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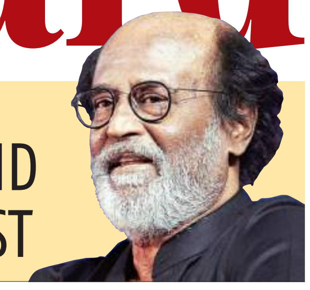
THE MARKETS ON TUESDAY

		Chg#
Sensex	40,869.5 ▲	192.8
Nifty	12,053.0 ▲	59.9
Nifty Futures*	12,106.7 ▲	53.8
Dollar	₹71.8	₹71.9**
Euro	₹80.3	₹80.6**
Brent crude ($/bbl)##	68.6##	69.0**
Gold (10 gm)###	₹40,375.0 ▼	₹303.0

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

BACK PAGE P14
WON'T LET INDUSTRIES MOVE OUT OF MAHARASHTRA: UDDHAV

BRAND WORLD P11
BRANDS GATHER AROUND FOR THE RAJINI STARDUST



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NIRBHAYA CASE CONVICTS TO BE HANGED ON JAN 22

Four convicts in the 2012 Nirbhaya gangrape and murder case will be hanged on January 22 at 7am in Tihar jail, a Delhi court said on Tuesday. The order was pronounced by Additional Sessions Judge Satish Kumar Arora, who issued the death warrants against the four convicts — Mukesh (32), Pawan Gupta (25), Vinay Sharma (26) and Akshay Kumar Singh (31). During the hearing, the prosecution said there was no application pending before any court or the President right now by any of the convicts and the review petition of all the convicts was dismissed by the Supreme Court. 14▶

ECONOMY & PUBLIC AFFAIRS P14
Dissuade staff from joining strike today: Govt to PSUs

The government has asked public sector undertakings to dissuade their employees from participating in the 'Bharat Bandh' called on Wednesday and advised them to prepare a contingency plan to ensure smooth functioning of the enterprises. Ten central trade unions have said around 250 million people will participate in the nationwide strike to protest against the government's "anti-people" policies.

THE SMART INVESTOR P8
Sensex gains 193 points; Nifty reclaims 12K-mark

The benchmark Sensex recovered by 192.84 points and the broader Nifty reclaimed the 12,000-level on Tuesday. Given that there were no fresh aggressive moves by either the US or Iran, crude oil prices eased on the day. After rallying 553.51 points during the session, the Sensex closed 192.84 points, or 0.47 per cent, higher at 40,869.47. Similarly, the broader Nifty rose 59.90 points, or 0.50 per cent, to finish at 12,052.95.

ECONOMY & PUBLIC AFFAIRS P5
IBBI: Disqualified parties barred from liquidation

Promoters or related parties disqualified from taking part in the insolvency resolution will now be debarred from participating in the liquidation process, according to a notification issued by the Insolvency and Bankruptcy Board of India (IBBI) on Tuesday. Such persons will also not be eligible to enter into any settlement with creditors of the insolvent company under Section 230 of the Companies Act, the IBBI has clarified, writes **RUCHIKA CHITRAVANSHI**

YES Bank board to discuss fund raising on January 10

Private lender YES Bank will hold a board meeting on January 10 to discuss fund raising. The bank has been in discussions with potential investors to raise funds for a long time. In an exchange filing, YES Bank said it would discuss and consider raising of funds by issue equity shares or depository receipts/ convertible bonds/debentures or any other equity-linked securities.

Mumbai saw 7% jump in home launches in 2019

Mumbai saw the highest number of homes launched in calendar year 2019, at 79,810 units — a 7 per cent increase over the previous year. It was followed by Pune at 44,660 units (a 37 per cent rise), and Bengaluru at 33,772 units (a 23 per cent increase). 14▶

GDP growth may hit decade's low this year

NSO sees investment growth at 0.97%, lowest in 15 years

ABHISHEK WAGHMARE
New Delhi, 7 January

India is set to clock economic growth of 5 per cent in the current fiscal year, sharply down from last year's achievement of 6.8 per cent, showed the data released by the National Statistical Office (NSO), on Tuesday.

This will be the lowest pace of growth since 2008-09 (FY09), the year of the global financial crisis. The estimate is, however, in line with the Reserve Bank of India's (RBI) projection for the year.

Importantly, manufacturing is expected to grow at 2 per cent in FY20, the lowest since at least FY06, and would make the current industrial slowdown the worst in nearly two decades. Similarly, investments are projected to grow at only 0.97 per cent — the lowest in at least 15 years.

Opinion PAGE 7
EDIT: OVER TO THE BUDGET

In fact, investments as represented by gross fixed capital formation (GFCF at constant prices) were slated to contract by 0.5 per cent in H2FY20, the sharpest decline in about two decades. The share of investments in the economy has reduced to one-fourth in two decades, from one-third. The investment rate (or rate of GFCF to GDP in nominal terms), at 28.1 per cent, is slated to be the worst since FY05.

Industrial activity and investment had not declined to such a low even in the year of the financial crisis and the subsequent years during, which the Indian economy was among the "fragile five".

This points to rising uncertainty regarding economic growth and jobs, especially in FY21.

In nominal terms, India's gross domestic product (GDP) is expected to grow at 7.5 per cent, a multi-decade low, suggesting that tax revenues and individual incomes may remain under stress.

State Bank of India reduced its annual growth forecast from 5 per cent to 4.6 per cent, after the release of the NSO data.

"The NSO estimate has a shelf life of two months, and is used only for Budget arithmetic. At this pace, GDP in FY25 would be close to $4.5 trillion, short of the $5-trillion target," the bank said in its report, authored by chief economist Soumya Kanti Ghosh. Turn to Page 11 ▶

ILLUSTRATION: AJAY MOHANTY

LOOKING AHEAD

(% YoY)

	Real GDP growth	Nominal GDP growth
2018-19 PE	6.8	11.2
2019-20 AE	5.0	7.5

Services give a breather, construction to remain weak
Growth in gross value added (% YoY)

	2018-19 PE	2019-20 AE
AGRICULTURE	2.9	2.8
MANUFACTURING	6.9	2.0
SERVICES*	7.5	6.8
CONSTRUCTION	8.7	3.2

* includes electricity, gas, water, trade, hotels, transport and communi-cations, broadcasting, financial services, real estate, public administration and defence

Investments to contract, govt spending pace to slow
Growth (% YoY)

	H1 FY20	H2 FY20
PUBLIC SPENDING	12.3	8.5
PRIVATE CONSUMER SPENDING	4.1	7.3
INVESTMENTS	2.5	-0.5

Source: National Statistical Office
AE: 1st Advance estimate, PE: provisional estimate

ECONOMY & PUBLIC AFFAIRS PAGE 4 ▶ ADVANCED ESTIMATES SHOW FISCAL SLIPPAGE A CERTAINTY | GROWTH IN FARM LIKELY TO REMAIN SUBDUED AT 2.8% | GROWTH PROSPECTS LOOK DIM FOR FY21 TOO: ECONOMISTS

AI sale on runway as GoM clears tender

Govt gives nod to hive off another ₹20,000 cr in debt and liabilities

ARINDAM MAJUMDER & ANEESH PHADNIS
New Delhi/Mumbai, 7 January

A group of ministers (GoM) on Tuesday finalised the sale of the entire government stake in state-owned Air India (AI). The alternative mechanism for AI, led by Home Minister Amit Shah, approved the Expression of Interest (EoI) for prospective suitors in the airline. The public announcement through newspaper advertisements will be done within two weeks, officials involved in the sale process said.

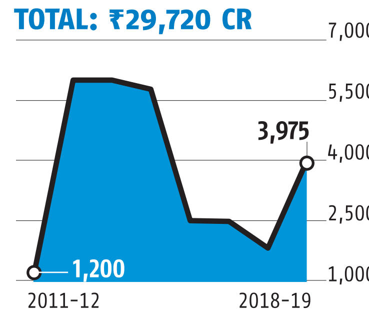
The GoM also gave in-principle approval to hive off around ₹20,000 crore of additional debt and liabilities to a special purpose vehicle, to make it more attractive to prospective buyers.

PAGE 12
AI PILOTS' UNION CALLS FOR VOTE ON STRIKE, INSOLVENCY

"The committee has approved the Expression of Interest, share purchase agreement, and restructuring of further debt today. The EoI will be open to bidders and public shortly," a senior government official said.

This is the third time the government is trying to privatise AI. The Centre had in 2017 tried and failed to sell the carrier as no bidders responded to the EoI. According to the audited accounts of the carrier, at the end of FY19, it had ₹58,351 crore of debt. A successful sale will help the government save money for welfare schemes, from its already stretched revenue. Till FY19, it had infused ₹30,000 crore in the airline but failed to revive its fortunes. Turn to Page 11 ▶

FUELLING THE MAHARAJA
Infusion (₹/crore)



Source: Government of India

COMPANIES PAGE 2

Roadshows for BPCL, Concor veer off the beaten track

SHINE JACOB

No information memorandum, no data room and selective invitation. This may appear unconventional for any stake sale, but this was how the roadshows abroad were conducted by Dipam. Page 2 ▶

Stressed power assets: 25 still in lurch

SHREYA JAI
New Delhi, 7 January

The power generation sector, which has the highest load of non-performing assets (NPAs), worth ₹2 trillion, saw a minimal resolution of stressed projects in the current financial year despite the relaxed norms of the Reserve Bank of India (RBI) in this regard.

Of the 36 identified stressed assets, seven have been resolved through debt-restructuring schemes by lenders. These include Jaypee's Praygaraj, which was bought by a joint venture of Tata Power and ICICI Bank; the Lanco Teesta Hydropower project, which was taken over by state-owned NHPC; and Rattan India Power's Amravati power project, which was sold to a consortium led by Goldman Sachs.

Adani Power has bought two stressed assets — GMR's Chhattisgarh power project and Avantha Group's Korba West power project. With the RBI's extended resolution deadline of January 7 getting over, 25 are awaiting favourable debt restructuring.

However, there is a silver lining for 9-12 cases. Their lead lender is Power Finance Corporation, which is a non-banking financial company (NBFC) and exempt from the RBI's deadlines, which are mandatory for banks.

Of the 25 projects waiting to see resolution despite the pit stop measures taken by the Union government, 14 have been submitted for insolvency proceedings at the National Company Law Tribunal (NCLT). There are four assets — GMR Kamalanga, GMR Warora, Essar Tori, and Rattan India Power Nashik — which are undergoing debt resolution outside the NCLT.

Of the ones not resolved, there are close to 10 assets of 11,000 Megawatt (Mw), which are incomplete and are unlikely to find any takers.

PFC submitted 15 projects worth ₹14,704 crore to the NCLT in the current financial year. It also initiated a resolution process outside the NCLT, along with other lenders, for 14 assets totalling ₹14,762 crore.

PFC made a provision of ₹16,275 crore in its account book for its outstanding loans during 2019-20 (as of the second quarter/first half FY20).

"PFC is hopeful of resolution of four projects by January 2020 and one by June. There are nine projects with debt exposure of ₹2,629 crore which will not be impacted by the RBI's circular," said the lender's investor presentation in September 2019. These are the ones where PFC is the lead lender. Turn to Page 11 ▶

FAULTY LINES

RESOLVED

Asset	Buyer
Jaypee Prayagraj	Tata Power
Lanco Teesta	NHPC
Rattan India Amravati	Goldman
SKS Binjkote	Agritrade
GMR Chhattisgarh	Adani Power
UNRESOLVED	**ONGOING**
GMR Kamalanga	Resolution outside NCLT
GMR Warora	Resolution outside NCLT
Essar Tori	Resolution outside NCLT
Rattan India Nashik	Resolution outside NCLT
Avantha Jhabua	Bids received in NCLT

Source: Power Finance Corporation, private power producers, finance ministry

RBI may put weak private lenders under the hammer

SOMESH JHA
New Delhi, 7 January

In a first, the Reserve Bank of India (RBI) is planning to auction private sector banks that have been suffering from poor financial health for a prolonged period.

This is part of the RBI's plan to adopt a differentiated regulatory regime for public and private banks under the Prompt Corrective Action (PCA) framework.

The banking regulator is seeking an early exit mechanism for private banks under PCA. One measure it is exploring is to auction these banks, said an RBI executive, requesting anonymity.

"Private banks cannot remain under the PCA framework forever. If the promoters are unable to revive the bank for a long period of time, the RBI may look to auction the assets, liabilities, and operations of the bank," the executive said.

At present, there are six lenders under the RBI's PCA framework that includes two private banks — IDBI Bank and Lakshmi Vilas Bank. While IDBI Bank came under the PCA in May 2017, Lakshmi Vilas Bank followed suit in September 2019. To date, the RBI has adopted the merger route to address the fragile health of private banks.

In the last such instance, the RBI had put a moratorium on the erstwhile United Western Bank in September 2006, in view of its poor capital base. Following this, 17 entities had submitted an expression of interest and the RBI decided to merge UWB with IDBI, after imposing a month's restrictions on operations. In 2004 too, it had merged private lender Global Trust Bank with state-owned Oriental Bank of Commerce after imposing a three-month moratorium. However, no weak private bank has been auctioned so far.

"The regulator is empowered to do so under existing laws. Earlier, the RBI would use its discretion to address the fragile health of private banks through forceful mergers. But it didn't include a plan to auction banks. This seems to be a progressive approach followed by the RBI, as the shareholders will be able to extract the best value out of the failing bank. It's good for the system," said Ashvin Parekh, managing partner at consulting firm Ashvin Parekh Advisory Services.

The Federal Deposit Insurance Corporation, an independent agency in the US with the mandate to look into bank resolution, auctions failing financial institutions to healthy banks. Turn to Page 11 ▶

DISTRESS SIGNAL

- **RBI considering auction of private banks** that have been under PCA for long
- **PCA norms for both** private and public sector banks are common
- **Of six lenders under PCA at present**, private ones are IDBI Bank and Lakshmi Vilas Bank
- **Banks placed under PCA framework if** they breach thresholds related to NPA and capital adequacy

Move over Siri, Alexa: Say hello to NEON

Pranav Mistry-led Samsung STAR Labs unveils 'artificial' human at Consumer Electronics Show in Las Vegas

BIBHU RANJAN MISHRA
Bengaluru, 7 January

You have experienced the world of artificial intelligence (AI) through chatbots and personal assistants like Siri and Alexa. But the countdown has begun for AI-powered artificial humans, who can 'converse and sympathise' like real people.

Samsung's STAR Labs, headed by well-known computer scientist Pranav Mistry, has unveiled a new kind of AI called NEON, which looks and behaves like a real human. The technology allows for the creation of customised digital beings, which can be designed to be 'television anchors, financial advisors, or movie actors' or simply 'companions and friends'. The announcement was made at the opening of the 2020 Consumer Electronics Show (CES) in Las Vegas on Tuesday.

Mistry, however, made it clear that the NEON will take some time to come into being as the Labs is building the key technologies in phases. "We are doing this technology for a long time and we wanted to keep it to ourselves until we thought this is the prime time to give the world a preview," said Mistry, who is known for his inventions of SixthSense and Samsung Galaxy Gear among others.

"Of course, it may take a couple of years, or maybe decades for the product to be complete. That is what I am so excited about because it is not about building something which won't last for two-three years. A lot more interesting things can keep coming and that is what will make the NEON different," he said.

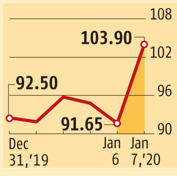
NEON, he said, is not like an AI assistant or any other voice assistant. While those act as an interface to the internet to deliver answers or search for the best answer to a query one is looking for, human emotions and expressions are at the core of NEON, which is powered by the company's proprietary CORE R3 technology platform that also gives visual shape to the visual virtual character. They can be somewhat similar to a living being or even a unique look, depending on the task it performs.

CORE R3 is a blend of technologies, including behavioural neural network, evolutionary generative intelligence, and computational reality, which bring lifelike reality and real-time responsiveness to NEONs. Unlike the prevalent video manipulation techniques, Mistry says the platform can give a voice or face to any earlier captured data and create unique behaviour or interaction in less than 20 milliseconds, which is almost similar to humans. Turn to Page 11 ▶

The artificial human called NEON, which is yet to enter the beta testing phase, will be made to look and behave like a real human

STOCKS IN THE NEWS

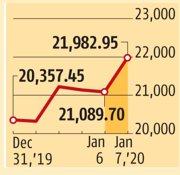
ITI



Q3 net profit at ₹168 crore against ₹14 crore in the year-ago quarter

₹103.90 CLOSE
▲ 13.37% UP*

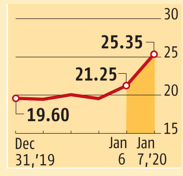
Shree Cement



Top gainer among the S&P BSE 100 stocks

₹21,982.95 CLOSE
▲ 4.24% UP*

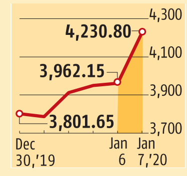
Centrum Capital



Pledged shares of promoter shareholding reduced from 64.43% to 38.89%

₹25.35 CLOSE
▲ 19.29% UP*

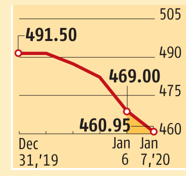
Dixon Technologies



Partners with Samsung to manufacture LED TVs

₹4,230.80 CLOSE
▲ 6.78% UP*

BPCL



Market cap fell below ₹1 trillion as stock slipped 6% in 4 days

₹460.95 CLOSE
▼ 1.72% DOWN*

* OVER PREVIOUS CLOSE

Roadshows for BPCL and Concor veer off the beaten track

Govt sounds out select few firms over stake sales; might push process to next financial year

SHINE JACOB
New Delhi, 7 January

No information memorandum (IM), no data room and selective invitation. This may appear unconventional for in any stake sale, but that was how the recent roadshows abroad were conducted by the Department of Investment and Public Asset Management (Dipam).

