TUESDAY, 7 JANUARY 2020
16 pages in 1 section
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THE MARKETS ON MONDAY		Chg#
Sensex	40,676.6▼	788.0
Nifty	11,993.0▼	233.6
Nifty futures*	12,043.7▲	50.7
Dollar	₹71.9	₹71.8**
Euro	₹80.6	₹79.9**
Brent crude ($/bbl)##	69.7##	69.0**
Gold (10 gm)###	₹40,678.0▲	₹747.0

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

WORLD P15
BOEING UNCOVERS ANOTHER DESIGN FLAW WITH 737 MAX

WORLD P15
PHOENIX WINS GOLDEN GLOBE FOR BEST ACTOR

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

GOVT ACTING AGAINST CORRUPT FEW, NOT WHOLE INDUSTRY: PM

Prime Minister Narendra Modi on Monday said action against a few corrupt entities should not be seen as the government crackdown on the corporate sector, as he sought to allay fears over his regime's intentions. Speaking at the centenary celebrations of Kirloskar Brothers, he said the attempt was to allow industry to create wealth fearlessly in a transparent environment where there were no obstacles at all. 2 ▸

ECONOMY & PUBLIC AFFAIRS P4

Services PMI rises to 5-month high in Dec

Services sector activity gained momentum and touched a five-month high in December. It was supported by an uptick in new business orders that boosted output as well as employment, the Nikkei India Services Purchasing Managers Index (PMI) showed on Monday. It rose from 52.7 in November to 53.3 in December. Services growth had peaked to a 43-month high of 54.7 in August, followed by two-straight months of contraction.

COMPANIES P2

Synergy Group submits fresh EoI for Jet Airways

South America-based Synergy Group has again given a formal Expression of Interest (EoI) for Jet Airways, sources said. The latest deadline for EoI applications is January 15, the committee of creditors (CoC) had decided at their latest meeting. There were reports that the Hinduja Group would also apply but the sources say this is yet to happen. Synergy had given an EoI for Jet in the first round of bidding too.

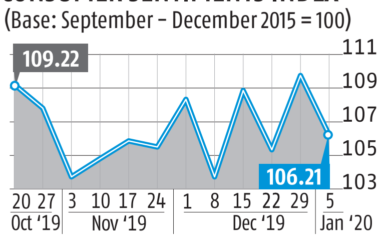
ECONOMY & PUBLIC AFFAIRS P6

Delhi Assembly polls on Feb 8; results on Feb 11

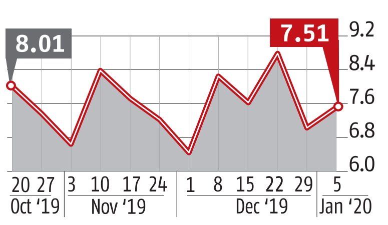
The Delhi Assembly elections will be held on February 8 which will witness a triangular contest among the ruling Aam Aadmi Party, the Bharatiya Janata Party and the Congress. The results will be declared on February 11, the Chief Election Commissioner Sunil Arora announced on Monday, with the notification to be issued on January 14.

THE CMIE TRACKER

CONSUMER SENTIMENTS INDEX
(Base: September - December 2015 = 100)



UNEMPLOYMENT RATE (%)



Source: CMIE

INADEQUATE AND INAPPROPRIATE JOBS GROWTH 8 ▸

Iran crisis roils markets

NIFTY, SENSEX SEE WORST FALL SINCE SEPTEMBER 3 | RUPEE BREACHES 72 AGAINST DOLLAR IN INTRA-DAY TRADE | GOLD RISES TO 6-YR HIGH; BRENT CRUDE NEAR $70/BARREL

SUNDAR SETHURAMAN
Mumbai, 6 January

Domestic equities slumped on Monday and posted their biggest fall in four months as investors dumped stocks amid worries about the impact of escalating US-Iran tensions on crude oil prices and its implications for the rupee and fiscal deficit.

The Sensex and Nifty plunged more than 1.9 per cent each — the highest since September 3, 2019.

The Sensex tumbled 788 points to end at 40,677 while the Nifty closed at 11,996, down 231 points.

PAGE 9
EDIT: PREPARING THE RESPONSE

The killing of a top Iranian military commander in Iraq last week has raised the risk of military confrontation in West Asia. Iran on Sunday announced its decision not to comply with limits on uranium enrichment.

And US President Donald Trump responded by threatening to strike Iran disproportionately if it retaliated against any US target.

Analysts said the geopolitical tension had increased the risk of unknowns, something which is getting reckoned on in the Indian markets.

"Rising crude oil prices will worsen our trade deficit, and in a weak growth climate, higher oil prices will act as a further dampener on economic revival. If the geopolitical tensions linger, it will dampen the enthusiasm for equity investing the world over and FPI (foreign portfolio investment) flows to India will suffer," said Saurabh Mukherjea, founder, Marcellus Investment Managers. Turn to Page 13 ▸

BEARS TAKE CHARGE

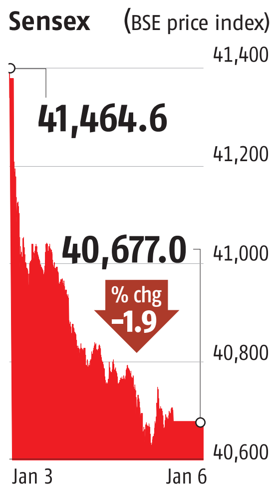
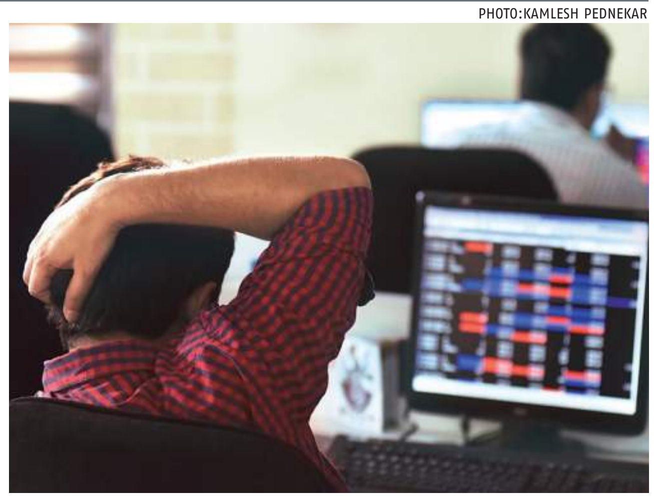
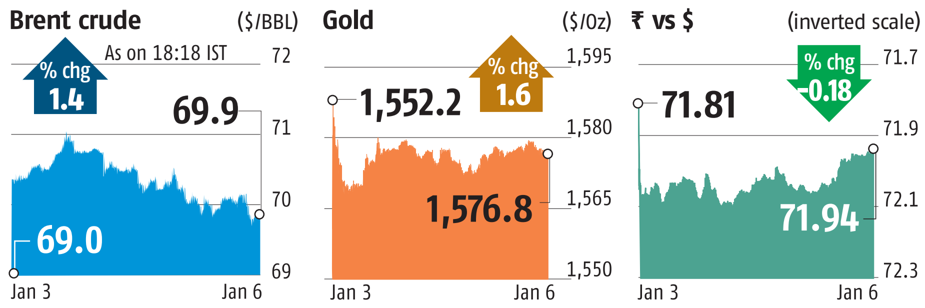


PHOTO: KAMLESH PEDNEKAR





PAGE 11 ▸ OIL RALLY HAS A CRUDE IMPACT ON KEY SECTORS | INVESTORS BECOME POORER BY OVER ₹3 TRN IN 2 DAYS | INDIA'S BROADER MARKET IS MORE VULNERABLE THAN EVER

WORLD P15 ▸ IRAN PUTS $80-MN BOUNTY ON TRUMP

Margin for banks to lend ₹3.5 trn extra set to end

RBI unlikely to extend capital buffer relaxation

RAGHU MOHAN
New Delhi, 6 January

The Reserve Bank of India (RBI) may not extend the relaxation given last year to banks to comply with its capital conservation buffer (CCB) norm of 2.5 per cent by the end of 2019-20 (FY20). The Centre has to take this aspect into account when it pencils in the recapitalisation amount for state-run banks for FY21. The amount was about ₹70,000 crore in FY20.

The buffer, introduced after the global financial crisis of 2008, is the amount banks have to set aside to absorb losses during times of stress. The deferment of the CCB's last tranche of an additional 0.625 per cent from 1.875 per cent in March 2019 to 2.5 per cent in March 2020 had left banks with ₹37,000 crore of extra capital, on the back of which they could have increased lending by ₹3.5 trillion. This headroom will not be available in FY21, unless public sector banks (PSBs) are adequately recapitalised.

The CCB easing had broken the transitional sequence for capital ratios from April 1, 2013 onwards. It can be expected to figure in the pre-Budget talks for FY21 between the RBI and North Block. The subject is also linked to the higher provisioning call on banks due to the central bank's June 7 circular and telecom loan pains following the Supreme Court's order on the adjusted gross revenue, which entails a payout of ₹1.33 trillion to the Centre, inclusive of interest and penalties.

The RBI made a special mention of the CCB go-easy in its report on the Trend and Progress of Banking in India (2017-18), and observed that while the government had been infusing capital into PSBs, this had been just enough to meet the regulatory minimum, including the CCB. Turn to Page 13 ▸

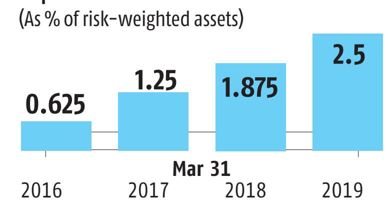
CAPITAL MATH

Regulatory capital as % of risk-weighted assets

Minimum common equity tier 1 (CET 1) ratio	5.5
Capital conservation buffer (comprises common equity)	2.5
CET 1 ratio plus capital conservation buffer	8.0
Additional tier 1 capital	1.5
Minimum tier 1 capital ratio	7.0
Tier 2 capital	2.0
Minimum total capital ratio	9.0

THE ORIGINAL TIMELINE

Capital conservation buffer
(As % of risk-weighted assets)



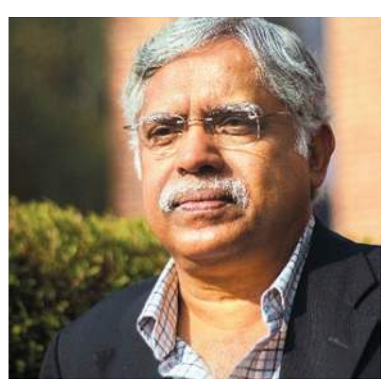
JNU professor quits statistics committee

SOMESH JHA
New Delhi, 6 January

A day after violence broke out in the Jawaharlal Nehru University (JNU) on Sunday, one of its professors, C P Chandrasekhar, resigned from a government-appointed committee, which was set to hold its first meeting to review India's economic data.

Last month, the Ministry of Statistics and Programme Implementation set up the Standing Committee on Economic Statistics, led by former chief statistician Pronab Sen, to "review the extant framework relating to data sources, indicators, concepts or definitions and other issues" of the economic datasets. The panel was created after concerns were raised about "political interference" in the statistical system. Two key statistical reports — one on the job market and the other on consumer spending — had been withheld by the government earlier.

BACK PAGE
CALLED COPS FOR 2 HOURS, DIDN'T GET HELP: JNUSU VICE-PREZ



Prof C P Chandrasekhar said he will not be able to serve on the committee under current circumstances

"I was persuaded that this government is not concerned about the robustness of India's statistical system. The JNU's incident on Sunday has further undermined the faith in the system. It shows that we are now living in a different world and it's hard to work with a government in which you have lost faith," Chandrasekhar told *Business Standard* over phone on Monday night. Turn to Page 13 ▸

Sit down & settle: SC to Tata, Wadia

Bombay Dyeing Chairman filed defamation case against Tata, others in 2016

PRESS TRUST OF INDIA
New Delhi, 6 January

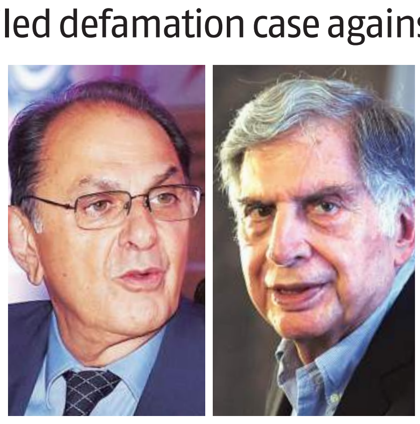
The Supreme Court on Monday asked Bombay Dyeing Chairman Nusli Wadia and Ratan Tata, chairman emeritus of Tata Sons, to sit together and resolve their differences in a defamation case.

Wadia filed a criminal defamation case against Ratan Tata and other directors of Tata Sons in 2016 after being voted out of the boards of some Tata Group companies.

"You both are mature people. You both are leaders of industry. Why don't you both settle the matter? Why don't you sit together and resolve your differences? Do you all need to pursue litigation like this?" said a Bench headed by Chief Justice S A Bobde.

The Bench, also comprising Justices B R Gavai and Surya Kant, which was initially inclined to dispose of the matter while upholding the finding of the Bombay High Court that there was no intention of defamation, adjourned the hearing to January 13, after counsel for Wadia said he would like to seek instruction from his client on the separate suit filed in the case.

Senior Advocate A Sundaram, appearing for Wadia, said he had nothing against the Tata group and was not claiming any defamation caused to him by his removal from the board. "I am not against the company, which removed me. I am against those people who requisitioned for the resolution, which was eventually leaked to the media," he said, adding that they should withdraw the allegations. The Bench told Wadia that Tata and others had some grievances against him and questioned as to how that amounted to defamation. Turn to Page 13 ▸



Nusli Wadia (left) and Ratan Tata

NCLAT REFUSES TO MODIFY ORDER

The National Company Law Appellate Tribunal (NCLAT) on Monday dismissed the Registrar of Companies' (RoC's) petition seeking modification of the judgment in the Tata-Mistry case, and said its ruling had not cast any aspersions on the RoC. 3 ▸

TCS BOARD WON'T MEET ON JAN 9

Tata Consultancy Services (TCS) will not kick-start the Q3 earnings season for the IT sector. It will wait until the Supreme Court hears its plea against the NCLAT order reinstating Cyrus Mistry as director. The SC is likely to take up Tata Sons' plea against Mistry on January 10. 3 ▸

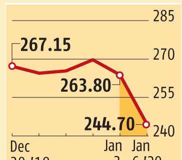
STOCKS IN THE NEWS

Force Motors

December vehicle sales up 62% at 2,747 units;YoY

₹1,177.20 CLOSE
▲ 7.51% UP*

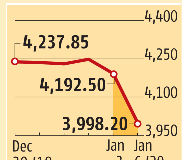
Hindustan Petroleum Corporation



Oil surges after Trump threatens Iraq sanctions, Iran retaliation

₹244.70 CLOSE
▼ 7.24% DOWN*

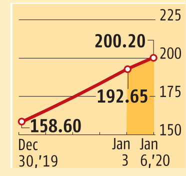
Bajaj Finance



Top loser among the S&P BSE Sensex stocks

₹ 3,998.20 CLOSE
▼ 4.63% DOWN*

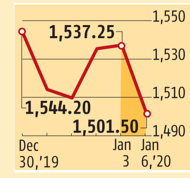
Adani Green Energy



FPIs holding touched all-time high at 20.8% in December quarter

₹200.20 CLOSE
▲ 3.92% UP*

Reliance Industries



Lost ₹24,000-crore market capitalisation in a single day

₹1,501.50 CLOSE
▼ 2.33% DOWN*

* OVER PREVIOUS CLOSE

IN BRIEF

DGCA to issue notices to 100 GoAir pilots for FDTL violation

Directorate General of Civil Aviation (DGCA) has started the process of issuing show cause notices to around 100 pilots and senior executives of GoAir over alleged violation of flight duty time limit (FDTL) norms, a senior official said on Monday. A source said GoAir cancelled as many as 40 flights between December 23 and 24. During this period, it also reported air turn back of two if its aircraft due to engine glitches and they were later taken out of operations for further inspection. The airline had said on December 26 that due to inclement weather in north India, it experienced extensive flight delays and diversions leading to cancellation of flights as its crew approached its FDTL in the past two-three days. "This was further exacerbated due to the CAA protests wherein our crew members were unable to report for duty," the airline had said. Asked if the DGCA has initiated the process of issuing notices to 100 pilots and senior officials of budget carrier GoAir over violation of FDTL norms, the senior official replied in the affirmative. PTI

Citi's investment bank plans to hire 2,500 coders in 2020

Citigroup plans to recruit 2,500 programmers this year for the unit that houses its traders and investment bankers, bulking up on coders and data scientists as technology reshapes the business. Roughly three-quarters of the company's trade orders last year were electronic, according to Stuart Riley, global head of operations and technology for the bank's Institutional Clients Group. The ICG arm will add programmers in locations from New York to Chennai. BLOOMBERG

Air India renews Amadeus contract for global sales

Air India has renewed its contract with global distribution service (GDS) provider Amadeus for international sales securing substantial discounts in the process, airline sources said. Airlines use GDS systems like Amadeus, Sabre and Travelport to distribute their tickets to travel agents globally for a fee. The fee is paid for every booking made on the system and a portion of it is shared by GDS with the agents. BS REPORTER

DHFL appoints Grant Thornton transaction auditor

The resolution professional of Dewan Housing Finance (DHFL) has appointed Grant Thornton India LLP the transaction auditor of DHFL. Grant Thornton has been appointed to ascertain if the corporate debtor entered into transactions that were preferential in nature and if transactions were undervalued. Moreover, the role of the transaction auditor will be to determine whether DHFL entered into transactions defrauding the creditors or it was involved in fraudulent trading. PTI

Not shutting down, rumours baseless, says Air India

Air India on Monday told travel agents and websites that rumours about its imminent shutdown are 'baseless' and its financial condition is being appropriately dealt with. Meenakshi Malik, director-commercial, Air India told travel partners in a letter, "There have been rumours going around that Air India may be closing down its operations. I wish to take this opportunity to clarify that these rumours are baseless and without an iota of truth." PTI

ACs to become dearer from 2021 by up to 13%

With new energy efficiency norms coming into effect from January 1, 2021, prices of air conditioners (ACs) may go up by 8 to 13 per cent. The revised energy efficiency norms released by the Bureau of Energy Efficiency indicate a 9 to 11 per cent rise in energy efficiency levels for three-star and five-star ACs once the new norms kick in. BS REPORTER

AI engineering arm expansion hit by fund crunch: CEO

Capital crunch has grounded the expansion plans of Air India's engineering arm AIESL, which gets almost 90 per cent of the revenue by maintaining the flag carrier's fleet, according to its CEO H R Jagannath. Air India Engineering Subsidiary (AIESL) requires at least ₹1,000 crore capital infusion to help it undertake some 20-30 more component overhaul jobs, which are being outsourced to international players, Jagannath said in an interaction. PTI

Flipkart unveils payments solution Visa Safe Click

Walmart-owned Flipkart on Monday announced the launch of Visa Safe Click (VSC), powered by Visa, the payments technology giant. VSC, a new payment solution now available on Flipkart platform, will enable the e-commerce platform to deploy India's first in-app device-based network authentication solution. This solution will eliminate the need for one time passwords (OTP) for transactions up to ₹2,000, while also ensuring a completely secure payment experience. Flipkart said it hopes to reduce the steps in the payment system. BS REPORTER

Action against corrupt shouldn't be seen as crackdown on India Inc: PM

- CORPORATE TAX RATE AT ALL-TIME LOW; COMMITTED TO REMOVING DIFFICULTIES FACING INDUSTRY, SAYS PM
- THE TARGET TO NEARLY DOUBLE THE SIZE OF THE ECONOMY TO $5 TRN IS JUST A PHASE AND THE TARGETS ARE BIGGER AND HIGHER, SAYS MODI

BS REPORTERS
New Delhi/Mumbai, 6 January

Prime Minister Narendra Modi with business tycoons in New Delhi on Monday PHOTO: PTI

Prime Minister Narendra Modi on Monday met top industrialists including Mukesh Ambani and Ratan Tata for an "extensive" interaction and later followed it up with an address meant to revive the business sentiments, sending out a positive message ahead of the Union Budget.

During his meeting with India Inc bigwigs during the day, the PM focused on issues facing the industry and measures needed to boost the economy. Speaking at the centenary celebrations of Kirloskar Brothers in the evening, he encouraged businesses to invest without fear, stressing that action against a few corrupt entities should not be seen as government crackdown on the corporate sector. The government will walk shoulder to shoulder with the industry, he added, in a bid to revive the animal spirit.

Besides Tata and Ambani, the meeting with the PM was attended by Sunil Mittal, N Chandrasekaran, Anand Mahindra, Sajjan Jindal, Gautam Adani, Venu Srinivasan, A M Naik and Anil Agarwal, among others. An official in the Prime Minister's Office said, "The PM had an extensive interaction with leading business stalwarts to discuss ways to improve growth and job creation".

The Modi government will present its next budget on February 1 and Indian companies are expecting a cut in income tax rates to revive consumer demand. Rationalisation of Goods and Services Tax (GST) is also high on India Inc expectations from the Budget. Although the government has already taken a series of steps to boost the sentiments, including a corporate tax rate cut, companies remain hesitant about fresh investments due to low consumer demand.

At the Kirloskar event, Modi asked the industry to shun pessimism and work towards the $5-trillion economy goal set by the government. "The target of $5-trillion economy is just a phase, our targets are bigger, higher," he said. "At the beginning of the new year, I will again tell the Indian industry not to let disappointment affect you. Go ahead with new energy... whichever corner of the country you go to for your expansion, the Indian government will walk shoulder to shoulder with you," the PM said.

The corporate tax rate in India is the lowest ever and GST as well as public sector banking reforms have already been rolled out, Modi told the audience. These reforms were longed for a long time, he added.

Reaching out to the businesses, Modi said action against a few corrupt corporate entities should not be seen as government crackdown on the corporate sector. "The attempt was to allow the industry to create wealth fearlessly in a transparent environment where there are no obstacles."

The government is attempting to rid the industry of web of laws, the PM pointed out. "The attempt has been to bring transparency, efficiency and accountability in tax system, and reduce human interface with the tax department," he said.

"As we enter the new year, I have no hesitation in saying that this decade will be for the Indian entrepreneurs," he said.

Thackeray, India Inc meet today

Mumbai: Chief Minister of Maharashtra Uddhav Thackeray will meet industrialists in Mumbai on Tuesday to get their inputs and expectations to make the state's economy reach the $1-trillion mark in the next few years.

Telecom revenues likely to exceed target by ₹50,000 cr

SURAJEET DAS GUPTA
New Delhi, 6 January

The government could surpass its budgetary target for revenues from the telecom sector for 2019-20 by anything between ₹13,000 crore and more than ₹50,000 crore, depending on the fate of the review petition with the Supreme Court, which had imposed a ₹1.47-trillion bill on telcos in the form of licence fees and spectrum user charges (SUCs).

In its July Budget, the government had targeted more than ₹50,519 crore in 2019-20 from the telecom sector, an increase of 28 per cent from the previous year, which would mainly come from licence fees, SUCs, and deferred payments for spectrum bought earlier.

Rustling up money for the government is important for it to keep its fiscal deficit in control. Especially as there are clear indications that its target for non-tax revenues from disinvestment in public sector undertakings could fall woefully short. For instance, the government has set up a disinvestment target of ₹1.05 trillion for FY20 so far, but has managed to raise only ₹17,364 crore. With Bharat Petroleum Corporation and Air India off the disinvestment list this year, the target looks unachievable. The delay in the disinvestment plan comes at a time when the government's fiscal deficit touched 115 per cent of the FY20 Budget estimate in November.

There is more hope from telecom. Based on current estimates, the government will continue to get revenues of ₹21,444 crore from deferred spectrum payment for FY20. However, the adverse impact on this revenue will be felt in the next financial year (2020-21) because the government as part of the relief package has decided to provide telcos with a moratorium on this payment for the next two financial years.

According to estimates by the Cellular Operators Association of India (COAI), the industry is expected to fork out over ₹17,500 crore this financial year as licence fees and SUCs. The estimate takes into consideration that after flat revenue growth in the initial quarters, it will go up in the last two quarters as a result of telcos increasing tariffs by 15-40 per cent in October last year.

The clincher will be the decision the court takes on the review petitions filed by the telcos. Analyst say one scenario could be that the court decides to allow a staggered payment scheme, in which 25 per cent of the money is paid upfront (like for deferred spectrum, where upfront payment ranged from 25 per cent to 35 per cent) and the rest in instalments over a few years. In that case, the government will get an additional ₹36,500 crore from telcos, helping it to increase its revenues from the sector to more than ₹75,000 crore.

But some analysts say prudently only the dues of Airtel, Idea, Jio, and the Tatas should be taken into consideration because the other players have shut shop and left the country or are going through the insolvency process. In that case, the dues to be paid upfront based on 25 per cent would be ₹24,000 crore. Even then that would be ₹13,000 crore more than the target.

However, in case the court agrees to an upfront payment of 35 per cent, the equation would change dramatically and the additional cash that will come to the government would be over ₹51,000 crore, which would substantially make up for the shortfall in disinvestment.

The calculations do not include what the Department of Telecommunications, on the basis of the same formula as directed by the court, is planning to demand from non-telcos. As a result of this, these non telcos, which include GAIL, Power Grid, and Railtel, have to fork out over ₹2.27 trillion to the government. If this decision is upheld, it could solve most of the government's fiscal deficit problem.

WHAT TELCOS ARE PAYING

Government revenue from SUC, licence fee and deferred spectrum – **₹38,944 crore**

OPTIONS FOR PAYMENT BY TELCOS AFTER THE SUPREME COURT ORDER

- Revenue based on SC directions for three players — Bharti, Voda Idea and Tata (upfront payment of 25%) – **₹23,629 crore**
- Revenue based on SC directions paid by all telcos at 25% upfront – **₹36,750 crore**
- Revenue if all telcos pay their dues (at 30% upfront payment) – **₹51,540 crore**
- Revenue from non-telcos at 25% upfront – **₹56, 919 crore**

Synergy Group gives new EoI for Jet Airways

SUBRATA PANDA
Mumbai, 6 January

South America-based Synergy Group has again given a formal Expression of Interest (EoI) for beleaguered Jet Airways, sources said.

