delivery capabilities," he said.

Beyond IT, Tata Steel has significant presence in the UK. A source in the know ruled out any Brexit impact on Tata Steel customers or supply chain as status quo would continue till December. Among others, Essar Oil UK Ltd, which operates a 10 million tonne per annum oil refinery in Stanlow, is unlikely to see any disruption in business due to Brexit, an official said.

(With inputs from Shally Seth Mohile in Mumbai & Ishita Ayan Dutt in Kolkata)

BS SUDOKU # 2961

	9	6	2	5	3			4
2	5	7	8	6	4			
4				1				2
5				8	1		6	3
6		9	3	2	7			
	3				5			
		4	1			9		
				9	8			6
					2	7	4	1

SOLUTION TO #2960

3	6	1	7	8	2	9	5	4
9	8	7	3	5	4	2	1	6
2	5	4	9	1	6	3	7	8
5	3	8	1	7	9	6	4	2
4	2	9	8	6	5	7	3	1
7	1	6	2	4	3	8	9	5
8	9	5	6	3	1	4	2	7
6	4	3	5	2	7	1	8	9
1	7	2	4	9	8	5	6	3

Very easy: ★
Solution tomorrow

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

Justice Srikrishna slams govt for Data Bill changes

Says data protection panel, to be selected by officers, can't be a stooge of govt

PAVAN LALL & NEHA ALAWADHI
New Delhi /Mumbai, 30 January

"They have messed up the control mechanisms that relate to the access of the data of a person, which should instead have been laid down by parliamentary process and law. What has been done is Orwellian"
JUSTICE B N SRIKRISHNA, head of panel that made first draft of Data Protection Bill

Former Supreme Court judge B N Srikrishna, who headed the committee that made the first draft of the Personal Data Protection Bill, slammed the current version of the proposed legislation, saying its provisions were "Orwellian" and diluted some of the protections the rough cut.

"They have messed up the control mechanisms that relate to the access of the data of a person, which should instead have been laid down by parliamentary process and law. What has been done is Orwellian," he told *Business Standard*.

He addressed some such issues at a law conference in Bengaluru on Thursday.

The Bill in its current form gives the Central government the powers to exempt any agency from its provisions. It states that the Central government can decide in the interests of "sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order" or "for preventing incitement to the commission of any cognizable offence relating to certain conditions, direct that all or any of the provisions" of the Personal Data Protection Bill would not apply to "any agency of the Government". The former judge came down hard especially on the role of the Data Protection Authority (DPA), whose job will be to protect the personal data of Indian citizens. The selection committee of the DPA will consist of the cabinet secretary, two secretaries to the government, and others.

"The DPA will be selected by a group of babus. Before placing someone in the chair I have to ensure he is an independent person, otherwise he will turn out to be a stooge of the government," he said at the ITech Law Association conference earlier in the day.

The first draft of the Bill was submitted under a committee chaired by Justice Srikrishna in July 2018 and had also suggested a DPA, but he said it was a more well-defined body. "This was not how we had originally designed the Bill. We were specific about using due process. Even parliamentary law has to comply with constitutional parameters laid down by the Supreme Court in accordance with the Puttaswasamy judgment," he said.

The Puttaswamy judgment held that the right to privacy was protected as a fundamental constitutional right.

The Personal Data Protection Bill, which has been in the works for over a year, was introduced in the Lok Sabha on December 11, and referred to a Joint Select Committee following a voice vote.

The committee is headed by Member of Parliament Meenakshi Lekhi. Its first meeting was held on January 16 with the Ministry of Electronics and Information Technology, which has drafted the Bill. The committee has now invited suggestions from other stakeholders on the Bill. Legislation on data protection has been a long-standing demand from industry and lawmakers since the Supreme Court ruled privacy a fundamental right.

Justice Srikrishna recently slammed parts of the Bill under consideration, and stressed looking at the overarching powers given to the government.

"The bottom line is that a Bill such as this does not protect people's rights and that's downright dangerous. The important thing to note is this: While the law was intended to protect us it also has to apply equally to private citizens and the government," he said.