The roadshows, termed "sounding" roadshows, were for strategic sale of government stake in Bharat Petroleum Corporation (BPCL) and Container Corporation (Concor).

Despite all this, BPCL roadshows — held in the United Kingdom, United States of America and the United Arab Emirates — attracted attention from global oil and gas majors like Shell, Chevron, Conoco Philps, Saudi Aramco, Rosneft and Exxon Mobil. For Concor, companies like D P World and Adani Group participated in its Dubai and Mumbai roadshows.

Almost all those interested indicated that the March 31 deadline for the stake sale was a hurdle. As a result, some in the government are believed to be considering pushing the stake sale to the next financial year.

Deloitte, the advisor for both BPCL and Concor divestment processes, did not respond to queries from *Business Standard*. A delay in disinvestment is likely to affect the fiscal math and divestment target of ₹1.05 trillion for the current financial year (2019-20, or FY20).

An industry source told *Business Standard* that the roadshows were conducted without following conventions like an IM and data room. The memorandum normally lists out the objectives, risks, and investment terms to the potential investors.

Multiple people close to the process confirmed that these normal procedures were not followed for two reasons – one, the country cannot afford sharing financial details, future plans and physical status of its strategic assets, and secondly, these sounding roadshows were held to understand what potential investors want. Prospective investors did not sign a non-disclosure agreement at this stage.

The idea is to design the process based on their feedback and select players were invited based on their net-worth and capability, including their exposure to the refinery business. One major feedback from potential investors was related to the process, environment and safety issues since their global boards and investors have to clear mega deals.

"Any roadshow will remain superficial without a data room and IM. Without that, the discussions will be confined to whatever is available in the public domain. Maybe the plan is to share such things after the expression of interest (EOI) stage," said an industry veteran.

However, another person countered that a deal worth about $11-12 billion should only have a select group of investors who are capable of striking the deal. An official said sounding roadshows were done also to understand the process that the companies want to follow.

The government is expected to float an EoI soon and five prospective investors will be selected out of those participating in that process, with whom the strategic data will be shared. "The reasons are obvious. The government does not want to share its data with everyone, as it is a strategic deal. This is considering the strategic importance of the refineries, pipelines, overseas assets and even local land assets in key locations."

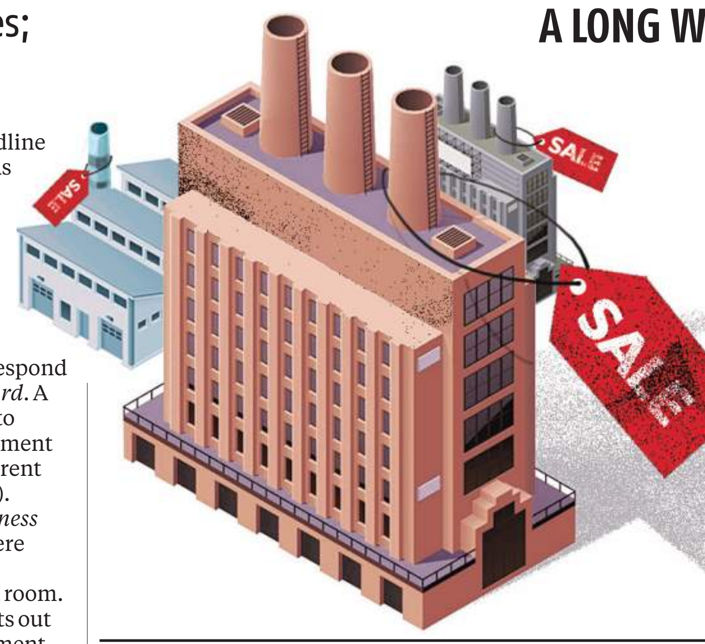
This may well be the case for Concor, too, said another industry expert. There were reports last week that both these sales may happen only in 2020-21. Industry sources say a major reason for this was the concerns raised by some prospective investors.

"The authorities should have planned it well, since it is a strategic disinvestment. The decision happened in November and even in January they are unable to finish sounding roadshows. The delay will affect the fiscal deficit target set by the government," said one source.

A major reason for the delay in roadshows was the year-end holidays, during which major officials at multinational firms were on vacation.

The government is expected to float an EoI soon and five prospective investors will be selected out of those participating in the process, with whom the strategic data will be shared

A LONG WAY TO GO



Nov 20: Cabinet Committee on Economic Affairs clears strategic divestment in five PSUs, including BPCL and Concor

₹1.05 trillion
Divestment target for 2019-20

₹17,364 crore
collected so far

IN BRIEF

GREY Group India appoints Anusha Shetty chairperson

New York-headquartered global advertising and marketing agency GREY Group announced an organisational change of its Indian arm on Tuesday. It named Anusha Shetty (*pictured*) as chairman and group chief executive officer (CEO) of GREY Group India and promoted Sandipan Bhattacharyya into the role of managing director (MD) and chief creative officer (CCO). Meanwhile, Yashaswini Samat, the current CEO will move to Singapore to take up a senior integrated role for WPP-GREY. She will continue to report to Nirvik Singh, Grey Group's global COO and chairman and CEO, Grey Asia, Middle East and Africa. GREY Global is part of the WPP Group of companies. In her role as the CEO of Autumn Grey, Shetty has delivered several award-winning e-digital campaigns. SOHINI DAS

Cable bills may fall by up to 14% after new rules: ICRA

Trai's amendments to the new regulatory framework for cable and broadcasting services could potentially lower DTH/ cable bills by up to 14 per cent , ICRA has said. Trai amended the regulatory framework for cable and broadcasting services. These will come into effect from March 1. PTI

Royal Enfield drives in BS-VI Classic 350 at ₹1.65 lakh

Royal Enfield said it has launched BS VI-compliant version of its model Classic 350, with price starting at ₹1.65 lakh (ex-showroom). The model is the first motorcycle under the company's unit construction engine platform to transition to the new regulatory emission norms. PTI

The Chennai Angels invests in city-based Chai Kings

The Chennai Angels on Tuesday announced an investment of $1 million in city-based retail chain Chai Kings to fund its expansion. The funding was along with the participation of The Hyderabad Angels and TiE India Angels, a release said. PTI

UP to partner BHEL, HAL for industrial training initiative

The Uttar Pradesh government is planning to tie-up with top industrial undertakings such as Bharat Heavy Electricals (BHEL) and Hindustan Aeronautics (HAL) for industrial and technical training. BS REPORTER

GoAir flight to Varanasi returns due to mid-air PW engine snag

A GoAir A320neo aircraft en route to Varanasi on Tuesday had to return to Delhi as one of its Pratt and Whitney (PW) engines developed a mid-air snag, a government official said. "G8186 Delhi-Varanasi flight had to return to Delhi on Tuesday evening as one of the PW engines developed high vibration," said the official. In response to a query from PTI regarding the incident, a GoAir spokesperson said the G8186 flight with 50 passengers on board did an air turn back "in the interest of safety due to a technical glitch". PTI

Telcos' next battlefield: Subscribers with 2 SIMs

Half of the 390 million users may look at having one mobile number

SURAJEET DAS GUPTA
New Delhi, 7 January

The next big battle among telcos will be retaining subscribers now having two SIM cards, with half of the 390 million of them expected to be looking at having one mobile number.

According to estimates of the Cellular Operators Association of India (COAI), over 70 per cent of the double-SIM users have a 4G smart phone, and in most cases have one slot on a 4G SIM (the other could be 2G).

With SIM consolidation, these customers are expected to see their average revenue per user (ARPU) per month go up as they move to just a single number (they earlier paid for two connections).

Telcos say double-SIM subscribers (with one 4G connection) were spending, on average, ₹150-160 on two connections each month, which is far higher than single-SIM users with an ARPU of around ₹120. This makes their retention financially attractive for telcos.

The reason for consolidation is simple: Late last year private telcos, including Reliance Jio, increased their tariffs for the first time after three years, by 15-40 per cent, pushing up the consumers' overall bills substantially.

This forced them to rethink keeping two numbers. Telcos like Bharti Airtel are expecting that ARPU will go up to around ₹200 a month in the next few quarters (from around ₹128 currently) and even to ₹300 in some time.

Secondly, with hardly any differential in tariffs among incumbents as well as Reliance Jio (earlier many took Jio as the second number because of its data package), whether on data and voice, a key reason for subscribers to keep two SIMs has now become irrelevant.

According to the data of the Telecom Regulatory Authority of India, the country has 1,183 million mobile customers, but only 981 million are active.

Rajan Matthew, director general of the COAI, says: "With the tariff hikes there is really no differential left among competing players on price, one key reason why customers took two SIMs. We expect half of them to move to a single SIM. The key clincher now will be not tariff but the quality of service and network."

Most analysts say the chief beneficiaries of this consolidation could be Bharti Airtel and Reliance Jio, which have a larger coverage of service, especially that of 4G, than Vodafone-Idea, which will take longer to roll out in any areas.

According to a CLSA report, this is reflected in the fact that Jio continues to control more than 60 per cent of the sector's 4G base stations. But Bharti Airtel has increased its base station penetration by 60 per cent in the past 18 months and has 1.86 times the number Vodafone-Idea has.

Reliance Jio has the added advantage of using its offer of low-cost 4G feature phone (₹699) to allure cost-conscious 2G dual-SIM subscribers to upgrade to a single-SIM 4G phone.

This would affect incumbent operators who have customers with two 2G cards.

THE ANATOMY OF DUAL SIM MARKET

1.18 bn
Total mobile subscribers

981.19 mn
Active mobile subscribers

394 mn
Double SIM subscribers

₹150-160
Average total monthly bill paid by dual SIM customers with one 4G SIM

70%
of them with a 4G phone

600 mn
Estimated number of 4G subscribers in the country

SC rejects govt's plea on RCom's ₹104-cr refund

The Supreme Court on Tuesday rejected the Centre's plea challenging TDSAT's order directing refund of around ₹104 crore to Reliance Communication.

A bench of justices R F Nariman and S Ravindra Bhat said, "We don't find any merits in the appeal."

The Telecom Disputes Settlement and Appellate Tribunal (TDSAT) had on December 21, 2018 directed the Centre to return around ₹104 crore after encashing bank guarantee of ₹908 crore against spectrum charges of ₹774 crore.

The Department of Telecom has already adjusted ₹30.33 crore. PTI

Creditors to meet today

Reliance Communications' committee of creditors (CoC) will hold a meeting on Wednesday, the company said in a regulatory filing on Tuesday.

"We wish to inform you that the 16th meeting of committee of creditors of Reliance Communications (RCom) is scheduled to be convened on Wednesday, January 8, 2020," RCom said in a filing to BSE.

Reliance Communications is going through the corporate insolvency resolution process under the supervision of the Mumbai-bench of National Company Law Tribunal.

The company's secured debt is estimated to be around ₹33,000 crore. Lenders have submitted claims of around ₹49,000 crore in August.

RCom has put all of its assets for sale which include spectrum holding of 122 MHz, towers business, optical fibre network and data centres. The firm's chairman Anil Ambani has tendered his resignation after the company posted a consolidated loss of ₹30,142 crore for July-September due to provisioning for liabilities after the Supreme Court's ruling on statutory dues. PTI

Religare Finvest's lenders may take a 49% haircut

SUVASHREE GHOSH
7 January

Creditors to a struggling shadow financier, once controlled by former billionaires Shivinder Singh and Malvinder Singh, are finalising a rare debt recast in the sector by writing off almost half of the company's loans, people familiar with the matter said.

Lenders to Religare Finvest, including State Bank of India, have agreed to take a 49 per cent haircut on its ₹58 billion ($808 million) debt, the people said, asking not to be identified as the information isn't public.

The restructuring may be implemented as early as the end of January, they said.

Any debt restructuring at Religare Finvest, which is being bought by TCG Advisory Services, would be the first among peers since the credit market squeeze started in 2018.

It could also be considered as an early sign of a winding down of that crisis. The sector's fate is still far from certain. Other delinquent shadow lenders, including Reliance Home Finance and Altico Capital India, are struggling to rework their debt. Mortgage financier Dewan Housing Finance is facing bankruptcy. BLOOMBERG

Rolls-Royce rides out 2019 with all-time high sales

Rolls-Royce Motor Cars delivered a historic annual sales record in 2019, with a global performance unequalled in the company's 116-year history. A total of 5,152 cars were delivered to customers in over 50 countries, an increase of 25% on the previous high set in 2018. With these historic results, Rolls-Royce continues to make a meaningful contribution to the overall performance of its shareholder, BMW Group.

COMPILED BY PAVAN LALL

"This performance is of an altogether different magnitude to any previous year's sales success. While we celebrate these remarkable results we are conscious of our key promise to our customers, to keep our brand rare and exclusive. We are pleased and proud to have delivered growth of 25% in 2019"

TORSTEN MÜLLER-ÖTVÖS
CEO, Rolls-Royce Motor Cars

5,152
Annual sales highest in the marque's 116-year history

25%
Sales growth reflects on 2018's previous record of 4,107

Significant sales growth recorded in all regions worldwide

Cullinan, the brand's **new SUV**, makes major contribution to sales growth

Strong demand for **Phantom, Wraith, Dawn** and **Ghost** (in its final year of production)

Black Badge continues to enjoy strong demand, particularly amongst younger clients

Significant **new investment** in manufacturing plant at the home of **Rolls-Royce at Goodwood**

50
new jobs created to meet expanded global demand

Record number of **Apprenticeship** Programme **recruits in 2019**

Kotak may not bid for Altico Capital

The non-bank lender's troubles have been piling up since it started defaulting in September

BIJOU GEORGE & RAHUL SATIJA
Mumbai, 7 January

The race to find a rescuer for a struggling Indian shadow bank at the center of an industry crisis has narrowed.

Altico Capital India is one of the latest caught up in the nation's shadow banking crisis that started in 2018, and had been courting suitors.

One of them, Kotak Investment Advisors, won't make a binding bid for Altico by a January 15 deadline, people familiar with the matter said.

In India, non-bank financiers play a crucial role in funding everything from condominium construction to purchases of personal goods like cars and phones. Real-estate focused Altico's restructuring and sale process comes as the broader shadow-bank crisis drags on, hurting the property sector and the economy.

The non-bank lender's troubles have been piling up since it started defaulting in September. Cerberus Capital Management LP and SSG Capital Management are now the only remaining external bidders, highlighting dwindling interest in Mumbai-based Altico which is grappling with soaring bad loans.

Kotak halted work on a binding bid for Altico after getting adverse feedback from creditors, the people said, asking not to be identified because the information is private.

Mumbai-based Kotak's indicative offer hinged on a purchase of either part or all of Altico's loan portfolio, one of the people said. A low cash infusion and a high fee structure caused the push-back, the second person said.

A Kotak spokesman didn't respond to a request for comment, while an Altico spokesman declined to comment.

Cerberus Capital and SSG Capital are now competing with an Altico shareholder-sponsored group to take over the shadow lender after two other firms pulled out. Creditors will meet Wednesday to discuss how the winning bidder will be decided, one of the people said.

A SSG Capital spokesman declined to comment, while Cerberus didn't immediately reply to an email sent outside of US office hours seeking comment. BLOOMBERG

Ola's outsation inter-city service grows 2x

This unit has become a profitable vertical for the ride-hailing giant

PEERZADA ABRAR
Bengaluru, 7 January

Ola is planning to scale up its 'outstation' business vertical, which provides inter-city mobility service to tier-2 cities across the country. The ride-hailing giant sees a huge opportunity in this segment.

The company, which competes with US rival Uber, aims to capture a market that is poised to grow to $15 billion in the near future.

The trigger for expansion is the company's 'outstation' unit, which has grown double its base size. It has become a profitable vertical in Ola's group business, according to sources.

Major growth for Ola's outstation business is now expected to come from smaller cities such as Manipal, Roorkee and Aligarh.

Ola is building innovations to cater to the unique needs of these towns. Ola said India's inter-city cab market largely consists of unorganised players.

"With a 2X growth in the past 12 months, Ola outstation is the fastest-growing major player in India's inter-city cab market. We remain committed to further enhance the customer experience and make inter-city travel more accessible to everyone," said Arun Srinivas, chief sales and marketing officer at Ola.

Ola, which competes with US rival Uber, aims to capture a market that is poised to grow to $15 billion in the near future

Ola is also forming alliances with hotel partners and the tourism boards of several states to enrich the travel experience and offer customers a complete package for their inter-city travel.

"We are thrilled with the response that Ola outstation has received from both customers and driver-partners. One-way trips, in-trip insurance, and widespread availability of cars even at the last minute make Ola outstation a more convenient and affordable offering than other players," said Srinivas.

He added, "Our ability to standardise the experience across the country, and enable seamless payment options have made the offering quite popular with corporate customers as well, giving them better control and out-of-town employee travel."

Since its launch in 2016, Bengaluru-based Ola's outstation service connects 11,000 unique destinations across the country, second only to the Indian railways in terms of network.

The inter-city travel can be accessed by Ola's total user base of over 200 million users and 2 million driver-partners. Ola said recent trends have shown that millennials plan their outstation trips in the last minute.

These users prefer Ola due to immediate availability.

The outstation experience is designed to make inter-city travel more reliable, offering better control to customers with in-app safety features such as an emergency button, and 24/7 helpline.

It enables them to track their rides real-time and share ride details with loved ones.

Customers who need to travel just one way out of town can choose to do so from any of the serviceable locations.

They could book round-trips for as low as 2-3 hours, making them more affordable compared to local players, said the company.