The latest deadline for EoI applications is January 15, the Committee of Creditors (CoC) had decided at their latest meeting.

There were reports that the Hinduja Group would also apply but the sources say this is yet to happen.

Synergy had given an EoI for Jet in the first round of bidding. However, it failed to give a debt resolution plan for the airline company, even after getting several extensions. The lenders subsequently decided to call afresh for EoIs.

Synergy is led by Bolivian-born Germán Efromovich. It owns majority stake in Avianca Airlines, the continent's second largest.

> **There were reports that the Hinduja Group would also apply but the sources say this is yet to happen**

The Resolution Professional appointed for Jet had earlier told the National Company Law Tribunal that two other entities had expressed early interest in investing. However, it is unclear if they will still do so. One of these is from West Asia and the other is an Indian entity, backed by a British investor.

In the first round of bidding, Synergy had questions for the civil avaition ministry on availability of slots in the domestic and international routes. It wanted answers to these before giving a resolution plan. The ministry wanted a resolution plan on the table before giving any assurance on slot allocation.

Jet's share price has gained in the past five trading days. On Monday, it closed at ₹35.90.

Jet Airways was admitted under the insolvency process on June 20, 2019, after its bankers failed to find any takers despite months of negotiations. The airline stopped flying on April 17; it had around 14,000 employees on that date.

Creditor claims on the airline are for ₹36,090 crore, of which ₹14,640 crore had been admitted as on October 20. Jet has completed 180 days under insolvency proceedings, which have been extended for another 90 days.

GCPL eyes mid-single digit volume Q3 growth

Godrej Consumer Products (GCPL) on Monday informed the stock exchanges that it expects volume growth to remain marginally higher than mid-single digit in the local market in the October-December quarter. Despite weak demand in India, it has managed to grow its business, GCPL said.

Highlighting the overall challenges it has faced in recent months, GCPL further said, "During the quarter, we witnessed relatively mixed demand and across some of our geographies of operations. In India, demand continued to be challenging, impacted by a general consumption slowdown."

However, the uptick in volume growth was led by gradual recovery in the household insecticides business and new product launches. Effective marketing campaigns and tactical consumer offers further aided its sales.

While GCPL did not specify its sales value growth, it said the number may mirror the trend of the past few quarters' sales value growth. In the past three quarters, sales growth rates in India ranged between 0.9 and -1 per cent (-ve 1%) year-on-year (YoY).

According to Edelweiss Securities' estimates, GCPL is set to clock 6 to 6.5 per cent YoY volume growth. Edelweiss said this could be the second highest volume growth in the staples category in October-December quarter after Nestlé's. Despite continuing slowdown, GCPL said it "looked forward to a gradual improvement in consumer demand in the quarters ahead, driven by good monsoon and the government's stimuli." ARNAB DUTTA

Nano ends 2019 with zero output, sells one unit

PRESS TRUST OF INDIA
New Delhi, 6 January

Tata Motors did not produce a single unit of its entry-level car Nano in 2019 although it sold just one unit in February even as the company is yet to officially retire Ratan Tata's "people's car".

According to a regulatory filing by the company, Tata Motors had zero production and sales of the Nano in December 2019 while it produced 82 units and sold 88 units in December 2018.

Similarly, in November 2019 there was zero production and sales of the entry-level model, whereas in the year-ago period it produced 66 units and sold 77 units.

In October 2019 also, according to the filing, it did not produce or sell any unit of the Nano while in the year-ago month it rolled out 71 units while selling 54 units.

In the first nine months of 2019 also Tata Motors did not produce a single unit of Nano.

The company did not sell a single unit in any month last year except February when it sold just one, according to several regulatory filings by the company.

Tata Motors has so far been maintaining that no decision has been made yet on the future of the Nano saying production planning of a car is a "conscious management of demand, system inventory and planned efficiencies".

It has, however, admitted that in its current form the Nano will not meet the new safety regulations and BS-VI emission norms.

Tata Motors had unveiled Nano in January 2008 at the Auto Expo with much expectations of being "the people's car", as dubbed by the then Tata group chief Ratan Tata. However, it could not live up to the billing with sales dwindling over the years.

TCS board won't meet on Jan 9; Q3 results likely after SC hearing

SC will hear the petition filed by Tata Sons on January 10

DEBASIS MOHAPATRA
Bengaluru, 6 January

Tata Consultancy Services (TCS) will not be the first one to kick-start the earnings season among information technology (IT) services firms in the third quarter (Q3) of 2019-20. The IT bellwether is learnt to be waiting until the Supreme Court (SC) hears its plea over the National Company Law Appellate Tribunal's (NCLAT's) order on the reinstatement of Cyrus Mistry. The SC will hear the petition filed by Tata Sons on January 10. The petition was mentioned before the Chief Justice on Monday after the court reopened following winter break.

Sources in the know said that TCS, which is scheduled to hold its board meet on January 9 for consideration and approval of Q3 results, will announce it at a later date.

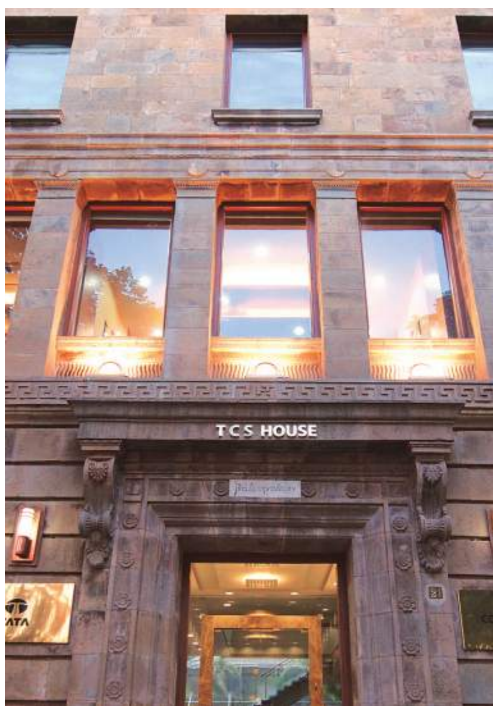
"According to the listing obligations, a company will have to give at least seven calendar days of notice to exchanges for holding a board meet in case it is going to consider the company's financial results. Since TCS is yet to inform exchanges on its board-meet timeline, it will not be able to hold it on January 9," sources in the know said.

Under listing obligations, the time period of seven days will have to exclude the date of intimation and the date of meeting. The Mumbai-headquartered firm is yet to notify the exchanges on its next board meet. In comparison, its peer group companies — Infosys and Wipro — have already informed the bourses their next board-meet schedule.

However, corporate governance officials said that the January 9 schedule provided by the IT services firm in the beginning of the quarter is a tentative one. "These dates are always indicative and subject to change. So, technically, it can't be said that TCS has deferred its board meet," said the person.

On January 4, TCS had filed an appeal in the SC against NCLAT that directed the reinstatement of Mistry as a director of the company. Earlier, Tata Sons had also moved the apex court against the order to the tribunal.

Mistry on Sunday said he would not seek executive chairmanship of the group holding company Tata Sons nor directorship of the three group companies, including TCS. He, however, sought a board seat at Tata Sons to protect the interests of minority shareholders.



Tata Capital Housing Fin to raise up to ₹2K cr via NCDs

Tata Capital Housing Finance, the wholly-owned subsidiary of Tata Capital, on Monday said it is planning to raise up to ₹2,000 crore through non-convertible debentures(NCD). This is a maiden retail bond issue from the company. The base size of the issue is of ₹500 crore with an option to retain an oversubscription up to ₹1,500 crore.

The firm is offering four bonds maturing in three, five, eight and 10 years, with coupon ranging between 7.92 per cent to 8.70 per cent. The bonds are giving a monthly and annual interest payment options to the subscribers.

Around 75 per cent of the fund raised through these bonds will be used for onlending, financing, repayment/ payment of debt and the balance for general corporate purposes.

"With a sharper focus on the affordable housing segment, we will seek growth opportunities in tier-II and III markets. We will continue to grow profitably," Tata Capital Housing Finance MD Anil Kaul said.

The company's borrowings comprise 43 per cent from banks, 20 per cent from the National Housing Bank and 15 per cent from bonds. The issue will open for subscription on January 7 and closes on January 17. PTI

NCLAT upholds its judgment in Tata-Mistry case

RUCHIKA CHITRAVANSHI
New Delhi, 6 January

The National Company Law Appellate Tribunal (NCLAT) on Monday dismissed the petition of Registrar of Companies, Mumbai, seeking modifications in the Tata Sons versus Cyrus Mistry judgment, as no mala fide intentions have been made against the government body, its order said.

A senior government official said the government would take action based on the Supreme Court's (SC's) order. "The appellate tribunal is free to interpret the law. We wanted to clarify our position since remarks were made about a government organisation. We will wait for the SC's order," he said.

In its order dated Dec 18, the NCLAT had said Tata Sons hurriedly changed its status to private company from public

The NCLAT ruled, "We find that there is a wrong perception on the Registrar of Companies as no observation has been made against it."

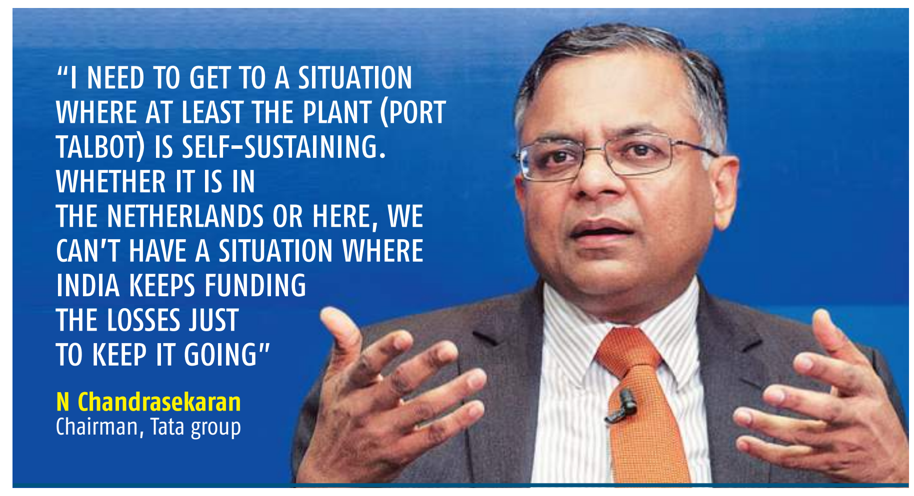
In its order dated December 18, the NCLAT had said Tata Sons had hurriedly changed its status to private company from public 'with the help of Registrar of Companies', which was termed illegal. It had sought the removal of the words 'illegal' and 'with the help of Registrar of Companies' in the tribunal's order pertaining to Tata Sons' transition from a public to private company.

Tata Sons, Chairman Emeritus Ratan Tata, and Tata Consultancy Services (TCS) have separately moved SC against the NCLAT order. The two-judge Bench headed by Chairman Justice S J Mukhopadhaya in its order said that it had referred the action taken on the part of company and its board of directors and not the Registrar of Companies. Mukhopadhaya also said the directions given in its order to convert the company from private to public do not cast any aspersions on the Registrar of Companies.

The Registrar of Companies had submitted to the tribunal that Section 43A (2A) while empowers a 'public company' to become a 'private company' on or after commencement of the Companies (Amendment) Act, 2000, by informing the matter to the Registrar.

The NCLAT noted 'Tata Sons Limited' by its letter dated July 19, 2018, intimated the Registrar of Companies of its exercise of the option under Section 43A (2A) for reversion back to the status of a private company. Therefore, the Registrar of Companies was statutorily obligated to carry out the necessary changes. Tata group lawyers said the NCLAT judgment threatened the legality and existence of companies incorporated under the Companies Act 2013. "Today's order again misses the point that sub-Section (4) of 43A ceased to have effect two decades ago, in the year 2000. Only sub-Section (2A) of Section 43A remained in effect. Tata Sons applied to the Registrar of Companies under this section and it made the change under this section. Yet, this has been (again) ignored by the NCLAT," Tata group's counsel said.

Tata Steel cannot fund losses at loss-making UK unit, says Chandra



PRESS TRUST OF INDIA
London, 6 January

The chairman of the Tata group N Chandrasekaran has said the steel conglomerate cannot have a situation where India keeps funding the mounting losses at its struggling Port Talbot steelworks in the UK.

He emphasised that Port Talbot steelworks in Wales, one of the largest in Europe, needed to be "self-sustaining", in an interview with the *Sunday Times*.

The head of the £84 billion turnover conglomerate, that also owns British luxury automaker Jaguar Land Rover, refused to commit to continuing making UK steel, the report said.

Chandrasekaran, 56, said, "I need to get to a situation where at least the plant (Port Talbot) is self-sustaining. Whether it is in the Netherlands or here, we can't have a situation where India keeps funding the losses just to keep it going," he said.

Tata Steel's pre-tax losses were £371 million last year, up from £222 million in 2017-18. In November, Tata announced plans to cut 3,000 jobs across Europe.

Just under half of Tata's 8,385-strong UK workforce are based in Port Talbot, the *BBC* reported on Sunday.

Paul Evans, the Unite labour union's regional officer for Wales, said, "This interview just adds more pressure on the Tata workers at Port Talbot. The site is obviously key to the future of the other Tata plants in Wales." "The workforce at Port Talbot have for many years proved they are the producers of world class quality steel and Wales and the UK can't afford to lose the expertise and commitment they have shown over the years," he added.

A spokesman for Tata Steel's European operations said, "What our chairman said in the interview has already been communicated to colleagues through our transformation programme."

"That programme is about building a stronger and more sustainable European steel business by improving profitability so we can pay for investments necessary to secure our long-term future," the *BBC* report quoted the company spokesman as saying.

"The plans include productivity improvements, reduced bureaucracy and increased sales of higher-value steels, as well as employment cost savings," he added. Tata has two large steelworks in Europe - Port Talbot, and one near Ijmuiden in the Netherlands, about 30km north-west of Amsterdam. Tata Steel acquired the Anglo-Dutch steel-giant Corus in 2007 for £6.2 billion.

Amazon India inks long-term deals with Future Retail, FCL

PRESS TRUST OF INDIA
New Delhi, 6 January

Amazon India on Monday said it has entered into long-term business agreements with Future Group for expanding the reach of the latter's retail stores and consumer brands through its online marketplace.

The development comes after Amazon had agreed to buy 49 per cent stake in Future Coupons that in turn holds stake in Future Retail (FRL) last year.

"FRL and Amazon India signed two agreements focusing on key categories - grocery and general merchandise, and fashion and footwear," according to a statement.

Amazon India will also become the authorised online sales channel for FRL stores, and FRL will ensure participation of its relevant stores and programmes on the Amazon India marketplace, it added.

Besides, Future Consumer (FCL) has also inked a long-term agreement with Amazon Retail India (ARIPL) for distribution of Future Consumer's portfolio of brands online. Some of FCL brands include Tasty Treat, Voom, Dreamery, Karmiq, Mother Earth, Kara, CleanMate and others.

As part of the partnership, FRL will augment existing store-infrastructure at its retail outlets for facilitating seamless packaging and pickup of products ordered online. FRL and Amazon India have already launched this service across 22 stores. Both companies plan on rolling this out across the entire FRL store chain based on agreed timelines.

"FRL will leverage its existing infrastructure, strong product knowledge and extensive brand portfolio resulting in higher store productivity and improved margins," according to the statement.

Currently, FRL attracts over 350 million footfalls across its retail network, and Amazon India's marketplace will enable FRL to reach a wider customer base.

Also, FRL will list on the Amazon Prime Now programme, allowing customers to get food, grocery and general merchandise delivery within two hours in Delhi, Mumbai, Bengaluru, and Hyderabad.

"In order to drive efficiencies, the two organisations will work closely through a dedicated team, and will explore synergies in distribution, customer acquisition, and marketing initiatives. This creates an enviable collaboration bringing together the best of consumer insights and geographical reach from the online and offline world," the statement said.

Kishore Biyani, Chairman and Managing Director of FRL, said "this arrangement will allow us to build upon each other's strengths in the physical and digital space so that customers benefit from the best services, products, assortment and price".

"FRL's national footprint of stores offering thousands of products across fashion, appliances, home, kitchen and grocery will now be available to millions of customers shopping on Amazon.in, in hours across over 25 cities," Amazon India Senior Vice President and Country Head Amit Agarwal said.

"Congress and the AAP misled the youth and the people of Delhi and committed the sin of burning the national Capital in the fire of riots"

AMIT SHAH
Union home minister

"There are many forces in the country which are trying to defame the NDA government on economic issues, but the government is not only aware of the issues facing the traders but also actively working towards its resolution"

RAJNATH SINGH
Defence minister

"I will not get involved in the wicked act of removing a responsible government like Yediyurappa's did. For me development of the state is important"

H D KUMARASWAMY
JD(S) leader

IN BRIEF

SC: Mallya cannot use pendency of plea to stall insolvency proceedings

The Supreme Court on Monday said fugitive economic offender Vijay Mallya cannot use pendency of his plea in the apex court to stall insolvency proceedings initiated against him by lenders in other countries. A Bench, headed by Chief Justice S A Bobde, passed the order after the Centre told the court that Mallya used pendency of his plea to stall the UK court from delivering verdict in insolvency proceedings. Pendency of the case is not a ground for holding any case anywhere in the world, the apex court said. "In view of the letter circulated by Advocate-on-Record for the petitioner, list these matters on January 10, 2020...subject to the condition that the pendency of these special leave petitions shall not be used as a ground for seeking adjournment in any matter before any Tribunal, Court or Authority anywhere," said the Bench, also comprising Justices B R Gavai and Surya Kant. Solicitor General Tushar Mehta, appearing for the Centre, informed the court that proceedings in the UK in an insolvency case filed by SBI against Mallya, have been concluded and the order reserved. PTI

CDSL 1st depository to open branch in IFSC at GIFT City

More than two weeks after getting regulatory nod, the Central Depository Services (CDSL) became the first depository to inaugurate a branch within the International Financial Services Centre (IFSC) at Gujarat International Fin-Tec City (GIFT City). According to Nehal Vora, managing director and chief executive officer of CDSL, a branch within IFSC will help in introducing products like depository receipts, masala bonds, exchange-traded funds, along with hybrid products and similar delivery-based trading.

BS REPORTER

250 million to take part in nationwide strike: Trade unions

Ten central trade unions on Monday said around 250 million people will participate in a nationwide strike on January 8 to protest against the government's "anti-people" policies. Trade unions INTUC, AITUC, HMS, CITU, AIUTUC, TUCC, SEWA, AICCTU, LPF, UTUC along with various sectoral independent federations and associations had adopted a declaration in September last to go on a strike on January 8. PTI

51 entities booked for transferring ₹1K-cr black money to Hong Kong

The Central Bureau of Investigation (CBI) has booked 51 entities for allegedly remitting ₹1,038 crore of black money to Hong Kong during 2014-15, officials said on Monday. It is alleged that 51 entities, mostly owned by Chennai residents, remitted ₹1,038 crore unaccounted black money to Hong Kong in connivance with unidentified officials of three state-owned banks — Bank of India, SBI and Punjab National Bank, they said. The CBI had received information that 51 current accounts of 48 firms were opened in four branches of these banks "solely for effecting outward remittances" to the tune of ₹1,038.34 crore, the officials said. The CBI has alleged that 24 accounts were used for outward foreign remittances in USD equivalent to ₹488.39 crore as advance payment of goods' imported and 27 were used to remit ₹549.95 crore towards foreign travel of Indian tourists. The agency has named three individuals — Mohammed Ibramsa Johney, Zinta Midhar, and Nizamuddin, besides 48 companies in the FIR, the officials said. PTI

CRISIL SME TRACKER

EPC road contractors face slower revenue growth

CRISIL EXPECTS SMALL AND MEDIUM (SME) road contractors, which account for about half of the engineering, procurement and construction (EPC) roads industry, to see revenue growth moderate in the two years through fiscal year 2021.

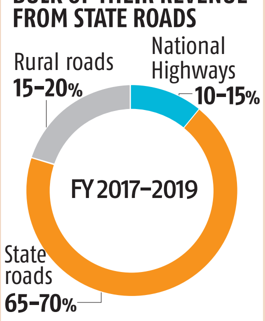
At 10-11 per cent, the compound annual growth rate over these two years would be at least 200 basis points lower, compared with about 13 per cent in the three years through fiscal year 2019.

This is mainly due to lower investments in rural roads via the Pradhan Mantri Gram Sadak Yojana (PMGSY) and moderation in awarding by the National Highways Authority of India.

Rural road projects are typically awarded under the centrally-sponsored PMGSY or state schemes such as Mukhya Mantri Gram Sadak Yojana, and being smaller in size, are mostly executed directly by SME EPC contractors.

National highway projects, at the other end, are usually executed by larger players, with a small proportion sub-contracted to SME EPC contractors.

SME EPC ROAD CONTRACTORS GET THE BULK OF THEIR REVENUE FROM STATE ROADS



Note: SME players are those with annual revenue of ₹250 crore or less
Source: CRISIL Research

We estimate lower investments in the rural roads segments, as road physical construction targets are lower, compared with the last five years.

That said, investments in state roads — given lower road density in some states and higher state government budgetary allocations — are expected to help sustain growth. State road projects, which account for 65-70 per cent of SMEs' market share, are expected to clock a higher growth of 11-12 per cent in the two years through fiscal year 2021, compared with 10 per cent in the previous three years.

Services PMI at 5-month peak on high demand

PMI up at 53.3 in Dec; exports helped sales surge at the fastest pace in 3 years

SUBHAYAN CHAKRABORTY
New Delhi, 6 January

Strong growth returned to the services sector in December as international business helped it scale a five-month high, according to a global survey released on Monday.

The widely tracked Nikkei India Services Purchasing Managers Index (PMI) stood at 53.3 in December, up from 52.7 in November. In PMI parlance, the 50-mark threshold separates expansion from contraction.

Services growth had peaked to a 43-month high of 54.7 in August, followed by two-straight months of contraction. This was in line with manufacturing activity, which also rose to 52.7 from 51.2 in November after October's two-year low, according to a similar survey released last week. Sales expanded for the third consecutive month, and at the quickest pace since October 2016, or more than three years. Firms that reported higher sales generally cited improved business decisions at the managerial level, the offering of new services and better underlying demand as key enablers for growth.

New business orders came mostly with the support of international markets, with services exports rising for a 10th straight month in December, the survey showed. Although moderate, the pace of growth accelerated to the fastest since September.

As a result, the pace of job expansion accelerated to a three-month high, the survey pointed out. Employment increased for a 28th month in succession and at the quickest rate since August.

However, outstanding business continued to increase, albeit slightly. Pending client payments and sudden increases in the levels of work-in-hand for a third straight month have led to this backlog expanding.

Average input costs zoomed past its average rates of increase, rising at the fastest pace in just under seven years. Input inflation has solidly increased in 2019. In the previous month, the rate of inflation had quickened to a 13-month high. Survey respondents mostly attributed higher cost burdens to rising food, fuel, transport and medical products. "Worryingly, however, were the survey's results for price indicators. While inflation was subdued in the earlier part of 2019, there were three consecutive accelerations in the rate of input cost inflation this quarter. Services firms saw the fastest rise in their expenses in almost seven years in December," said Pollyanna De Lima, principal economist at IHS Markit and author of the report.

However, average prices charged for the provision of services increased slightly less dramatically. Charge inflation was the strongest since February 2018. December saw the current run of inflation to 35 months. This meant that the gap between rates of input cost and output charge inflation was closed substantially, as compared to previous years.

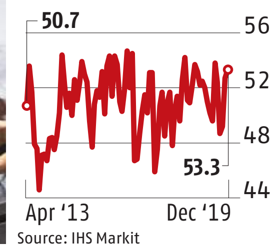
Within the services industry, consumer services saw major growth, even as information and communication, and real estate and business services did well, among categories monitored by the PMI survey. Consumer services also registered the steepest rise in input costs in December, but the fastest increase in selling charges was recorded among transport and storage firms.

The seasonally adjusted Nikkei India Composite PMI Output Index, which calculates growth after considering manufacturing and services indices relative to the size of GDP, rose to 53.7 from November's 52.7.

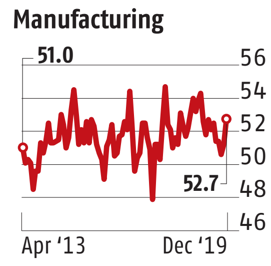
HOW THE INDEX MOVED

A figure above 50 points means expansion, while below that means contraction

Services



Manufacturing



Source: IHS Markit

Agri, roads, shipping to see spending squeeze

Move comes after DEA capped spending by depts at 25% of yearly allocated amount in Q4

ARUP ROYCHOUDHURY & SANJEEB MUKHERJEE
New Delhi, 6 January

To keep its fiscal deficit for 2019-20 within acceptable levels, the Centre is likely to go for a massive expenditure compression in the form of savings, rollovers, and outright cuts. The finance ministry is looking to compress around ₹2.2 trillion, even as gross tax revenue could see a shortfall of much more than ₹2 trillion, and there are now doubts regarding divestment targets as well. Most of the compressions are expected to come from ministries and departments that have underspent so far. These include the ministries of agriculture, civil aviation, roadways, shipping, electronics, information technology, tourism and social sector, among others. Devendra Pant, chief economist at India Ratings, said the first axe at the time of expenditure compression fall on capex followed by the social sector. "Whether expenditure is compressed or rolled over, it would impact the economic growth," he said.

Officials say even if there is an expenditure compression of ₹2 trillion, it remains to be seen if the fiscal deficit target will be met. Firstly, year-on-year nominal GDP growth will be much lesser than the budgeted 12 per cent. And second, as reported by *Business Standard* earlier, while the Fiscal Responsibility and Budget Management Act allows the Centre to slip to a fiscal deficit of 3.8 per cent under strict parameters, Budget makers are aiming for around 3.5 per cent for 2019-20.

