

How markets performed last week				
	Index on Jan 3, '20	*One-week	% chg over Dec 31, '18 Local currency	in US \$
Sensex	41,465	-0.3	15.0	11.7
Nifty	12,227	-0.2	12.6	9.4
Dow Jones	28,635	0.0	22.8	22.8
Nasdaq	9,021	0.2	36.0	36.0
Hang Seng	28,452	0.8	10.1	10.8
Nikkei (Dec 30)	23,657	-0.8	18.2	19.1
FTSE	7,622	-0.3	13.3	16.2
DAX	13,219	-0.9	25.2	21.9

*Change (%) over previous week Source: Bloomberg

VIOLENCE AT JNU AS MASKED MEN ATTACK STUDENTS, TEACHERS

Violence broke out at Jawaharlal Nehru University (JNU) on Sunday night as masked men armed with sticks attacked students and teachers and damaged property on the campus, prompting the administration to call in police. At least 18 people were injured and admitted to the All India Institute of Medical Sciences. 6▶

BACK PAGE P14 Power bill over ₹1 lakh? Can't use ITR-1 form

The income-tax department on Sunday notified two income-tax returns (ITRs) for assessment year 2020-21 three months in advance, bringing more individuals into the mandatory return filing net. The department notified ITR1-Sahaj and ITR 4-Sugam in January against the usual practice of notifying returns in April, with disclosure requirements related to cash deposits, spending on foreign travel, and electricity.

COMPANIES P2

Bankers plan escrow account for Suzlon

Throwing a lifeline to debt-ridden Suzlon Energy, the lenders to the company have finalised a resolution plan. Sources said barring one bank, all lenders are ready to convert more than 50 per cent debt into new debt, with the rest being unsustainable debt. SHREYA JAI writes



BANKER'S TRUST: Five banking trends for the new year

This could be a year of higher NPAs, more recovery, relatively strong bank balance sheets, low credit growth, and better-managed cooperative banks. TAMAL BANDYOPADHYAY writes



POLITICS & PUBLIC AFFAIRS: It's a catch-22

Future uncertain for the Asom Gana Parishad after protests against the amended citizenship Act rupture Assam. RADHIKA RAMASESHAN writes

STATSGURU: The valves of infrastructure pipeline

TO OUR READERS

The four-page commercial feature on Republic TV, being carried as a separate section, is equivalent to a paid-for advertisement. No Business Standard journalist was involved in producing it. Readers are advised to treat it as an advertisement.

'Policymakers must stop treating cars like sin goods'

R C BHARGAVA has spent almost 40 years in the Indian auto industry. Even for him, the year 2019 has been the worst for the sector. He says the government's attitude of increasing the ownership cost of cars is the main reason why sales have been going down. In an interview with Arindam Majumder, he cautions that increasing taxes on cars – to mitigate any revenue shortfall – will affect the economy and job creation. Excerpts:

For the auto industry, was the year 2019 the worst you have seen?
In terms of sales drop, 2019 was probably the worst. The year was in many ways a very unusual one. The biggest difference, something which never happened before, is that the transition to a different technology (Bharat StageIV to BSVI) was being done in a manner that has never been seen before.
During earlier transitions, this condition that BSVI will not be registered after March 31 was not there. This deadline made life difficult for manufacturers — how to control production and sales so that you don't have any stocks left at the end of the year.
Also, a lot of consumers started believing that at the end of the year,

there would be distress sales of BSVI stocks. This method of changeover creates difficulties.
Secondly, the cost of vehicles went up due to high safety and emission standards, which had to be enforced in 2019.

The third factor was tax increase because nine states were running short of revenue. The thinking among policymakers still remains — if you want to raise tax, raise it on alcohol, cigarettes, and cars.
Simultaneously, banks — worried about their losses — tightened lending criteria, making many customers ineligible for loans.
The desire of Indians to have a car is still high. But what do I do with my aspirations if



I don't have the money?

So, such aspirations have not reduced due to Ola and Uber. Indians just don't have the buying power anymore...
No. Ola and Uber have an impact on sales for millennials. They have a lifestyle different from

what the earlier generations had. Having a car is not such a person's priority. He goes to parties, and likes travel and holidays. That class wants to have money for things other than cars.