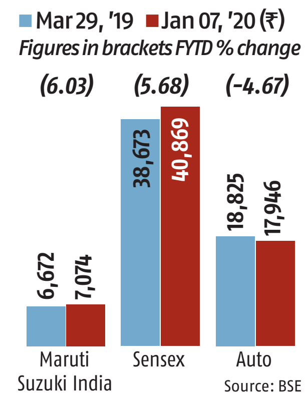
Customers also get to choose from a range of hatchbacks, sedans, SUVs and even luxury cabs in some select cities.

Maruti Suzuki finds place in Morgan Stanley top-20 stocks

It's the only Indian company to be included in the global equities list

SHALLY SETH MOHILE
Mumbai, 7 January

BEATING BENCHMARKS



Morgan Stanley Sales & Trading, US, has picked Maruti Suzuki India as one of its top-20 stocks globally. According to a recent report released by Morgan's trading arm, India's car market leader is well positioned to grow when demand picks up.

Maruti is the only company from India to find a place in Morgan Stanley's list of global longs (stock with potential upside). The firm believes the stock is better value for money than others and has a upside as high as 73 per cent. A slowdown in the economy has hit demand and led to a fall in overall consumption in an auto market which till recently was one of the fastest growing in the world.

Passenger vehicle (PV) sales in India skidded 16 per cent to 1.8 million units in the first eight months of the current fiscal from 2.2 million in the corresponding period a year ago, according to the Society of Indian Automobile Manufacturers. This is because companies dispatched lesser units to align production to demand. Maruti, which accounts for half of all passenger vehicle sales, saw a year-on-year sales drop of 12.2 per cent in the year that ended in December 2019, the worst in almost a decade.

"The industry has been through a long down cycle and is showing signs of a turn in growth," said the report.

It pointed out that the government's move to cut corporate tax rates will see capex outlook improve and GDP growth pick up, benefitting consumption. "With its strong market share and large distribution presence, Maruti could be a key beneficiary of the upturn in demand. And, it should continue to gain share into the BS-VI transition and do well during transition into CAFE (Corporate Average Fuel Efficiency) norms in 2022," it said.

But not everyone agrees. "Given the competition from newer entrants like KIA Motors and MG Motors, maintaining market share will not be easy for Maruti. It is already showing in the recent drop in market share," said Bharat Giani, analyst at Sharekhan. "The stock is already trading at a premium valuation and we see limited scope of an upside from the current levels," he added. The brokerage has a hold rating with a target price of ₹7,500. Maruti's market share in the PV segment dropped to 50.05 per cent between April and November from 51.80 per cent in the same period a year ago.

Accenture to acquire Symantec's cybersecurity services business

NEHA ALAWADHI
New Delhi, 7 January

Accenture has said it would buy Symantec's cybersecurity services business from Broadcom, but did not disclose the deal value.

The acquisition will make Accenture Security one of the leading providers of managed security services, enhancing its ability to help firms rapidly anticipate, detect and respond to cyber threats.

Symantec's portfolio of cybersecurity services includes global threat monitoring and analysis through a network of security operation centres, real-time adversary and industry-specific threat intelligence and incident response services.

The six security centers are located in the US, UK, India, Australia, Singapore and Japan.

In fiscal 2019, Accenture invested nearly $1.2 billion globally on 33 acquisitions to acquire critical skills and capabilities in strategic, high-growth areas of the market.

"People had been waiting for this (death warrants against Dec 16 rape convicts). It is a victory of the law. I'm happy the hard work of her family, lawyers has paid off"

ARVIND KEJRIWAL
Delhi chief minister

"I am your pehradar (custodian). If anyone comes to take away your rights, they will have to do it over my dead body"

MAMATA BANERJEE
West Bengal chief minister

"I request those protesting if you are born here and a citizen of India, you need not fear anything. But if you are not, then you must catch the first train and leave"

MANOJ TIWARI
Delhi BJP chief

IN BRIEF

Centre taking steps to simplify taxation, says finance minister

PHOTO: DALIP KUMAR

Finance Minister Nirmala Sitharaman with Parveen Khandelwal, president of Confederation of All India Traders (CAIT), during National Traders Convention, in New Delhi on Tuesday. Sitharaman said the government was taking steps to simplify the taxation system and eliminate harassment of honest taxpayers. She said the government was open to suggestions for the betterment of the GST filing system. Based on suggestions received from various stakeholders, the government is taking steps towards simplification of taxation system, she said. To curb harassment of taxpayers, she said, a faceless e-assessment scheme was launched in October to eliminate interface between an assessing officer and a taxpayer PTI

Muthoot Finance MD injured in attack in Kerala

The managing director of Muthoot Finance company was injured after miscreants allegedly pelted his car with stones on Tuesday morning following which one person was reportedly taken into custody. George Alexander Muthoot, who suffered head injury, has been admitted to a private hospital, police said. A section of employees has been agitating against the management over dismissal of 160 staff from 43 branches across the state in December. The protest is being held under the aegis of CITU. BS REPORTER

Regulators must have income source, says ex-Sebi chief

Regulators must have their own sources of income so that they do not have to depend on grants provided by the government, capital markets watchdog Sebi's former chairman U K Sinha has said. In his new book *Going Public: My Time at Sebi*, Sinha has said financial independence was the basic requirement for the functioning of an independent regulator. A regulator should have its own source of income and flexibility to utilise it without looking up to the government for funds, he has written. PTI

States getting onion at ₹49-58 per kg for retail sale: Paswan

The Centre has so far imported 12,000 tonnes of onion and it is being offered to states at ₹49-58 per kg for retail distribution and to check prices, Consumer Affairs Minister Ram Vilas Paswan said on Tuesday. To boost domestic supply and contain price rise, the government is importing onion through state-owned MMTC and also facilitating private imports. PTI

India asks refiners to stop buying Malaysian palm oil

India has informally asked palm oil refiners and traders to avoid buying Malaysian palm oil, government and industry sources said on Tuesday, following Malaysian criticism of India's actions in the Kashmir region and its new citizenship law. India is the world's biggest buyer of the oil and palm oil inventories could spike in Malaysia, putting prices under pressure if Indian refiners reduce purchases from the country. PTI

India likely to grow at 6% in 2020, says Blackstone report

'Ten Surprises for 2020' includes a 20 per cent market upside

PAVAN LALL
Mumbai, 7 January

The latest annual global markets report by private equity player Blackstone's top executives — Vice-Chairman Byron Wien and Chief Investment Strategist Joe Zidle — mention India in it for the first time in more than three decades that the report is being published.

Titled *Ten Surprises for 2020*, the report is a list unexpected events that could influence and shape the sociopolitical landscapes worldwide for this year. In a single closest 'also-ran' surprise that didn't make the top 10 projections has to do with the subcontinent.

The emerging markets continue to have uneven performance but India recovers from decelerating growth, the report says

Specifically, the recently published report says, "Fears of an economic crisis in India are allayed. The emerging markets continue to have uneven performance but India recovers from decelerating growth. The Narendra Modi government continues business-friendly growth reforms, the economy grows at 6 per cent and the market rises 20 per cent."

Wishful thinking or cautious optimism, either way the also-rans are essentially ideas that failed to make the top ten list not because they were not as key as other suppositions or then because the authors of the report deemed that they weren't as comfortable ranking them as part of the top ten, the report goes on to clarify. So, what made the top ten list?

They included the American economy missing forecasts but dodging a recession; the rise of inequality and climate change becoming key election themes, along with Trump's resilience in the White House despite impeachment proceedings that fail to convict or remove him; there is no comprehensive Phase Two trade deal that limits China's ability to acquire intellectual property; and the reality of a self-driving car is pushed further into the future.

What were other also-rans on? The report points to the beginning of seeing artificial intelligence as a paper tiger and the so-called AI apocalypse fails to materialise in the same way as the Y2K bug failed to do so within the American economy 20 years ago.

Also, economic problems in Russia intensify despite the rising price of oil and its leader Vladimir Putin's influence as a world diminishes as he attempts to maintain his stature on the world stage through closer ties with China, the report said.

NSO GROWTH FORECAST FOR FY20

Advance Estimates show fiscal slippage a certainty

ARUP ROYCHOUDHURY
New Delhi, 7 January

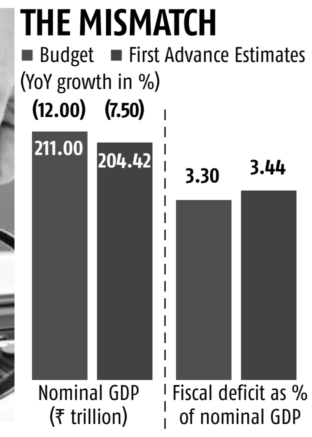
The first gross domestic product (GDP) Advance Estimates for 2019-20 (FY20), released on Tuesday, showed that nominal GDP is expected to grow 7.5 per cent this fiscal year to ₹204.42 trillion, compared to 12 per cent to ₹211-trillion forecast in the last Budget.

This implies that theoretically, if the fiscal deficit for the year can be maintained at ₹7.04 trillion, the deficit as a percentage of GDP will slip to 3.44 per cent, compared to the budgeted target of 3.3 per cent.

However, with gross tax revenue shortfall expected to be much higher than ₹2 trillion, and now doubts being cast on the Centre meeting its ₹1-trillion divestment target, the actual fiscal slippage could be much higher, even as the finance ministry has mandated the central departments to rationalise expenditure by around ₹2 trillion.

Source: NSO

"Nominal GDP growth estimated at 7.5 per cent for FY20 will have significant implication for the economy. A lower denominator will magnify the fiscal deficit as a percentage of GDP. If nominal GDP declines further leading to the borrowing cost turning out to be higher than nominal GDP, then it will pose debt servicing challenge," said Sunil Kumar Sinha, principal economist at India Ratings and Research.



After the fiscal discipline shown in the early part of the Modi government, FY20 will be the third consecutive year the government will be unable to meet its fiscal deficit target.

Some analysts expect the fiscal slippage to be even starker.

"CARE Ratings had estimated fiscal deficit to GDP in the range of 3.8-4 per cent for FY20, considering the prolonged slowdown and shortfalls in collections. Based on the Advanced Estimates of GDP, we expect the fiscal deficit to GDP ratio to be at 3.92- 4.13 per cent for FY20," said Madan Sabnavis, chief economist at CARE Ratings.

The data indicates that although some uptick in economic activity is expected in the October-March period, the slowdown has still continued. This will impact direct tax and goods and services tax collections, with officials anticipating a massive shortfall. It should be remembered that 42 per cent of the burden of gross tax revenue shortfall will be borne by states.

The Department of Investment and Public Asset Management admits that privatisation of Air India, Bharat Petroleum, and Container Corporation of India will not be completed this year, casting serious doubts on the centre's ability to meet its divestment targets. The Department of Economic Affairs issued an order last month stating that departments should spend just 25 per cent of their yearly allocated amount in the Q4.

Growth in farm likely to remain subdued at 2.8%

Food inflation may increase; farmer income to see reversal after 4-yr fall

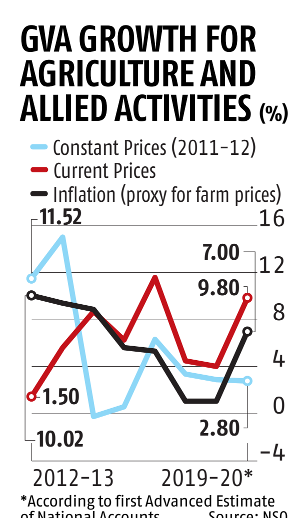
SANJEEB MUKHERJEE
New Delhi, 7 January

Growth in agriculture and allied activities is expected to be a subdued 2.8 per cent in 2019-20, but farmers' woes are likely to lessen a bit, according to advance estimates from the statistics office. These activities are estimated as likely to rise by 9.8 per cent at current prices, indicating food inflation (used by many as a proxy for farmers' income) of 7 per cent, the highest since 2014-15.

However, not all agree with this. Broadly, they say, the difference between gross value added at constant and current prices gives a fair idea of farmer income but it would be different in 2019-20, as overall food production hasn't improved much, according to latest numbers.

In 2018-19, agriculture and allied activities grew 2.9 per cent at constant prices, while the sector rose 4 per cent at current prices, delivering food inflation of only 1.1 per cent, lowest since the new gross domestic product series. A key factor in the year would be rabi production. If higher than expected and prices remain firm, it could translate into real growth in farmers' income, say experts.

"According to the methodology adopted by the statistics office for the first estimates, just the area sown of rabi is taken into consideration, which is then extrapolated to arrive at a estimated harvest number. The numbers indicate the government expects 2019 rabi production to be normal," said Madan Sabnavis, chief economist at CARE Ratings.



*According to first Advanced Estimate of National Accounts Source: NSO

Till last Friday, rabi crops had been sown on around 6.8 per cent more area than last year and 4.6 per cent more than the average area of the past five years. The area for all rabi crops is higher than last year, after a marginal 0.8 per cent fall in 2019 kharif production.

A pick-up in farmer income could have a cascading impact on the rural economy, though agriculture is becoming a smaller part of India's overall rural incomes. "Increase in food prices is definitely good news for growers, in the sense that he is better off from the time when food prices were falling but, yes, for rural wage growth in real terms, it might not be very good news. Going forward, I assume, vegetable prices will come down as they are largely seasonal but inflation in pulses might stay high," said D K Joshi, chief economist at rating agency CRISIL.

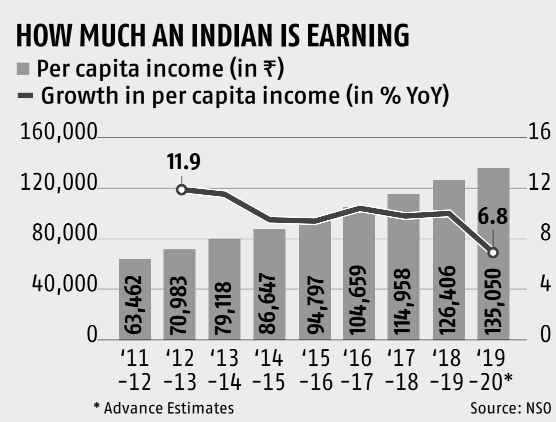
The data sourced from the labour bureau showed in October 2019, real rural wage growth of general agricultural labourers (male) dropped by nearly 5.2 per cent, due to a sharp rise in the consumer price index for this segment. Food items account for a greater share for an agricultural labourer's spending basket. So, for the average labourer, the rise in farmgate prices hasn't yet translated into higher gains.

The rise in food inflation is in contrast to the drop in farmgate prices to multi-year lows since 2015-16, due to bumper harvests and overall slowing of the rural economy in the aftermath of demonetisation and the goods and services tax. Drop in farmer income hit the rural economy, fuelling a series of protests across the country.

As the anger started impacting the electoral prospects of the ruling Bharatiya Janata Party, and it lost three Hindi heartland states (Madhya Pradesh, Rajasthan, Chhattisgarh), the Centre launched an ambitious programme of direct income support through the PM-Kisan scheme. This is expected to cost the exchequer at least ₹75,000 crore a year.

PER CAPITA INCOME GROWTH TO FALL

Growth in per capita income was projected to fall to the lowest rate of 6.8 per cent in 2019-20 as the new GDP series was launched on the base year of 2011-12, according to the Advance Estimates, released by the government. The per capita income of ₹135,050 projected for 2019-20 translates to ₹11,254 per month. It stood at ₹126,406 in the previous year at ₹10,533 a month.



* Advance Estimates Source: NSO

India Inc's low confidence reason for drop in investments: Analysts

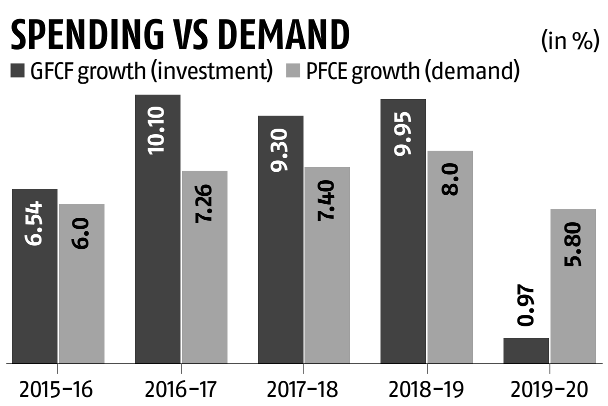
DILASHA SETH
New Delhi, 7 January

Economists attributed the 15-year low investment growth to subdued confidence in India Inc about rate of returns in the future, even as Prime Minister Narendra Modi urged the captains of Indian industry to pump in money.

Former chief statistician Pronab Sen said the confidence among investors was still missing.

"Where investments are concerned, they are always based on forward looking point of view. You need a certain degree of confidence that there will be returns. That confidence is missing. In a situation where demand is collapsing day by day you cannot expect investors to pump in money," said Sen.

Sen said Finance Minister Nirmala Sitharaman's recent announcement of spending in the infrastructure sector will not help much immediately because of high gestation periods for these projects. "The government needs to spend on projects with quick turnaround



Source: NSO

period," he said.

Last week, Sitharaman had announced ₹102 trillion worth of infrastructure projects that will be implemented in the next five years as part of the government's spending push to this sector.

Madan Sabnavis, chief economist at CARE Ratings, said the problem of low investments could be blamed on surplus capacity in the private sector, coupled with low demand in the economy.

"You have surplus capacity and low demand. There are no signs of fresh investment despite corporation tax rate reduction in September. The surplus went into dividend payments or repayment of debt," he said. As an economic revival measure, Sitharaman had on September 20 announced a tax rate cut to 22 per cent from 25-30 per cent for existing companies that do no avail exemptions, and 15 per cent for new companies set up after September 30. She had also announced a reduction in the minimum alternate tax from 18.5 per cent to 15 per cent.