The efforts to rationalise expenditure across departments come after the Department of Economic Affairs issued an order last month which stated that departments should spend just 25 per cent of their yearly allocated amount in the January-March quarter. This is a reduction from the norm when departments are allowed to spend 33 per cent of their allocated amounts. For January and February combined, departments have been instructed to only spend 15 per cent of budgeted estimates, compared to 18 per cent earlier, and for March, they are allowed to spend 10 per cent, from 15 per cent earlier.

Given the total Budget size of ₹27.86 trillion this year, 33 per cent of that comes up to ₹9.19 trillion, while 25 per cent comes to around ₹6.96 trillion. The difference between the two is ₹2.23 trillion, which is what the central government needs to compress. The departments, which will be forced into a bind because of this finance ministry order, are the ones that have not spent a substantial allocation, even after the money was provided to them.

The official data shows that, for example, the agriculture ministry has spent 49 per cent of its budgeted expenditure till November-end, compared to 70 per cent for the same period last year. Assuming that even if it spends up to 60 per cent till end-December, it cannot spend the remaining 40 per cent in January-March. Similarly, while the food processing unit has spent 43 per cent of its budget till November-end, much higher than 31 per cent for the same period last fiscal, it will still be forced to compress spending as it can only spend 25 per cent in the last three months of 2019-20. According to sources, the finance ministry is likely to benefit on the expenditure front from a number of items. Around ₹25,000 crore is expected to be saved in PM-Kisan as the number of beneficiaries is lesser than earlier anticipated. Also, of the total ₹1.84 trillion budgeted for food subsidies, some ₹50,000 crore earmarked for the Food Corporation of India (FCI) is not being released. The FCI's allocation out of the food subsidy bill was around ₹1.5 trillion.

"Around ₹1 trillion has been released from the Consolidated Fund of India, and the rest will be drawn down from the National Small Savings Fund, which is essentially off-budget," said a senior official. Additionally, with oil prices spiking towards the end of the year, around ₹5,000 crore in fuel subsidies is expected to be rolled over. The fuel subsidy budgeted for this year is ₹37,478 crore. The fertiliser subsidy of around ₹80,000 crore has been fully allocated.

While Finance Minister Nirmala Sitharaman has said there would be absolutely no cuts in budgeted capital expenditure of ₹3.38 trillion, there could be some savings in the natural course. In any given year, without any additional efforts, the Centre ends up saving around ₹20,000 crore in capital and revenue expenditure, as a result of amounts allocated but unspent, which then lapse and are returned. This implies that the axe will fall more on revenue and administrative expenditure, where because of already committed items like schemes and salaries, the room to maneuver is limited.

SOME DEPARTMENTS WHICH MAY SEE EXPENDITURE CUT

Ministry	Apr-Nov 2018-19*	Apr-Nov 2019-20*
Agriculture	70	49
Civil aviation	83	39
MeITY	73	59
Food processing	31	43
Minority affairs	13	29
Roadways	75	63
Shipping	77	53
Tourism	52	43

* As % of budgeted amount
Source: cga.nic.in

ADVANCE ESTIMATES: A REALITY CHECK

The first Advance Estimates of GDP numbers for 2019-20, which would be released on Tuesday, may not be closer to reality if the strike rate of the last two years is any indication. Predicting GDP growth for the current fiscal year is tricky. No one believes the earlier projection of GDP growth at 7 per cent given by the Economic Survey for FY20 after economic expansion slowed to over a six-year low of 5 per cent in the first quarter and to 4.5 per cent in the second quarter. The Reserve Bank of India has already cut its earlier projections and now projected growth to be 5 per cent for the year. GDP growth stood at 4.8 per cent for the first half of the current fiscal year. The issue now is whether growth would pick up or will further slide in the second half, compared to the first one. As indicated in the table below, it is difficult to predict GDP growth in times of uncertainties, say 2008-09, 2011-12, 2017-18 and 2018-19.

INDIVJAL DHASMANA

GDP growth in % year-on-year

	First Advance Estimates	Second Advance Estimates	Actual number
2008-09	7.1		6.7
2009-10	7.2		7.4
2010-11	8.6		8.5
2011-12	6.9		6.5
2012-13	5.0		5.0
2013-14	4.9		4.7
2014-15	7.4		7.3
2015-16	7.6		7.6
2016-17	7.1	7.1	7.1
2017-18	6.1	6.6	6.6
2018-19	7.2	7.0	6.8

Note: The finance ministry started presenting Budget on February 1 against the month-end from 2017. As such, the statistics office started coming out with first and second Advance Estimates since 2016-17
ii) Data from 2009-10 to 2013-14 based on the base year of 2004 and the later year on the base year of 2011-12
Source: Ministry of Statistics and Programme Implementation (MoSPI)

Govt may extend safeguard duty on Chinese solar panels

SUBHAYAN CHAKRABORTY & SHREYA JAI
New Delhi, 6 January

The government is planning to extend the safeguard duty imposed on imported solar power equipment from China, sources said.

Domestic solar equipment manufacturers have met Union Commerce and Industry Minister Piyush Goyal and suggested the duty be retained. This comes at a time when the safeguard duty impacted addition in solar power generation capacity over the past two years.

The domestic manufacturing industry has argued China was actively looking to divert major export flows en-route to India after major buyers from the US cancelled bulk orders. The Donald Trump administration has ratcheted up tariffs on Chinese imports, especially in the electronics space, with Washington DC threatening in December that more restrictions might follow soon.

With India being one of the few major markets seeing a demand for solar power, Beijing would flood the market if safeguards were removed, they have said.

In 2018, the government announced imposition of safeguards duty on solar cells and modules for two years — 25 per cent in the first year, 20 per cent for six months and, thereafter, 15 per cent. Apart from Malaysia, the duty specifically impacted the exports coming from China, as more than 85 per cent of India's solar capacity is built on Chinese panels.

However, the Directorate General of Foreign Trade (DGFT) is yet to take a call on whether existing duties on Malaysia will be extended, an official said. Similarly, duties may be put on other nations from which imports have seen an unnatural spike.

Interestingly, while Malaysia used to be a dominant player earlier, imports from the nation have trickled to a bare $3 million now. In its place, Vietnam has become the second-biggest country of origin shipping $117 million worth of equipment. Trade officials revealed investigations were being conducted on whether these shipments are originally from China and are being routed through Vietnam. Electronic makers from China routinely take advantage of India's liberal trading arrangement with Vietnam, a DGFT official said.

In the past one and a half years, imports of solar cells and modules have come down drastically. Imports of cells, pegged at $2.15 billion in 2018-19, have gone down to $1.4 billion in the current financial year up to November. Cell imports had peaked at $3.83 billion in 2017-18.

The paper recently reported India's solar power target took a back seat because of imposition of safeguard duty on imported solar panels. Due to the uncertainty over the panel cost and final rates of power sale from their projects, many developers stalled the purchase of imported panels.

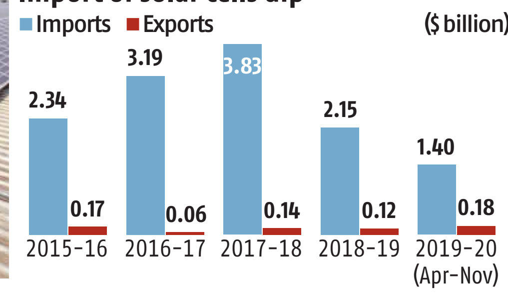
For 2018-19, the tendering target set by the ministry of new and renewable energy was 30,000 Mw. Ongoing tenders total up to 26,000 Mw and none has been closed yet due to lack of bids.

"Till June, no one purchased panels as they were fighting legal cases to pass through the increased cost due to safeguard duty. Now, they are waiting for the safeguard duty to get over. The gap in procuring solar panels is showing on overall target. There is a deficit of 5,000-10,000 Mw in the projects slotted for this year," a senior sector executive said.

India has set target of 100,000 Mw of solar power production by 2022. The current solar power capacity stands at 30,000 Mw.

IMPORTS IN NUMBERS

Import of solar cells dip



Major source countries for imports (in FY20)
($ million)

China	1,080.00
Vietnam	124.00
Thailand	103.60
Singapore	27.86
Hong Kong	26.89
Malaysia	3.68

Source: Commerce department

California's bid to protect Uber drivers may hurt freelancers

NELLIE BOWLES & NOAM SCHEIBER
San Fransico, 6 January

Gloria Rivera likes the freedom of freelance. She moved to San Diego from Peru in 2005 and has a bustling career as an interpreter and translator for doctors, courts and conferences.

Now, as a new California law governing freelancers is set to take effect on Wednesday, her clients are wary. They are asking for more paperwork. Some services are hitting pause on hiring Californians at all.

"Everyone's scared in California," Ms. Rivera, 42, said. "Who's going to hire me as an employee for three assignments a month?"

The new law, Assembly Bill 5, will radically reshape freelance work in California. Prompted in part by frustration with the treatment of workers by companies like the ride-hailing behemoths Uber and Lyft, the bill was created to extend workplace legal protections to roughly one million people in the state.

On Monday, Uber and Postmates filed a lawsuit in federal court in California seeking to block the law from being enforced against them. But the suit is unlikely to stop the law from going into effect in other professions.

Those other industries include a wide variety of freelance workers, such as writers, translators, strippers and clergy. Many said they were now discovering that the law could make earning a living much more difficult.

The idea behind the law, signed in September, is that many workers are misclassified as contractors so companies can save money. Unlike contractors, employees are protected by minimum-wage and overtime rules and are entitled to workers' compensation and unemployment insurance. Their employers pay half their payroll taxes for Social Security and Medicare.

A.B. 5 codified and extended the reach of a 2018 State Supreme Court ruling that said workers must be classified as employees if the work they did was a regular part of the company's business. Under the ruling, a plumber who fixes a leak at a store may be a legitimate contractor. But workers who sew dresses at home using cloth and patterns provided by the manufacturer are likely to be employees.

The new law also means a company must treat workers as employees if it controls how they do their work, or if the workers don't run independent businesses in the same line of work that they do for the company. A plumber who worked only at the store would most likely be deemed an employee.

The law has a host of so-called carveouts. It exempts certain white-collar workers like doctors and accountants, but it extends legal protections to tens of thousands of low-paid workers in fields like construction, janitorial services and hairstyling.

But complexities cropped up quickly. For example, marketers and grant writers were exempted, but journalists were not.

So a weekly columnist for a newspaper must now be considered an employee, since under the new law a freelance writer can publish only 35 so-called submissions a year with a publication. (A video and a text article on the same event would count as one.) The intention was to require newspapers to put these workers on staff. The result in some cases has been layoffs.

Vox Media cut more than 200 California freelancers, citing the new law. The transcription service Rev told its freelancers that it would be leaving California.

Emma Gallegos, 34, has been freelancing while saving money to start a local news website, Hwy 99, covering her hometown, Bakersfield, located in California's agricultural heartland. She recently took a copy-editing test to get a significant contract that would help pay her bills.

Afterward, the potential client emailed her, apologizing and explaining that it would not be able to hire her because she lived in California.

"There aren't many full-time writing jobs in Bakersfield, so these kinds of remote editing contracts are important for me," said Ms. Gallegos. "I just feel really frustrated and like I'm getting set back from my goals."

Proponents of the new law argue that many companies are playing on worker anxieties and that many of the arrangements that employers are abandoning were illegal even before A.B. 5.

"A lot of these employers are sending out these fear-mongering emails," said Assemblywoman Lorena Gonzalez of San Diego, the bill's author. "I guess in this day and age of Twitter, that's an easy thing to do — create a kind of mass hysteria."

Ms. Gonzalez, a progressive Democrat, has in recent weeks become a fierce Twitter presence pushing back at critics, sometimes with profanity.

When asked about some of Ms. Gonzalez's tweets, a spokeswoman said by email: "The assemblywoman is incredibly angry at an economic system that has caused a permanent underclass in her community of working men and women who are constantly being squeezed by corporate greed."

Ms. Gonzalez has said the problems facing companies that rely on freelancers preceded the new law.

SB Nation, the sports website owned by Vox Media, which cited A.B. 5 as the reason it recently let go about 200 freelancers, was already sued by freelancers before the law changed. In one lawsuit, freelancers claimed that they worked as many as 40 hours a week but earned less than $150 a month.

A spokeswoman for Vox Media declined to comment but cited a post from SB Nation's executive director in which he said the change was also "part of a business and staffing strategy that we have been exploring over the past two years."

Even in situations where the new law might hurt workers, Ms. Gonzalez said, the reality is more nuanced than opponents let on. She pointed out that some media outlets, including SB Nation and The Los Angeles Times, were hiring more employees because of the new law.

While acknowledging concerns among journalists, Ms. Gonzalez attributed the media angst over the law partly to journalistic ethics: Those who lose their jobs feel free to complain loudly. But those who may benefit from the law by becoming employees, she said, "think it's not appropriate to be engaged in something that affects them, that they have a conflict."

Some freelancers said the new law would force them to change the way they worked. And some said they preferred or needed their flexible schedules. Many companies limit their employees' flexibility for practical reasons, though there is nothing that requires them to impose a rigid schedule.

Nancy Depper, a copy editor and proofreader in Oakland, has multiple sclerosis. So "setting my own hours makes life infinitely better for all the reasons," she said. She said she had lost a set of contracts for 2020 worth $120,000.

"I've barely had time to process the information," Ms. Depper, 53, said. "I don't know what my options are going forward."

The National Press Photographers Association, which represents photographers who could lose freelance work because of the law, has filed a lawsuit challenging A.B. 5.

"Photographers and writers are stuck between the rock of dwindling to nonexistent employment opportunities and the hard place of A.B. 5," said Mickey H. Osterreicher, general counsel for the association.

The politics of the bill were messy. There was significant support on the left for regulating Uber and Lyft, which use incentives to encourage drivers to work when and where the companies need them while avoiding any of the protections offered by employment. Ms. Gonzalez focused partly on those companies.

But many of those who could end up losing freelance work consider themselves progressives, so it has been confusing to find themselves disagreeing with a progressive lawmaker over a union-backed law.

Vanessa McGrady, a writer in Los Angeles who runs a feminist clothing brand, planned to volunteer for Senator Elizabeth Warren's presidential campaign next year. But then Ms. Warren endorsed A.B. 5. Now Ms. McGrady, who is anxious about how the law will affect her career, is conflicted.

"I feel so strongly that workers need protection," Ms. McGrady said. "But this bill is killing cockroaches with a cannon."

Strip-club owners up in arms about the law's effect on their industry may have little recourse because courts have found that many clubs misclassified dancers even under older rules in a number of states. But freelance strippers in California who earn money from streaming services that pipe their performances onto customers' computers and mobile devices may now find that these online platforms refuse to work with them for fear of being held in violation of the law.

Steve Smith, a spokesman for the California Labor Federation, which advised lawmakers on A.B. 5, conceded that the law was somewhat ambiguous in this area and that the State Legislature should clarify issues like this in the coming years. "There are going to be unintended consequences with a law like this," he said. "We want to do everything we can to make sure we're addressing the right problems and not having any adverse effects on workers."

4 CEOs found secret to thriving during the retail apocalypse

BLOOMBERG
New York/Southfield, 6 January

A few taps on a screen or a handful of words heard by a smart speaker and within a couple days, maybe hours, packages arrive.

Buying things has never been easier. Selling them, however, is increasingly difficult. Blame changing tastes and the explosion of online options for killing off numerous retailers and forcing others to rewrite playbooks. Just last year about four dozen chief executives of U.S. companies making everything from Tupperware to jeans departed, according to researcher Exechange.

"The game has changed," said John Wood, a vice chairman at recruiting firm Heidrick & Struggles. Much of the traditional marketing and merchandising that worked in the past doesn't anymore, he said. Plus, today's CEOs need different skills, like enough humility to know their limits and continually upgrade their management teams, said Alice Elliot, founder and CEO of the Elliot Group, an executive search firm. In pursuit of what may breed retail success in this new decade—one that's bound to cause even more upheaval—Bloomberg News interviewed the chief executives of four chains that are thriving. Mary Dillon of Ulta Beauty Inc., Ritch Allison of Domino's Pizza Inc., Eric Lindberg of Grocery Outlet Holding Corp. and Wingstop Inc.'s Charlie Morrison took different paths to success, but two themes emerged—convenience is crucial and stores still matter.

Department-Store Killer

The woes of department stores, like Macy's, get blamed on e-commerce, but brick-and-mortar competitor Ulta has also played a central role. Makeup is one of the biggest attractions for department stores, and Ulta's supersized outlets, filled with major brands at often lower prices, have been poaching those customers. In the past decade, its sales jumped almost sixfold to more than $7 billion, leading to a stock gain of more than 1,000%. CEO Mary Dillon, a veteran marketer and former head of U.S. Cellular Corp., joined in 2013 and has since expanded the chain to more than 1,200 stores.

What did you find when you arrived?
The company wasn't broken. But we needed a long-term strategic plan that really understands where guests are going.

And where are they going?
One is the ability to order sitting on my couch and get something in a couple of days. The other is to do things even more exciting, like try on makeup virtually, or look at a hair color virtually. We try to not over-rotate and be only about digital, or only about stores. We need to do both at once.

Virtual makeup?
We bought a small augmented-reality company called Glam Street. We also bought a small company in the artificial intelligence space to help us supercharge the data we have with our 32.8 million customers, to really drive personalization. Both of those acquisitions are the first we've ever done as a company.

What about fending off all these digital brands and their loads of cash?
If you understand the category and the consumer, and you really meet their needs best, that should be your guide to whether you pivot or not. That's why we continue to build up stores—because that's what our guests love.

Rather than chase after every new bright shiny object, we've tried to be disciplined about saying: "We can't do everything, nor do we need to do everything."

But stores are dying, haven't you heard?
The narrative about retail absolutely has been wrong. There is a human need—especially in this category—for shoppers to come in person. If you want to look at what a color of an eyeliner might look like on you, or a foundation or a lipstick, the best way to do it is really in person.

Who needs the internet?
Grocery Outlet is a throwback. It doesn't do e-commerce. And its core business is selling surplus goods. It has franchised more than 300 stores in the U.S., but sees room for 15 times that. Eric Lindberg, who married into the founding family, became co-CEO in 2006 and was named sole chief executive in January 2019, six months before the chain went public.

You've been called the "TJ Maxx of grocery stores" because you buy surplus items and sell them at really low prices?
It's very complimentary.

So you say the chain's prices are 40% lower than most competitors, but what about Walmart?
20 per cent

And Whole Foods?
50 per cent or more, easily.

And you get there by what you call "opportunistic buying?"
The big picture is supply chain problems: canceled orders and inventory imbalances. For example: Costco calls a supplier and says: "We'll take 100,000, not 200,000 products," and leave the supplier with that balance. We can take any size.

Is e-commerce in the future, or are you still set on, "if you want us, you gotta come to us?"
Firmly the latter. I won't lie to you and tell you we haven't met with the different fulfillment folks. Instacart—they'd love to get Grocery Outlet on their platform.

But at some point, right?
I would argue that no one is making money doing it. The biggest confirmation for us is to just talk to the customer and ask them: "Would you trade some value for the convenience of us dropping it off on your porch?" And the resounding answer from customers is "no."

So are your customers low income?
We have stores that are in extremely impoverished areas, and we have stores in Palo Alto and other extremely wealthy areas.

So that's why you think there could one day be about 5,000 U.S. locations?
We're hard-pressed to look at any city in the U.S., small or large, and say it can't support a Grocery Outlet. That's how we get to that big number—decades and decades of growth. Immediately, we're focused on saturating the West Coast and then the East Coast.

And why do you give store operators so much autonomy?
Our operators are one-to-one. One operator, one store—that's different than a franchisee who might own a territory. They decide how they're gonna interact with the community, what they're going to carry in the store. Most of the operators—about 75%—are husband-wife couples.

We split the gross profit margin of the store 50-50 with the operator. The harder I work, the more I sell. That's pretty aligning with incentives for them and for us.

The Chicken Train

In the cutthroat world of fast food, Wingstop doubled sales in three years thanks to being at the center of two big trends: Americans' never-ending desire for fried chicken and eating at home. Investors love its franchise model, too, which speeds up expansion. The stock has more than doubled in the past two years. Reaping those rewards is Charlie Morrison, who joined as CEO in 2012 and took the company public three years later.

You started your career at Pizza Hut in the 1990s. What's changed?
Today there are so many more choices. Everyone was, for the most part, trying to be all things to everyone. Specialization of food—uniquely focusing on one thing, like chicken wings—that's probably the biggest point of differentiation.

YouTube's major privacy upheaval on kids videos begins

Starting on Monday, YouTube will overhaul its systems to comply with a landmark privacy ruling, a move that could dent revenue for the Google video giant and thousands of its creators.

Alphabet Inc.'s Google settled with federal regulators in September for violating laws on collecting data from minors, and YouTube agreed to a series of changes. Videos designed as "made for kids" would be stripped of targeted ads, which fetch higher prices, and other valuable features, such as user comments and live chats.

The Federal Trade Commission, which fined Google over the Children's Online Privacy Protection Act, or COPPA, has given broad directives about what it considers child-directed video, including clips with popular animations and kids play with toys. Individual video creators will face fines for violating COPPA going forward, which has sparked panic.

"YouTube now treats personal information from anyone watching children's content on the platform as coming from a child, regardless of the age of the user," the company wrote in a Monday blog post.

These changes have been expected for months, but their impact is still unknown. Google has warned that some video creators could lose a bulk of their ad sales. The company hasn't shared its sales or how much of its massive catalog comes from videos "made for kids."

BLOOMBERG

Delhi goes to polls on Feb 8, results on 11th

PRESS TRUST OF INDIA
New Delhi, 6 January

The Assembly elections will be held on February 8 in Delhi, which will witness a triangular contest among the ruling AAP, the BJP and the Congress. The results will be declared on February 11, the Election Commission announced on Monday. Chief Election Commissioner Sunil Arora said the notification for the polls would be issued on January 14 and the last date of withdrawal of candidature would be January 24. With the issuance of the notification, the nomination process will commence.

The announcement of poll schedule comes days after parts of the city witnessed incidents of violence and protests against the amended citizenship law and the proposed countrywide National Register of Citizens.

Responding to a question on the law and order situation in the national capital, the chief election commissioner said: "I won't say we (the Commission) are very sanguine, but we are hopeful that they (police) will be able to control the situation (and make it) conducive for polls."

"And in any case in the polling process, if there is some kind of an extraordinary situation, always (there) are provisions for kind of deferring the polls. All these provisions are there. The Constitution empowers ECI to take a call if needed," he said at a press conference.

Election Commissioner Sushil Chandra was not present at the press conference as he was not in town. Arora said the poll schedule had been decided unanimously by all the three election commissioners.

In the 2015 polls, Arvind Kejriwal had led the AAP to an unprecedented victory with his party bagging 67 seats, leaving just three seats for the BJP. The Congress drew a blank.

Soon after the poll schedule was announced, Chief Minister Kejriwal said the AAP would seek votes on the work done by its government in the past five years. Both the BJP and the Congress will seek to oust the AAP from power in the national capital.

BJP President Amit Shah on Monday accused the AAP government of misleading the people of Delhi for five years and said after the February 8 Assembly polls, a new dispensation under the leadership of Prime Minister Narendra Modi would take over and accelerate development in the national capital. Over 14.6 million voters can exercise their franchise in the February 8 Assembly election, according to the final electoral roll published on Monday.

There are total 146,92,136 voters — 80,55,686 males, 66,35,635 females and 815 belonging to third gender — in the final voters list. All voters will be provided QR code-enabled voters slip which will speed up voting through easy identification. In a separate press conference earlier in the day, Delhi Chief Electoral Officer Ranbir Singh said there were no instructions regarding registration of refugees covered under the Citizenship Amendment Act (CAA) in the electoral roll this time. This time Delhi will have 13,659 polling stations as compared to 11,763 in 2014, a jump of 16.89 per cent, according to an EC press note.

The Commission has decided to extend the facility of postal ballot for "absentee voters", people with disability and those above 80 years of age in all 70 assembly constituencies.

In October last year, the government had amended election rules to allow "absentee voters" to vote by postal ballot.

Electors on duty in polling station, electors who are above 80 years of age and the electors marked as 'Persons with Disabilities' in the Electoral Roll will have the option to seek postal ballot paper for casting their vote.

POLL BUGLE

"All Amit Shah ji did in his speech recently was abuse me. I will not indulge in anything like that. We will not abuse anyone. In 70 years, for the first time, people will vote on schools and hospitals"

ARVIND KEJRIWAL
Delhi chief minister

"I am confident that through this festival of democracy, the government led by a party, which misled people for five years and gave hollow promises, will be defeated"

AMIT SHAH
Home minister

"We are prepared and will run an aggressive campaign, which will compare the works done by the Congress under (former chief minister) Sheila Dikshit and the current govt"

KIRTI AZAD
Congress leader

IN NUMBERS

14,692,136 Total voters	8,055,686 Male	6,635,635 Female	815 Third gender
33,600 Ballot units	13,659 Polling stations		

CURRENT ASSEMBLY SEATING

67 AAP	3 BJP	0 Congress

NBFCs to see better loan growth in FY21, says Tata Capital CEO

SUBRATA PANDA
Mumbai, 6 January

The non-banking financial company (NBFC) sector will see better loan growth in 2020-21 (FY21) but it will take a fair bit of time for the book size to grow at over 20 per cent, said Rajiv Sabharwal, managing director and chief executive of Tata Capital.

"Growth in the sector is clearly a function of what growth in the economy is. If the economy is seeing a slowdown, you will see the same happening in the NBFC sector. I feel NBFCs will see moderated growth this year, compared to the last year. As far as next year is concerned, we hope disbursements will improve. This year, disbursements are lower than what it was last year," Sabharwal said. "Next year, we will see the disbursements improving but for the book to grow over 20 per cent, it will take another year. Because, first disbursements grow and then the book starts growing," he said.