Is that section big enough to have an impact on sales?

Not a big impact as of now but definitely it has started showing. Companies need to understand their psychology. This is more prominent in big cities. Delhi and Mumbai are no more the sales hubs.

WHAT I LOSE IN PERSONAL VEHICLE SALES WILL BE MADE UP BY OLA AND UBER
R C BHARGAVA
Chairman, Maruti Suzuki

have a replacement cycle, which is shorter than that of a personal car. An individual's car will work for 15 years. An Uber car needs to be replaced after four years. So when this replacement cycle kicks in, they will start buying more. What I lose in personal vehicle sales will be made up by Ola and Uber.

Turn to Page 5 ▶



PERSONAL FINANCE P13

SECONDARY MARKET BUYING OF GOLD BONDS ISN'T EASY

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

STRATEGY P8

TRAVELLING IN THE SHADOW OF A SLOWDOWN



I-T Act may allow seizure of trustees' personal assets

The new provision is likely to come in Union Budget next month

SHRIMI CHOUDHARY
New Delhi, 5 January

TIGHTENING THE NOOSE

The Union Budget is likely to have a provision to make trustees liable in the case of violation of charitable trust norms linked to tax exemptions or registration of entities.

The new provision under the Income-Tax (I-T) Act may enable the authorities to seize trustees' personal assets if there's a breach of objectives governing registered charitable trusts, a source in the government said. This is being considered when Tata Trusts is contesting a recent tax department ruling on a related matter.

At present, in the case of any such violation, the onus is only on trusts as an institution and not on trustees. The new provision is likely to be part of the Finance Bill, 2020.

"Public trusts have become the easiest route to launder money due to lack of governance and proper monitoring. The operation of trusts is mostly opaque and there's no system to track them," according to the source.

Since these trusts also receive funds from genuine people, the managers of these trusts should be questioned and held liable for not fulfilling the objectives, he explained. The government is also contemplating putting a threshold limit between 5 and 10 per cent of income for foreign donation by charitable trusts or non-profit institutions. Currently, there's no such cap and trusts can claim exemption if the activities are under Section 11 (I) of the I-T Act (to promote international welfare



- **Review of provisions for exemptions** to trusts from specific date applied
- **Sunset clause will provide three years** to unwind investments
- **Liability should be on trustees** where provision of Income-Tax Act is not complied with
- **Trustees are legal owners of trusts' assets** and act in the best interests of beneficiaries
- **They ensure compliance** with the terms of trusts' deed
- **Beneficiaries are owners** of trusts' assets
- **Cap of 5-10% of income** could be levied for making foreign donations
- **Trustees should not be granted tax exemption**, if foreign donation does not serve the purpose

where India is interested). However, certain charitable trusts are claiming exemption even for those foreign donations which don't fall under the category.

Further, the government is learnt to have sought opinion on bringing a level playing field for charitable institutions which are enjoying tax exemption based on their year of establishment. This could be done by inserting a sunset clause by providing three years to wind up investments, for instance, an official pointed out. Currently, the I-T Act has different dates for modes and forms of investment made on or before 1952, 1973, 1982, and so on.

There are trusts which continue to hold

investments made prior to 1973, another source said, highlighting the issue. "It was observed that there is nothing on record to show that investments were made from corpus/income of these trusts in 1973 or before. It was also noted that the corpus fund of the trusts is being utilised to control the businesses of group companies through a majority stake in them, instead of using them for charitable purpose," he said.

Exemptions are available to various trusts under different forms and modes for investing funds and hence have to be treated differently, making tax assessment difficult, according to tax experts.

Turn to Page 5 ▶

US-Iran tensions keep markets on edge

Experts fear risk-off trade, spike in oil prices, weaker rupee to hurt India's fundamentals

JASH KRIPLANI, ANUP ROY & ASHLEY COUTINHO
Mumbai, 5 January

Market participants are bracing themselves for heightened volatility as escalating tensions between the US and Iran are threatening to disrupt macroeconomic conditions, with oil prices likely to go up amid possibilities of a full-blown conflict between two of the biggest oil-producing nations.