Private final consumption expenditure, an indicator for demand, is estimated to see growth fall to 5.8 per cent in 2019-20, from 8 per cent in the previous year.

"The growth slowdown, especially in private consumption, has taken the sting out of GDP growth because this alone constitutes the 57.4 per cent of total GDP. India Ratings (Ind-Ra) believes even Advance Estimate of five GDP growth is not sacrosanct," said Sunil Sinha, principal economist at Ind-Ra. The assumption relating to private consumption looks somewhat unrealistic if festival demand is taken as an indicator, he added.

At an industry event on Monday, Modi had urged India Inc to invest. "At the beginning of the new year, today from this platform, I will again tell the Indian industry not to let disappointment linger with you. Go ahead with new energy. Whichever corner of the country you go to, for your expansion, the Indian government will walk with you," he had said. He had also met top executives from Corporate India to discuss ways to boost economic growth and urging them to invest.

Growth prospects look dim for FY21 too: Economists

INDIVJAL DHASMANA
New Delhi, 7 January

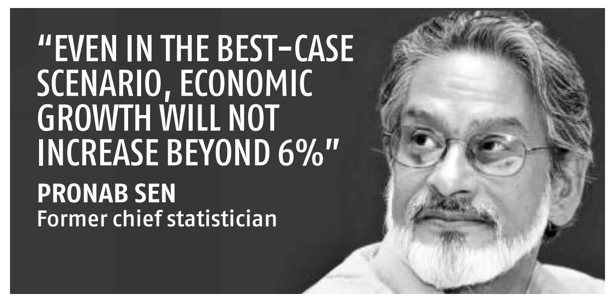
Economists believe the upcoming Union Budget will play a critical role in reviving economic growth, which might anyway not go beyond 6 per cent even in the best-case scenario in fiscal year 2020-21 (FY21). Advance Estimates, released on Tuesday, pegged economic growth at 5 per cent for 2019-20 (FY20).

Former chief statistician Pronab Sen said economic revival depends on what the government does in the Budget. When asked whether the measures already taken by the government such as cut in corporation tax rate would perk up growth, Sen said lower tax rates would not have an impact on economic growth.

"Any cut in personal income tax rates would also not have much impact on perking up growth," Sen said. According to him, measures that are quick boosting demand and increasing employment are needed to push up growth.

Sen said without announcing new schemes, the government should strengthen schemes such as PM-Kisan, Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) and programmes to build rural roads.

"Even in the best-case scenario, economic growth will not increase beyond 6 per cent. If these measures are not taken, growth will hang around 5 per cent even in FY21," Sen said.



"EVEN IN THE BEST-CASE SCENARIO, ECONOMIC GROWTH WILL NOT INCREASE BEYOND 6%"

PRONAB SEN
Former chief statistician

Eminent economist Sudipto Mundle, who was part of various panels of the statistics office, said economic growth would depend much on what government does to boost growth, but real recovery might have to wait for two years. "The Budget is quite critical in that sense," Mundle said.

When asked whether the government should stick to its fiscal deficit target or boost the economy, Mundle said this was a false choice. There are ways to boost expenditure without compromising on the deficit target. For this, the government would have to augment revenues by curbing exemptions, toning up administration including the goods and services tax network, he said.

Revenues foregone constituted 5 per cent of the country's gross domestic product (GDP), Mundle said. If that is reduced, GDP could be perked up without impacting fiscal deficit. If these measures are taken, growth could be revived from FY22 to 6 per cent or more. For the next fiscal year, the economic growth would be quite low.

Though Advance Estimates pegged economic growth at 5 per cent for FY20, Mundle believes it will be less than that. It is likely to be 5 per cent, give or take 0.5 percentage point, depending on the global situation and domestic uncertainties, including social unrest.

N R Bhanumurthy, professor at National Institute of Public Finance and Policy, however, said growth could have recovered next fiscal year, but escalating tensions between US-Iran has dimmed that hope. Now, he pegged growth at 5-5.5 per cent for FY21. He said measures taken by the government, including corporation tax rate cuts and liberalisation of foreign investments coupled with monetary easing by the RBI, would have a positive impact on economic growth next fiscal year.

Disqualified parties, promoters banned from liquidation: IBBI

RUCHIKA CHITRAVANSHI
New Delhi, 7 January

Promoters or related parties disqualified from taking part in the insolvency resolution will now be debarred from participating in the liquidation process, according to a notification issued by the Insolvency and Bankruptcy Board of India (IBBI) on Tuesday.

Such persons will also not be eligible to enter into any settlement or arrangement with the creditors of the insolvent company under Section 230 of the Companies Act, the IBBI has clarified. The notification for the Liquidation Process (Amendment) Regulations, 2020, comes into effect from January 6.

The Insolvency and Bankruptcy Code (IBC) had introduced Section 29A to keep wilful defaulting promoters from taking control of their company and also barred related parties to thwart any backchannels for such entries. However, Section 230 of the Companies Act — in the absence of any such provision — allows promoters to reach a compromise or settlement with the creditors once they are out of the purview of the IBC.

"Through the amendment in the regulations, the IBBI has shattered the hopes of many promoters intending to get back the business via scheme of arrangements route of the Companies Act. However, whether regulations can curtail the scope of the Companies Act is a pertinent question," Manoj Kumar, partner, Corporate Professionals, said.

In October 2019, the National Company Law Appellate Tribunal (NCLAT) had ruled in the matter of Gujarat NRE Coke that ineligible promoters cannot reclaim control through scheme of arrangement under the Companies Act.

The NCLAT had said, "Even during the period of liquidation, for the purpose of Section 230 to 232 of the Companies Act, the 'corporate debtor' is to be saved from its own management, meaning the promoters, who are ineligible under Section 29A, are not entitled to file application for compromise and arrangement in their favour under Section 230 to 232 of the Companies Act."

While the amendment experts say they have brought the law in line with past judgments of the Supreme Court as well as the NCLAT, there are concerns. "What needs to be addressed are situations where there is no buyer even in liquidation cases and if the promoters are also now disqualified by virtue of this amendment. Then there is no saving such companies from corporate death by liquidation," said Anshul Jain, partner, PwC India.

"A secured creditor cannot sell or transfer an asset, which is subject to security interest, to any person, who is not eligible under the Code to submit a resolution plan for insolvency resolution of the corporate debtor," the IBBI has clarified.

"This will be significant because it will prevent promoters from making backdoor entry by buying the assets of the company under liquidation," said Mehul Bheda, partner, Dhruva Advisors.

The amendment provides that a liquidator shall deposit the amount of unclaimed dividends, if any, and undistributed proceeds, if any, in a liquidation process along with any income earned thereon into the corporate liquidation account before he submits an application for dissolution of the corporate debtor.

"This brings clarity for liquidators on how to deal with unclaimed amounts. It will help in timely completion of the process," added Kumar.

FINE-TUNING LIQUIDATION PROCESS UNDER IBC

- Persons disqualified under 29A cannot:
  - Take part in the liquidation process
  - Enter scheme of arrangement under the Companies Act
- Unclaimed dividends, proceeds to go into the Corporate Liquidation Account

CII DELEGATION TALKS INVESTMENTS, EXPORTS WITH PM

A delegation from the Confederation of Indian Industry (CII) — led by Vikram Kirloskar, CII president and chairman & MD of Kirloskar Systems — met Prime Minister Narendra Modi, on Tuesday in New Delhi. The delegation also comprised T V Narendran, vice-president of the CII and CEO and MD, Tata Steel, among others. It discussed issues relating to investments, ease of doing business, exports, and other matters concerning industry and economy

PHOTO: PTI

Banks staring at 20% more provisioning for ₹2.2-trillion debt

ABHIJIT LELE & DEV CHATTERJEE
Mumbai, 7 January

Banks might have to make an additional 20 per cent provisioning in the March 2020 quarter, failing timely resolution of bad debts. The deadline to restructure such debts under the Reserve Bank of India's June 7 circular expired on Tuesday.

Bankers said they are looking outside the bankruptcy courts and will be able to resolve a few debts in the power sector before January-end. In such a case, they will not have to make provisions this quarter.

Banks have also asked for additional time from the regulator to resolve the pile of bad debt as they have an exposure of ₹2.2 trillion. Of this, India's largest public sector bank State Bank of India's (SBI's) exposure is estimated at ₹57,000 crore, and the rest is shared among other banks.

A top SBI official said according to the RBI norms, lenders will have to only make an additional 20 per cent provision, which can be written back on implementation of the resolution plan. "What we have to focus on now is for how many cases we have a viable resolution plan. For these cases, the lenders can hold intercreditor agreement (ICA) and make 20 per cent provisioning if the plan is not implemented before March 2020," said a top SBI official on Tuesday.

Some major cases are already before the National Company Law Tribunal — including Infrastructure Leasing & Financial Services and Dewan Housing Finance. In some cases in the power sector — like RattanIndia Power, Prayagraj Power, and Avantha's Jhabua Power — lenders will manage to resolve before end of January, the SBI official said. The official added that banks need at least 9-10 months to resolve a bad debt account — considering the fact that many stakeholders are involved, which is why they demanded more time.

In its circular, the RBI had given a 210-day period to complete the resolution process. If banks cannot meet the timeline, they have to either send the company to bankruptcy court, or make a 20 per cent additional provision and pursue resolution outside of the Insolvency and Bankruptcy Code (IBC).

On an average, banks are recovering less than 50 per cent of their exposure through bankruptcy courts and that, too, after prolonged litigation. Hence, banks are trying to find a debt resolution plan outside courts. This, however, has to be vetted by a rating agency, so that there is clarity on the cash flow of the company.

Corporate lawyers said banks have to comply with stringent provisioning in their books if there is no resolution. "Cases where the resolution involves restructuring or change in ownership outside the IBC, the additional provisions may be reversed upon implementation of the resolution professional," said Nirav Shah, partner, DSK legal.

In cases where resolution is pursued under the insolvency code, half the additional provisions made may be reversed on filing of insolvency application and the remaining may be reversed upon admission of the borrower into the insolvency resolution process under the IBC. In cases where assignment of debt or recovery proceedings is initiated, additional provisions may be reversed upon completion of that process, added Shah added.

With inputs from Subrata Panda

NO RESPITE

- **Banks unable to resolve** large number of bad debt accounts
- **A few power sector cases** may be resolved by January end
- **Banks want additional time** to resolve bad debt cases
- **Ball in the RBI's court to extend deadline** for resolving bad debt

Climate stress-tests, robo-cars and more in 2020

Changing weather patterns and urgent need to cut down emissions drastically will dominate discussions

VANDANA GOMBAR

As the markets for solar power, wind power, storage and electric vehicles continue to grow in size and strength, there are other things that will be vying for our attention this year.

Climate and insurance: Australian insurers can absorb growing insurance claims relating to bushfires, S&P Global Ratings said in early January, though "the recent extremes in draught and climate conditions appear to have exacerbated the reach, longevity and intensity of the current bushfire season." Climate change would mean more extreme weather events globally, triggering loss and damage in many instances. The Bank of England is looking at a climate-stress-test of banks and insurers. The design of the exercise will depend on the inputs provided by stakeholders to the discussion paper it published last month. "The exercise will test the resilience of the current business models of the largest banks, insurers and the financial system to climate-related risks and therefore the scale of adjustment that will need to be undertaken in coming decades for the system to remain resilient," it said.

SUSTAINABLE DEBT

Instrument	2018 ($ bn)	2019 ($ bn)
Green bond	181	267
Sustainability bond	16	45
Social bond	38	41
Sustainability linked loan	45	98
Green loan	7	7
Sustainability linked bond	0	4
TOTAL	287	462

Source: BloombergNEF

Zero-emission trucks: Across the Atlantic, to cut back on emissions from transportation, regulators in California are proposing mandates to force a higher number of zero-emission medium and heavy trucks on the roads, with targets to 2030. "It is an area where clearly not just California, but the world, is in need of a major technology upgrade," California Air Resources Board Chairwoman, Mary D Nichols, said. The board also announced it is joining with seven other US states and the District of Columbia to develop an action plan to put more zero-emission trucks and buses on the road elsewhere in the country to replace diesel vehicles, which emit nitrogen dioxide, particulate matter and other contaminants into the air.

Robo-cars: Meanwhile, autonomous self-driving robo-cars have been making good progress, with more miles tested. As many as six countries now allow the offer of rides to the general public (in specified areas) without a safety driver on board, according to BloombergNEF. It expects US cities to lead the way in robo-car deployment, but for China to catch up and surpass the US by the early-2030s.

Hydrogen and green hydrogen: The world's first liquefied hydrogen carrier was unveiled in Japan last month. Made by Kawasaki Heavy Industries, the ship will transport liquid hydrogen from Australia to Japan — a distance of over 9,000 kilometers. Construction of the vessel is to be completed by late 2020. Expect to hear more about hydrogen, which could be solution for lower emissions in many hard-to-decarbonise sectors such as steel making and chemicals manufacturing. Denmark's Orsted has a team that is trying to use power generated from offshore wind farms to make "green hydrogen", though cost remains a challenge.

Sustainable finance: Last month, Royal Dutch Shell signed a $10 billion revolving credit facility from a syndicate of 25 banks where "the interest and fees paid on the facility will be linked to Shell's progress towards reaching its short-term Net Carbon Footprint intensity target." Shell aims to reduce the Net Carbon Footprint of the energy products it sells by 2-3 per cent by 2021 (compared to 2016), 20 per cent by 2035 and 50 per cent by 2050. Expect to see more announcements on financing linked to progress on sustainability targets. Goldman Sachs meanwhile announced a tightening of its policy on fossil fuel financing, pledging not to support new thermal coal mines and upstream Arctic oil exploration and development.

The author is editor, global policy, BloombergNEF; vgombar@bloomberg.net

CHINESE WHISPERS

Postcard politics

Congress General Secretary (in charge of Uttar Pradesh) Priyanka Gandhi Vadra (*pictured*) is today among the most visible and active Opposition leaders attacking the Yogi Adityanath government. To supplement her Twitter posts and mass media communication to the people of Uttar Pradesh, Team Vadra is now sending 10 million New Year greeting postcards to prominent citizens — comprising writers, journalists, social workers, and activists — of the state. Each postcard contains the New Year message and the Preamble of the Constitution, one on each side. It also seeks to reach out to the common people, and is a pitch for the coming panchayat polls and to position the Congress as a strong contender vis-à-vis the Samajwadi Party and the Bahujan Samaj Party.

From protests to more protests

There have been questions within the Congress why its students' and youth units are not coming out in large numbers to join the anti-Citizenship Amendment Act protests. While there were apprehensions that the protests could be short-lived and the Congress only tentatively deployed its resources in opposing the CAA, it is now emboldened with students across the country sustaining the protests. The National Students Union of India (NSUI) and Indian Youth Congress (IYC) have over the past two days held several protests. These include one in Ahmedabad, where NSUI activists were beaten up, and another one in Delhi. Party sources said more such protests were in the offing.

Government servants in a bind

Political support aside, it is now visibly clear that people across sections have supported the recent students-led protests against the Citizenship Amendment Act and vandalism and violence at universities. However, for government employees, it continues to remain a dilemma whether to join these protests. After talking to some of those at protest sites and a cross-section of others working in public sector undertakings — from banks to oil majors — and other wings of the government, one gets the impression that while they support the protesters' cause, showing up at protest venues or revealing their identities there could mean attracting unwanted attention at workplaces. These could vary from creating a negative perception among seniors or receiving jibes from "overly jingoistic colleagues who question the protesters' loyalty to the state". While none confirmed an official gag order, they weren't exactly happy with the situation and felt that there was an invisible curb on expressing themselves freely. A few still show up and reveal their employer.

Building blocks in the NIP

The Centre's mega-infrastructure plan may founder on a poor enabling environment as much as the availability of finance

JYOTI MUKUL

It is widely recognised that the ₹102 trillion National Infrastructure Portfolio (NIP), announced by Finance Minister Nirmala Sitharaman on the last day of the decade, is a necessary precondition for Prime Minister Narendra Modi's ambition for India becoming a $5 trillion economy by 2025. In a slowing economy, a target-driven approach to infrastructure building is, admittedly, an important enabler for growth. A realistic assessment, however, does not present a particularly optimistic scenario in the near future.

The doubts have as much to do with fund mobilisation, which has been discussed threadbare, as the need for a clear enabling reform path. The NIP is based on the report of a task force that identified "technically feasible and financially/economically viable infrastructure projects" that can be initiated in fiscal 2020 through 2025. Though the exercise involved estimates of investments and capital costs, the most important part of the report reflected policy-makers' understanding of the need for a clearly identified reform path beyond roadshows or tax breaks.

The NIP envisions a 22 per cent private sector share in the identified projects, but the remaining 39 per cent each in the Centre's and the state kitties, too, will need execution by private entities. It is in this context that the task force's six-point reform path needs to be viewed.

Much of the task force's reform programme sets out key measures recommended by earlier committees on infrastructure, an indication that the National Democratic Alliance has not addressed these in its five-and-a-half years in power.

For instance, outlining financial sector reforms, the task force has talked about enabling long-term financing by strengthening banking institutions, particularly the State Bank of India and the India Infrastructure Finance Company. Alongside, it suggested regulatory reforms for enabling and attracting private sector domestic financing institutions.

The important issue here is the problems in the financial sector itself. According to an ICRA report released this week, the trajectory of infrastructure credit from banks and infrastructure finance non-bank companies flattened in the first half of FY2020. "While the infrastructure credit witnessed 19 per cent growth in FY2019 to ₹21.1 trillion, it increased marginally to ₹21.2 trillion in H1 FY2020," the report said.