The combination of factors — slow growth in the market, asset-liability management positions of certain NBFCs, housing finance companies (HFCs), and the conservatism of players in the mix — has resulted in slow loan growth.

"We have also become more conservative at this point in time because if we see that certain segments are not doing well or their business performance is not as good, you tend to become more conservative in your credit policy. It's good to be prudent rather than feel sorry later," Sabharwal said.

Rating agency CRISIL had said due to constrained funding access with rising borrowing costs, re-calibration and de-risking of loan book and a slowing economy, the NBFCs and HFCs would see their asset under management grow at 6-8 per cent in FY20, compared to 15 per cent in FY19. Sabharwal, however, said the cost of funds had actually come down for the NBFCs. The commercial paper rates are lower than what it was in the pre-IL&FS period. Moreover, with stability in rupee, fair amount of external commercial borrowings have happened. So, foreign money is coming into the market and because of stability in rupee the hedging cost is also lower.

"In fact, the cost of funds for borrowing money overseas is sometimes cheaper than the domestic market," Sabharwal said. Another good thing that has happened is the tenor by the NBFCs has increased.

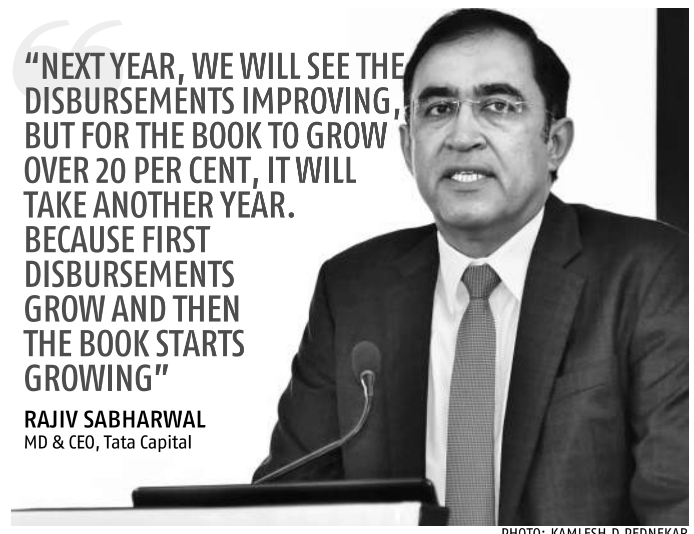


PHOTO: KAMLESH D PEDNEKAR

Rate woes of renewable energy firms may stress NBFC books further: ICRA

ABHIJIT LELE
Mumbai, 6 January

Infrastructure finance companies might have to brace for additional pressure on asset quality from exposure to renewable energy (RE) projects, which face rate risks.

These non-bank finance companies (NBFCs) are already affected by the slow resolution of their stressed thermal energy assets, according to rating agency ICRA. The segment's total exposure to the RE segment was pegged at ₹90,000 crore at end-September. The trajectory of total infrastructure credit in India (from banks and infrastructure NBFCs) had flattened in the six months ended September 2019, the first half (or H1) of financial year 2019-20 (FY20). While infrastructure credit grew 19 per cent in 2018-19, to ₹21.1 trillion, it rose only marginally to ₹21.2 trillion in H1FY20.

The uncertainty regarding rates in some southern states has led to rating downgrades for power companies that have raised money from lenders. The ratio of the number of upgrades to the number of downgrades in the power sector declined to less than one in H1, due to the increase in the number of downgrades in RE. This is due to liquidity issues being faced by the developers, given the payments from electricity distribution companies in Andhra, Telangana, and Tamil Nadu, said ICRA.

There is also concern on the uncertainty regarding resolution of rate issues for wind and solar power projects in Andhra. The ratio was above one during FY15 to FY19, led by upgrades for entities in the RE sector, primarily wind and solar segments.

ICRA says progress on stressed thermal asset resolution has been slow, despite measures by the central government and lenders. Only about 10 per cent of the stressed capacity has achieved resolution; another four per cent has been resolved but remains under stress. Recently, about a fifth of the affected capacity had got admitted to the insolvency tribunal. Overall, about 38 per cent of the stressed capacity has been admitted in or referred to the tribunal, the rest being under resolution by the lenders.

The stress related to thermal power has already been recognised in their accounts by the infrastructure finance companies. However, any stress build-up in the near to medium term from a spillover due to headwinds faced by the RE sector remains a concern.

TREND IN CREDIT RATIO IN POWER SECTOR

	Upgrades	Downgrades	Ratio
FY17	35	10	3.50
FY18	44	14	3.14
FY19	22	16	1.38
FY20*	16	24	0.67

*April-September 2019 (FY20) Source: ICRA

Solo in 2020

Air India's prospects of finding a good match look bleak

OUT OF THE BLUE

ANJULI BHARGAVA

The other day, a news report caught my attention. It quoted a government official claiming that two airlines — IndiGo and Etihad — had evinced interest in acquiring Air India. It also stated that the Tatas had not yet shown any interest in the proposed sale. As things stand, only an Indian-owned carrier can opt for 100 per cent of the stake; a foreign airline or investor can own only 49 per cent.

Of all the possible airlines, the two mentioned in the report struck me as most unlikely suitors. IndiGo already commands close to 50 per cent of the domestic market share and although Air India's domestic presence has been on a steady decline, the combined entity would cross 50 per cent of the market share, attracting the attention of the Competition Commission of India (CCI). As it is, IndiGo is driving fares and many in Jet argue that its closure was driven by the market leader's predatory pricing once Jet's problems surfaced. A former CCI chairman told me that there was no chance that the CCI would approve an acquisition of the national carrier by Indigo.

Expecting Etihad — which recently burnt its fingers with Jet's closure and has plenty of troubles of its own — to step in would be equally naïve. In 2018, the airline posted a loss of $1.8 billion, taking its three-year-deficit up to $4.8 billion. There have in fact been talks of Etihad being bought out by Emirates or one of the stronger partners in the Gulf region. To float its name as a potential taker for Air India at this stage sounds almost silly.

Meanwhile, Air India's own internal problems refuse to abate. The airline's net loss for 2018-19 was ₹8,400 crore, against a revenue of ₹26,400 crore. Although at some stage during the current financial year and after Jet's demise, Air India hoped to lower its losses for the year and even post a small operating profit, it now seems unlikely. CAPA estimates that the airline will end the year with a loss upwards of $500 million but the industry is willing to bet the final loss will be much higher than the CAPA estimate.

In addition to its mounting losses, a substantial part of Air India's fleet is on the ground due to maintenance problems and parts being unavailable due to a paucity of funds. Almost through the last year, between 25 and 35 aircraft were grounded, give or take a few. This, of course, is paradoxically good news for the carrier as more aircraft in the air means higher losses. Typically, airlines don't want to keep any planes on the ground and look at maximising utilisation. As with the country as a whole, none of the usual yardsticks apply in the case of our national carrier!

An acute shortage of funds has the airline strapped on all fronts. Salary delays are a given, no one expects timely payments. They are, in fact, grateful that payments are still being made. CMD Ashwini Lohani meanwhile has been out with a begging bowl, yo-yoing between the threat of closure and reassurances of continued operations, a daily comedy circus that no one takes very seriously any longer. Responses to his threats and exhortations appear to be taken in from one ear and let out from the other by a government that's mired in all manner of controversy.

Although Lohani with his more tempered handling of staff has proved better for employee morale than his predecessor, junior pilots in the airline have been putting in their papers. Resignations have been high enough in numbers to raise a degree of alarm, stirring the director operations into action, making himself available to meet the aggrieved in the last week of holiday season in December. Heavens must truly be falling!

Resignations of any kind are a rarity in our national carrier, known for the stickiness of its staff in general. After you have worked in Air India, a job in any other airline feels like actual work so you'd really have to be bitten by a mad dog to quit. When I asked one of the senior employees – who has been there since the late 1980s – about this strange and recent phenomenon, he pointed out that it must be the younger lot. "The high command and commanders of the airline will never leave until it shuts down; who else will tolerate their tantrums", he said in jest but with an uncanny degree of realism.

So dear reader, loath as I am to be the harbinger of bad news in the very first days of the new year and decade, I am really not optimistic on any kind of wedding in 2020. With a less than comely bride and no dowry to speak of, the prospects of landing a good match look bleak, a grim, sinister and no-nonsense prospective father-in-law notwithstanding.

CHINESE WHISPERS

Diplomatic Yadav

In the past, the Samajwadi Party (SP) in Uttar Pradesh (UP) had forged pre-poll alliances with both the Congress and the Bahujan Samaj Party (BSP) under its incumbent chief, Akhilesh Yadav (*pictured*). These experiments woefully failed to fetch the desired results and the partnerships felt apart. Now as the SP, BSP, and Congress are mounting pressure on the Adityanath government over the Citizenship Amendment Act to emerge as the main challenger before 2022 UP elections, Yadav is treading carefully so as not to annoy the opposition peers. While the BSP and Congress are taking potshots at other opposition parties, Yadav is guarded in his statements, reserving the salvos for the ruling Bharatiya Janata Party.

Aadhaar in place of PIB card

The new year has begun with unique demands on the media. The Press Information Bureau (PIB) accreditation card, which is authorised by the Union home ministry after police clearance, is being disregarded by key ministries and departments. Some offices on Raisina Hill, which takes you to at least five major ministries in North Block and South Block as well as the Rashtrapati Bhawan, had for long made it clear that PIB cards were not meant for them, insisting on their own access system to meet officials on the premises. But there's a change now. That is, some prominent ministries are de-recognising the PIB even at the outer gate before one can reach the reception for a visitor's pass. Security guards at one such building were heard asking for an authentic government document from a journalist before he could be ushered into the reception for a pass. "Give us something other than the PIB card …. Show us your Aadhaar card," someone said in a grave tone. They couldn't clarify why Aadhaar was a preferred document.

Pitching for Pawar as president

Amid the turmoil in Delhi, some statements in Mumbai signalled a new rallying point for the Opposition. Whereas Shiv Sena leader Sanjay Raut said that Nationalist Congress Party (NCP) chief Sharad Pawar's name should be considered by all political parties for the 2022 presidential election, the NCP's Majid Memon sent out a tweet saying "The move to muster support for Shri Sharad Pawar to be next Rashtrapati may yield positive results and will bring all non BJP forces closer by 2022…". Meanwhile, at an event in Mumbai later in the day, state minister and key Maharashtra Congress face Ashok Chavan also gave a diplomatic "consensus should be built on the candidature" statement, which hinted at some beneath-the-surface movement on the issue. While the presidential elections are more than two years away, one wonders what the significance of these statements could be. Observers believe it could be either to build enough support by making an early move or to irritate the ruling Bharatiya Janata Party (BJP) by talking about another adhesive force for anti-BJP unity.

A sweeter deal for sugar exports

Although the industry was unable to meet its export quota last year, the forecast of global shortage this year offers fresh hope

KUNAL BOSE

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

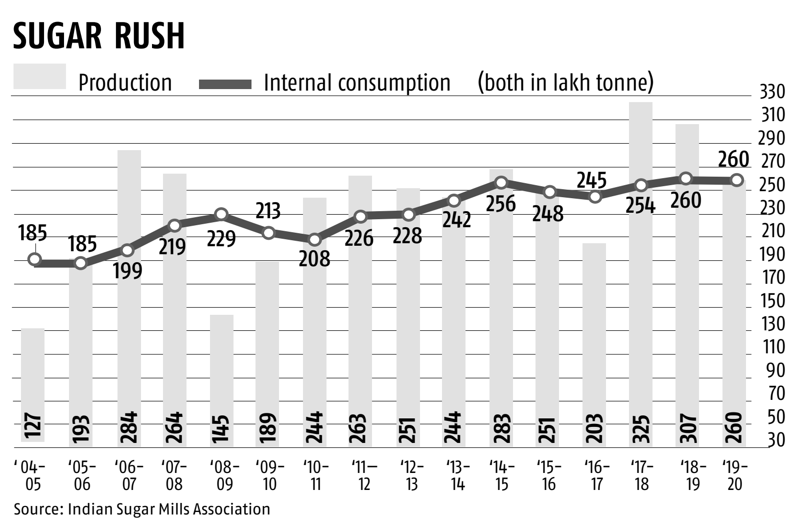
Production and consumption forecasts and the resultant global surplus or deficit are the principal movers of raw sugar futures (raws) prices on the Intercontinental Exchange (ICE) in the US. With Brent crude holding well above $65 a barrel and seemingly on track for monthly gains in the new year, Brazil, the world's largest producer and exporter of sugar, will be using a still higher percentage of its sugarcane output to make ethanol. Expert body reports suggesting a global shortfall of up to 8 million tonnes (mt) between sugar production and use in the current season that began in October 2019, a fall in global stocks to 50 mt and Brazilian exports likely to drop 1 mt to 18.6 mt will do good to raw futures to India's advantage.

This is because the Indian industry contending with brimming inventories has been given a mandate by the government to sell 6 mt in the world market. Even while the country is a now-on, now-off kind of exporter of the commodity, depending on production cyclicality and stocks, mills with support of what is claimed to be World Trade Organization (WTO)-compliant government subsidy have not done badly in the competitive world market. Besides Brazil, producing countries such as Thailand, Australia, Mexico and Guatemala, with limited domestic markets, must in all circumstances be able to sell large quantities in the world market for industry survival. No wonder, some rival exporting nations have complained to WTO that Indian sugar exports are aided by "illegal" subsidies. The fact is WTO rules allow subsidies for defraying transportation cost and marketing of agricultural products till 2023.

Last season, the Indian industry had the authorisation to export 5 mt and it ended up selling 3.8 mt. Considering the improvement in the sugar market scene since, how much of the 6 mt will get shipped overseas during the season ending September 2020? Balrampur Chini Managing Director Vivek Saraogi is on record saying: "Hopefully, we are able to export 5 mt this season and that will pare our sugar inventory to below 10 mt." Two consecutive years of Indian bumper production left an unmanageably large October 2019 opening stock of 14.6 mt, equalling over six months of domestic consumption.

To counter the negative fallout of this on local sugar prices that finally compromises mill capacity to settle cane bills in time, New Delhi is keen on large exports. A WTO-compliant subsidy of ₹10,448 a tonne that will cost the exchequer ₹6,268 crore in case the entire 6 mt is exported is, therefore, sanctioned. That the Centre concedes the industry needs more succour is confirmed by its expanding the buffer stock by 1 mt to 4 mt and freezing the fair and remunerative price (FRP) of sugarcane at ₹275 a quintal, leaving growers somewhat disappointed. The upshot is the government support is linked to the industry doing well with exports.

Trade officials believe that the achievement of 6 mt overseas sales target is possible because of government support and improving raw futures quotes on ICE. March delivery raw futures are traded at around 13.50 cents a pound. In the past 52 weeks, raws moved from a low of 10.68 cents to a high of 13.67 cents a pound. The more recent positive disposition of Indian mills to export has got as much to do with ICE price improvement as with production shrinkages in other producer-exporter nations.



The US Department of Agriculture (USDA) recently projected that 2019-20 global sugar production is likely to be down 6 mt to 174 mt with "overall exports estimated to be flat." Sugar output in Brazil is restrained due to a higher rate of diversion of sugarcane for ethanol production. The Brazilian sugarcane industry association UNICA has indicated that sugar factories will be using 35 per cent of the crop to make sugar against 35.9 per cent in the previous season. Lower production will automatically result in a smaller export surplus. In any case, the Brazilian industry has found domestic sales and ethanol production rewarding enough not to be obsessed about exports. The South American nation's sugar exports will be at a decadal low, says USDA.

The European Union is likely to see its beet-based sugar production up 119,000 tonnes to 17.9 mt. Even then, the region will need to import at least 500,000 tonnes for internal consumption. USDA says lower rainfall leading to compression in sugarcane productivity and juice recovery rate on cane crushing will be responsible for Thailand's 1 mt fall in sugar production to 13.5 mt. Among other ICE price boosters will be the forecast of a 5 per cent fall in Australian production to 4.5 mt, owing to lower cane juice recovery due to dry weather. Australia exports approximately 80 per cent of its sugar production. Indonesia is one major importing nation where India will be in competition with Australia.

Driven by population growth and the expansion of food and beverage industry, the Indonesian sugar requirement for the new season will likely be 6.8 mt against 6.6 mt in 2018-19 and imports will meet part of that demand. An importer of close to 5 mt, Indonesia needs to be in constant focus of Indian industry. Till December, Indian mills have signed export contracts for 2.5 mt against their maximum admissible export quantity (MAEQ.)

The MAEQ has been structured in a way as to allocate the unused quota by mills unable to export for whatever reasons to factories that have export successes. This is to ensure that failures of some industry constituents do not hamper India achieving the 6 mt export target. Earlier in better times, non-coastal single factory groups would sell their quotas at a premium to exporting groups. In the present market scene, there are no buyers of export quotas. Om Dhanuka, a former president of Indian Sugar Mills Association, says about 140 of the 530 are in no position to use their MAEQ quotas.

ON THE JOB

Inadequate & inappropriate jobs growth

MAHESH VYAS

Labour markets had performed very poorly in November 2019. The labour force participation rate (LPR) and the employment rate had fallen to their all-time lows. These metrics were on a mildly declining trend but the fall in November was steeper than warranted by the trend.

Weekly estimates had indicated an improvement in the labour force participation rate in December, but only to the mean value along the mildly declining trend. The December LPR did indeed recover to 42.85 per cent from the earlier month's 42.37 per cent. Similarly, the employment rate recovered from 39.2 per cent in November to 39.55 per cent in December.

These recoveries in December notwithstanding, the quarter of October-December 2019 has turned out to be the worst for the labour markets since 2016. It ended with an LPR of 42.84 per cent which was lower than the LPR in the previous quarter. Similarly, the quarter's employment rate at 39.48 per cent was the worst.

Even the unemployment rate at 7.85 per cent during the quarter was the worst since mid 2016.

Data for calendar year 2019 tell us that a jobs growth was underway during the year. It was, however, inadequate and also inappropriate.

In absolute terms, employment was rising during 2019. This rise could either be a recovery from the fall of 2018 or a sign of desperation to get some jobs, no matter how poor, in difficult times. The fall in 2018 was apparently the result of the combined effects of demonetisation in late 2016 and implementation of GST in mid 2017.

On a point-to-point basis, i.e. from one December to the next, 2018 saw a loss of 10.9 million jobs. By a similar point-to-point comparison, 2019 saw the addition of 9.6 million jobs. A more robust measure is the average monthly employment during one year compared to the next. This shows that 5.2 million jobs were lost in 2018 and 2.2 million were gained in 2019. Either way, we see a recovery in absolute employment estimates in 2019 but, this recovery is inadequate to even fill in the losses incurred in 2018.

But, employment needs to grow to match a growing young population and not to just fill in losses of the recent past. Employment needs to grow to ensure that a larger proportion of working age people are engaged in fruitful economic activities which in turn may ensure growth without inequality. In this respect, India is losing ground steadily.

The employment rate is a measure of the proportion of working age population that are employed. According to the World Bank's modelled ILO estimate (data retrieved by World Bank in September 2019), India has an employment to population ratio of 50 per cent compared to a world average of 58 per cent. And, India ranks 144th out of 189 countries for which such data is available. This database also shows that the employment ratio in India has been falling. It fell from 57 per cent in 1991.

It is intriguing that a lesser and lesser proportion of the working-age people in India are at work. Why more than half the Indians are not at work and why is this proportion falling? This is a question that begs a serious answer. Why is this proportion so small even when the definition of being employed is extremely liberal where being employed for wages or for profit for even one hour in a week before the survey is sufficient to be called employed.

CMIE's Consumer Pyramids Household Survey deploys a more meaningful definition of being employed — that of being employed on the day of the survey. And it finds that the employment ratio is much worse than the ILO modelled estimate. It was a shade below 43 per cent in 2016. In 2019, it was down to less than 40 per cent. What this means is that on any given day, on an average, less than 40 per cent of the working-age population of India are employed.

During the last quarter of 2019, the employment ratio was down to 39.5 per cent. This is the lowest employment ratio seen in India during any quarter.

The employment ratio is lower in urban India than it is in rural India. Urban India is where Indians migrate to in search of jobs; it is where the more qualified-to-work live; it is where more good quality jobs are available; it is where better infrastructure is available for people to get to work. Yet, employment rate in urban India has been consistently lower than it is in rural India.

Further, the employment rate has continued to fall in urban India in 2019 while it has stabilised in rural India. Most of the increase in absolute employment in 2019 has been in rural India. This is not very reassuring about the quality of jobs that have increased in absolute terms in 2019.

We will study this more in the coming weeks but, prima facie, the increase in employment in 2019 appears to be both inadequate and inappropriate.

The author is managing director & CEO, CMIE

LETTERS

Messy war ahead

This refers to the well-written piece, "Five banking trends for the new year" (Banker's Trust, January 6). While there will be more non-performing asset (NPA) recovery and a slight increase in credit off-take, there are certain features which will continue to cause concern in the financial sector. Firstly, there will be fresh accretion of NPAs from problematic NBFCs/HFCs and from Mudra loans as well as retail loans going bad. This feature will get aggravated in an economy which is slowing down. Secondly, with fairly wide divergence in the NPAs as declared by banks and those assessed by the Reserve Bank of India in 2018-19, the high level of NPAs is not subsiding anytime soon. I am referring to some of biggest public sector banks — SBI, PNB, BoB — and private banks such as Yes Bank. Thirdly, with no AQR carried out of big NBFCs, more unpleasant surprises cannot be ruled out. Fourthly, the large but weak and poorly managed urban cooperative banks could spring some shocks. Lastly, the unreformed public sector banks with their governance and operational issues will continue to drag down the overall performance of the banking sector.

Arun Pasricha New Delhi

Time to speak up

The mounting tension in West Asia following the assassination of Iran's Quds Force commander Qassem Soleimani, an immensely popular figure in his country, by the US is cause for concern for the international community. It is rapidly reaching a flashpoint. It is a highly volatile situation from which a full-scale war might develop. Looked at objectively, the US is squarely responsible for the conflict and its escalation in the region.

It is legitimate to ask why there are US troops in the region and no Iranian or Iraqi soldiers in the US soil to understand who is violating the principle of sovereignty of nations with impunity. Just because of US pre-eminence on the international stage, we should not shy away from some straight talking. As an imperialist power, currently led by a bellicose President, the US has brought the Gulf region to the brink of war.

The Trump administration has pulled out of the Iran nuclear deal and re-imposed economic sanctions and sought a "regime change" in Iran. It has downplayed the assassination of Soleimani as part of Trump's "maximum pressure campaign". But the US has once more shown that its foreign policy is based on the principle of "might is right".

The US is duplicitous and speaks in a forked tongue; it says it favours de-escalation and talks and then threatens "to target 52 sites" in Iran representing 52 Americans taken hostage on November 4, 1979. The series of tweets from Donald Trump cast him as a war monger. There is a deep sense of loss and anger over the assassination of Soleimani as is evident from the chants of "Death to America" and "We will take revenge" and burning of American and Israeli flags by crowds of people in the funeral processions.

Pushed to the wall, Tehran could act in unpredictable and ingenious ways to defend itself from the US aggression. The US seems to think that anyone who seeks to resist its military and economic expansionism is expendable. For it, anyone who is not on its side in its pursuit of self-interest is a "terrorist".

The international community must raise its voice against the US for its rash and reckless acts such as the assassination of Soleimani in the belief that the targeted countries cannot exact revenge because of its military might (it is not enough to do nothing beyond denouncing them as "short-sighted") and rein it in through all possible means from destabilising the world and making it more insecure.

G David Milton Maruthancode

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Preparing the response

Three axes along which India must respond to West Asian crisis

The killing of top Iranian general Qassem Soleimani by the US during his visit to Iraq has shaken up the situation in West Asia, moved the region closer to an armed confrontation, and caused oil prices to react sharply. Soleimani, as leader of the Quds Force — which is the division that carries out the extra-territorial influence and insurgency operations of the Islamic Republic of Iran — was a major player in the politics of the region and had become enormously powerful and popular in Iran itself. A cycle of response and escalation might result. If so, it is not easy to predict the path of oil prices in the short- to medium-term. US shale oil output has been robust but demand in the global economy has been weak. The market was on its way to oversupply anyway. But any low-level conflict might target oil infrastructure. Depending on what is taken out of the supply chain and for how long, this may create a scarcity that forces prices upwards in the short- or medium-term.

There are, thus, three axes along which the Indian government will need to prepare. These axes have been the same for some decades — and are the cause of India's dependence upon stability in the West Asian region. First, of course, is the supply of oil. India imports 84 per cent of the oil it needs. Thus, a spike in the price of oil makes a big difference not just to domestic cost conditions but also to the balance of payments. An increase in oil prices will naturally cause inflationary pressures throughout the economy; the Reserve Bank of India will, therefore, be forced to exercise greater caution than it would have otherwise when it comes to setting interest rates. In the past, high oil prices have severely weakened the external account; a previous crisis in West Asia was, in fact, part of the reason for the balance of payments crisis that precipitated the 1991 liberalisation. Today, India's foreign exchange reserves are relatively comfortable, at over $450 billion, and can easily cover 9-10 months' imports at current prices. An increase in the price of oil would have to be both sharp and sustained in order to erode this buffer.

However, there are two other axes of concern for the government, and both are related to the large Indian diaspora in West Asia, and particularly the Persian Gulf. Their safety will have to be a priority. India has in the past organised big evacuations — famously from Kuwait at the time of the first Gulf War, and more recently from Libya. The scale of any evacuation from the Gulf would on this occasion be even larger even if it remains relatively unlikely. A downturn caused by tensions, however, might cause a large number of guest workers to return to India — and to stop remitting money. In 2016-17, for instance, 27 per cent of remittances into India came from the United Arab Emirates, and 27 per cent from other Gulf states. This inward flow is concentrated geographically as well, with more than half flowing to Kerala, Maharashtra, Tamil Nadu, and Karnataka. A sharp decrease in remittance income would further stress the external account and the economies of these states. The Indian government should thus keep a wary eye on developments in the Gulf and make its own preparations.