"Given India's sensitivity to global crude oil prices, any sustained spike led by geopolitical risks may naturally lead to depreciation pressure on the rupee and increase in bond yields, with other things being equal," said Kaushik Das, India chief economist, Deutsche Bank.

"Volatility will rise in the coming weeks and months," added Das.
On Friday, Brent crude closed 3.5 per cent higher at \$68.96 per barrel after the US confirmed the success of its drone strike, killing



A protester outside the Federal Courthouse in St Louis in the US on Saturday

PHOTO: PTI

Qassem Suleimani, commander of Iranian forces.

Currency experts fear the rupee could react in the coming sessions, which may trigger a heavy pull-out by foreign portfolio investors (FPIs), looking to avoid the impact of currency volatility on their returns.

"A volatile rupee would spook FPIs at a time when we desperate-

SIGNS OF RISK AVERSION

US markets took a hit on Friday; oil prices, gold saw spike

Index	Country	Price*	% change*
DAX Index	Germany	13,219.00	-1.25
Dow Jones	US	28,634.88	-0.81
Nasdaq	US	9,020.77	-0.79
Nikkei	Japan	23,656.62	-0.76
₹ vs \$	India	71.81	-0.61
Nifty50	India	12,226.65	-0.45
BSE Sensex	India	41,464.61	-0.39
Hang Seng Index	Hong Kong	28,451.50	-0.32
Shanghai Composite	China	3,083.79	-0.05
Gold spot \$/oz	International	1,552.20	1.51
Brent crude \$/barrel	Brent	68.96	3.51

*on Friday Source: Bloomberg

ly need foreign demand, especially in the bond markets. The rupee at 72.75 is likely to act as resistance for dollar-rupee in the medium term. At 71.20, there is a strong support on the downside," said Abhishek Goenka, managing director at IFA Global, a foreign exchange advisory firm.

For the equity markets, a

reversal in FPI flows can lead to broad-based selling as overseas investors bought in ₹1.01 trillion worth of equities in 2019, which was 2.4x the investments made by domestic institutional investors.
On Friday, the rupee depreciated by 0.61 per cent against the dollar, closing at ₹71.81.

Turn to Page 5 ▶

Big realtors eye development mgmt models



RAGHAVENDRA KAMATH
Mumbai, 5 January

Godrej Properties, the real estate arm of the Godrej Group, recently signed a development management (DM) contract deal with Pune-based developer Solitaire to develop a project of 25 million square (sq.) feet (ft) and invested its money in 50 per cent of the land cost.

In a normal DM model, Godrej would not have given money for the land. It would have just lent its name to the project and carried out the construction, marketing, and sales for a fee which is 12-15 per cent of the top line of the project. It has already paid around ₹500 crore and is giving some more money to its partner.

Godrej signed a similar deal with a Bengaluru-based developer recently. In the new version of DM, Godrej may or may not charge a fee, as it's a 50 per cent partner in the project.
Goods and services tax and the Real Estate (Regulation and Development) Act (RERA) created liquidity challenges for small developers. For instance, RERA bans the pre-launch of projects before approvals and mandates that 70 per cent of a project proceeds have to be kept in an escrow account.
It is these liquidity issues that have led to landowners/developers failing to fund projects, damaging the reputation of their partners

HOMING IN

How DM works

The landowner/ developer brings in land and takes care of approvals, funding, etc. The development management (DM) partner takes care of execution, marketing, and sales for a fee

Why is DM model in trouble?

Because of **liquidity issues**, landowners/developers are not able to fund a project

Solution brands found

Developers, such as Godrej, are **investing their own money in land**, while Shapoorji Pallonji is taking contracts, where banks are restructuring a loan account

who are normally big brands. Faced with financially troubled partners in DMs, top developers, such as Godrej Properties and Shapoorji Pallonji Real Estate, are looking at new DM models to safeguard their interests.

In a DM deal, landowners have to take care of approvals and funding but need not bother about the hassles of construction and marketing a project. For the other company, it is a way of earning additional revenue with a DM contract.

Turn to Page 5 ▶