The ICRA report points out that credit costs have eased during the past 18 months but the profitability of public sector infrastructure finance companies (IFCs) remains lower. "Overall, recoveries from stressed assets remain critical for sustained improvement in profitability of IFCs. In this regard, progress on resolution of stressed assets and developments in the renewable energy sector remain key issues," says Manushree Saggar, vice-president and head — financial sector ratings, ICRA.

Even before the issue of financing comes into play, the crucial determinants will be improving project preparation and enhancing private sector capabilities, according to the task force. Optimal risk taking has been emphasised by adopting international contract standards and undertaking project bidding only after fulfiling precedent conditions such as land acquisition, but the trickier part is honouring contracts.

Here, it would be an understatement to say India's record has not been good. The latest example is the Andhra Pradesh government annulling contracts signed by its predecessor regime for various infrastructure projects, and refusing to honour power purchase agreements with renewable energy companies on grounds that the agreed tariffs are too high.

All that the NIP reform path says is that repudiation of contracts should be "restricted only to situations to be clearly defined in the contract" and that there should be safeguards that quantify termination payments. These features are built into all contracts but the Andhra example shows there is nothing to stop political leaderships reneging on binding contracts to live up to political rhetoric.

When it comes to dispute resolution, the task force quotes amendments made to relevant central laws and how investment in institutions under it could "deliver sound results in enabling speedy resolutions in the next few years". The fact that disputes drag on even when initiated under arbitration has not changed.

The latest case is of Reliance Industries Ltd (RIL) and its partners, currently locked in a court battle with the government over a $4.5 billion arbitration award relating to the Panna, Mukta and Tapti oil and gas fields.

Though these fields have been returned to the government nominee and are no longer in private hands, the dispute relating to them is threatening another RIL deal involving the purchase of 20 per cent of its downstream business by Saudi Aramco.

The task force has recommended ministry-level committees as mediation mechanisms to resolve complex contractual disputes. This may not amount to much since state governments are often party to the disputes. Even if a dispute involves the central government, officials may be reluctant to take a call unless there is a stamp of some impartial body.

According to ICRA, the construction sector, especially, is likely to be a major beneficiary of this increased investment. Typically, infrastructure projects have a construction intensity of 60-80 per cent, which could result in order inflows of ₹60 trillion over the next five years, it noted in an earlier report.

According to Shubham Jain, senior vice-president and group-head, Corporate Ratings, ICRA, achieving the government's target is achievable but it would require state government and the private sector support. "Reducing bottlenecks and resolving issues that have resulted in significant cost and time overruns will also be vital," he adds. Given that these have plagued infrastructure projects for decades, NIP's target looks challenging even before it has begun.

WORK IN PROGRESS

Annual investment phasing	₹ cr	Implementing agency		Status of projects	(% share)
FY20	13.6	Centre	39%	Under implementation	42
FY21	19.5	State	39%	Under development	19
FY22	19.0	Private	22%	At conceptual stage	31
FY23	13.8			Unclassified	8
FY24	12.8				
FY25	11.1				

The projected investment peak in FY20-21 could spill over to FY23-25. Data for power and some large states not included

Source: National Infrastructure Pipeline, Report of the task force

LETTERS

Mob attack at JNU

The brutal attacks on Jawaharlal Nehru University (JNU) students and teachers by masked goons armed with lethal weapons, in collusion with the JNU administration and the Delhi police, appalled the public. What was going on in the JNU campus was a nightmare. The image of JNU student's union President Aishe Ghosh bleeding profusely from a gash on her head was no advertisement for Beti Bachao, Beti Padhao campaign.

When Ghosh and other students were attacked, it needed no great intelligence or exertion of the mind to know the identity of the "masked goons". It is futile to try to shift the blame to the Left-leaning students when they were the victims of mob attack at the JNU. The Akhil Bharatiya Vidyarthi Parisha's grouse was that the Left "ruined the JNU campus and turned it into a Naxal citadel. The Hindu Right hates JNU for being a bulwark against virulent nationalism and would not mind its shutdown.

The pre-planned cowardly attack on JNU students and teachers was a corollary to the manifest failure of the Hindutva forces to fight them ideologically. It was a sequel to the students' just protest against fee hike and their campaign to save the Constitution and their solidarity with the anti-Citizenship Amendment Act protesters. Fracturing the skulls of young compatriots on a university campus with iron rods, albeit to the accompaniment of chants of *Bharat Mata Ki Jai* and *Jai Shri Ram*, cannot, by any stretch of the imagination, be glorified as an act of patriotism. Thrashing professors by members of a party's students' wing is at odds with the *guru-shishya parampara* (teacher-disciple tradition).

The JNU administration and the Delhi police would never be able to live down the way they allowed the thugs to go on the rampage and "vent their anger" for hours on end but for the tacit approval of the higher-ups in the university and the Modi government.

G David Milton Maruthancode

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INSIGHT

How confidential should bank inspection reports be?

An emotional affirmation to disclose sensitive, confidential exchanges generically must be avoided

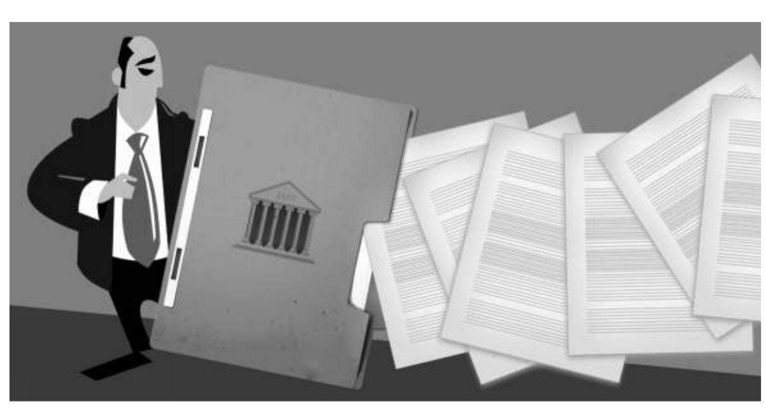
KRISHNAVA DUTT

Transparency and maximum disclosure are the immutable cornerstones of an effective democracy. However, absolute and uncontrolled information flow may sometimes be antithetical to the objective this proposition seeks to achieve. It is for this reason that legislation, albeit with circumspection, creates exceptions to this principle. This requires judicial intervention to balance the conflict between the expectation of the information seeker and the right of the information owner and set in harmony the contrariety between transparency and confidentiality. Disclosure being the primary legislative intent in governance is manifested through various statutory and regulatory mandates where regular and time-bound disclosure is mandated for almost all entities. Beyond the realm of the mandatory disclosure requirement is the Right to Information Act (RTI).

Whilst over the last decade, the rule in favour of information sharing has been dealt with extensively. In December 2015, the Supreme Court in the case of *Reserve Bank of India v. Jayantilal N Mistry* was once again faced with the task of having to balance the conflict between information seekers and information owners. This time, the information sought was primarily the "inspection reports" of the Reserve Bank of India (RBI) with respect to the various banks over which RBI exercises supervisory jurisdiction.

RBI as a part of its supervisory responsibility has the power to continually conduct inspection on the constituent bank and may also instruct the bank to take remedial or corrective measures. Inspection reports are repositories of extremely confidential information. They include deliberations and dialogues between the RBI and the bank on myriad complex issues on which proactive or corrective measures may be taken by the bank. It is under this power that RBI constantly manoeuvres the banks to stay the course and avoid any perils. The right to inspect and direct is probably the most influential tool in the hands of the RBI, which allows the banking system as a whole to take protective and pre-emptive measures. Any apprehension of public disclosure of such deliberations and dialogues is bound to inhibit seamless exchange of information between the banks and the RBI. An atmosphere of constant cautiousness and hesitation in sharing information with the RBI would be disastrous for meaningful and effective supervision, which is the most fundamental ingredient for a robust banking framework.

In *RBI v. Jayantilal N Mistry*, the counsel for RBI strenuously argued that inspection reports reflect the supervisors' critical assessment of banks and their functions, disclosures of which may prematurely and unnecessarily create misunderstanding and misinterpretation in the minds of the public. The counsel also argued that, apart from such disclosures specifically being restricted under the Banking Regulation Act, such disclosure would be counter productive and adversely impact public confidence in the banking system.



The Supreme Court comprehensively rejected the contention of the RBI and ruled in favour of complete disclosure of the inspection reports. Interestingly, while rejecting the contentions of the RBI, the Supreme Court did observe that *"it is equally true that there is some information which if published or released publicly, might actually cause more harm than good to our national interest … disclosure of information about …the regulation or supervision of banking, insurance and other financial institutions, … could in some cases harm the national economy, particularly if released prematurely"*. However, despite the observation, the Supreme Court allowed unobstructed disclosure of the inspection reports. The issue is far from closed and the Supreme Court may need to relook at the same.

In USA, the principle behind the need to not disclose inspection/examination reports was most appositely articulated by the Court of Appeals for the District of Columbia Circuit where the court held that *the bank examination privilege is firmly rooted in practical necessity. Bank safety and soundness of supervision is an iterative process of comment by the regulators and response by the bank. The success of the supervision therefore depends vitally upon the quality of communication between the regulated banking firm and the bank regulatory agency. This relationship is both extensive and informal. It is extensive in that bank examiners concern themselves with all manner of a bank's affairs. Not only the classification of assets and the review of financial transactions, but also the adequacy of security systems and of internal reporting requirements, and even the quality of managerial personnel are of concern to the examiners. The supervisory relationship is informal in the sense that it calls for adjustment, not adjudication. In the process of comment and response, the bank may agree to change some aspect of its operation or accounting; alternatively, if the bank and the examiners reach impasse, then their dispute may be elevated for resolution at higher levels within the bank regulatory agency. It is the very rare dispute, however, that culminates in any formal action… Because bank supervision is relatively informal and more or less continuous, so too must be the flow of communication between the bank and the regulatory agency. Bank management must be open and forthcoming in response to the inquiries of bank examiners, and the examiners must in turn be frank in expressing their concerns about the bank. These conditions simply could not be met as well if communications between the bank and its regulators were not privileged.*

The CJEU aptly observed that *effective implementation of the prudential supervision regime requires that both the institutions and the authorities can have confidence that the confidential information provided will remain confidential. The absence of such confidence is liable to compromise the smooth transmission of the confidential information that is necessary for prudential monitoring.*

The courts and the authorities must be especially mindful that in the age of social media, sensitive information in the hand of irresponsible persons may have uncontrollable and catastrophic consequences. It is true that recent revelations with respect to certain financial institutions have taken the entire nation by surprise. An emotional affirmation of the need to disclose inspection reports generically as a reaction to specific governance failures is exactly what must be avoided. Apart from unfairly painting all banks and NBFCs with the same brush, it will irreparably damage the entire banking framework by permanently impeding effective supervision by the RBI.

Dutt is managing partner, Argus Partners and was assisted in research by his associates Kshitija Naik & Ishita Malhotra

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Over to the Budget

Advance estimates show growth revival remains a daunting task

The National Statistical Office's first advance estimates of gross domestic product (GDP) for the current fiscal year have projected India's economic growth at 5 per cent, which is not a surprise, given that it is in line with what the Reserve Bank of India has given. But this is significantly lower than the 7 per cent projected by the Economic Survey in July. According to the government data, manufacturing is expected to grow by 2 per cent in the current year, compared with 6.9 per cent in the previous year. Similarly, growth in the construction sector, which is vital for jobs, is expected to collapse this year to 3.2 per cent, compared with 8.7 per cent in the last fiscal year. The growth in gross fixed capital formation is particularly worrying, as it is projected to collapse to just 1 per cent compared with 10 per cent in FY19. What has expanded at a faster pace compared with last fiscal year is government activity. However, with the given fiscal situation, this also has been coming under pressure.

In nominal terms, the economy is expected to grow by just 7.5 per cent, compared with the assumption of 12 per cent in the July Budget. Slower than expected growth will itself complicate matters. For instance, even if the fiscal deficit in absolute terms is contained at the targeted level, lower than expected growth in the size of the economy will push up the deficit as a percentage of GDP. Besides, the government has to deal with a possible revenue shortfall of at least ₹2 trillion. The fact that it may not be able to achieve the disinvestment target will only add to the problem. Consequently, the government is likely to compress expenditure by about ₹2.2 trillion. Given the revenue situation, some expenditure rationalisation would be indispensable, but the government will need to be mindful of its impact on economic activity. As the data shows, without the support of government expenditure, growth would have been even weaker. Slower nominal growth will also affect Indian businesses and make debt repayment more difficult. This can put pressure on the banking system and affect the flow of credit.

Chances of revival have been further clouded by renewed geopolitical tension in West Asia. A possible disruption in crude oil supplies and higher prices will affect both global and domestic growth. The rise in oil prices and the depreciation of the rupee can push up the headline inflation rate, which will reduce the possibility of an interest rate cut in the near term. While an orderly depreciation of the rupee will help Indian exporters, a rise in global risk aversion could lead to higher volatility in the currency market. Nevertheless, as things stand today, risks in financial markets would somewhat be balanced by the accommodative stance of large central banks. Although there are global risks to growth, India's challenges at the moment are mainly domestic. Therefore, with a fresh assessment of the state of the economy, which clearly is not encouraging, all stakeholders would now look forward to the Union Budget to see how the government plans to revive growth. The first step towards this goal would be to accept the real economic and fiscal situation.

Dealing with GST fraud

Balance between ease of doing business and compliance is tricky

The Central Board of Indirect Taxes and Customs (CBIC) has reportedly reached out to the Directorate General of Foreign Trade (DGFT) to make the accreditation system for star exporters more robust. The CBIC's concern, as expressed to the DGFT in a letter, is that exporters that enjoy a "star" status from the DGFT are allowed various concessions, including reduced paperwork and inspections. The CBIC feels that some of the star exporters are misusing this facility. In particular, investigations by the Directorate General of GST Intelligence and Directorate General of Revenue Intelligence over the past months have identified exporters who have fraudulently claimed refunds of integrated goods and services tax (IGST) payments. According to the authorities, the problem of fake invoices is widespread; using these fake invoices, the exporters claim crores of rupees in input tax credit and then they use that for the payment of IGST for exports. Subsequently, they claim IGST cash refunds. This scam relies on mis-declaration of shipments and of inputs. However, the availability of large connected data sets on the subject of invoicing and tax has made tracking down such mis-declaration easier, according to the CBIC.

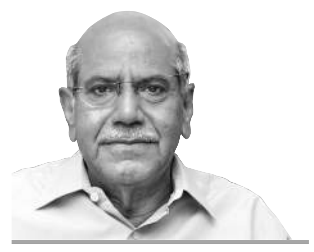
It is important that the government increase the degrees of checks and balances in the system to ensure that there is no large-scale fraud occurring. However, in this case, it is clear that the requirements of the DGFT and of the CBIC are at odds. A higher level balancing of the two needs is required. The CBIC will naturally think purely in terms of what is required from the point of view of restoring GST revenues closer to what was earlier expected. The DGFT, meanwhile, needs to prioritise the longer-term requirements of the Indian economy, namely ensuring that exporters are not subject to intrusive and troublesome paperwork. Naturally, it is incumbent on businesses to file taxes honestly, and the government should reach out to industry associations if need be to spread awareness of the costs and benefits of complying with GST. Businesses that do not comply will naturally wind up being subject to investigation, and so it is in industry's interests to ensure that compliance is more widespread.

However, the balance between intrusive checks and investigations and ensuring compliance is tricky, and any changes to ease of doing business regulations must be carefully thought through. The CBIC must make a case that export fraud is indeed so nationally significant a problem that it requires a reversal of the ease of doing business agenda. Beyond that, it will be a political decision how stringent such a reversal, such as more checks for star exporters, will be. What is necessary is that out-of-the-box thinking be applied to the causes of the problem. Systems should be designed to minimise the possibility of large-scale fraud. In this case, the payment of IGST, which is then refunded, may be what is at the heart of the problem. It is one of the many aspects of the GST structure that requires a fresh look. The government and the GST Council should consider setting up a committee of experts to examine the issue.

ILLUSTRATION: BINAY SINHA

Implications of a majoritarian agenda

This will make the country vulnerable to hostile external forces



SHYAM SARAN

The brutal violence unleashed against students and faculty of Jawaharlal Nehru University (JNU) on January 5 by storm troopers, whose masked faces did nothing to hide their political and ideological affiliations, was a calculated message to academic institutions, civil society and minorities, that they would be bludgeoned into submission if they dare to resist the reconstruction of the Indian state and society in accordance with a majoritarian blueprint. What we saw unfold at JNU was a continuation of the blood-stained saga that began at Jamia Milia Islamia, spread to Aligarh Muslim University (AMU) and then enveloped the state of Uttar Pradesh, whose chief minister sought "revenge" against those protesting against the Citizenship Amendment Act (CAA). In all these instances, the law and order machinery charged with safeguarding the lives and property of citizens became instead the complicit instruments of inflicting indiscriminate violence and destruction against whomsoever the state deemed as inimical to the pursuit of its ideological and political agenda. There is a level of ruthlessness in the State's response to dissent, which is disturbing. It is spreading fear and anxiety and is designed to silence any opposition. This sharper polarisation may yield political dividends as we have witnessed in the recent past. This is a dangerous game with no holds barred, which could severely and adversely impact the country's future.

What is unfolding is polarisation on religious and ideological lines, which often become intertwined. The Muslim minority and the Left Wing are lumped together as antithetical to national interests. The use of a compliant law and order machinery, as in Jamia and AMU and later in UP or violent storm troopers of the kind we saw at JNU, will confront the Modi government with an expanding circle of resistance. States with non-Bharatiya Janata Party (BJP) governments will encourage such resistance. This is already happening and it would be prudent for the government to respond with a degree of accommodation and reassurance. Failure to do so may well expand opposition and some elements may well resort to retaliatory violence. There will be a temptation then to use the security imperative to respond with increasing firepower.Increasingly onerous limitations will be placed on the rights guaranteed to citizens under the Constitution. There is a danger that democracy in India will get hollowed out in the process.