Unmasked questions

Delhi police's variable responses require explanation

Two decisions by the Delhi police roughly three weeks apart raise serious questions. On December 15, during a protest against the Citizens' Amendment Act that spilled over to the students of Jamia Millia Islamia, the Delhi police chose to exercise great zeal in pursuing miscreants, who were not students, into the campus. They proceeded to beat up students indiscriminately, fire tear gas shells in the library, and even storm the women's hostel. But on January 5, they failed to display similar zeal when a masked mob armed with sticks, bottles, and iron rods rampaged through Jawaharlal Nehru University (JNU) for three hours, perpetrating roughly the same sort of havoc that the police wrought in Jamia Millia. Some 40 people were injured, and the JNU students' union president sustained a head injury as did a senior professor. This time, the police chose to remain inactive outside the university gates even as chilling CCTV footage showed goons striding into campus untouched and exiting unhindered some hours later. The attackers also prevented ambulances from entering the campus, to no noticeable reaction from the police. The explanation that the police had learnt from the Jamia Millia controversy and chose not to enter the campus *suo motu* does not wash. They were stationed at the campus in the first place at the express request of the university administration to quell a fracas that had broken out that afternoon between rival unions over a fee hike announced late last year. So it is unclear why they did not exercise their core function and intervene to stop manifest lawlessness.

Inevitably, questions have arisen over the identity of the masked mobsters, an issue that has been linked to the Delhi police's inactivity. The Delhi police come under the Union home ministry. So the inference drawn from their curious inertness is that they were under orders to stand aside because the attackers were members of the Rashtriya Swayamsevak Sangh's student wing, the Akhil Bharatiya Vidyarthi Parishad (ABVP). The fact that the streetlights were switched off ahead of the attack has strengthened these suspicions. This is the same method of operation the police used when they lathi-charged JNU students protesting fee hikes in November last year. To be sure, this police-ABVP link is still in the realm of circumstantial evidence. The home ministry has asked the lieutenant governor, the constitutional head of Delhi, to investigate and his report should, hopefully, explain the variable response of the Delhi police, among other things.

The expected political blame game that has broken out obscures the bigger question about the credibility of those institutions that are responsible for citizens' security and safety. From the law courts to the police, it is vital that taxpayer-funded citizen-facing institutions discharge their duties with impartiality. A police force in Delhi that is seen to align its actions to the party in power at the Centre for political ends imparts a strong degree of legitimacy to an egregious trend that is rampant in almost every state administration in India. In the long run, as Uttar Pradesh has demonstrated, the institutional weakness of those responsible for upholding the law is unlikely to make India a desirable destination for investors, whether domestic or foreign. In the process, India's economic development becomes a casualty.

ILLUSTRATION: AJAY MOHANTY

The last decade for equities

Betting on the US was a winning strategy

Given that 2020 marks the start of a new decade, there have been multiple reports published highlighting the performance of various asset classes and markets over the last decade. The last decade marked the total domination of US financial assets. The S&P 500 delivered a return of 250 per cent, trouncing all other markets. US equities are now over 50 per cent of most global indices. At $32.5 trillion, equity market capitalisation in the US dwarfs the next biggest country, China at $7 trillion. A simple, old fashioned 60/40 asset allocation to equities and bonds (indexed) would have seen investors in the US triple their money over the last decade. Active managers faced severe challenges globally, with hedge funds in the US unable to even beat the return of the 10-year bond. Stocks with intangible assets trounced stocks reliant on real assets like commodities. Betting on the US, taking risk and recognising that neither inflation nor rising rates posed a risk was a winning strategy.

AKASH PRAKASH

It was an interesting decade for India as well. Over the last decade, the Nifty delivered a return of 8.9 per cent compounded, keeping pace with gold and mildly outperforming 10-year bonds, which delivered 7.7 per cent. While equities did outperform, the risk premium investors were paid to hold equities over risk-free government bonds over the last decade at 1.2 per cent was clearly inadequate. Gold remained a bet on a falling currency as the rupee depreciation bumped up the asset class return to near 9 per cent. It delivered a sub 4 per cent return in dollars. The equity market tracked corporate earnings growth with little multiple expansion. The earnings per share (EPS) growth of the Nifty index over the decade was 8.2 per cent. Worryingly, earnings kept decelerating through the decade, with the last five years showing an EPS CAGR (compound annual growth rate) of only 5.6 per cent. The bet for the coming decade has to be that given how low corporate profits are as a proportion of gross domestic product today, earnings will accelerate back to double-digit growth rates, driving similar market performance as valuations hold. That is the hope at least, as regression to the mean will kick in at some point.

In global terms, over the decade, the Nifty delivered a return of 4.3 per cent compounded in dollars, compared to 11.2 per cent for the S&P 500. Although mediocre performance compared to the US, the Nifty actually outperformed the emerging markets index, which delivered only a 1 per cent return over the same period. Over the last 10 years, despite all the excitement around small- and mid-caps, the emergence of the domestic investor etc, the Nifty marginally outperformed the mid-cap index and trounced the small-cap index, which only delivered a rupee return of 5 per cent. The entire outperformance of the mid- and small-caps, which were delivering much higher returns till the beginning of 2018, has been reversed in the last two years.

Given the inherently higher risk in smaller stocks, it seems one has not been paid enough of an incremental return to justify owning smaller companies. Logically, this should change in the coming decade, otherwise there is no case to own anything other than the large caps.

Over the decade, the best performing sectors were — not surprisingly — the banks and consumer stocks, both delivering a return of 14 per cent compounded with the worst being real estate and power (returns of -5 per cent). In line with the above, the best performing stocks among the Nifty, were Bajaj Finance (63 per cent CAGR), Eicher Motors(42 per cent), Britannia (34 per cent) and Titan (33 per cent. The worst performers were Vedanta (-9 per cent), NTPC (-5 per cent), ONGC (-5 per cent)and Tata Steel(-2 per cent).

In terms of sectoral composition, the financials kept gaining share through the decade. Today almost 43 per cent of the Nifty index is composed of financials. Within the financials, the private banks and non-banking financial companies (NBFCs) have gained share at the expense of the public sector banks. While the weight of the financials has almost doubled over the decade, the weight of every sector except consumer, technology, automobiles and healthcare has at least halved. A case in point being the capital goods sector, where the weightage has dropped from nearly 11 per cent to 3 per cent.

While one can never be sure when the reversal will take place, this continued outperformance, at this pace, of the financial sector is unsustainable. We cannot have the financials accounting for 60-70 per cent of the benchmark, which will be the outcome of extrapolating the current outperformance into the future. The current consensus of being long private sector financials will not continue to deliver sustained outperformance.

Over the last decade, foreign institutional investors (FIIs) invested about $115 billion, with domestic institutions buying about $24 billion (mutual funds bought over $50 billion, but we had net redemptions from other domestic institutions). Over the last five years, however, domestic investors have been the buyer at the margin, investing over $50 billion into equities compared to FII inflows of $24 billion. One would expect the importance of domestic investors to only increase over time as both awareness and understanding of financial products increases. Mutual fund flows, though reduced, have still been consistently positive over the last two years, despite the poor performance of most funds. The stability in flows has been impressive.

From inception in 1993, FII inflows have reached almost $190 billion, and they now own over 21 per cent of the market.

Over the last decade, India Inc raised about ₹7 trillion, almost $100 billion from the equity markets through a combination of initial public offerings, offer for sale and qualified institutional placement. The best year for equity fund raising was calendar 2017, when ₹150,000 crore was raised. The government has set an ambition to raise billions of dollars in divestment proceeds, but there is no way that the domestic equity markets can support this quantum of sale. We do not have the depth in our markets. Strategic sale is the only alternative.

It has been a fascinating decade, we have seen the despair of a year of negative 25 per cent returns as well as the exhilaration of three years of near 30 per cent returns. We have seen stocks compounding at 60 per cent, as well as others giving a negative return. The only thing one can say with certainty is that the coming decade will throw up its own share of surprises.

The writer is with Amansa Capital

Public finances: Something doesn't add up

The past six months have witnessed a torrent of dismal economic news. The Budget is three weeks away and there is little reason to believe that the pall of gloom will lift. Here's why.

Revenues for 2019-20 projected in the July Budget simply cannot be realised. The estimate for gross tax revenue (GTR) was ₹24.6 trillion, a 9.5 per cent increase over revised estimates (RE) of ₹22.5 trillion for 2018-19. The problem, however, is that the actual GTR for 2018-19 was ₹20.8 trillion, implying an 18.3 per cent increase, which was never possible.

In its recent (December 2019) submission to the Fifteenth Finance Commission (FFC), the government stated that GTR was now estimated to be ₹23.6 trillion, a clear ₹1 trillion short of the target. The shortfall will actually be far more — do the math. Assume that corporate, income taxes and goods and services tax (GST) grow by 8.5 per cent (ambitious), customs by 7 per cent (unlikely) and Union excise by 10 per cent over the actuals for 2018-19. Deduct ₹0.6 trillion (conservative) for the corporate tax cut. The GTR comes to ₹22 trillion, ₹2.6 trillion short. So, on a conservative basis, the GTR shortfall will be 1.25 per cent of gross domestic product (GDP). Other estimates doing the rounds peg GTR losses at ₹3 trillion, or 1.4 per cent of GDP.

The implications are clear. The central government's net tax revenue (NTR) will be ₹14.75 trillion, ₹1.75 trillion short. Capital receipts from disinvestment were projected as ₹1.05 trillion. This target cannot be met; at best realisation may be ₹0.3 trillion. So, NTR plus capital receipts are likely to be short by ₹2.5 trillion. This translates into a fiscal deficit (FD) slippage of 1.2 per cent of GDP.

The estimated slippage does not take into account other creative measures (deferring payment of bills) and off-book shenanigans (public sector unit borrowing to meet government obligations). Food and fertiliser subsidy carryovers in 2019-20 are estimated to be ₹0.8 trillion and ₹0.6 trillion, respectively (together 0.7 per cent of GDP).

The Ministry of Finance (MoF) cannot publicly concede such a large slippage. So, what should we expect it to do? First, let the fiscal deficit slide to, say, 3.8 per cent of GDP. This will not be unexpected. Second, shave the balance (0.7 per cent of GDP) by a combination of expenditure cuts, deferred payments (including the GST compensatory cess to states) and exaggerated RE revenue receipts for 2019-20. At year-end, there is little else the mandarins can do.

RAHUL KHULLAR

And, future prospects are not cheerful. In the submission to FFC, the government has projected that in 2020-21 food, fertiliser and fuel (FFF) subsidies will amount to ₹4.9 trillion as against ₹3 trillion in 2019-20. Fuel subsidies are expected to triple and fertiliser subsidies to almost double. GTR is projected to grow by 12.9 per cent in 2020-21, an unlikely prospect given the exaggerated base revenues of 2019-20. On more realistic estimates of revenues, the growth comes to an impossible 19 per cent. In short, be ready for *déjà vu*.

The upshot is that there is just no fiscal headroom for providing a stimulus. So, much of the talk of pump-priming through huge public investment is just that—talk. The top priority must be to fix the fisc.

The revenue deficit (RD) is 2.4 per cent of GDP and must be reduced. This implies subsidy cuts, though it seems there is little appetite for subsidy reduction or rationalisation. Consider the following. Above Poverty Line households get a 75 per cent price subsidy on wheat and rice; in 2002, the subsidy was 34 per cent. For Below Poverty Line, the price subsidy was 46 per cent in 2002; it is now 83 per cent. LPG subsidy under direct benefit transfer (for the non-poor) is ballooning; surely there is a case for rationalisation. In an earlier column, I had mooted specific proposals for subsidy reform and redirecting public expenditure (*Business Standard*, 2 and 3 November 2015).

Another way to reduce the deficit is to target tax expenditures. Some economists estimate this can yield fiscal space of 3-4 per cent of GDP. The reality check could be the fourth or fifth version of the direct tax code (DTC). Any bets on tax expenditure reform?

Faltering growth has been diagnosed extensively and a slew of recommendations (some contradictory) have been made. Reviving investment is a common refrain. As is boosting consumption. A common prescription to accelerate growth is "major reforms", mostly left undefined. This when the credit system is severely stressed. And, we are in the throes of a fiscal crisis: A cutback in expenditures by the Centre of ₹2.2 trillion is reportedly on the cards. This will impact growth and revenues with knock-on effects on the credit system.

Without last-minute expenditure cuts, the FD would be 5.2 per cent of GDP (including only the carryovers of food and fertiliser subsidies). The FD needs a 2 per cent reduction. Taxation revitalisation is imperative (including the DTC). However, expenditure restructuring is the critical reform. We need 2-2.5 per cent of GDP to fix the credit system; without this, the drag on growth will simply persist. A similar amount is needed to spur public investment and promote complementary private investment. True, sectoral reforms are urgently needed in power, telecom, transport and coal to revive private investment and staunch public dissaving.

A 5 per cent correction in the fisc is no easy task. But, it is not impossible. It will take two to three years, as in 1991. The imperative is to start now. And, that means coming clean on the state of India's public finances.

The writer is the former chairman of Trai

Confronting an existential crisis

BOOK REVIEW

HASAN SUROOR

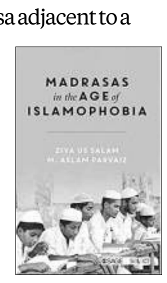
The last book I read on madrasas (Hem Borker's *Madrasas and the Making of Islamic Womanhood*) argued that for all their flaws they offer a route to educational mobility for Muslim girls from conservative families, particularly from rural areas. These girls find madrasas empowering and a potential stepping stone to mainstream higher education, even a career. Some told her madrasas had transformed their lives.

Yet, her description of the life inside a typical madrasa (Borker spent some time at a Delhi women's madrasa as part of her research) showed an institution mired in a culture of exclusion, with girls living isolated lives totally cut off from the outside world.

Ms Borker wrote she had worked with minority communities before but had "never engaged with an institution that is so Muslim, not just in terms of the student and staff composition, but also in its cultural norms, behavioural practices and ethos. …zealously fenced, with multiple levels of security, which can be quite unwelcoming and intimidating".

Her brave attempt to work up enthusiasm for madrasas was ultimately frustrated by the reality she encountered on the ground. The book under review also sets out to refurbish madrasas' image by trying to portray them as a casualty of widespread Islamophobia, but soon it comes up against the hard reality behind the plight of madrasas and why they are perceived by the outside world with disdain and suspicion, making them a sitting target for attacks.

Describing a madrasa adjacent to a well-appointed school in Kishanganj (Bihar), which famously organises an international literature festival, it says that while the "students of the school in smart trousers, shirt and tie attend many of the deliberations, the students of the madrasa remain conspicuous by their absence".



MADRASAS IN THE AGE OF ISLAMOPHOBIA
Author: Ziya Us Salam and M Aslam Parvaiz
Publisher: Sage
Price: ₹395

"All through the festival, they remain inside, emerging only to offer prayers at their appointed time.…They are like frogs in the well: read, learn, memorise and repeat. From early morning to lunch, then again after a lunch break…the students sit hunched over religious texts. There are no tables, chairs, just benches to place their books and rough jute rugs to sit on," the authors write pointing out that it's the same story at "countless madrasas across the country".

None of this — lack of basic amenities, regressive environment, antiquated curriculum and teaching methods— has got anything to do with Islamophobia, and everything with the system's inherent institutional flaws. Some madrasas, as the book points, not only openly practise exclusion but also "indoctrinate" their students against rival Muslim sects. They are even forbidden from reading literature published by other sects. And attempts to isolate students from the outside world stretch to banning them from reading English and Hindi newspapers considering these languages as "foreign to Muslims". (Page 173).

This book is significant not because of what it says but because who is saying it. It's written not by any old Islamophobic madrasa-sceptic, but by two devout Muslims who are knowledgeable about madrasas; appear passionately to care for them, writing about their decline with a real sense of loss; and believe in their continued relevance.

Generally, a reflex Muslim reaction to any criticism of madrasas is to dismiss it as Islamophobic rant, or coming from armchair detractors who have never "seen the inside of a madrasa" (as one madrasa head is quoted as saying about critics). But Ziya Us Salam (a former colleague at *The Hindu*) and M Aslam Parvaiz are "kosher" Muslim voices and the community will find it harder to shrug off their outspoken criticism of a system teetering on the brink—starved of funds, steeped in conservatism, stuck with an outdated curriculum and resistant to change.

They warn that only a radical "overhaul" (end to sectarianism and modernising the syllabus) can help it "survive into the next century".

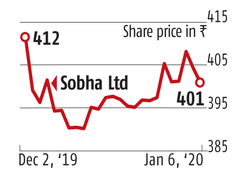
Sectarianism runs so deep that most madrasas teach "only one interpretation of Islam" depending on the sect to which a madrasa belongs. None of this is news. But, for a change, the conveyors of this bad news are not the so-called usual madrasa or Muslim-baiting suspects but respected credible voices from within the community. Which will make it harder for the madrasa lobby to shoot the messenger this time.

The book offers a well-documented and honest critique of madrasas, but spoils its card somewhat by opting for a slightly misleading populist title, "Madrasas in the Age of Islamophobia". Those who buy it hoping to get an understanding of how Islamophobia has affected madrasas may be forgiven for feeling disappointed that it doesn't quite deliver what it says on the tin.

The reviewer is the author of, Who Killed Liberal Islam

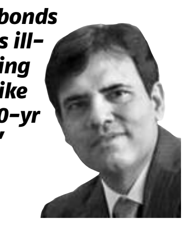
Business Standard
The Smart Investor
MUMBAI | TUESDAY, 7 JANUARY 2020

QUICK TAKE: GROWTH TRIGGERS FOR SOBHA



Brokerages are positive on the prospects of real estate major Sobha on new launches and higher realisations. Led by the Bengaluru market, sales momentum remained strong in the December quarter with the company reporting a 17 per cent YoY increase in volumes

"Foreign investors sold Indian bonds big time last week. RBI, with its ill-thought Operation Twist, is giving them an exit. With inflation spike + fiscal slippage, 6.5 per cent 10-yr bond yields are unsustainable"



SANDEEP SABHARWAL
Investment advisor

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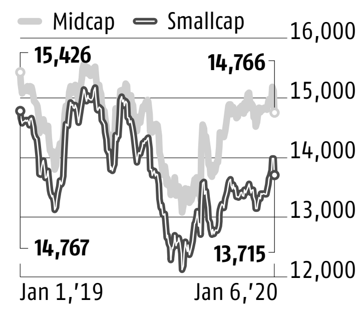
New margin norms may hit small stocks

ASHLEY COUTINHO
Mumbai, 6 January

MAPPING THE MOVE



The new curbs imposed on leveraged trading are likely to hit mid-cap, small-cap, and penny stocks hard, as the margin required for these is likely to shoot up after the clarification issued on margining by exchanges last week.

According to the clarification issued last week, stockbrokers will have to collect margins from their clients upfront — both in cash as well as derivatives.

"There was a lot of market making involved in small companies, especially penny stocks, to create artificial volumes as there was no system of upfront margining. These volumes will now dry up," said a senior stockbroker. According to him, brokers allowed clients to leverage 15-20x based on their collateral and relationship with the latter. "Now, clients will be required to pay margin based on exchange calculations. This will create a level playing field among brokers."

Experts believe that more than 90 per cent of penny stocks that see a surge are run up by operators, who use the capital given by promoters of these firms, and not for fundamental reasons. According to an exchange clarification issued last week, for the cash segment, value-at-risk (VaR) margin and extreme loss margin (ELM) have to be collected in advance of trade, and other margins have to be collected and paid as soon as margin calls are made by stock exchanges. In the futures and options (F&O) segment, it is now mandatory for members to collect initial margin, net buy premium, delivery margin, and exposure margin from clients upfront. "Non-banking financial companies are not lending beyond the top 400-500 stocks. Now, the additional margin requirement will take away the liberty that brokers had to lend. This may especially impact mid- and small-cap stocks," said Sandip Raichura, head-retail broking, Prabhudas Lilladher. "While the move may be good in the long run, we might see some pain in the short term," added Raichura.

The mid- and small-cap segment has been under pressure after the regulator's classification of these stocks for mutual funds. Earlier, there was no standard definition to classify stocks as large-, mid- or small-cap. This changed after the Securities and Exchange Board of India brought out norms to classify these stocks based on market capitalisation. The top 100 companies in terms of market capitalisation are classified as large-cap, those ranked 101 to 250 are mid-cap, and from 251 onwards, small-cap.

"The circular says that the entire initial margin — standardised portfolio analysis of risk and exposure margins for F&O, and VaR and ELM for equity — has to be collected upfront before taking a trade, even if it is an intraday trade. These types of intraday products were being offered with additional leverage by the entire broking industry until now. This will have to stop going forward," said Nithin Kamath, chief executive officer, Zerodha. According to Kamath, for a stock like Reliance, you would need VAR+ELM margin (12.5 per cent) to take a trade. Hence, the maximum intraday leverage that can be provided by any broker is this requirement of 12.5 per cent or 8x.

"Going forward, for all intraday products, the leverage will be the same, which is the VAR+ELM margin," said Kamath.

The VaR margin is a margin intended to cover the largest loss that can be encountered on 99 per cent of days. ELM covers the expected loss in situations that go beyond those envisaged in the 99 per cent value at risk estimates used in the VaR margin.

ECM proceeds up 38% in 2019

ASHLEY COUTINHO
Mumbai, 6 January

MOP-UP SPREE

	Proceeds ($ million)	No. of issues
2015	18,679.3	136
2016	9,231.3	147
2017	28,297.6	278
2018	15,535.1	231
2019	21,359.2	131

Source: Refinitiv

Fee from investment banking activities touched $1 billion in 2019, a 5.2 per cent increase over the previous year and the second-highest mop-up after the record $1.2 billion collected in 2017, according to a report by Refinitiv.

Debt capital market underwriting fees fetched a record $251.7 million, up 70.1 per cent from a year ago. Equity capital markets (ECM) underwriting fees reached $165.2 million, a 1.6 per cent uptick from 2018, while syndicated lending fees fell 5.1 per cent from last year and generated $322.4 million. Merger and acquisition (M&A) advisory fees slowed down and totalled $301.3 million, down 11.2 per cent from the record high set a year ago.

State Bank of India (SBI) took the top spot in India's investment banking fee league table, with 11.2 per cent market share and $116.4 million in related fees, according to the Refinitiv report. Axis Bank was second, taking an 8.3 per cent market share, while ICICI Bank was third with 7.6 per cent share.

ECM raised $21.4 billion this year, up 37.5 per cent in proceeds from 2018. Follow-on offerings, which accounted for 88.3 per cent of India's overall ECM proceeds, grew 73 per cent from a year ago, raising $18.9 billion in 2019, the highest period for follow-ons. Rights offerings of $7.4 billion accounted for 34.8 per cent of India's ECM proceeds, driven by Vodafone Idea's $3.6 billion and Bharti Airtel's $3.5-billion issuances.

Initial public offerings experienced their third consecutive annual decline, totalling $2.5 billion in 2019, down 46.2 per cent from last year.

Financials accounted for majority of the ECM activity with 43 per cent market share worth $9.2 billion in proceeds, a 27.9 per cent increase from last year.

Primary bond offerings hit a record high and totalled $86.4 billion in 2019, an 88.7 per cent increase in proceeds from a year ago. SBI launched a $1.2 billion bond offering through its London branch, the largest bond issuance from an Indian issuer this year. Issuers from the financial sector captured 68.2 per cent of the market share that amounted to $59 billion, a 52.5 per cent increase in proceeds raised from last year ($38.7 billion).

Power Finance Corporation was the most active Indian bonds issuer in 2019, raising $8 billion from 17 issuances. Other notable companies that issued bonds this year included REC (formerly Rural Electrification Corporation), Housing Development Finance Corporation, and Indian Railway Finance Corporation.

M&A activity reached $84.2 billion in 2019, a 36.6 per cent year-on-year decline after the record set in 2018. Target India M&A stood at $78.2 billion, down 32.2 per cent from the same period last year. The largest deal in 2019 was Brookfield Asset Management's $3.7 billion pending acquisition of Reliance Industries' Tower Infrastructure Trust. This was one of the two big deals between Brookfield and Reliance announced in 2019; Brookfield's India Infrastructure Trust also agreed to acquire Reliance's Pipeline Infrastructure subsidiary for $1.87 billion this year.

Total cross-border slowed down as both inbound and outbound M&A activity in India decreased. India's inbound M&A activity fell 35.4 per cent from a year ago and reached $36.3 billion.

Stay diversified, and safe, with multi-asset funds

But investors, who want the flexibility to alter their asset allocation, may avoid these 3-in-1 funds

SANJAY KUMAR SINGH

Multi-asset allocation funds — which invest in three asset classes (equities, debt and gold) — have enjoyed a good run over the past year. The category is up 11 per cent on an average, with the best-performing fund fetching a return of 16.79 per cent (see table).

This category — which generally offers rather sedate returns (the five-year average return stands at 7.07 per cent) — has done well this year because all three asset classes have contributed.

Gold is up 25.82 per cent. With interest rates declining over the past year — the benchmark 10-year government bond yield is down 112 basis points — funds that followed a duration strategy in the debt portion have seen handsome gains.

The equity markets have been very polarised in recent times. The large-cap indices are up. The returns of those indices have been driven by a few select stocks (only 15 stocks have delivered most of the returns of the Nifty). Managers of multi-asset funds who had invested in those stocks have generated alpha.

"The multi-asset allocation category has managed to capture returns from all the three asset classes this year. In our fund, we managed to generate alpha in equities, the duration strategy did well on the debt side, and gold is also up this year," says Ashwani Patni, head-products and alternatives, Axis Asset Management Company.

The primary advantage these all-in-one funds offer is diversification. "Investors can enjoy growth from equities, stability and regular income from debt, and protection against economic shocks from gold," says Patni. He adds that diversification across the three major asset classes enables these funds to offer sound risk-adjusted returns over the long term.