Man fires at anti-CAA protesters in Delhi

'I'm giving freedom': The man posted on Facebook , minutes before opening fire

PRESS TRUST OF INDIA
New Delhi, 30 January

The man who opened fire at anti-CAA protesters, at Jamia Nagar in New Delhi on Thursday, could be a minor PHOTO: PTI

Thousands of people and police personnel faced off against each other near the Jamia Millia Islamia University on Thursday after a man fired a pistol at a group of anti-CAA protesters, injuring a student before walking away while waving the firearm over his head.

Minutes before firing, the man made a number of posts on Facebook saying '*azaadi de raha hun* (I am giving freedom)', '*Shaheen bhag khel khatm* (Run Shaheen, the game is over)' and '*mere ghar ka khayal rakhna* (take care of my home)'.

While a Facebook profile named him Rambhakt Gopal, police officials said they were yet to ascertain whether it was his real name. The man went live on Facebook five times from the protest site. The profile was deleted after screenshots of the posts went viral.

The entire drama was captured by television cameras. Behind the man, a group of policemen could be seen in the frame. "By the time police could react, the person had already fired. Everything happened in seconds. The investigation is on and the case has been transferred to the Crime Branch," said Special CP Intelligence Praveer Ranjan.

His shot injured Shahdab Farooq, a Jamia Milia Islamia student, before the gunman was overpowered by police and taken into custody. Najma Akhtar, the vice-chancellor, said: "Cops just watched as man the brandished pistol and shot our student, incident has shook our faith in police." She said the university would pay for the treatment of the injured.

A Facebook spokesperson said there was no place on the site for those who commit this kind of violence. "We have removed the gunman's account and are removing any content that praises, supports, or represents the gunman or the shooting as soon as we identify it."

As tension spiralled in the area, Home Minister Amit Shah said on Twitter that he had spoken to the Delhi police commissioner to take strictest possible action.

The home minister also said the Central government will not tolerate such incidents and the guilty will not be spared.

As night fell, scores of people gathered outside the Delhi Police Headquarters at ITO condemning the attack.

Rahul Gandhi alleges Modi, Godse share same ideology

PRESS TRUST OF INDIA
Wayanad (Kerala)/New Delhi, 30 January

Congress leader Rahul Gandhi on Thursday fired a fresh salvo at Narendra Modi alleging that the prime minister believed in the same ideology as Mahatma Gandhi's assassin Nathuram Godse.

Gandhi's attack on Modi on a day coinciding with the 72nd death anniversary of Mahatma Gandhi drew a sharp response from BJP leader and union minister Pralhad Joshi who said there cannot be a more "arrogant" person than the Gandhi scion who once tore down the ordinance brought by his own government and slammed the then PM Manmohan Singh.

Addressing thousands of party workers after leading the "Save the Constitution" march at Kalpetta in Kerala, the Wayanad MP also said Modi was making Indians to prove that they are citizens of the country.

Referring to Godse, Gandhi said Modi shared the same ideology with him (Godse). "Today, an ignorant man is trying to challenge Gandhi's ideology. He is so full of hatred and anger that he cannot even understand what India's strength is."

Pralhad Joshi, who is the parliamentary affairs minister, said: "There cannot be a more arrogant person than Rahul Gandhi who tore down the ordinance brought by his own party's government."

Campaign ban on Union minister Anurag Thakur, BJP MP Parvesh Verma

The Election Commission on Thursday barred Union Minister Anurag Thakur from campaigning in the Delhi Assembly polls for three days and BJP MP Parvesh Verma for four days for their controversial remarks.

An EC official said the decision was taken as the poll panel was not satisfied with their reply to the show-cause notices.

West Delhi MP Verma on Tuesday said what happened in Kashmir with Kashmiri Pandits could happen in Delhi, warning that lakhs of anti-CAA protesters in Shaheen Bagh could enter homes to rape and kill women.

During an election rally here, Thakur egged on the crowd to raise an incendiary slogan — "shoot the traitors" — after he lashed out at anti-CAA protesters. PTI