It will be a monumental tragedy if we end up in a spiral of disaffection and escalating violence. It will make the country acutely vulnerable to hostile external forces. We must not forget that China exploited insurgencies in the North East in the past to undermine India's security. Pakistan has exploited politically disturbed conditions in Punjab and Kashmir. If political turmoil strikes at the heart of the Indian state, our national security will be threatened like never before. Securing our unsettled land borders will become more challenging than it already is.

We also have the example of dealing with Left Wing Extremism (LWE), where despite the deployment of immense coercive power by the state, only limited success has been achieved. The resort to armed suppression by the state rarely stays limited to perpetrators of violence. By its very nature it ends up targeting a much larger catchment area and population. This breeds even more disaffection and violent resistance. Successful end to such insurgencies has almost always required a willingness to engage in a dialogue and being open to compromise which democratic processes are best suited for.

In Jammu and Kashmir, a virtual lockdown continues into its sixth month since the change in the status of the state. The situation there should alert us to what may happen in other parts of the country if recourse to coercive measures is the instrument of choice to deal with an alienated population. It is not wise to push dissent into disaffection.

There is an unspoken confidence within government that its pursuit of a majoritarian agenda will have minimal foreign policy impacts. That India being a major power and a dynamically growing economy will mute critical voices both among friends and adversaries. This confidence is misplaced. For one thing, the state of the Indian economy cannot be insulated from the political turmoil engendered by the pursuit of policies which are creating rising disquiet and anger in particular among the minority community. Areas that have been affected by LWE and the Kashmir Valley are not exactly the favourite locations for investment and for doing business. The current slowdown in the economy will be exacerbated under the impact of the spreading unrest in different parts of the country. Sentiment among foreign investors will be negatively affected. Our diplomatic space will also shrink.

Nor is there an appreciation that India has built up considerable political capital over the past seven decades as a successful multi-religious, multi-cultural and multi-lingual plural democracy. This is soft power which reinforces the efficacy of hard power derived from expanded economic and military capabilities. The series of actions that have followed Prime Minister Modi's second term, including the change in the constitutional status of Kashmir, the judgement on the building of a Ram temple in Ayodhya and now the CAA, have had a negative perceptional impact externally. The images from JNU will not help. The pressures on India may come explicitly from civil society and media in foreign countries, but these will create opportunities for governments of friends and adversaries alike to derive advantage at India's expense. This, too, will undermine national security.

A divided country is an insecure country. A united country made up of diverse peoples can only be built as an inclusive country. Those leading the current political dispensation, whether at the central or the state level, must recognise the enormous risks that their divisive policies are creating for the national security and well being of the country. They must acknowledge the deep anxiety and fear, which their policies are creating among India's minorities, civil society in general and business and industry and reach out to reassure them. Without this, India will be unable to deal effectively with the mounting challenge of reviving a slowing economy and coping with a complex and rapidly changing geopolitical landscape.

Shyam Saran is a former foreign secretary and is currently senior fellow CPR.

CEOs on Social: Will the ego land in 2020?

THE NUTGRAF

PRADIPTA BAGCHI

According to a recent global study of 20 of the largest companies in 21 countries, only 17 per cent of chief executive officers (CEOs) globally were active on Twitter, with India lagging at just 10 per cent. Globally, and in India, CEOs are more comfortable with LinkedIn, where discourse is more civil and the noise controlled; 58 per cent of CEOs surveyed globally were active here but less than 20 per cent of Indian CEOs. This is not surprising because the former now resembles Iraq — dynamic and dangerous — while the latter is more akin to Singapore — efficient and predictable.

However, this may change in 2020. Glancing through CEOs' new year pink paper resolutions, there is a definite desire to embrace social media. And with good reason. Their personal presence will get them a direct connect with a variety of stakeholders; an avenue to establish themselves as real, thoughtful leaders with millions of ardent followers; and, get a raw feel without filters for the pulse of millennials — the new generation of customers and employees their firms covet. And above all, a presence gives CEOs relevance at a time when Twitter dominates social discourse, throwing a shade on other communication platforms.

Today, an entire industry has sprung up to support the narrative that CEOs need to be highly social. A strategy to build a social presence is the first bullet on any reputation management deck for CEOs. And there are great examples of CEOs making an impact: Richard Branson, who lost his Twitter virginity in 2007, has used his personal brand since to drive Virgin's new businesses through adventure, sport, and luxury. Closer home there's Anand Mahindra, whose sustained efforts at producing thought-provoking or celebratory content as well as engaging with followers have gained him over seven million loyal followers. Mr Mahindra is a rare example of a CEO who has been able to increase his effectiveness as a social leader in part by creating a social flotilla — enlisting the M&M leadership team to successfully engage with his followers and navigate their sentiments.

Now some Indian CEOs are beginning to follow Mr Mahindra's lead and make an impact on Twitter. Harsh Goenka, with self-deprecating humour, observational wit, and insights, has over 1.5 million followers, while Nandan Nilekani, with his perspectives on digital India and Aadhaar, has over 2.5 million.

One point of divergence between India and the world is that tech and start-up CEOs dominate leader boards globally — Tim Cook, Bill Gates, Elon Musk, Satya Nadella, and Jack Dorsey have massive followings. In contrast, Indian unicorns have not really made much of an impact on social media with the founders of Snapdeal and Flipkart having less than 250,000 followers.

Despite these stray successes, LinkedIn remains the safe zone for CEOs. Although its audience is significantly smaller, there are no nasty trolls. Moreover, conversations on LinkedIn, where people still turn up hoping to find great job offers, are yet to sink to the polarised, reactionary, hateful, toxic depths that trolls have turned Twitter to. Plus, CEOs can become "influencers", which allows them to engage their followers from an elevated level, with a corporate bias and additional troll protection. But no one will deny that if its impact and fast access to a vast audience one is seeking, then Twitter's 280-character play remains the mass channel of choice.

Beyond trolling, CEOs have feared social media for many reasons. Societal polarisation has been forcing Big Business leaders to take a stand on many issues, which they are uncomfortable airing publicly. Having a social presence means that they are often compelled to megaphone their views, despite their hesitance on polarising points like Balakot or the Citizenship Amendment Act.

For CEOs helming companies with consumer businesses, their personalities also become the sole target for frustrated and dissatisfied customers of their brands. Ratan Tata's mentions (he tops the India CEO list with over 7.5 million followers but tweets rarely) are filled with complaints about car troubles, satellite TV disruptions, and hiring malpractices despite relinquishing his formal charge almost a decade ago.

Then there's the privacy angle. While social media allows leaders to put up cutesy videos and family holiday pics to show off their human side, it is often a tough act to balance. To showcase one's personal lifestyle while being very conscious that the average salary differential between a CEO and his or her follower is 287 times is a tough balance, especially in the austere Indian context. Plus, there's privacy, or the lack of it. Once a personal brand goes social and popular, your followers could become stans (stalker and fan) posting forced selfies, private appearances and events, or even trespassing on privacy.

Beyond SWOTs and risk mitigation, a robust social presence boils down to personalities. If one is an introvert and easily offended, Twitter can be too hectic, whereas LinkedIn gives CEOs the luxury to immerse slowly based on a framework and a hands-off strategy. In India at least, social business icons remain the leaders of the old industrial economy. And just as their firms are embracing digital to compete and thrive, will they reimagine their communication strategy using social? Where will the ego land in 2020?

Pradipta Bagchi is a communications professional. Twitter: @bagchips

China's sister act

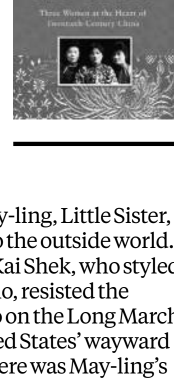
BOOK REVIEW

KANIKA DATTA

Jung Chang's first book *Wild Swans: Three Daughters of China* caused a sensation in the West. Published around the time the Soviet Union imploded and China's economic miracle presaged the country's swift rise to superpowerdom, it was the first semi-autobiographical account by a Chinese citizen of three generations of women — her grandmother, her mother and herself – during a seminal period of Chinese history. Unlike in China, where Mao's successor Deng Xiaoping shrewdly kept the cult of the Great Helmsman intact as he systematically dismantled his ideology, *Wild Swans* provided a triumphant capitalist West with compelling evidence of Mao's (and communism's) malign regime.

This latest offering, *Big Sister, Little Sister, Red Sister*, could be considered a complement to *Wild Swans* because it covers the story of three women over roughly the same span of Chinese history, though all were from the same generation. The similarity ends there, though, because the Soong Sisters came from a background that are as distant from the author's as the earth is from Mars. They were what we would call a "Page 3" family, from a western-educated, comfortably circumstanced Christian elite (their father made a fortune printing Bibles). Ms Chang's background was rooted in dutiful, mid-level party functionaries (she was born Chang Jung and reversed the surname later). Over the course of their lives, spanning the last days of the empire to the death of the youngest in 2003, the sisters became part of a powerful dynasty that dictated the fate of modern China. The sisters also remained the focus of intense scurrilous gossip in China (example: one bathed in milk every day, another had an affair with her young bodyguard). What made them worthy of a joint biography?

Two things, as Ms Chang explains in the introduction. First, they were all married to men who played a critical role in 20th century Chinese history. And second, by virtue of those marriages, the lives of all three intertwined with the tectonic changes in the fortunes of China in first half of the 20th century.



BIG SISTER, LITTLE SISTER, RED SISTER: THREE WOMEN AT THE HEART OF TWENTIETH CENTURY CHINA
Author: Jung Chang
Publisher: Penguin Random House
Price: ₹699

The youngest, May-ling, Little Sister, was the best known to the outside world. She married Chiang Kai Shek, who styled himself Generalissimo, resisted the Japanese, forced Mao on the Long March and became the United States' wayward wartime ally. Then there was May-ling's confidante, Ei-ling, the protective Big Sister, who married H H Kung, Chiang's venal finance minister. Finally, there was Ching-ling, who married Sun Yat Sen, known (erroneously if this book is to bebelieved) as the "Father of China", and leveraged that status to acquire a powerful position in Mao's regime. In Chinese lore, one loved money (Big Sister Ei-ling), one loved power (Little Sister May-ling) and one loved her country (Red Sister Ching-ling).

Ms Chang explains that her book initially started out as a biography of Sun Yat-Sen but the "depth of character of his wife and sisters emerged" and captured her imagination. It is a pity that she did not persist with Sun's biography because there are few popular histories about him. Ms Chang's book suggests that his role in the overthrow of the Manchu dynasty and the creation of the republic is overrated, the artificial construct of, first, Chiang and, then, Mao to serve their own political ends. (It is ironic that the current Chinese administration is trying to resurrect Chiang's reputation — deservedly flawed -- as part of its outreach to Taiwan.)

The result, however, is a somewhat lightweight, gossipy narrative history, worthy of a casual weekend read. The subject is fascinating enough to keep you turning the pages. Perhaps the most remarkable part of the story is how the three sisters remained extremely close even though Ching-ling aligned herself with Mao and eventually actively worked against the interests of her youngest sister after World War II. Ching-ling's fraught relationship with Mao, trading on her status as Madame Sun, is also well told.

But Ms Chang does not contextualise the story sufficiently within the fabric of Chinese history. How did China's absolute monarchy morph into a republic? What role did the warlords play in this transition (they must have, because Sun certainly aligned himself with some of them)? She tells us that Chiang decided to align himself with the Soongs because he could not trust anyone else. Why should someone who had won a civil war (also given the lightest of treatment) not have confidants outside his in-laws' circle? She writes that Big Sister, Ei-ling, became an influential advisor to Chiang but does not offer any examples of what this influential advice might be.

Ms Chang may have been hampered by the fact that she needed to keep the focus on the sisters, who were actors at one remove — bar May-ling, undoubtedly the most extraordinary of the three and deserving of her own biography. My own takeaway from the book is that Sun Yat-Sen, far from being a wise Confucian-type figure we are given to believe, was a horrible fellow who conspired with gangsters and mistreated his concubines and his wives (including Ching-ling, his second wife, whom he once used as cover to escape his rivals). All of this is useful for future drawing room gossip. But my attempt to learn more about a critical period of Chinese history, which is surely the responsibility of any professional historian-biographer, did not make much headway.

Business Standard
MUMBAI | WEDNESDAY, 8 JANUARY 2020
The Smart Investor
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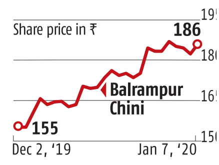
QUICK TAKE: OUTLOOK SWEET FOR BALRAMPUR CHINI



The government's move to increase ethanol blending in petrol, along with higher sugar prices, should improve the free cash flow position of Balrampur Chini. It can also use this cash to reduce debt. The stock, which is up 20% in a month, may further gain 11%, say analysts

Current fall, if it can last a few weeks, can be a blessing in disguise to shake off excess build-up ahead of the Budget

ALOK JAIN
Investment advisor

Unlisted PMS players change tack over new regulations

Restrictions on unlisted securities to hit new schemes; alternative routes being explored

SACHIN P MAMPATTA
Mumbai, 7 January

Multiple portfolio managers have had to look at a change in plan following the announcement of new regulations governing the segment.

These portfolio management services (PMS) providers are now structuring investments differently after restrictions on investments in unlisted securities, according to people familiar with the matter. Some players are withdrawing their applications for new schemes, while others are looking to use non-PMS structures, they said.

"There are (a) lot of applications we had filed… which specifically wanted to invest in unlisted securities. Though regulations have not been notified, we clearly told them to withdraw…," said one person who advises PMS providers.

"In the last two-three months… Sebi (Securities and Exchange Board of India) had been nudging those who were filing…under AIFs (alternative investment funds)," said another person with knowledge of the matter.

Unlisted securities refer to investments which aren't traded on the stock exchange. Such investments are seen to be more difficult to enter and exit than those listed for trading on the bourses. Sebi in its November board meeting had introduced restrictions on the holding of such securities in PMS schemes. It said discretionary portfolio managers are to only invest in listed securities, money market instruments, units of mutual funds, and other instruments which the regulator may specify.

Ashish Shanker, associate director and head of investments for Motilal Oswal Wealth Management, said non-equity funds are likely to be most affected. There are some real estate and private equity funds that used the PMS route for co-investment, which can allow investors to put in additional money into a company in addition to their investment in the fund. Their ability to replicate this in future schemes under the PMS umbrella would be impacted. "It will have an impact on non-equity products like real estate or private equity."

Another expert said real estate funds, in particular, made use of the PMS route to invest in unlisted securities. While they can explore the AIF route, there is less certainty on taxation for the AIF regime, and the minimum investment is ₹1 crore, said the person. The minimum investment announced for PMS schemes is ₹50 lakh.

For some, the transition has already begun. "(Many schemes) had already anyway moved to the AIF vehicle," said Prateek Pant, co-founder and head of product and solutions at Sanctum Wealth Management.

More on business-standard.com

ILLUSTRATION: BINAY SINHA

SEEKING ALTERNATIVES

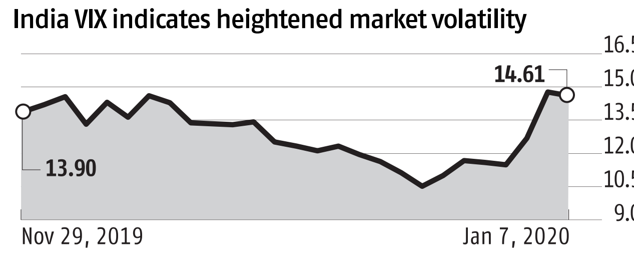
- **Sebi seeks restrictions** on unlisted securities in PMS
- **Applications for PMS schemes** with unlisted securities being withdrawn
- **Some looking to come** through AIF route
- **AIFs have higher ticket size,** tax uncertainty
- **Real estate funds** among key affected segments

MARKETS RISE ON GLOBAL CUES, SHORT COVERING

Frontline indices — Sensex and Nifty — ended half a per cent higher on Tuesday, after gaining as much as 1.3 per cent during intraday trade. The Sensex opened 307 points higher, taking cues from the Dow Jones' and the Nasdaq's positive close on Monday. Oil prices also showed signs of easing, closing 0.3 per cent lower at 68.73 per barrel, back at Friday's levels. Analysts say the market surge could be attributed to short-covering as traders had built a lot of shorts during Monday's heavy sell-off. "Traders will now be in wait-and-watch mode, gauging how the US-Iran stand-off plays out," an analyst said. Both the Nifty and the Sensex ended 0.8 per cent lower from day's high.