Many investors fail to rebalance their portfolios periodically. By investing in these funds, they can delegate this responsibility to the fund manager. They also enjoy favourable tax treatment. "Since most multi-asset allocation funds maintain an average equity exposure of above 65 per cent, they enjoy tax treatment on a par with equity funds," says Arnav Pandya, a Mumbai-based financial planner.

Investors should not, however, make the mistake of regarding these funds as being very low-risk. "Since the equity exposure is quite high in many of them, a downturn in the equity markets could affect their performance," says Pandya. Rising interest rates and negative returns from gold in certain years would also have the same effect.

To be truly diversified, an investor should spread her money across fund houses. By investing in these funds, she gives all her money to a single fund manager. If his strategies don't work, the investor could suffer heavily. Investors with a conservative to moderate risk profile, who do not want excessive turmoil in their portfolios due to high exposure to one asset class, may opt for these funds. They are also suited for investors who lack the time or ability to carry out their own asset allocation and rebalancing.

However, these funds tie down the investor to a specific asset allocation. They may not be suited for more evolved, larger-ticket investors, who may want the flexibility to alter their asset allocation to take advantage of market conditions.

Equity allocation of these funds varies from 49-72 per cent. When selecting one, make sure its asset allocation matches your risk profile and investment horizon. Also, check whether the fund manager runs a diversified or concentrated strategy in the equity portfolio. On the debt side, check how much duration risk he takes. These factors will have a bearing on the fund's volatility. Also, give weight to the fund's long-term track record.

Finally, treat them as a long-term allocation. "Enter these funds with a horizon of 5-10 years," says Patni.

ALL 3 ASSET CLASSES CONTRIBUTED TO PAST YEAR'S RETURNS

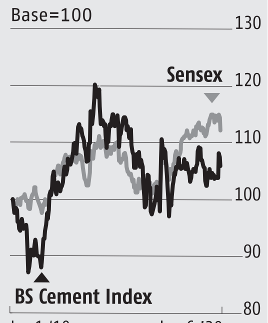
Fund	Returns (%)		
	1 year	3 years	5 years
Axis Triple Advantage	16.8	10.8	7.76
SBI Multi Asset Allocation	11.63	7.33	8.13
HDFC Multi - Asset	11.16	6.56	6.65
Essel 3 in 1	10.94	7.07	6.64
Quant Multi Asset	10.94	5.57	7.48
ICICI Prudential Multi-Asset	10.11	10.5	8.35
UTI Multi Asset	5.39	6.6	4.51

Source: mutualfundindia.com

THE COMPASS

Path still unclear for cement stocks

While capex should aid volumes, demand revival is not seen yet



Compiled by BS Research Bureau

SHREEPAD S AUTE

Investors have shied away from cement stocks in the past six months due to subdued pricing amid weak demand. The trend is unlikely to reverse soon.

Since July 2019, stocks of major cement companies, such as UltraTech Cement, ACC, and Ambuja Cement, among others, are down to 9 per cent in an otherwise bullish market (the BSE Sensex was up 4 per cent). Even Shree Cement is down by over 3 per cent.

Though recent ground-check reports by analysts offer some hope on cement pricing, sustaining the gains may not be easy.

Consider this: While average cement prices in December were down 1-3 per cent, month-on-month, analysts say some dealers have taken price hikes on a pan-Indian basis starting January 2020; others may follow suit.

A Reliance Securities report also states that dealers have been indicated by cement companies to prepare for a price hike of ₹10-60 per bag (of 50 kilos) in January. Some sector experts believe the pricing action is an indicator of demand revival in the ongoing quarter.

What could also provide upward thrust to cement volumes is the government's push to increase capital expenditure (capex) in the March 2020 quarter. Even historical trends are evident of higher capex disbursements by the government in the final quarter of the financial year. If revival continues, cement companies could get room to increase prices.

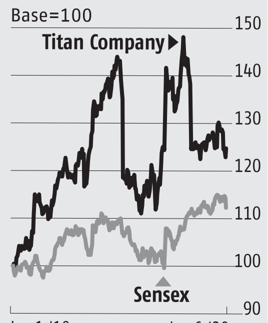
On the flip side, a few factors still question a sustainable demand revival and the pricing improvement. For instance, analysts at Centrum Broking said in their recent report, "Liquidity tightness and funding paucity for infrastructure projects, in combination with the weak organised real estate housing demand, will spill over in 2020-21, keeping the pricing scenario under pressure."

Though expectations of higher utilisation of clinker capacity should support pricing, the jury is out on this. So far, benign fuel and power costs, along with lower corporate tax rates, have supported earnings of cement companies in the December quarter. But, how far this trend sustains is also questionable, given the rise in oil prices that have an indirect bearing on fuel and transportation costs.

Against this backdrop, investors are recommended to be selective till clear signs on the demand and pricing fronts emerge. That is despite many cement stocks trading at 20-35 per cent discount to their respective historical long-term average valuation. Among the lot, UltraTech Cement is analysts' top pick in the large-cap cement space.

Higher gold price, valuation hurdle for Titan stock

Firm continues to outperform market and gain market share



Compiled by BS Research Bureau

RAM PRASAD SAHU

On a day when the broader markets were down 2 per cent, Titan remained the sole large-cap stock in the Sensex ending in the green. The stock was up 1.7 per cent after it announced double-digit sales uptick for its jewellery segment in the December quarter. Sales in the segment, which had declined by 1.5 per cent in the September quarter, have bounced back, registering a growth of 11 per cent.

Adjusting for a large institutional order in the year-ago quarter, retail growth has been much higher than expectations at 15 per cent. The increase in sales has been led by the festive season, especially demand for wedding jewellery which the company indicated was inelastic. Growth would have probably been higher but for the disruption caused by protests and forced closures in the Northeast and other parts of the country during the second half of the company.

Given its track record, analysts expect the company to outperform the sector on the back of new launches and retail expansion. The company is planning to add 50 stores (down from the target of 60 due to operational delays), especially in smaller towns in the current financial year.

The company is planning to add 50 stores (down from the target of 60 due to operational delays), especially in smaller towns in the current financial year

In addition to market share gains, higher share of studded jewellery (which has been trending up and is currently at 38 per cent of jewellery) should help improve its margins.

While jewellery sales outperformed, sales growth in watches/wearables and eyewear segments disappointed. Sales in the timewear segment were flat due to poor consumer sentiment and lower offtake from trade.

The company, however, gained some share as industry sales in the quarter were down 4 per cent. Eyewear segment growth was restricted to 2 per cent due to competitive pressure, lower sales to trade, and impact due to protests and closure in December.

While brokerages are positive, given its performance comes on the back of muted economic environment and a high base, there are certain headwinds for the stock.

The sharp rise in gold prices is a key worry and could dent its sales which were the case in the September quarter. Given the geopolitical uncertainty, analysts expect gold prices — which hit their lifetime high on Monday — to trend higher. The other negative for the stock is valuation. At 50x its 2020-21 earnings estimates, it is ignoring the potential slowdown in jewellery sales.

Diamond exports see a sharp fall in first 8 months of FY20

RAJESH BHAYANI
Mumbai, 6 January

In the first eight months of FY20, exports of cut and polished diamonds fell 19.4 per cent. This kept the overall gems and jewellery exports lower by 5.8 per cent at $25.5 billion.

Polished diamonds and coloured gemstones were big underperformers in this basket. But gold and silver jewellery as well as synthetic gemstones have shown positive trends.

Industry sources said economic slowdown in major consuming countries, financing issues with banks turning cautious and hostile approach of the Customs department towards rough imports are major roadblocks for the industry. The falling exports are owing to the changing preferences of young consumers and rising popularity of lab-grown diamonds.

Colin Shah, vice-chairman of the GJEPC, said that India's gem and jewellery exports are largely concentrated in the US, UAE and Hong Kong

In the first eight months of FY20 (April-November), export of cut and polished diamonds fell by 19.40 per cent to $13.27 billion compared to the same period of the previous year. For coloured gemstones, exports were down by 20.73 per cent to $263 million.

Since April, the Customs department issued three notifications in three months which had impacted the initial sentiment, eclipsing exports. The notification in June was on availing undue benefit of import without paying duty.

In May, several disclosures were sought by the Customs regarding suspected mis-declaration of values in both import and export of rough diamonds.

For several weeks after the May notification, exporters who imported rough diamonds were not able to lift the consignments. All these issues have taken a toll on exports in the sector.

Gold jewellery is another important contributor to exports and has seen marginal growth of 5.3 per cent to $8.66 billion. This was due to the headwinds like tightening government policies and closure of Scotia Bank which impacted services to exporter.

Another reason for the marginal growth is the difficulty in claiming duty drawback after Customs started demanding details of the complete supply chain to verify the import duty paid. The industry was also not able to take advantage of the US-China trade war even as several companies having base in China were willing to shift to India. India's norms for units in export zones were not suitable to them.

However, to address the issue, the Gem and Jewellery Export Promotion Council (GJEPC) has prepared a multi-pronged action plan.

Colin Shah, vice-chairman of the council, said that India's gem and jewellery exports are largely concentrated in the US, UAE and Hong Kong.

We have identified new markets for increasing exports. "For cut and polished diamonds, Russia, Brazil, the UK, Vietnam, Singapore, France, Italy and Germany could be the countries to focus on. Countries like the UK, France, Qatar, Australia and Thailand can be explored for exporting gold jewellery products. Improving skills of labour, increasing use of e-commerce platforms and product innovation for new generation customers are other strategic shifts exporters have to consider," he added.

The council also advised exporters to enhance gold, silver and imitation jewellery exports to the US.

China's share in US imports of gold, silver and imitation jewellery is 13 per cent, 20 per cent and 73 per cent, respectively.

US-IRAN CONFLICT: INDIA UNDER PRESSURE

Oil rally has crude impact on key sectors; margin pressure looms

Oil marketing, aviation, tyre, and cement companies may not be able to pass on increased costs

SHREEPAD S AUTE AND RAM PRASAD SAHU
Mumbai, 6 January

The rising tension between the United States and Iran and its consequent impact on Brent crude oil, which surged further on Monday to around $70 per barrel, has only added to the woes of India Inc. Companies, which are already grappling with the sagging economic situation, now also face the potential threat of higher costs, and therefore, a fall in margins.

The Street's concern was also palpable. Stocks pertaining to the sectors with relatively higher co-relation with crude oil prices, such as oil marketing (OMCs), aviation, paints and adhesives, cement, and tyres were down up to 7 per cent, as against a close to 2 per cent fall in the S&P BSE Sensex.

What holds key at this point, when the overall demand scenario is muted, is companies' ability to pass on the incremental cost because of higher crude oil prices. This is because the escalation in the US-Iran tensions cannot be ignored, even as many experts are of the view that oil prices would retreat as soon as normalcy is restored.

According to Devendra Pant, chief economist at India Ratings, "If there is disruption to crude oil supplies and if oil prices stay high for a long time, it will be of great concern." Some other experts predict Brent crude to hover around $70 per barrel or 8-9 per cent higher than FY19 average prices if the situation worsens.

In this scenario, OMCs like Indian Oil Corporation may see a significant impact as their refining and marketing margins get directly affected. Though OMCs have shown their ability to pass on higher benchmark prices recently, Swarnendu Bhushan, analyst at Motilal Oswal Financial Services, believes that a sharp rally may challenge OMCs' ability to hike auto fuel prices. If they are unable to do so, it will then put the upcoming Bharat Petroleum Corporation (BPCL) divestment in question. Additional pressure for OMCs will be in the form of higher interest costs, as their working capital requirement will likely increase with higher oil prices.

Sunil Jain, head of research at Nirmal Bang, however, has a different opinion. He believes that OMCs can increase fuel prices to pass on the cost burden and given the planned divestment of BPCL, government intervention to control fuel prices because of demand worries looks unlikely. The jury, however, is out on this.

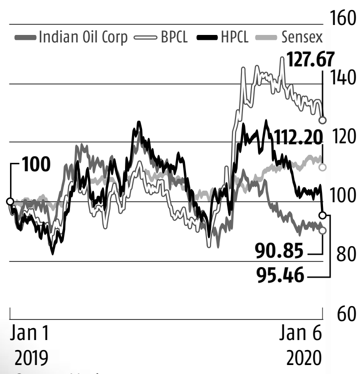
Aviation companies, however, may find it tough to increase prices as it may hurt passenger traffic, says Jain. In the case of aviation, crude oil prices account for about 40 per cent of the operating cost. Further, with the rupee sliding past 72 to the dollar, it will not only increase the oil bill but also lease and maintenance costs, which are denominated in dollars. Thus, with costs moving up and competitive pressure keeping a tab on ticket fares, their margins which will take a beating.

Among other sectors staring at a negative impact from higher crude oil prices are tyres and cement. Crude derivatives, such as synthetic rubber, tyre cord fabric, steel cord, and carbon black are used in tyres, while fuels, such as diesel and petroleum coke, are among key cost elements for cement companies. Both these sectors are reeling from poor demand.

Paints and adhesives, for which crude oil-derived inputs account for 20-35 per cent of their respective raw material cost, will also feel the heat. But, since they enjoy relatively better pricing power, maintaining margin may not be a major concern. Yet, some impact can be seen in the short-term.

More on business-standard.com

ROCKY ROAD
Oil companies vs market



Source: Market

	Price (₹)	1-day Chg (%)		Price (₹)	1-day chg (%)
AVIATION			**AUTO**		
InterGlobe Aviation	1,327	-2.5	Ashok Leyland	80	-3.9
SpiceJet	105	-1.1	Maruti Suzuki	7,040	-3.0
OIL PRODUCERS			Tata Motors	186	-2.9
ONGC	126	-1.8	Hero MotoCorp	2,369	-2.7
Oil India	154	-1.4	**OIL REFINING & PETROCHEMICALS**		
PAINTS			HPCL	245	-7.2
Kansai Nerolac	494	-4.1	BPCL	469	-2.7
Berger Paints	490	-3.8	Reliance	1,502	-2.3
Asian Paints	1,708	-2.5	IOC	125	-1.5

As on January 6, 2020; Share price figures rounded off; List includes BSE500 companies
Source: Exchange Compiled by *BS* Research Bureau

Investors become poorer by ₹3 trillion in two days

PRESS TRUST OF INDIA
Mumbai, 6 January

Investor wealth tumbled by a whopping ₹3.36 trillion in two successive sessions of decline in the equity market following escalation in tensions in West Asia.

The equity markets fell for a second consecutive session, with the 30-share key BSE index plummeting 787.98 points, or 1.90 per cent, to close at 40,676.63, on Monday. During the trade, it dropped 850.65 points to 40,613.96.

The Sensex had ended 162.03 points, or 0.39 per cent, lower at 41,464.61 on Friday as well.

Led by the weakness in equities in two consecutive trading sessions, the market capitalisation of BSE-listed companies plunged by ₹336,559.82 crore to ₹15,390,312.60 crore.

"The Indian markets started the week on a negative note amid escalation of geopolitical tensions between the US and Iran. The rising crude oil prices and the adverse rupee movement, too, impacted the sentiment," said Ajit Mishra of Religare Broking-Research.

"Among the broader markets, the BSE MidCap and SmallCap underperformed. All the sectoral indices witnessed heavy selling pressure and ended with losses, wherein auto, banking, and metals were the biggest losers," he added. US President Donald Trump on Sunday vowed "major retaliation" if Iran tries to avenge the killing of its key military commander Qasem Soleimani. On the Sensex chart, Bajaj Finance was the top loser, dropping 4.63 per cent, followed by SBI, IndusInd Bank, Maruti, and HDFC.

At the BSE, 1,944 stocks declined, while 604 advanced and 181 remained unchanged. The S&P BSE SmallCap index closed 1.96 per cent lower, while the BSE MidCap index fell 2.31 per cent.

HOW MARKET CAP HAS MOVED IN CY20

Date	₹trn	Chg (₹trn)
Jan 1, 2020	155.83	0.3
Jan 2	157.27	1.4
Jan 3	156.88	-0.4
Jan 6	153.90	-3.0

Source: BSE Compiled by *BS* Research Bureau

TOP 5 LOSERS ON SENSEX (according to m-cap change, absolute basis)

	Closing price			Market cap (₹ crore)		
	Jan 2, 2020	Jan 6, 2020	% chg	Jan 2, 2020	Jan 6, 2020	Change
HDFC Bank	1,286.7	1,241.2	-3.5	7,04,702	6,79,781	-24,920
Reliance Industries	1,535.4	1,501.5	-2.2	9,73,290	9,51,831	-21,458
State Bank of India	339.3	319.0	-6.0	3,02,812	2,84,650	-18,162
Bajaj Finance	4,248.3	3,998.2	-5.9	2,55,600	2,40,552	-15,047
HDFC	2,466.2	2,384.5	-3.3	4,26,412	4,12,277	-14,135

Source: Bloomberg Compiled by *BS* Research Bureau

Price concerns grow over Iraq sanctions threat

SHINE JACOB
New Delhi, 6 January

The price of Brent crude oil touched $70 per barrel intraday on Monday after the US threatened to impose sanctions on Iraq, too, for its Parliament asking the American military to leave the country after it killed top Iranian general, Qasem Soleimani, in Baghdad. Any such move by the Donald Trump administration could lead to supply disruptions in the global market.

The increase in the global oil price over the weekend has affected retail prices of automobile fuels, with petrol in Delhi touching a 13-month high on Monday, at ₹75.69 a litre — up from ₹75.54 a litre on Sunday. Diesel jumped to ₹68.68 a litre, from ₹68.51 a litre on Sunday.

India's imports from Iran has already gone down to 1.7 million tonne (mt) in the current financial year, from 23.9 mt in 2018-19. However, an escalation of military conflict in Iraq could put that country's 4.6 million barrels per day (mpd) of crude oil production at risk which may have the twin effects of jeopardising crude oil supplies to India and increasing crude oil prices globally, said a report by ICRA. And if Iran responds by blocking tanker movements in the Strait of Hormuz, oil prices may jump further.

"As a growing economy, we will continue to be dependent on crude oil imports. The volatility in prices cannot be predicted and our imports will remain high. The focus should be on how to de-risk ourselves against this, through measures like best-in-class crude sourcing and contracting, strategic reserves and demand management," said Anirban Mukherjee, partner and director, Boston Consulting Group (BCG).

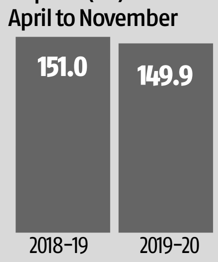
The ICRA report said crude oil also found support from a sharp drop in the US inventory. "The arrival of shale had played a balancing act in crude oil prices for the last three years. The role of geopolitical factors was subdued because of this," said P Elango, MD, Hindustan Oil Exploration.

ICRA said the increase in international oil prices is a credit negative for the Indian economy, given that every $1 a barrel rise increases the country's import bill by $1.4 billion. On the other hand, every $10 a barrel increase in crude oil prices increases the fiscal deficit by about 0.1 per cent of the GDP.

But, higher crude prices may lead to a better realisation by upstream firms.

"While the marketing profitability of PSU oil-marketing companies could be under pressure in the near term, their credit profile is expected to remain stable because of low but improving refining margins, rising share of profits from petrochemicals and gas, besides moderate level of debt leading to healthy credit metrics; as regards the upstream companies, their credit metrics are expected to remain solid," said Prashant Vasisht, vice-president and co-head, corporate ratings, ICRA.

CRUDE OIL IMPORTS
Imports (MT) from April to November



Value ($/billion)
78.6 69.5
Source: PPAC

FUELLED UP
Delhi prices (₹/litre)

	Jan 1, 2020	Jan 6, 2020
PETROL	75.14	75.69
DIESEL	67.96	68.68

Source: Indian Oil

Global price

Brent crude ($/barrel)*	70.03
% change**	31.7
YTD	5.4

*Jan 6, 2020 **January 2019
Source: Bloomberg

Gold surges 2% to hit new record in rush for safety

DILIP KUMAR JHA
Mumbai, 6 January

Gold prices in India jumped by over 2 per cent on Monday following global move on escalating geopolitical tensions in West Asia which multiplied with the US killing a top Iranian general.

Standard gold in the popular Zaveri Bazaar here jumped to trade at ₹40,678/10g on Monday as compared to ₹39,931/10g at its previous close on Friday. Silver price also moved up to trade at ₹47,955/kg on Monday versus ₹47,330/kg on Friday.

Gold in India is up nearly 4 per cent in two trading days Friday and today. Global investors have been investing aggressively in gold as a safe haven asset following instability and economic slowdown.

Although some of key equity markets have also moved up yet investors including global central banks increased their gold holdings resulting into gold price breaching all previous records during calendar 2019. At the current price, gold has yielded 29 per cent returns since January 2019; and 20 per cent and 4.3 per cent since July 2019 and January 2020 respectively.

"Gold price is approaching ₹41,000/10g now, the record which we estimated it to achieve by June 2020. In dollar term, gold is currently trading at $1575/oz due to safe haven buying from investors following escalating geo-political tensions. Strong fundamentals in its favour, gold price is set to rise further to the next resistance levels of $1615/oz and $1650/oz in short term," said Gnanasekar Thiagarajan, director, Commtrendz.

While gold in the international markets hit the highest in six years, silver surpassed its level it had set seven years ago after Goldman Sachs in its report termed bullion as a better bet than oil.

Meanwhile, copper and other base metals on the London Metal Exchange (LME) recovered on Monday a part of its decline on Friday after China – the world's largest consumer – announced policy, easing trade tensions with the United States. Base metals moved up by upto 0.5 per cent in early trade.

SHINING BRIGHT
Bullion price movement (% change since)

	Jan '19	Jan 06, 2020	YTD 2020
Standard gold* ₹/10 gm	28.8	40,678	4.1
Silver* ₹/Kg	25.4	47,955	2.8
Gold $/oz	22.9	15,76.6	3.9
Silver $/oz	18.8	18.4	3.1

*Mumbai price Sources: IBJA, Bloomberg; compiled by *BS* Research Bureau

Broader market is now even more vulnerable to oil spike

KRISHNA KANT
Mumbai, 6 January

India's broader market is more vulnerable to a spike in crude oil prices than any point in nearly decade thanks to a dwindling weighting of export driven companies in the benchmark Nifty 50 index.

Companies with large exports revenues, such as Tata Consultancy Services, Infosys, Sun Pharma, Cipla, UPL, Tata Motors, and Bajaj Auto, accounted for only 16.5 per cent of the NSE Nifty 50 index — the lowest in a decade at the end of December 2019.

In comparison, companies in sectors, such as information technology services, pharmaceuticals, agro chemicals, and automotive exporters, accounted for 17.3 per cent of the Nifty companies' combined free float at the end of December 2018 and as much as 26.1 per cent at the end of December 2015.

Index movement and the weighting are calculated on free-float market capitalisation of individual index stocks. Free float is the portion of the shares owned by non-promoters.

This the analysts say make the index and the broader market vulnerable a spike in energy prices and the resulting depreciation in rupee against the US dollar. "Thanks to their dollar revenues, exporters are less vulnerable in a market sell-off triggered by higher crude oil prices compared to domestic market focused companies. A weaker currency boosts their revenues in rupee terms and make them more competitive in overseas markets," said G Chokkalingam, founder and managing director, Equinomics Research & Advisory Services.

A weaker rupee raises the cost of imports — either directly or indirectly — for domestic market focused manufacturing companies that puts a pressure on their operating margins and profits.

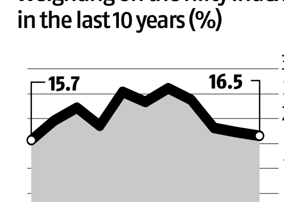
Lenders on the other hand lose by way of higher borrowings, which typically follows a currency depreciation. The Bank Nifty — the index of the country's top banks — was one of the biggest losers on the bourses on Monday as bond yield spiked post the depreciation in rupee against major currencies. Bank Nifty was down 2.6 per cent against 1.9 per cent fall in the broader Nifty50 index.

In comparison, Nifty IT index ended in the green while Pharma index declined but less than the boarder market.

Historically, there has been ad adverse relationship between international prices of crude and the movement of the broader market due to India's large import dependence. Imported crude oil accounts for nearly 80 per cent of India's energy demand and imports exceeds export revenues for most of the large manufacturing and energy intensive industries.

More on business-standard.com

GOING DOWNHILL
Export-driven companies' weighting on the Nifty Index in the last 10 years (%)



Source: Capitaline
Compiled by *BS* Research Bureau
Note: Based on index weight of IT, Pharma, UPL, Bajaj Auto and Tata Motors

West Asia, China tensions: ₹ may have a challenging year

ANUP ROY
Mumbai, 6 January

The rupee crossed 72 a dollar intraday, taking cues from the equity markets, but it clawed back later in the day as exporters stepped in to sell dollars.

The Reserve Bank of India (RBI) did not intervene in the market, said currency dealers.

The rupee closed at 71.94 a dollar, down from its previous close of 71.80 a dollar, as the crude oil price crossed $70 a barrel. On Friday, after the US killed a top Iranian general, the rupee had depreciated 0.61 per cent against the dollar.

The currency market believes that the Iran-US face-off may not escalate into a full-fledged war, but there will be tensions for quite some time and coupled with trade tensions with China, the year may not be that great for the rupee.

"Any war in addition to the trade war will be significantly worse for the global markets and risk sentiments. The rupee will be more affected than other emerging markets currencies because of India's oil dependencies and also because India shared a good trade relationship with Iran. This factor puts an immediate bias for risk-off, including rupee depreciation and equity softening," said Samir Lodha, managing director at QuantArt Markets Solutions, adding that investors are moving to safe haven currencies like Japanese Yen and investment in 10 year US bonds is seeing increased buying.

If there is no war, 72.50 a dollar could be a good resistance level for the rupee

The dollar index, which measures the greenback's strength against major currencies, fell 0.22 per cent to 96.63.

If there is no war, then 72.50 a dollar could be a good resistance level for the rupee, said a senior currency dealer with a foreign bank. "But if it escalates to war and crude oil is impacted, then there is no telling where rupee could go," he said.