JASH KRIPLANI

India VIX indicates heightened market volatility

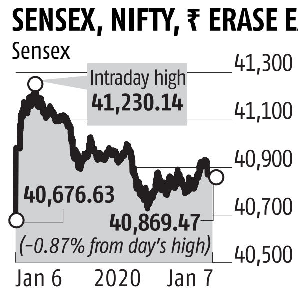


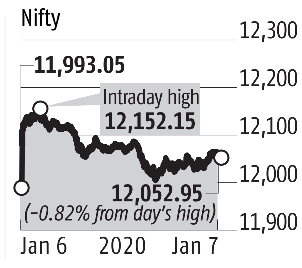
Indices across globe bounce back

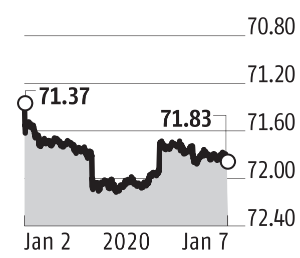
	% change Jan 6 2020	% change Jan 7 2020
Sensex	-1.9	0.47
Nifty	-1.9	0.5
Hang Seng	-0.79	0.34
Kospi	-0.98	0.95
Nikkei	-1.9	1.6
FTSE	-0.62	0.16
DAX	-0.7	1.13
Dow Jones*	0.24	-0.25
Nasdaq*	0.56	0.12
Shanghai Composite	-0.01	0.69
Brent Crude $/barrel	0.1	-0.23
Gold $/Oz	0.87	0.07
Rupee vs dollar	-0.18	0.18

(* till 10.15 pm IST)

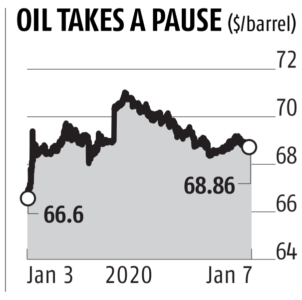
SENSEX, NIFTY, ₹ ERASE EARLY GAINS







OIL TAKES A PAUSE ($/barrel)



Source: Bloomberg

Sebi brings new system audit norms for exchanges, clearing corps

In order to keep pace with the technological advancements in the securities market, Sebi on Tuesday came out with a new framework on system audit for market infrastructure institutions (MIIs), stock exchanges, clearing corporations and depositories, wherein they need to inform about major non-compliances.

The decision has been taken based on discussions with stock exchanges, clearing corporations and depositories along with recommendations of Sebi's Technical Advisory Committee.

In a circular, the regulator has asked MIIs to conduct an annual system audit as per the prescribed framework and terms of reference.

Also, they have been asked to maintain a list of all the relevant Sebi circular and directions, among others, pertaining to technology and compliance under a stipulated time frame and the same need to be included under the scope of system audit. Further, they have been asked to submit information with regard to exceptional major or minor non-compliances observed in the system audit and categorically highlight those observations pointed out in the system audit (current and previous) which remain open.

PTI

Sebi looks at changing categorisation norms

JASH KRIPLANI
Mumbai, 7 January

The Securities and Exchange Board of India (Sebi) is considering changing scheme categorisation norms to allow more flexibility to equity fund managers when managing their large- and mid-cap portfolios.

According to sources, fund houses have approached the market regulator to widen the universe of stocks that are currently categorised as large-caps and mid-caps.

"Sebi is consulting mutual fund houses to understand the challenges. This would help mutual funds (MFs) limit unnecessary churn of stocks to fall in-line with the updated list of stocks, issued every six months," said the chief executive of a fund house.

Under the existing norms, the top 100 companies by market value fall in the large-cap bracket, the next 150 are tagged as mid-caps, and the remaining stocks are part of the small-cap universe. Association of Mutual Funds in India (Amfi) prepares a list of stocks every six months for each of these baskets, according to the definitions laid out by the regulator.

MF executives have requested Sebi to consider adopting a framework that takes into account a company's contribution to total market capitalisation, rather than sticking to a specific set of companies in the large- and mid-cap universe.

"This would allow the market to expand beyond a ranking-based system that is bound by a specific number of companies," the executive added.

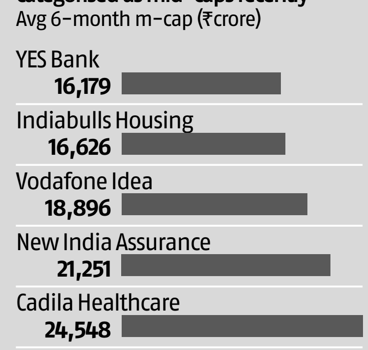
In October 2017, Sebi came out with the scheme classification norms to ensure that mutual fund schemes make investments in-line with their stated scheme mandates.

YES Bank, Vodafone Idea off large-cap list

YES Bank and Vodafone Idea can come under further selling pressure from large-cap mutual fund schemes, as these stocks were taken off the large-cap list by Amfi in its recent ranking of companies on the basis of their six-month average market capitalisation. The other stocks removed from the large-cap list were Indiabulls Housing, New India Assurance, and Cadila Healthcare. MFs will have to re-balance their portfolios based on the new categorisation.

NEW POSITIONS

Stocks removed from large-cap list, categorised as mid-caps recently
Avg 6-month m-cap (₹crore)

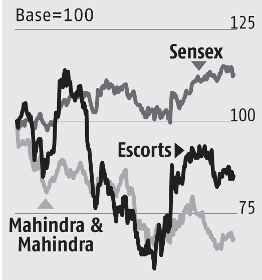


Source: Amfi's recent m-cap review

THE COMPASS

Demand uptick to support stocks of tractor makers

Govt thurst on rural infrastructure and agriculture sector are positives



Compiled by BS Research Bureau

RAM PRASAD SAHU

Brokerages have a positive outlook for tractor makers, even as their December volumes were a mixed bag. While Mahindra and Mahindra (M&M) reported a 4 per cent year-on-year (YoY) volume uptick for December, Escorts sold 10 per cent fewer tractors in the month.

While tractor sales for the first nine months of FY20 for M&M and Escorts are down by up to 10 per cent, demand is expected to improve on expectations of better rabi output and firm crop prices. The government, too, has increased its food grain production target by 6 million tonnes (mt) to 291 mt for the 2019-20 crop year (July to June), given the high reservoir levels, improved acreage, and a favourable monsoon. Mitul Shah of Reliance Securities expects the reversal of the current tractor down cycle in the second half of FY21. Positive trends related to farm mechanisation, alternative usage of tractors (transportation, construction), and government support are expected to continue, he adds.

Tractor companies, such as M&M, too, are positive on the near-term trend. A better rabi output and crop prices should, according to Rajesh Jejurikar, president-Farm Equipment Sector, M&M, be aided by the government's thrust on irrigation, rural infrastructure and the agriculture sector.

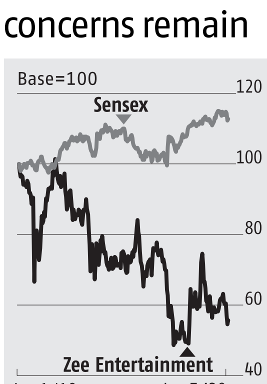
Jigar Shah and Vikram Ramalingam of Kim Eng Securities prefer tractors within the auto space over other segments, be it passenger vehicles, commercial vehicles or two-wheelers. Unlike others, tractors are not mandated to adopt BSVI emission norms, and thus are not affected by the disruption.

Within the tractor space, they prefer M&M. Expectations of a better crop in the March quarter of FY20 would revive demand, helping M&M, which has a 41 per cent share of the tractor market.

Further, the company, which derives three-fourths of its earnings from high-margin tractors, trades at attractive core valuations of 8 times FY20 price to earnings estimates. Other research houses, however, believe that Escorts, being a pure-play tractor-maker, would benefit the most from the revival in the tractor segment. Margin expansion across its segments and higher cash flows are the other positives for the stock.

Headwinds for Zee: Ad growth slowdown, new rules

Valuations appear attractive, but near-term concerns remain



Compiled by BS Research Bureau

RAM PRASAD SAHU

The Zee Entertainment stock has shed about 41 per cent over the last year because of the promoter pledging issue, slowing advertising revenue growth, and regulatory changes. While the overhang because of the ad growth slowdown and subscription rates will remain, some brokerages are turning positive on attractive valuations and reducing promoter pledge-related concerns.

CLSA believes that the company will continue to outperform the sector and expects a recovery in its cash flow. It estimates that the cash flow will recover in the March quarter of FY20, and the company will register 11 per cent annual earnings growth over the FY19-22 period.

Zee's working capital expansion had led to negative operating cash flow in the first half of FY20. Any progress on loans and advances, inventory, receivables, and investments in off-shore funds could lead to a rerating for the stock. In addition to free cash flow, analysts believe better supervision by an independent board will be a catalyst for the stock.

On the operational front, the company is expected to report a year-on-year fall of 13-15 per cent in advertising revenues in the December quarter. Because of the economic slowdown, most advertisers have cut their advertising spends in the December quarter.

From mid-single-digit growth in FY20, analysts have now revised the advertising revenue growth estimates downwards to -2 per cent. The company has lost its viewership share in all its leadership markets of Kannada, Marathi and Bangla. The flagship Zee TV also saw a marginal dip in viewership share to 19.9 per cent, behind Star Plus and Sony SAB.

Further, the new tariff order on the restriction of bouquet prices and lower channel retail price will limit the ability of broadcasters to push weak and niche channels. Subscription revenues which have been strong in the recent quarters could take a hit. The company will also have to make investments in Zee5 and scale up its revenues from the over the top segment amid stiff competition.

While the stock is trading at attractive levels of 16 times one-year forward earnings estimates, investors should wait for an improvement on operational performance (advertising and subscription growth), before considering the stock.

PE INVESTMENTS HIT 10-YEAR HIGH IN 2019

The annual volume of private equity investment in India in 2019 was the highest in the last 10 years for which the data was analysed. The sum of equity invested amounted to $17.3 billion in 2019 from 616 deals, a 61 per cent rise over the previous calendar year, the Refinitiv data shows. Among sectors, the internet and computer software space saw the highest equity invested ($9 billion), followed by utilities ($2.2 billion) and financial services ($2.1 billion). Thirty seven private equity firms raised $7.9 billion in 2019, up 47 per cent over the previous year. Top investments include Brookfield Infrastructure Fund's $1.8 billion investment in Pipeline Infrastructure and Carlyle Group's $735 million investment in SBI Life Insurance.

ASHLEY COUTINHO

PRIVATE EQUITY INVESTMENT IN INDIA

	No. of deals	No. of cos	Sum of equity invested ($ bn)
2015	456	403	7.8
2016	309	284	4.9
2017	303	274	13.7
2018	449	390	10.8
2019	616	516	17.3

Source: Refinitiv

FMCG firms' volume growth in Q3 likely to be slowest in 10 quarters

Delayed winter, disruption in traditional trade channel & weak rural demand led to low product offtake

SHREEPAD S AUTE

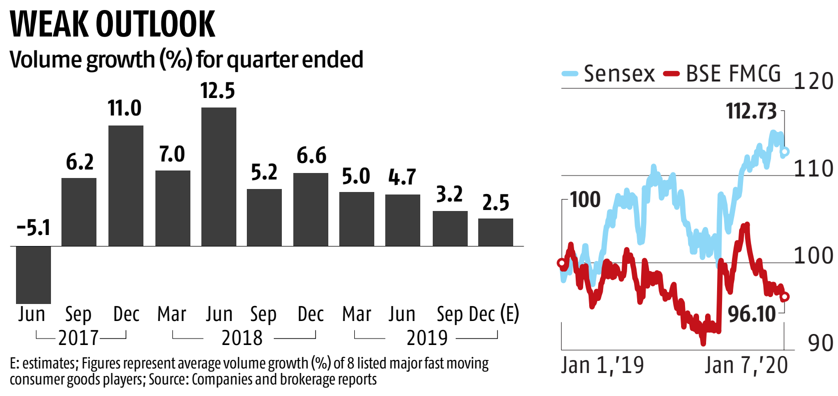
Mumbai, 7 January

Fast-moving consumer goods (FMCG) companies, which posted a subdued volume performance in the July-September period, may end up with an even worse showing in the December 2019 quarter (Q3). Average volume growth of eight major listed companies in Q3 is estimated to be the slowest 10 quarters.

These worries also reflect in the recent underperformance by the Nifty FMCG index. The index, which until recently was enjoying investors' support despite pricey stock valuations, has shed about 4 per cent since the start of Q3, as against a 5 per cent rise in the Nifty50. Even though part of it can be attributed to improved investor sentiment towards other sectors, such as banks, weak volume expectations are an important factor for the underperformance.

A statement by Marico, in its Q3 update announced last week, underlines the setback to volume recovery hopes. According to the company, which is India's largest hair oil player and the owner of Parachute brand, "Overall consumption trends during Q3 belied expectations of the beginning of a revival in sentiment which was built on the back of good monsoons and announcement of various government measures."

In Q3, a delayed winter and a disruption in traditional general trade channel have worsened the pain for FMCG players, which are already facing demand pressure for many quarters. According to analyst estimates, average volume growth of top listed FMCG players in Q3 will be below 3 per cent, the lowest in the last 10 quarters. In the September quarter, the same was 3.2 per cent, and the June quarter had clocked 4.7 per cent volume growth.



E: estimates; Figures represent average volume growth (%) of 8 listed major fast moving consumer goods players; Source: Companies and brokerage reports

While analysts say the delayed winter has impacted companies, such as Dabur, Hindustan Unilever and Emami, which have a sizeable winter portfolio, disruption in general trade is an ache for the entire sector, given that the channel accounts for more than 80 per cent of the industry's revenue.

Besides liquidity challenges, issues related to higher promotional offers to other trade channels, such as modern trade, cash & carry, and e-commerce by FMCG companies, have hurt the general trade channel. According to Shirish Pardeshi, analyst at Centrum Broking, "Though consumers, too, have preferred the other than general trade route, limited shelf size and the geographical reach of these modern channels have restricted FMCG product offtake."

Down-trading activities (shifting to lower-priced product alternatives) by customers because of the overall weak economy has also hurt volume growth. Companies with less rural presence, such as Nestlé and Godrej Consumer Products (has indicated over mid-single-digit volume growth in Q3), could report better volume/top-line growth than players with high rural exposure as the trend of urban growth outpacing rural is estimated to have continued in Q3.

Apart from volumes, the lull demand environment is expected to have hurt sales realisation and operating profitability/gains of FMCG companies, thanks to higher promotional offers. According to analysts at Motilal Oswal Securities, the weak demand environment saw a rise in competitive intensity in the form of promotions and price-offs. Thus, the benefits of low material costs (mainly non-food items) are now not expected to be high as seen in previous quarters.

Barring palm oil and related materials, prices of some key raw materials in the home and personal care segments, such as copra and mentha oil, were lower in Q3.

More on business-standard.com

CSDL pips NSDL, now has most demat accounts

RAJESH BHAYANI

Mumbai, 7 January

The BSE-promoted Central Depository Services (CSDL) has pipped National Securities Depository (NSDL) in terms of demat accounts where all securities held in the name of respective investors are credited, the data until December 31, 2019 showed. It was NSDL that had pioneered the concept of dematerialising physical shares in the country.

CDSL now has 19,721,768 demat accounts and NSDL has 19,638,964 accounts. While CDSL refused to comment on having most demat accounts, NSDL said it was still number 1 on other parameters.

"In terms of the value of securities dematerialised, number of companies, including unlisted companies, and on other parameters, NSDL is still ahead," said Nageshwar Rao, managing director, NSDL. All unlisted companies are now required to ensure that shareholders get their shares dematerialised, and "these companies also preferring NSDL," he said. Rao noted NSDL has over 30, 000 companies with it, and its "market share of demat custody value is 89.9 per cent, which is constant for the last seven years".

He also said the depository was now focused on opening digital accounts with top banks, acting as a depository participant (DP). "We are also expecting the UIDAI to relax e-KYC norms, allowing depositories like us to perform e-KYC."

Meanwhile, Nehal Vora, managing director & CEO of CDSL, noted that it was now the first depository to open a branch at International Financial Service Centre (IFSC) at GIFT City in Gujarat. Vora said: "The branch at IFSC will help introduce products like depository receipts, masala bonds, and exchange-traded funds (ETFs), along with hybrid products and similar delivery-based trading."

This means now on trading in stock exchanges at GIFT IFSC, which until now was confined only to derivatives trade in equities and commodities, can also for spot market.

Also, foreign investors can buy Indian companies shares and hold them, while Indian investors, as part of their permissible limit to invest money overseas, can hold Apple, Goggle, Microsoft, and other companies shares in their demat accounts with depository participants in GIFT IFSC.

NUMBERS AT GLANCE

As of Dec 31, 2019

	NSDL	CSDL
Investor Accounts	19,638,964	19,721,768
Live Companies	29,941	14,321
DP Locations/ Service Centres	31,212	19,553
Demat Custody Value (₹ Trillion)	192.5	21.6

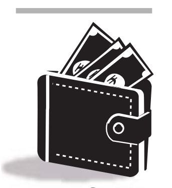
Source: Respective websites

Compulsory to declare cash deposit over ₹1 crore

If travelling abroad, keep a copy of bank statement which has details of payments made for buying tickets and hotel expenses

BINDISHA SARANG

The income-tax (I-T) department has made significant changes to the I-T return (ITR) filing forms for the Assessment Year (AY) 2020-21. Every year, the tax department notifies these forms around April. This year, it has already notified the two ITR forms for AY2020-21. There are some significant changes that everyone needs to know about. Archit Gupta, chief executive officer, ClearTax, says. "The simple-to-use ITR 1 and ITR 4 are no longer available to those incurring high-value transactions by way of bank deposits, electricity expenditure, and foreign travel."



YOUR MONEY

Who is the ITR 1 for?

Mumbai-based chartered accountant Gopal Bohra, partner, NA Shah Associates, says, "The new ITR 1 needs to be filled out by an individual who is a resident (other than not ordinary resident) with total income up to ₹50 lakh and having income from salary, one house property (single ownership), interest income and family pension, and agricultural income up to ₹5,000."

Individuals who are directors, having unlisted shares, having house property in joint names, having high-value transactions (that is, spending on foreign travel in excess of ₹2 lakh in a year or expenditure on electricity exceeds ₹1 lakh in a year and others), are not allowed to file the new ITR 1. Bohra says, "Further, the new ITR 1 cannot be filed in case of search-related assessments."

Who is the ITR 4 for?

As far as the new ITR 4 goes, it is applicable to individuals, Hindu undivided families or firms (other than limited liability partnerships) having total income up to ₹50 lakh and income from business or profession which is computed under presumptive basis. Remember it's not for individuals who are directors in a company or have invested in unlisted equity shares or have any brought-forward/carry-forward loss under the head 'Income from House Property'.