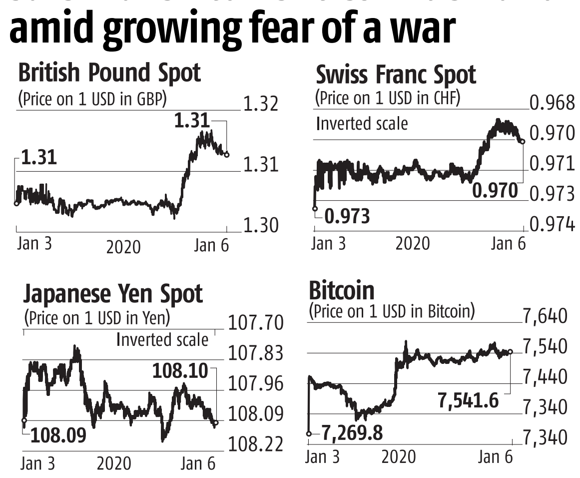
The currency dealer is now pencilling in the price of crude oil in their equations. The Union Budget had estimated the crude price at $65 a barrel. If the crude oil rises beyond that, India's fiscal deficit widens because of increased import cost.

"If crude oil sustains above $70 a barrel, the rupee will be under a lot of pressure. It is all dependent on how oil would react," said Ritesh Bhansali, vice-president at Mecklai Financial.

Analysts expect the renewed geopolitical worries to remain for a couple of days, lending support to the crude oil price and taking a toll on emerging market currencies, including the rupee. But there are mitigating factors in favour of the rupee.

"We expect the spot to rally towards 72.25 and 72.50, only to fall to 71.50. As we proceed towards the end of the month, we can expect dollar flows related to SBI Card IPO keeping a check on the rupee fall," said Rahul Gupta, head of research-currency, Emkay Global Financial Services.

Safe-haven currencies in demand amid growing fear of a war



REUTERS
London, 6 January

The yen and other safe-haven currencies were in demand on Monday, along with assets such as gold, as investors fretted that the killing of Iran's most prominent military commander by the United States could trigger a broader West Asian conflict.

The Japanese yen surged on Monday to a three-month high of 107.77 versus the dollar in Asian trading and was last up 0.2 per cent on the day at just below 108 JPY=EBS. The Swiss franc, another safe-haven currency, was little changed close to the four-month high of 1.0824 it reached against the dollar on Friday.

Bitcoin, which some see as a digital gold, has also risen, hitting a two-week high of $7,580 BTC=BTSP.

Implied volatility gauges in euro/dollar, the most traded currency pair, were relatively calm, suggesting investors are not yet fleeing to add protection to their portfolios by buying currency options.

Brands lay the pitch for a bus ride

FlixBus, IntrCity, Shuttl talk up safety and convenience of bus travel, look to disrupt a market that has traditionally been the preserve of the State

NAMRATA ACHARYA
KOLKATA, 6 JANUARY

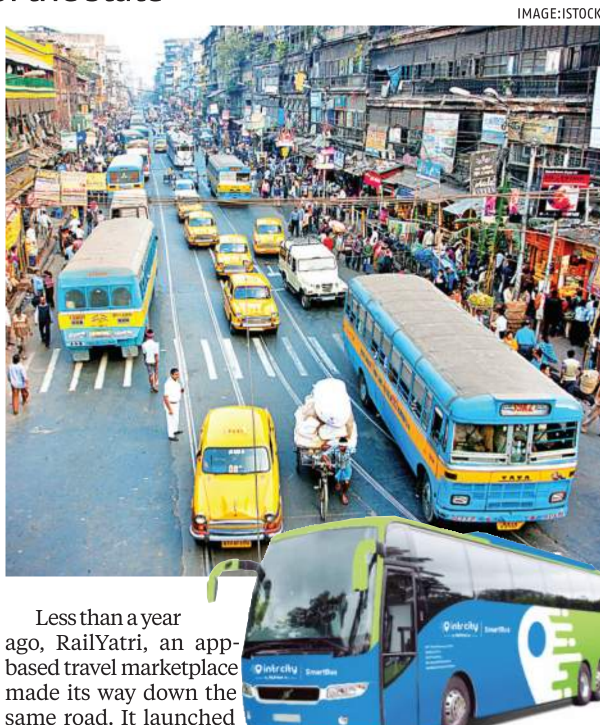
After redBus cracked open the online ticketing market for bus travel, another set of brands is looking to reorganise the way Indians board their buses. In what is being dubbed as the uber-isation of the bus market, Europe's FlixBus, home grown travel marketplace RailYatri and a Gurgaon-based start-up Shuttl are test-driving their brands around the challenges of a diesel-spewing, fragmented road travel ecosystem.

The newly launched and to-be launched bus services follow an aggressive thrust by redBus; the online ticket marketplace has M S Dhoni as brand ambassador and has recently launched an ad campaign apart from several on-ground communication initiatives. According to their research, India's intercity bus transport with seat reservation is worth approximately $4 billion and the market is growing annually at about 12-15 per cent. There is also a huge unorganised, un-reserved market.

Clearly the potential is large but inter-city bus travel has not quite grippd the attention of start-ups. Such services are still largely government-owned and managed. However, this is changing.

Recently FlixBus, Europe's largest intercity bus network, announced plans for India. The company does not own any buses nor does it pay the drivers. Instead it provides a standardised service and operational support to help with scheduling, and ticketing, among other things.

IMAGE:ISTOCK



Less than a year ago, RailYatri, an app-based travel marketplace made its way down the same road. It launched IntrCity in March 2019 and like FlixBus is focusing on convenient, clean and easy travel. Shuttl a start-up still in its infancy plies a slightly different route, focusing on daily commuters who cover large distances.

"The long distance bus market has to take into account many problems which are unique to India alone. For example, women safety is a concern. We are trying to tackle this issue by offering GPS tracking services and CCTV cameras. Our mission is to uplift the bus travel experience and integrate it with train travel," says Manish Rathi, CEO and co-founder RailYatri.

> **"The long distance bus market has to take into account many problems which are unique to India alone. For example, women safety is a concern"**
>
> MANISH RATHI
> CEO & co-founder, RailYatri

The buses that these new firms offer are a far cry from the crumbling vehicles that state governments run—both offer buses equipped with toilets, charging points and wifi among other facilities. "The branding of long distance bus travel in India has to be focused on convenience. That would be the key differentiation strategy," said N Chandramouli, CEO, TRA Research.

While ease of travel is a key element of the pitch, the new companies are also keeping a close eye on ticket prices, given that much of the country's long distance commuters are budget travellers. IntrCity said that its pricing is comparable to train travel. FlixBus, positioned as a cheap alternative to plane or train travel in Europe, said that in India, comfort and convenience, rather than price, will be its unique selling points.

"For the likes of Flixbus or Railyatri, all branding and communication has to focus on problem-solution, choice, flexibility, benefits, punctuality, more routes, polite service, customer care and better infrastructure. Each of the above will need to be reflected in the branding strategy to build differentiation and possibly a perceived premium," said Sandeep Goyal, Chairman, Mogae Media.

While the new brands have the advantage of novelty and better service, experts believe that they are up against a big task. Mostimportantly these buses will have to combat a host of local and small-time operators who can cut prices down to the bare minimum. RailYatri data show that there are more than 5000 bus operators operating 500,000 buses.

On the flip side, demand for bus travel is also growing phenomenally. RailYatri started with two buses. In less than a year, it runs a fleet of 84 and has tied up with about 18 bus operators. "The bus market in India can be categorised between mature markets and emerging markets. In mature markets, the bus operators including state-owned busses, compete with one another to offer high quality services at competitive prices. The bus inventory provides a host of options to passengers ranging from luxury to sleeper buses, AC or non-AC, timings and price points," said a redBus spokesperson.

The fact is that India is an under-penetrated market, say the brands and sector experts. And to extract maximum leverage from their presence here, IntrCity and Flixbus will need to nurture and develop the emerging markets.

FROM PAGE 1

Iran crisis roils markets

A $10 increase in the price of crude oil pushes up India's monthly import bill by around $1.5 billion and the headline consumer price index rate by 0.4 percentage points. On Friday, Brent crude closed 3.5 per cent higher at $68.96 per barrel. On Monday, the rupee depreciated by 0.18 per cent, breaching the 72 mark (against the dollar) during the session. It eventually closed at 71.94.

The escalation of US-Iran tensions is casting a shadow on the positive forecasts for equities. A phase one trade deal between the US and China had given hopes for a rebound in the global economy.

"The expectation was that we are beginning the year with global growth picking up and interest rates staying lower," said Andrew Holland, chief executive officer, Avendus Capital Public Markets Alternate Strategies. "An escalation will lead to higher oil prices, which fuels inflation and increases the fiscal deficit," Holland said. All the sectoral indices on the BSE ended with losses. The metal sector index fell the most and ended the session at 10,285, a decline of 3 per cent.

Market players said third-quarter earnings and macroeconomic data, scheduled to be released this week, would provide a further direction to the markets.

"However, volatility on the global front, particularly any further escalation of the US-Iran issue, could keep investors on edge. We would advise investors to avoid risky trades, as volatility is likely to remain high," Ajit Mishra, vice-president, research, Religare Broking.

Margin for banks...

"The deferment of the implementation of the last tranche of the CCB till March 31, 2020, offered some breathing space to these banks. Their capacity to sustain credit growth in consonance with the financing requirements of the economy will, however, warrant that capital is maintained well above the regulatory minimum, providing these banks confidence to assume risk and to lend," the report said.

The CCB of 2.5 per cent comprises common equity tier-1 capital, above the minimum capital adequacy norm of 9 per cent.

A key aspect to also look out for is the dividend payout by PSBs for FY20. The RBI's master circular on Basel-III capital regulations of July 2015 is categorical that "when buffers have been drawn down, one way, banks should look to rebuild them is through reducing discretionary distributions of earnings. This could include reducing dividend payments, share buybacks and staff bonus". It is surmised that the non-extension on the front may help take care of the dividend payout by PSBs.

The CCB deferment was among the key decisions taken at the central bank's board meeting on November 19, 2018 under then governor Urjit Patel.

The run-up to the meeting saw relations deteriorate between the RBI and the finance ministry, in particular over the former's capital adequacy norm of 9 per cent, which is higher than the global 8 per cent. The central bank board did not budge on the issue, but had agreed to extend the transition period for implementing the last CCB tranche of 0.625 per cent. Subsequently, this, in part, also helped five of the 11 state-run banks come out of the RBI's Prompt Corrective Action framework.

Sit down & settle...

Senior Advocate Abhishek Manu Singhvi, appearing for Ratan Tata, said Wadia had given a statutory notice seeking the response. He said there was a finding by the Bombay High Court that there was no intention to defame and the court should record this and dispose of the petition.

As soon as the Bench finished dictating the order, that it was upholding the findings of the high court, Sundaram said he had instruction from his client that he would like to pursue the defamation suit filed in the matter. To this, the Bench said that it did not understand as to why he (Wadia) was going to pursue the suit. It asked Sundaram to seek instruction from his client by January 13 and inform the court as to whether he wanted to pursue the suit.

Wadia moved the apex court, challenging the high court order of last year, quashing proceedings initiated by a Mumbai local court against Tata Sons' former chairman Ratan Tata, its current chief N Chandrasekaran, and eight directors in a criminal defamation case filed by him.

On December 15, 2018, a magistrate court in Mumbai had issued notices to Ratan Tata and the others in the defamation case. Wadia had filed the case in 2016 after he was voted out of the boards of some Tata Group companies, and claimed that Tata and others made defamatory statements against him after they removed Cyrus Mistry on October 24, 2016 as the group chairman of Tata Sons. Tata and others had then approached the high court, seeking to quash and set aside the proceedings initiated against them.

JNU professor...

The committee was to hold its first meeting on Tuesday to finalise the Index of Industrial Production (IIP) data for November 2019 and to set the future agenda of the newly formed committee.

Chandrasekhar, who has served on key statistical panels in the past both as a chairman and member, tendered his resignation through an e-mail at around 9 pm on Monday. "I regret to inform you that, because of the situation in the JNU where I stay, I will be unable to attend tomorrow's meeting. Further, I feel that, under current conditions, this committee is unlikely to be able to restore the credibility of the statistical system, which has been undermined in the recent past," Chandrasekhar wrote in his e-mail sent to all the committee members.

Early in 2019, the government had withheld the periodic labour force survey which showed the unemployment rate soaring up to a 45-year high of 6.1 per cent in 2017-18. Later, it junked the consumer expenditure survey which showed consumer spending falling for the first time in over 40 years in 2017-18. "It is unfortunate that political pressures have reduced their autonomy now, and efforts to consolidate a well-designed system are being subverted. In these circumstances, I will not be able to serve on this Committee," he added.

Tensions due to the ongoing protests over fee hike in the JNU escalated on Sunday, when some masked goons entered the campus and assaulted students and faculty with hammers, rods and sticks. They had even entered JNU hostels and vandalised the rooms. The incident also led to the resignation of JNU's hostel wardens on "moral grounds".

Chandrasekhar said he was present in the campus when the ruckus broke out and found the incident "disturbing" and "unprecedented".

BS SUDOKU # 2940

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SOLUTION TO #2939

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Very hard: ★★★★★

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

RBI buys and sells bonds worth ₹10K cr in 3rd OMO

Long-term bond yields have come down by 20 bps since first OMO last month

ANUP ROY
Mumbai, 6 January

The Reserve Bank of India (RBI) on Monday conducted its third special open market operation (OMO) where it sold medium-to-longer tenure bonds and bought bonds maturing in this year to correct the yield spread.

The cut-off yield for the de-facto 10-year bond (9-year now) came at 6.54 per cent, three basis points lower than the market close on the paper. The central bank bought three papers maturing between 2024 and 2029. The total amount offered by the participants were ₹64,505 crore for a purchase plan of ₹10,000 crore.

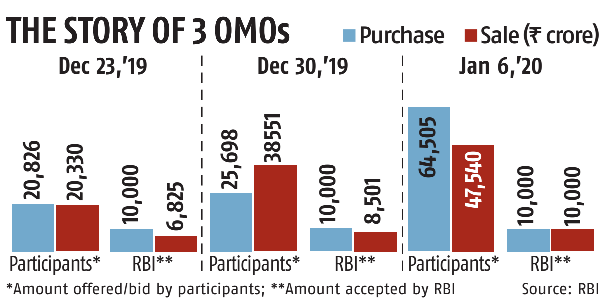
Unlike the past two OMOs, the central bank sold its full quota of ₹10,000 crore in short-term bonds.

The long-term bond yields have come down by about 20 basis points since the first OMO was announced last month. The idea is to bring down long-term yields, so that transmission happens and possibly help the government borrow at a cheaper rate.

But the drop in yields have also helped some investors to get out of their bond portfolio as the scope for future rate cuts seem limited for the central bank. But foreign portfolio investors remained fairly bullish on government bonds, indicated by them using up 74.08 per cent of their allotted limits for such bonds.

Meanwhile, the central bank also conducted a 70-day cash management bill (CMB) auction, in which it moped out ₹30,000 crore of liquidity from the banking system. The CMBs are issued to meet temporary cash need of the government, and is also an effective tool for removing liquidity.

The banking system liquidity had crossed ₹4 trillion on bond redemption and government spending.



*Amount offered/bid by participants; **Amount accepted by RBI Source: RBI

Banks allowed to offer derivatives round the clock

The Reserve Bank of India (RBI) on Monday allowed banks to offer foreign exchange quotes to users at all times, out of their Indian books, either by a domestic sales team or through their overseas branches.

This was recommended by the Usha Thorat committee on bringing offshore derivatives trading onshore to India.

The central bank has accepted the recommendation.

BS REPORTER

RBI revises PCA regime for UCBs facing financial stress

ABHIJIT LELE
Mumbai, 6 January

The Reserve Bank of India has rationalised its Supervisory Action Framework (SAF) to initiate prompt corrective action (PCA) for urban co-operative banks (UCBs) facing financial stress.

UCBs may be placed under PCA if net non-performing assets (NPAs) exceed 6 per cent of net advances, incurs losses for two consecutive financial years or has accumulated losses and capital adequacy falls below 9 per cent.

To halt failing asset quality, the RBI may prescribe steps like reduction in exposure limits for fresh loans and advances, restriction on fresh loans and advances carrying risk-weights more than 100 per cent. There would also be curtailment of sanction and renewal of credit facilities to sectors having high proportion of NPAs/defaults. The regulator may place restriction on declaration or payment of dividend/donation without prior approval of RBI.

The move comes in the backdrop of the scam in PMC Bank causing distress to over 900,000 depositors

For tackling with losses and accumulated losses on balance, the RBI may restrict ailing banks from incurring capital expenditure beyond a specified limit. The RBI will also have discretion to ask banks to take measures to reduce interest and operating/administrative expenses.

As for action to correct capital adequacy ratio, the RBI may restrict expansion of size of the balance sheet, put curbs on fresh borrowings, except for meeting temporary liquidity mismatches.

There may be prohibition on sanction, disbursal of fresh loans and advances other than loans against security of term deposits / NSCs / KVPs / insurance policies. There could be also prohibition on expansion of size of the deposits, the central bank said. Although supervisory action will primarily be based on the criteria specified under the revised SAF, the RBI will be free take appropriate supervisory action in case stress is noticed in other important indicators parameters or in case of serious governance issues.

Shivalik Mercantile gets nod to become SFB

ANUP ROY
Mumbai, 6 January

Within a fortnight of the Reserve Bank of India (RBI) coming up with its draft guidelines on urban cooperative banks (UCBs) asking them to lend 75 per cent of their portfolio towards priority sector, Uttar Pradesh-based multi-state Shivalik Mercantile Co-operative Bank received approval in principle for becoming a small finance banks.

The RBI had come with a scheme on voluntary transition of UCBs into small finance bank (SFB) on September 27, 2018. But there was no taker.

However, after the Punjab and Maharashtra Cooperative (PMC) Bank scam, the central bank tightened the screw and recently proposed that UCBs should severely restrict their business model and should bring down single and group exposure norms. Half of their portfolio should be comprised of loans of not over ₹25 lakh.

Shivalik will have to fulfil all criteria as laid down by the RBI for on-tap licensing of small finance banks

Last week, the RBI said the management should be run by professionals and the appointment of CEOs should be subject to RBI approval.

On Monday, the RBI said in a notification on its website that Shivalik Mercantile had got an in-principle approval for such conversion. The bank will have 18 months to convert itself to a SFB. "If you see the guidelines for SFBs, and the draft guidelines for UCBs, they are very similar. The message is clear that if UCBs don't volunteer, they will have to be content with operating as SFBs anyway. This is RBI forcing the UCBs to convert after realising they won't volunteer," said a banking analyst request anonymity.

SFBs are like any other commercial banks, and can undertake basic banking activities, including lending and taking deposits. But loan sizes are restricted to ₹25 lakh, which is what the UCBs will have to do too, at least for half of their portfolio.

Now, Shivalik will have to fulfil all criteria as laid down by the RBI for on-tap licensing of SFBs. "On being satisfied that the applicant has complied with the requisite conditions laid down by it as part of "in-principle" nod, the RBI would consider granting it a licence for commencement of banking business … as a SFB," the RBI said.

Big taxpayers yet to take benefits of Sabka Vishwas amnesty scheme

As many as 87.5 per cent of the eligible taxpayers have taken advantage of Sabka Vishwas, a dispute resolution-cum-amnesty scheme, which has been extended till January 15. However, the large taxpayers who are almost 12.5 per cent of the total eligible taxpayers with total tax amount of ₹1.7 trillion under litigation has yet to make declaration under this scheme.

According to sources, the government is unlikely to further extend the scheme which went live on September 1, 2019. The sources said till now, 161,214 taxpayers (87.5 per cent) out of the total 184,000 eligible taxpayers have already availed the scheme.

These taxpayers have declared tax dues of around ₹79,968 crore and after availing the various reliefs and amnesty as per the rules of the scheme, they would pay around ₹35,094 crore, sources said.

However, only 23,000 (about 12.5 per cent of the total) eligible taxpayers have not yet applied under the scheme while the vast majority of the smaller taxpayers have already opted for the scheme. The sources said its officers are pursuing taxpayers to avail this scheme before January 15 as it would not be extend further. PTI

Fraction of exporters may've misused GST refund facility: FIEO

The Federation of Indian Export Organisations (FIEO) on Monday said all traders should not be looked from same prism for GST fraud cases as there could be a fraction who might have misused the facility.

FIEO President Sharad Kumar Saraf said that it is unfortunate that exporters have been singled out for GST frauds.

He was reacting to a direction of the Central Board of Indirect Taxes and Customs (CBIC), which has asked the Directorate General of Foreign Trade to make the accreditation system for star exporters more robust to curb tax fraud. PTI

Exim Bank hits global bond markets with $1-bn issue

PRESS TRUST OF INDIA
Mumbai, 6 January

The Exim Bank is in the international debt markets with a $1-billion issue under its $3-billionmedium-term note programme for the current fiscal year.

The Exim Bank has opened the five-year US dollar bond sale programme in the key international markets on Monday morning and is likely to be closed by the end of the day, a merchant banking source told *PTI* without sharing more details like the pricing and tenor of the issue.

EXIM Bank confirmed that it is in the market but did not divulge specific details about the issue.

It can be noted that the Exim Bank sources almost 90 per cent of its lendable resources from foreign markets by selling debt.

In August, the bank had hit the Samurai bonds market and had mopped up 32 billion yen in a three and five-year money offerings. Samurai bonds are yen-denominated debt issued by foreign governments, agencies or companies in Japan.

In May last year, managing director David Rasquinha had said the bank would begin to scout the markets from July to raise up to $3 billion in overseas debt this fiscal.

But the same has not moved forward as the global economy has been falling and so has been the domestic economy, roiling both project finance exports and imports.

The bank has a $10-billion global medium-term note programme till 2024, of which it had drawn down $6.5 billion till FY19, Rasquinha had said, adding this included foreign debt worth $1.22 billion raised through a variety of instruments through FY19.

Meanwhile, international rating agency Fitch assigned BBB- rating to the $1 billion issue that is currently underway in the global markets with a stable outlook.

The proposed senior unsecured notes will constitute Exim Bank's direct, unconditional, unsubordinated and unsecured obligations and will at all times rank pari passu among themselves and with all of its Exim other unsubordinated and unsecured obligations, Fitch said in a note on Monday.

It can be noted that the government had injected ₹5,000 crore in fresh equity into the bank in FY19 and has approved doubling its authorised capital to ₹20,000 crore. An additional ₹1,500 crore of fresh equity will be infused over the course of FY20.

The bank reported net profit of ₹82 crore in FY19, after a net loss of ₹2,924 crore in FY18. Its loan portfolio fell to ₹93,617 crore from ₹107,532 crore the previous year.

DOLLAR BOND SALE PROGRAMME

- **The Exim Bank opened five-year US dollar bond** sale programme in key international markets on Monday
- **The bank said it was in the market** but did not divulge specific details about the issue
- **It sources almost 90% of its** lendable resources from foreign markets by selling debt

- **Fitch assigned BBB- rating to the $1-bn issue,** currently underway in the global markets, with a stable outlook

1,000 individuals register with independent directors' databank

PRESS TRUST OF INDIA
New Delhi, 6 January

More than 1,000 individuals have so far registered with the independent directors' database portal established under the Companies Act, according to an official.

The databank is expected to become a comprehensive repository of both existing independent directors as well as individuals eligible and willing to be appointed as independent directors.

The Indian Institute of Corporate Affairs (IICA), under the Corporate Affairs Ministry, is maintaining the databank portal. The official told *PTI* that over 1,000 individuals have registered with the databank portal since it was launched in December 2019.

After registration, the individuals, except for certain categories, have to pass a basic online proficiency self-assessment test.

The test would be available from March 2020 and has to be taken within 12 months. The databank portal, launched on December 1, is integrated with the MCA 21 portal — which is used to submit requisite filings under the companies law to the Corporate Affairs Ministry. There is an annual fee of ₹5,000 for registration with the databank portal.


Independent directors have a substantial role in ensuring good governance practices at corporates

The official also said there are plans to introduce five-year and lifetime fee for individuals.

Independent directors have a substantial role in ensuring good governance practices at corporates.

In recent times, many individuals have come under the regulatory lens in connection with irregularities at companies where they were serving as independent directors.

The databank portal has various e-learning capsules and videos for individual users. Besides, a number of value-added services are expected to be rolled out through the portal for capacity building of independent directors.

Under the Companies Act, 2013, there are provisions that a company can choose an independent director from a databank of persons who are eligible and willing to act as independent directors.

HDFC Bank advances up 20% YoY

HDFC Bank, largest among private sector ones, saw its advances grow by 20 per cent to ₹9.34 trillion as of December 31, 2019, as against ₹7.81 trillion on December 31, 2018 (and ₹8.97 trillion at end-September 2019).

Deposits were ₹10.67 trillion, up 25 per cent from the ₹8.52 trillion at end-December 2018 (and ₹10.21 trillion at end-September 2019). Its current and savings account ratio was 39.5 per cent, from 40.7 per cent at the end of 2018. In a statement to the stock exchanges, it also said: "During the quarter ended December 31, (we) purchased loans aggregating ₹4,258 crore through the direct assignment route under the home loan arrangement with Housing Development Finance Corporation." NIDHI RAI

Banks advance reshuffle in HR ahead of merger

NAMRATA ACHARYA
Kolkata, 6 January

Public sector banks (PSBs) that are slated to be merged have advanced the exercise of promotions and transfers to the present financial year. Such banks normally undertake the exercise in the beginning of the financial year.

According to sources, promotions and transfers of officers till Scale 4 level for the financial year 2020-21 is being decided by individual banks. Thus, for the next financial year, even after the merger, no major changes in terms transfers and promotions are likely to take place for the merged entity up to Scale 4 or chief manager. However, beyond Scale 4, transfers might take place on the basis of need, according to a senior official of a public sector bank.

UBI and Allahabad Bank have started the process of promotions and transfers by using automated assessment system

There has been hardly any recruitment in public sector banks in the past two years. As a result, there will not be any need for voluntary retirement scheme.

Under the mega merger plan by Union Finance Minister Nirmala Sitharaman, 10 public sector banks would be consolidated into four. Punjab National Bank, Oriental Bank of Commerce, and United Bank of India will combine to form the nation's second-largest lender; Canara Bank and Syndicate Bank will merge; Union Bank of India will amalgamate with Andhra Bank and Corporation Bank; and Indian Bank will merge with Allahabad Bank. The exercise will bring down the number of nationalised public sector banks to 12, from 27 in 2017.

United Bank of India and Allahabad Bank have already initiated the process of promotions and transfers by using automated assessment system.

In case of United Bank of India, performance would be measured in terms of meeting lending targets, recovery and expense management, among other things. The system will also have a process of referral and review by peers, juniors, and seniors for objective assessment.

According to Ashok Kumar Pradhan, managing director and chief executive officer of United Bank of India, a functional committee on HR integration is likely to finalise the modalities of the merger by the end of this financial year.

According to the Reserve Bank of India data, the number of officers in public sector banks was around 200,000 as of March 31, 2018.

Apart from human resources, IT is another challenge in the merger process, say bankers. While the merger of balance sheets may be achievable by April 1, IT integration could take more than a year after the formal merger notification, according to the public sector banks.

However, there is still a lack of clarity among employees in terms of transfers at the clerical level, said Rajen Nagar, president of the All India Bank Employees' Association.

At 650, Bihar leads in extreme weather deaths in '19

SANJEEB MUKHERJEE
New Delhi, 6 January

Bihar suffered the most — with 650 deaths — due to various extreme weather conditions in the country last year, a compilation by the India Meteorological Department (IMD) from media and government reports showed.

An official statement issued by the IMD showed that almost 1,560 people died in 2019 due to unusual weather events.

These include heavy rain and floods, heat wave, lightning, thunderstorm and hailstorm.

The year 2019 was the seventh warmest recorded in the country since 1901, the statement showed. This was substantially lower than the highest warming observed over India during 2016, it added.

In 2019, the IMD statement said that eight cyclonic storms formed over the seas against the normal of five. "Heavy rain and flood-related incidents reportedly claimed over 850 lives from different parts of the country during the pre-monsoon, monsoon and post-monsoon periods. Of these, 306 lives were lost from Bihar alone, 136 from Maharashtra, 107 from Uttar Pradesh, 88 from Kerala, 80 from Rajasthan and 43 from Karnataka," the statement said. Meanwhile, in a related event, the Centre on Monday approved the release of ₹5,908.56 crore to seven states, including Uttar Pradesh, Karnataka and Assam, as assistance for the damage caused due to various calamities last year.


An official statement issued by the IMD showed that almost 1,560 people died in 2019 due to unusual weather events

The home ministry, in a statement, said the decision was taken at a meeting of a high-level committee (HLC), chaired by Union home minister Amit Shah.

The HLC approved additional central assistance of ₹5,908.56 crore to seven states from the National Disaster Response Fund (NDRF). Of this, ₹616.63 crore will be given to Assam, ₹284.93 crore to Himachal Pradesh, ₹1,869.85 crore to Karnataka, ₹1,749.73 crore to Madhya Pradesh, ₹956.93 crore to Maharashtra, ₹63.32 to Tripura and ₹367.17 crore to Uttar Pradesh for floods, landslides or cloudburst during the monsoon season, the statement said.

Earlier, the central government released an interim financial assistance of ₹3,200 crore to four states — ₹1,200 crore to Karnataka, ₹1,000 crore to Madhya Pradesh, ₹600 crore to Maharashtra, and ₹400 crore to Bihar.

During 2019-20, the government released ₹8,068.33 crore to 27 states as central share from the State Disaster Response Fund (SDRF).

Iran offers $80-million bounty on Trump

At Soleimani's funeral, Tehran vows revenge for US killing, says White House would be attacked; Trump warns of severe sanctions against Iraq

AGENCIES
Tehran/Washington, 6 January

Millions of mourners came out for the funeral of the commander of Iran's revolutionary guards, Qassem Soleimani, clogging streets in Tehran. In a chilling live broadcast, Iran put a bounty of $80 million on US President Donald Trump's head and vowed to attack the White House, according to various reports.

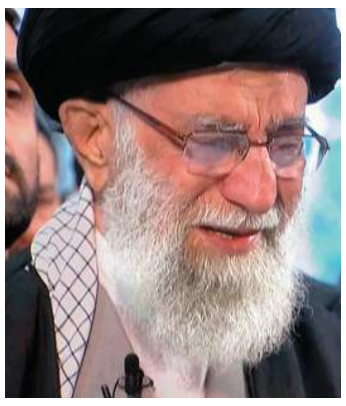
"Iran has 80 million inhabitants. Based on the Iranian population, we want to raise $80 million which is a reward for those who get close to the head of President Trump," it was announced.

"America and Zionism should know that my father's martyrdom will lead to awakening ... in the resistance front and bring about a dark day for them and flatten their homes," Zeinab Soleimani, the commander's daughter, told mourners. "Crazy Trump, don't think that everything is over with my father's martyrdom," she said in the televised address.

The scale of the crowd was biggest since the 1989 funeral of the founder of the Islamic Republic, Ayatollah Ruhollah Khomeini, leader of the revolution that set Iran on its political collision course with US.

Ayatollah Ali Khamenei, the current Iranian supreme leader, wept while leading mourners in prayer, forcing him to pause. Soleimani was the head of the Quds Force, the unit in charge of foreign operations of Iran's revolutionary guards.

Iranian commanders have issued a range of threats since the US strike, without being specific. "Even killing Trump is not a sufficient vengeance, and the only thing that can pay for the blood of martyr Soleimani is expelling America from the region," revolutionary guards aerospace force chief Amirali Hajizadeh said.



Iranian supreme leader Ayatollah Ali Khamenei weeps as he leads a prayer at the funeral of General Qassem Soleimani PHOTOS: AP/PTI

Trump has, meanwhile, warned Iran of major retaliation and threatened heavy sanctions on Iraq if American troops are forced to leave.

"We have a very extraordinarily expensive air base that's there. It cost billions of dollars to build. Long before my time. We're not leaving unless they pay us back for it," Trump said. "If they do ask us to leave, if we don't do it in a very friendly basis, we will charge them sanctions like they've never seen before. It'll make Iranian sanctions look somewhat tame."

Trump's remarks ratchet up tensions on a day when Iraqi lawmakers voted to pursue the removal of foreign troops. Trump also spoke briefly about North Korea, predicting of leader Kim Jong Un: "I don't think he'd break his word to me but maybe he will." The US president had earlier said the US had drawn up a list of 52 targets — the same number of US Embassy hostages held for 444 days after the Iranian revolution — that he said would be hit if Americans were attacked. Trump said the targets included cultural sites, comments that have drawn criticism from his US political opponents.

Saudi Aramco faces test just after $25-bn IPO

Saudi Aramco's status as an oil-producing behemoth located in one of the world's most turbulent regions always marked it as likely to suffer bouts of volatility. But few could have expected the stock to face so stern a test less than a month after the company's historic $25.6 billion initial offering. The world's most profitable company extended declines on Monday after dropping to its lowest closing price yet a day earlier. BLOOMBERG

New safety flaws found in Boeing 737 Max

NATALIE KITROEFF & DAVID GELLES
6 January

Even as Boeing inches closer to getting the 737 Max back in the air, new problems are emerging that go beyond the software that played a role in two deadly crashes.

As part of the work to return the Max to service, the company and regulators have uncovered new potential design flaws.

At the request of the Federal Aviation Administration (FAA), Boeing conducted an internal audit in December to determine whether it had accurately assessed the dangers of key systems given new assumptions about how long it might take pilots to respond to emergencies, according to a senior engineer at Boeing and three people familiar with the matter.

Among the most pressing issues discovered were previously unreported concerns with the wiring that helps control the tail of the Max. The company is looking at whether two bundles of critical wiring are too close together and could cause a short circuit. A short in that area could lead to a crash if pilots did not respond correctly, the people said.

Boeing is still trying to determine whether that scenario could actually occur on a flight and, if so, whether it would need to separate the wire bundles in the roughly 800 Max jets that have already been built. The company says that the fix, if needed, is relatively simple.

The company informed the FAA about the potential vulnerability last month.

The company may eventually need to look into whether the same problem exists on the 737 NG, the predecessor to the Max. There are about 6,800 of those planes in service. The emergence of new troubles with the Max threatens to extend a crisis that is consuming one of America's most influential companies and disrupting the global aviation business.

The Max has been grounded since March, after two crashes killed 346 people. The crashes were caused in part by new software on the Max, MCAS, which triggered erroneously and sent the planes into nose dives. Boeing has developed a fix for the software, but it has not yet been approved.

Boeing is planning to raise additional debt to help bolster its resources following the grounding of 737 Max PHOTO: REUTERS

The Max is Boeing's most important plane, with about 5,000 ordered by airlines around the world. But as the grounding has dragged on, Boeing said it would temporarily shut down its 737 factory, jolting thousands of suppliers and stoking the concern of US President Donald Trump.

Boeing abruptly fired its chief executive late last month after he alienated the FAA and airline customers. His successor is now contending with the fallout, as Boeing's share price has fallen by 21 per cent and the company faces tens of billions of dollars in charges related to the grounding.

Regulators have suggested that the Max could be approved to fly again by the spring, a timetable that could still hold. The company says that even if it needs to fix the wiring issue, it would only take one to two hours per plane to separate the wiring bundles on the Max using a clamp.

"We are working closely with the FAA and other regulators on a robust and thorough certification process to ensure a safe and compliant design," Gordon Johndroe, a Boeing spokesman, said in a statement.

"We identified these issues as part of that rigorous process, and we are working with the FAA to perform the appropriate analysis. It would be premature to speculate as to whether this analysis will lead to any design changes."

The new issues pose additional challenges for Boeing's leadership. Late last month, the company's board fired the chief executive, Dennis A Muilenburg. He is being replaced on an interim basis by Greg Smith, the former chief financial officer. Next week, David Calhoun, until recently the non-executive chairman of Boeing's board, will take over as chief executive.

Boeing is looking at raising additional debt to help bolster its resources following the grounding of its 737 Max jetliner, Dow Jones reported on Monday. While Boeing had about $20 billion in available funds at the end of the third quarter, costs stemming from the Max crisis are increasing, the news agency said, citing people familiar with the matter it didn't identify.

An epic on First War wins Golden Globe

■ Best motion picture – drama
1917 | *The Irishman* | *Joker* | *Marriage Story* | *The Two Popes*

1917, from director Sam Mendes and Universal Pictures, won for best drama. Mendes also took home the best director award. *1917* beat four pictures, including three from Netflix

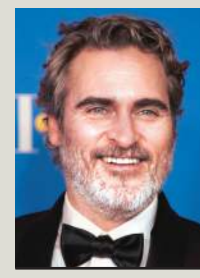
Best performance by an actress in a motion picture – musical or comedy
- **Awkwafina, *The Farewell***
- Ana de Armas, *Knives Out*
- Cate Blanchett, *Where'd You Go, Bernadette*
- Beanie Feldstein, *Booksmart*
- Emma Thompson, *Late Night*

Awkwafina is the first woman of Asian descent to win a Golden Globe in any lead actress film category

ROLL OF HONOUR

- **Best musical or comedy:** *Once Upon a Time in Hollywood*
- **Best performance by an actress (drama):** Renée Zellweger, *Judy*
- **Best performance by an actor (musical or comedy):** Taron Egerton, *Rocketman*
- **Best performance by an actor in a supporting role:** Brad Pitt, *Once Upon a Time in Hollywood*
- **Best original song – motion picture:** *I'm Gonna Love Me Again, Rocketman;* Music by Elton John, lyrics by Bernie Taupin
- **Netflix** won just two prizes for *The Crown* and another for *Marriage Story*

Best performance by an actor in a motion picture – drama



- **Joaquin Phoenix, *Joker***
- Christian Bale, *Ford v Ferrari*
- Antonio Banderas, *Pain and Glory*
- Adam Driver, *Marriage Story*
- Jonathan Pryce, *The Two Popes*

Joaquin Phoenix's speech covered issues like climate change and a plea for celebrities to use their private jets less often

Best performance by an actor in a limited series or motion picture made for television
- **Russell Crowe, *The Loudest Voice***
- Christopher Abbott, *Catch-22*
- Sacha Baron Cohen, *The Spy*
- Jared Harris, *Chernobyl*
- Sam Rockwell, *Fosse/Verdon*

Crowe couldn't attend the ceremony because he's in Australia battling the bushfire

Australia PM pledges $1.4 bn more in aid for bushfires

PRESS TRUST OF INDIA
Melbourne, 6 January

Australian Prime Minister Scott Morrison (*pictured*) on Monday announced an additional $1.38 billion over two years to a new agency to coordinate a national response to rebuild communities and livelihoods following the deadly bushfire crisis.

The National Bushfire Recovery Agency, headed by former federal police chief Andrew Colvin, will help bushfire affected communities recover. The agency would be funded with an initial $1.38 billion (around 2 billion Australian dollars) to ensure the families, farmers and business owners hit by the unprecedented bushfires would get the support they needed as they recover, the Prime Minister said.

"It's a long road ahead and we will be with these communities every step of the way as they rebuild," Morrison, who is facing widespread criticism in Australia for his handling of the crisis, said. The bushfire crisis has taken a very heavy toll with more than 1,500 homes already lost throughout the course of this fire season, which has been running since September, according to the government.

Over 20 people have lost their lives so far.

"While the immediate focus for our emergency services and the Australian Defence Force is keeping people safe and defending against the fires hitting so many areas, we also need to be ready to hit the ground in communities where the fire-front has passed to help them rebuild," he said.

Ghosn took a bullet train to Osaka en route to Lebanon

REUTERS
Tokyo, 6 January

Former Nissan and Renault boss Carlos Ghosn began his astonishing escape from Japan with a bullet train ride from Tokyo to Osaka, possibly accompanied by several people, Japanese news agency *Kyodo* reported on Monday.

Japanese authorities also said on Monday they may still press for Ghosn's extradition from Lebanon to face multiple charges of financial wrongdoing, even though the country does not normally extradite its nationals.

Security cameras captured Ghosn leaving his home on December 29 at about 2.30 pm (11.00 am IST) and arriving some hours later at Tokyo's Shinagawa Station, where he took the train to Shin Osaka Station, *Kyodo* said, citing a person familiar with the matter.

The international fugitive then went by car to a hotel near Osaka's Kansai International Airport, where he boarded a private jet at 11.10 pm, according to the media report.

Ghosn was forbidden from leaving Japan while awaiting trial on charges of financial misconduct, which he has denied, but he fled at the end of last year to escape what he called a "rigged" justice system. Prosecutors are now working with police to piece together Ghosn's route and find out who helped him, *Kyodo* said.

In the government's first briefing since Ghosn skipped bail, Justice Minister Masako Mori said on Monday that as a general principle, Tokyo could request the extradition of a suspect from a country with which it has no formal extradition agreement.

Such a request would need to be carefully examined based on the possibility of "guaranteeing reciprocity and the domestic law of the partner country", Mori told reporters in Tokyo.

After Carlos Ghosn's escape, Japan on Monday vowed to strengthen its border checks and take a closer look at bail practices to prevent such lapses

Mori did not say what would guarantee reciprocity — the idea that benefits or penalties extended by one country to citizens of another should be reciprocated. She also did not say if there were any Lebanese nationals in Japan wanted in Lebanon.

Red notice

According to a Lebanese judicial source, Lebanon has yet to receive a formal notice from Interpol requesting Ghosn's arrest and will not take any steps until it does. The source said on Monday that the so-called red notice it received last week had been sent directly from Japan rather than via Interpol's headquarters in Lyon, France.

"There are questions in Wiesbaden and Lyon over the legality of sending the notification directly from Tokyo to Lebanon without passing through Interpol headquarters," the source said, referring to Interpol offices.

When Lebanon has received red notices in the past, suspects have not been detained but their passports have been confiscated and bail has been set, a judicial source said last week.

Mori offered little insight into the events of Ghosn's escape to his ancestral home, repeatedly saying she could not comment on specifics because of an ongoing investigation.

Japanese officials broke days of silence about the Ghosn case on Sunday, saying they would tighten immigration measures and investigate his escape thoroughly. The authorities have also issued an international notice for his arrest. Mori also defended Japan's justice system against Ghosn's charges that it was "rigged" and discriminatory.

In Japan, suspects who deny charges against them are often detained for long periods and subject to lengthy questioning without a lawyer present, a system critics call "hostage justice".

"Various comments about Japan's justice system and this unjust departure are two different things," Mori told reporters, saying criticism of the justice system could not be used to justify Ghosn's escape.

"Departure in an unjust way without proper procedure is tantamount to smuggling, an illegal departure amounting to a crime."

One of Carlos Ghosn's top lawyers in Japan said he plans to resign since he doesn't have a client to defend.

Junichiro Hironaka will go ahead with the resignation once he gets through to his fugitive client, he said in a recent interview.

‘Called cops for 2 hours, didn’t get help’

Police reject charges of reaching JNU late, say responded to situation professionally

ARCHIS MOHAN & PTI
New Delhi, 6 January

The Narendra Modi government on Monday came under massive attack from the Opposition, youths, actors, activists and business tycoons over the “horrifying” violence at the Jawaharlal Nehru University (JNU) in the national capital.

Amid widespread condemnation for the Sunday violence at the JNU and demands for a judicial inquiry and sacking of the vice-chancellor, Home Minister Amit Shah accused the Congress and the Aam Aadmi Party (AAP) of “burning the capital in the fire of riots”.

The attack on students and teachers at the JNU by unidentified masked goons triggered protests across India and even abroad. The Opposition alleged that the Akhil Bharatiya Vidyarthi Parishad (ABVP), the students’ arm of the Rashtriya Swayamsevak Sangh, was behind the violence and accused the Delhi Police, which is under the home ministry, of not intervening in time.

‘Outsider work’

Nearly three dozen students were injured, including JNU students’ union president Aishe Ghosh, in the violence for which the institution’s teachers and students have blamed “outsiders” facilitated by ABVP activists with the Delhi Police standing a mute spectator. Ghosh alleged it was an organised attack.

“We called police for two hours but did not get any help,” JNUSU vice-president Saket Moon said.

However, the Delhi Police said on Monday it responded to PCR calls and handled law and order situation professionally. Delhi Police spokesperson Mandeep Singh Randhawa said the internal security of the JNU lies with the varsity administration. On the probe, he said the crime branch had found some vital clue and were working on it.

FIR against unidentified

The Delhi Police also registered an FIR against unidentified persons on Monday for rioting and damaging property, officials said.

Thirty-six people admitted to AIIMS Trauma Centre after the events at the JNU were discharged on Monday morning, officials at the hospital said.

A day after they were attacked in what they believed was their safe refuge, many students in JNU on Monday were both angry and fearful with some demanding that the guilty be booked and others saying they were going home. There was an uneasy calm in the campus where there was a massive deployment of security personnel and authorities only allowed those with valid ID cards inside.

The JNU administration, meanwhile, has extended the date for the semester registration process till Sunday since the servers have not been restored yet.

HRD ministry takes stock

The HRD ministry met officials from the JNU administration on Monday and took stock of the situation on the campus, even as vice-chancellor M Jagadesh Kumar skipped the meeting. Union HRD Minister Ramesh Pokhriyal ‘Nishank,’ who was in Bhubhaneshwar said educational institutions cannot be allowed to become “political *adda*” and vowed “strong action” against the perpetrators of the violence at JNU.

“I can certainly tell you that when I studied in JNU, we did not see any ‘*tukde tukde*’ gang there,” External Affairs Minister S Jaishankar said on Monday when asked about the situation in the premier university.

Global support

From Pondicherry University to Oxford University in London, anger over the violence in JNU resonated in varsities across the country and even abroad. In India, protests took place at Pondicherry University, Bangalore University, University of Hyderabad, Aligarh Muslim University, University of Mumbai, Delhi University, Ambedkar University, Banaras Hindu University, Chandigarh University, National Law University in Bengaluru, Savitri Bai Phule University in Pune, TISS Mumbai, Jadavpur University, Presidency University, Kolkata and IIT Bombay.

“Today it is them, tomorrow it can be us. Violence in any form is condemnable. We stand by our friends in JNU,” Raiza, a Pondicherry University student, said.

In Mumbai, the protest by students at the Gateway of India that started at midnight continued with more people flocking at the iconic monument to express solidarity.

Students at Oxford university, Columbia University and University of Sussex also staged silent marches holding posters demanding safety of students on campus. In Nepal, JNU alumni gathered at Maitighar Mandala in Kathmandu to protest against the violence on campus.

Opposition parties react

Congress President Sonia Gandhi said the “horrifying” violence unleashed on India’s youth by goons and demanded an independent judicial inquiry into the violence in JNU. Communist Party of India (Marxist) chief Sitaram Yechury demanded the JNU vice-chancellor be sacked.

Senior Congress leader P Chidambaram said the National Register of Citizens (NRC) was a “sinister and mischievous plan” to divide the country.

(*Left*) **Rapid Action Force personnel stand guard at India Gate during a torchlight procession against the violence inside the Jawaharlal Nehru University campus, in New Delhi, on Monday. Students protest at JNU main gate** PHOTOS: PTI

INDIA INC REACTS TO JNU VIOLENCE

"It doesn't matter what your politics are. It doesn't matter what your faith is. If you're an Indian, you cannot tolerate armed, lawless goons. Those who invaded JNU must be traced and hunted down swiftly and given no quarter..."

ANAND MAHINDRA,
Chairman, Mahindra Group

"Coming from the land of non-violence, it's unbecoming of us to witness and encourage these acts of violence. Extremely hurt seeing the news"

HARSH MARIWALA,
Chairman, Marico

"Hearing me pray for Australia, for its people, for its 500 million animals that have died since the #bushfires, my little one asked why are you not praying for India where there are religious bushfires lit all over the country and students being attacked mercilessly?"

HARSH GOENKA,
Chairman, RPG Enterprises

"This is unpardonable. Violence cannot be condoned"

KIRAN MAZUMDAR-SHAW
CMD, Biocon

Outrage over Zoho & Accenture execs’ plan to attend RSS event

NEHA ALAWADHI
New Delhi, 6 January

Technology firms Accenture and Zoho found themselves at the centre of a Twitter controversy on Monday. This came after a user pointed out that top executives of these firms were attending a Rashtriya Swayamsevak Sangh (RSS) event in Chennai.

With popular sentiment not in favour of the government because of the ongoing Citizenship Amendment Act and National Register for Citizens across the country, as well as the recent violence at Jawaharlal Nehru University, several users took to the microblogging platform.

They questioned the companies for supporting the right wing (RSS), regarded as the ideological backbone of the ruling Bharatiya Janata Party (BJP).

Sridhar Vembu (left), co-founder and CEO of Zoho, and Rama S Ramachandran of Accenture are expected to attend RSS’ Resurgent Bharath event in Chennai on February 2

Zoho’s co-founder and CEO Sridhar Vembu is set to be the chief guest while Accenture’s managing director and head of operations (Chennai) Rama S Ramachandran is to be the guest of honour at the ‘Resurgent Bharath’ event to be held in Chennai on February 2.

Several Twitter users called for a boycott of Accenture and Zoho services. “People if you do business with @zoho @zohosocial @zohocrm, you are funding the RSS. People if you do business with @Accenture , you are funding RSS. You are funding fascists in India,” said one Twitter user. Zoho is a web-based office suite, like Microsoft Office.

Several people also questioned the companies’ policies on allowing their employees to attend such events organised by “religious organisations.”

In response, Vembu tweeted: “I don’t decide my views based on Twitter attacks. If you dislike which events I attend, please do what your conscience dictates and I will do what mine dictates. We earn our daily bread due to our work and we will continue to do quality work. I won’t be responding to attacks.”

An email sent to the company regarding its policy on such matters did not elicit a response until going to press. Accenture had also not responded to an email request for comment.

The RSS has been reaching out to techies since a over a decade. It holds *shakhas* over the weekends in different cities. One of the volunteers, it has been reported, set up the IT Milan app. IT Milans do not host the usual *shakha* activities but let techies talk about subjects that may be unrelated to politics.

How are we checking child porn, RS panel asks Google, Twitter

NEHA ALAWADHI
New Delhi, 6 January

An ad hoc committee of the Rajya Sabha met executives from social media platforms Google, Twitter and ShareChat, as also the HERD Foundation, on the “alarming issue of pornography on social media and its effect on children and society”.

According to a person present, the MPs asked the companies about ways to curb child pornography. The meeting was attended by Rahul Jain, the India manager for public policy at Google; Twitter India policy head Mahima Kaul; Berges Malu, head of public policy and policy communications at Indian language content platform ShareChat; and Amol Deshmukh and Suchika Gupta of HERD Foundation.

Another person aware of the discussion said one of the executives suggested something on the lines of the Children’s Online Privacy Protection Act in America.

That law is designed to limit the collection and use of personal information about children by data operators. The executive also suggested a body like the Federal Trade Commission in the US which regulates media platforms.

ABOUT THE COMMITTEE

- Ad hoc committee set up after AIADMK MP Vijila Sathyananth raised it in the House
- Members include Vinay P Shasrabuddhe, Jaya Bachchan, Rajeev Chandrashekar, M V Rajeev Gauda, Roopa Ganguly, Tiruchi Siva, among others
- Panel had said it would meet with officials from Trai, CERT-In, tech companies and civil society groups, among others
- Committee expected to hand in its report by mid-January

Google was asked about its search platform and what steps it has taken. HERD, which focuses on research on social issues, presented a report on how to tackle the issue, including using blockchain to track offenders.

The committee, under the chairmanship of Congress leader Jairam Ramesh, had met Facebook, TikTok and other government representatives on December 20, on the same subject.

Facebook had, in that meeting, apprised the committee of its partnership with the Malaysian Communications and Multimedia Commission, which can be notified by the public or media persons there if they get added into WhatsApp groups containing illegal content.

This ad hoc committee, set up by Rajya Sabha chairman Venkaiah Naidu last month, is looking at possible legislative provisions to address online exploitation of children. The committee is likely to give a report based on its interactions with stakeholders later this month.