THE 5 NEW DISCLOSURES

HOUSE OWNERSHIP: Individual taxpayers who are joint owners of house property

PASSPORT: Needs to be mentioned in ITR 1 and ITR 4

CASH DEPOSIT: Applicable to ITR 4, compulsory to declare if the amount deposited as cash in a bank account exceeds ₹1 crore during the FY

FOREIGN TRAVEL: If you have spent more than ₹2 lakh on travelling abroad during the FY, you need to disclose the actual amount spent

ELECTRICITY CONSUMPTION: If your electricity bills have been more than ₹1 lakh in aggregate during the FY, you need to disclose the actual amount

What's new about the forms?

The new ITR 1 and ITR 4 ask you for details of Indian passport, comprehensive details of an employer (that is, tax deduction and collection account number, nature of the employer, his address). Gupta says: "Further changes include, in case of let-out property, taxpayers would have to furnish the name and permanent account number, or Aadhaar of the tenant (if available). Further, taxpayers can deduct the unrealised rent from the house property. Also, in reporting 'Income from Other Sources', taxpayers can claim deduction under Section 57(iv) allowed against interest received on compensation or enhanced compensation."

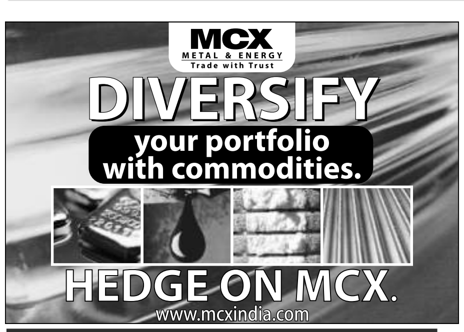
The new ITR 4 also seeks details whether cash deposited in the current account exceeds ₹1 crore, whether expenditure on foreign travel exceeds ₹2 lakh, whether expenditure on electricity exceeds ₹1 lakh. This form also seeks details of partners in case of a firm (like name and address, Aadhaar, percentage of share, rate of interest on capital, remuneration).

Bohra says, "The new ITR 4 now only requires details of cash and bank transactions relating to presumptive business, against requirement in the old form like details of capital, loans, advances, creditors, debtors, fixed assets, inventory, etc."

What's the most important thing?

There are several changes, but perhaps the most critical change that has come is related to cash in case of presumptive tax assessment. Sudhir Kaushik, chief financial officer, TaxSpanner, says, "The assessee will be required to give the opening balance of cash in hand, and opening balance of bank accounts and will be required to give the total amount received in cash during the year, total amount deposited in a bank during the year, total amount of cash outflow, total amount of withdrawal from the bank during the year, closing balance of cash in hand, and closing balance of banks."

COMMODITIES



PRICE CARD

As on Jan 7	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,791.0	4.6	2,032.6	2.4
Copper	6,097.5	8.4	6,501.5	9.7
Zinc	2,335.0	0.3	2,561.6	-1.1
Gold ($/ounce)	1,569.3*	5.1	1,748.3	4.9
Silver ($/ounce)	18.2*	4.2	20.4	3.9
ENERGY				
Crude Oil ($/bbl)	68.8*	17.3	70.0	20.0
Natural Gas ($/mmBtu)	2.1*	-8.3	2.1	-9.0
AGRI COMMODITIES ($/tonne)				
Wheat	191.6	13.7	315.3	7.4
Maize	192.3*	6.7	329.7	9.4
Sugar	364.2*	7.2	486.8	-1.5
Palm oil	782.5	49.0	1,211.7	42.5
Cotton	1,537.5	14.8	1,615.7	-0.4

* As on Jan 07, 20 1800 hrs IST, # Change Over 3 Months

Conversion rate 1 USD = 71.8 & 1 Ounce = 31.1032316 grams.

Notes:

1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no. 2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.

Source: Bloomberg Compiled by BS Research Bureau

Darjeeling tea set for a rebound this year

AVISHEK RAKSHIT

Kolkata, 7 January

For over two years of poor prices, owing to quality slippage and loss of key export markets, Darjeeling tea is poised for a rebound.

In 2017, following the Gorkhaland agitation for separate statehood, the region's tea industry was totally shut for the entire prime season and pruning cycles were destabilised. Pruning is essential to maintain quality of this variant. It is because of this quality that Darjeeling tea, commonly referred to as the 'champagne' of teas, commands exorbitant prices globally.

"As the pruning cycle was thrown out of gear, so was the quality and the production as well. This led to loss of quality which has been affecting prices very badly This year, however, we expect prices to rebound," said Kaushik Basu, secretary-general at the Darjeeling Tea Association (DTA).

Usually a third of bushes in an estate are pruned every year. In 2017, after the bandh was called off in the winter, some estates had opted for full pruning and others did 50 per cent clipping. Some others couldn't even crop a third. It upset not only the crop cycle but also the overall quality.

Also, there has been acute labour shortage in the region since the agitation. "Many workers had migrated to other states or have taken up other jobs. The shortage has been affecting some estates," said Atul Asthana, managing director at Goodricke Group.

Owing to the crisis, some of the larger plantation companies opted to convert their gardens into organic ones, not as labour-intensive as the inorganic ones. In effect, 70 per cent of the 87 estates in Darjeeling are now organic.

Basu said the upset during 2017 in the normal crop cycle had a prolonged effect. A return to normalcy in 2020 is now anticipated. "As quality improves, prices will also be good," he said.

THE TROUBLE WITH TEA

- **Average price of Darjeeling tea** fell 20-25% in 2019
- **Industry hopeful of a recovery** in 2020
- **Pruning cycle irregularities** led to quality loss
- **Darjeeling tea exports** down 10-12% in 2019
- **Labour shortage and fund crunch** affecting production
- **Production has stagnated** to 8 million kg

Although official data from the Tea Board of India is yet to be made available, DTA expects total production last year would hover around the eight million kg the industry recorded in 2018. However, prices have been down by 20-25 per cent and export of Darjeeling tea had fallen by 10-12 per cent.

Sector officials say fund unavailability was also a problem. All tea estates in the region lost a full year's revenue in 2017; interest and other production costs escalated in 2018. And, last year, prices were on the lower side. As compared to the usual ₹320-360 a kilo, it was sold in 2019 at ₹240-290 a kilo.

According to DTA, subsidy payments worth ₹50-60 crore are still pending from the Tea Board. "We haven't got any help from the Centre, state government or the Board, and have been recovering on our own," Basu emphasised.

The first lot of Darjeeling tea is expected to hit the market in mid-March.

Iron ore prices to surge 30-40% after Odisha auctions: CRISIL

JAYAJIT DASH

Bhubaneswar, 7 January

Domestic iron ore prices are set to escalate between 30 and 40 per cent after mining resumes from the lapsing merchant blocks in Odisha. This is following the successful conduct of online auctions.

A study by CRISIL Research illustrates that premium for most of the mines would exceed 40 per cent in majority of mines put up for auction. The assumptions are based on the reserve price set by the Odisha government for auctions of iron ore blocks.

The floor price for almost all blocks save Nuagaon ranges from 15-35 per cent of the sale value of the mineral as estimated by Indian Bureau of Mines (IBM).

For Nuagaon block currently under the leasehold of KJS Ahluwalia, the reserve price is pegged at 50 per cent as it contains immense deposits of 790 million tonnes (mt).

The hike in iron ore prices in the aftermath of auctions will hinge on the auction premiums. Last year, domestic prices were half the landed prices, offering the merchant iron ore producers the space to raise prices.

CRISIL Research estimates that the landed price for a non-integrated steel maker on the eastern coast will be ₹3,700-3,800 per tonne. This includes royalty, freight and other charges. Non-integrated steel manufacturers contributed three-fourths to the nationwide steel output in FY19. Though bidding for the 20 Odisha mines would be aggressive, the imminent supply disruption would be limited as existing miners have been ramping up production given that their upcoming lease expiries. The auction process, which has started, is scheduled to be completed by the end of February.

Karnataka yet to toe Centre's line on Donimalai lease

T E NARASIMHAN

Chennai, 7 January

Mining company NMDC said it is yet to get any communication from the Karnataka government on the extension of its earlier mining lease at Donimalai, the subject of a long court battle.

Donimalai (Sandur, Ballari district) hasn't seen operations since November 2018. In extending the mine's lease, the earlier Congress-JD government in the state decided to levy a premium equivalent to 80 per cent on the iron ore extracted. NMDC, owned by the central government, did not agree with the condition and stopped mining. It petitioned the high court in Karnataka and got a favourable order that struck down the state's demand for premium as a condition for lease renewal.

Even as NMDC was planning to restart at Donimalai, the new BJP-led government decided to cancel the lease altogether. However, in October 2019, the central government effectively intervened in favour of NMDC, by notifying a change in the Mineral Rules, 2015. In the relevant part of such renewal for a government-owned entity, the change consisted of replacing the words "may, for the reasons to be recorded" to "shall, for the reasons to be recorded", making it effectively imperative for the state to renew the lease, and at no additional cost to NMDC.

Brands gather around for the Rajini stardust

Airtel, Bookmyshow, SpiceJet, Cadbury and several other brands have hitched their wagons onto the superstar's upcoming cop thriller *Darbar*

GIREESH BABU
Chennai, 7 January

Neither age nor appearance, it seems, can dim the power of Brand Rajnikanth. Forty five years after his debut in Tamil movies, the 69-year-old actor whose looks and attitude belie that of a typical movie star, still gets brands all shiny-eyed and eager before a new release. His new movie *Darbar* hits theatres this week and producers said, brands have been lining up for months, keen to be a part of the reclusive star's haloed circle.

With his huge sway across generations, not just in the South but across the country and among the diaspora across the world, Rajinikanth is gold dust in the endorsement circuit. However, given the actor's steadfast refusal to endorse any product, movies and the memes and jokes around his superpowers, are the only way that brands can leverage his fabled reach.

Darbar producers Lyca Productions say that they already have four big brands and a slew of small local labels on board. Airtel, Bookmyshow, SpiceJet and Cadbury (Mondelez) have lined up national campaigns around the movie, hoping to cash in on the fanatic fervour such an event usually generates.

Manoj Murali, CEO-Bharti Airtel, Tamil Nadu & Kerala says, "In this, we don't make money at all. I give content free to my customers. For them, it is a reason to watch Airtel and stick with the brand." In the past, Airtel has tied up with his other movies *Kabali* and *Kaala* too. Murali explains that such is the famed Rajini appeal that many will sign up for the Airtel Xstream app just to watch *Thalaivar* (as fans call him).

Darbar is an 'action thriller' directed by A R Murugadoss. It will release on Thursday, in around 7,000 screens in India and overseas. Airtel is running quizzes and special offers around the hero and the movie, Bookmyshow has special discounts and SpiceJet has designed exclusive livery using Rajinikanth's character in the film. Mondelez will cash in on the association through its advertising (on-ground) and other media.

Along with the traditional branding opportunities that the association throws up, brands are also jumping into the social media chatter around the movie. A picture of the SpiceJet aircraft with attendant *Darbar* branding was shared by Anirudh, the music director of the film and Rajinikanth's nephew, on Instagram.

"The tie ups mainly help us in managing the media spend. It is a win-win situation (for brands and the movie producers)," says P Kannan, COO of Lyca Productions. Lycaa has been a part of earlier Rajinikanth productions too and said that brand associations are a vital part of movie making.

Ranked 13 on the 2019 Forbes India Celebrity 100, Rajinikanth enjoys a cultish status among movie stars today. His popularity is not limited to the South, nor is his appeal restricted to audiences of a certain age. Experts said, Brand Rajinikanth has made a smooth transition into the digital age. Through witty memes and spoofs of his superhero antics, he is a familiar name even to those who may never have watched his movies. There are at least 5-7 fan clubs with membership running into millions that post close to 100 posts a day, many of which are simply an expression of their devotion to the man.

Brands want to find their way into the aura around Rajinikanth and given his refusal to put his face to their labels, movies are their only way in. Two chartered accountants-cum-authors, P C Balasubramaniam and Ram N Ramakrishnan who have co-authored a book called Grand Brand Rajini, explain the phenomenon that he is thus: "Brand Rajini sells itself. The products are secondary. His fans don't go to watch the films. They go to watch him."

FROM PAGE 1

GDP growth...

Services activity will grow at 6.8 per cent this year, pulling the overall economic growth up and saving it from dropping below 5 per cent. This, too, is a deceleration from 8.1 per cent in FY18 and 7.5 per cent in FY19.

Given that the data for H1FY20 has already been published, the annual estimates give an idea about the economic performance in the second half. Construction will grow as poorly as at 1.8 per cent, in H2.

From October-March FY20, private consumer spending is projected to grow at 7.3 per cent, faster than the disappointing 4 per cent in the first half. However, the pace of government spending is set to weaken to 8.5 per cent.

Annually, while the former will grow at 5.8 per cent, growth in the latter is expected to be 10.5 per cent. While this indicates that measures taken after the Union Budget to boost consumption are taking shape, experts discounted this projection, especially for consumption. "Markets should discount this number, as private consumption is estimated as a residual variable in the statistical analysis," said Ghosh.

Sunil Kumar Sinha, principal economist at India Ratings, said the private consumer spending estimates are not sacrosanct. "The assumption relating to private consumption looks unrealistic if festival demand is taken as an indicator," he said.

Banking on a healthy rabi output, economists expect rural sentiment to improve around March. "A small turnaround could be underway, as good farm output from the rabi season would boost rural sentiment. Further, the decline in electricity consumption is getting arrested, goods and services tax revenues are healthier than before, and port traffic has jumped in December," said Aditi Nayar, principal economist at ICRA.

However, this turnaround would clearly not be investment-led, she added.

AI sale...

People in the know said a proposal to transfer additional debt and liabilities of around ₹10,000 crore each would be absorbed by the government, to lighten the burden for prospective buyers. "An in-principle approval has been given to hive off a portion of additional debt and some liabilities like dues to oil companies and airport operators as well as pending salary dues and benefits to permanent and retired employees…," a second official said.

As of FY19, Air India had assets worth ₹28,000 crore and liabilities estimated at ₹22,000 crore, primarily dues to vendors such as airports and oil companies and short-term working capital loans.

Out of a total debt of ₹58,000 crore, the government has already transferred ₹29,500 crore to the special purpose vehicle Air India Asset Holding. Now, another ₹10,000 crore of debt hive off has been approved, leaving the bidder with ₹18,500 crore of debt.

Sources said IndiGo, Vistara, AirAsia India, major global airlines like International Airlines Group (which owns British Airways and Aer Lingus), as well as sovereign and private global funds, such as Temasek, KKR, and Warburg Pincus, have attended roadshows organised by EY—an advisor to the process. EY, along with the Department of Investment and Public Asset Management, has held five roadshows in Mumbai, Singapore, and London to drum up investor interest.

A private owner will not enjoy the comfort of sovereign guarantee with banks, which the airline currently has because of government ownership, he pointed out. "Banks will be more cautious when allowing a private company to carry that much debt," the executive said, pointing out that with Jet Airways belly up, there's a void in connecting the country with long-haul destinations.

The new owner would also allow merger or reverse merger of Air India with any existing business of the buyer — a change from last year's norms where it was made mandatory for a bidder to operate Air India at arm's length from its other business till the time there was government shareholding in the company. This would help a potential suitor like Tata Sons, which has two airline companies — Vistara and Air Asia India — to merge Air India with the existing airline.

RBI may...

There are a few projects that have received momentary relief through central government schemes of providing a coal- or power-sale agreement.

In the past two years, the Ministries of Coal and Power started two schemes for reviving stressed assets. Under the SHAKTI scheme for supplying coal to stressed projects, eight benefited.

The Union power ministry did one round of bidding for medium-term power purchase agreements for assets that don't have any sale agreement. There were six projects that received an interest from four states to buy power for three years at ₹4.24 per unit.

In June last year, the RBI issued a "Prudential Framework for Resolution of Stressed Assets", replacing all its earlier circulars, including the one in February, which directed banks to treat one-day payment failure as a default and initiate insolvency proceedings. The RBI's norms direct banks to resolve NPAs through debt restructuring and sales of assets, failing which the assets face insolvency at the NCLT.

Stressed power...

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NEON...

For now, the NEON derives its understanding on subjects from domain-specific knowledge or the intelligence that is provided by third-party value-added service providers or users. For example, if ICICI Bank wants the NEON as a representative in its bank, it can provide its domain-specific knowledge, while the NEON can be the interface for that.

In the next phase, the Labs is working towards making it smarter using its upcoming technology platform SPECTRA, which is expected to be launched at the NEON-WORLD 2020 later in the year. SPECTRA will be a key enabler to make the NEON smarter, as it can learn from the interactions, memorise those, and present them with the right emotions. The company is already speaking to various partners across the world, including India, to undertake beta pilot testing towards the later part of this year. But the market launch of the product will take some time.

BS SUDOKU # 2941

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SOLUTION TO #2940

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Very easy: ★

Solution tomorrow

HOW TO PLAY

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

Govt working on scheme to offer credit at lower rate to exporters

Interest rates will likely fall to 3.15% for export credit in dollar terms and 7.35% in rupee terms

DILASHA SETH & SUBHAYAN CHAKRABORTY
New Delhi, 7 January

The Union government is working on measures to arrest declining exports. For that, it plans to come up with an export financing scheme in the next couple of weeks, to offer lower interest rates in rupee and dollar terms as well as reduced premium cost for small businesses.

Under the Nirvik (Niryat Rin Vikas Yojana) scheme, the interest rates will likely fall to 3.15 per cent for export credit in dollar terms and 7.35 per cent in rupee terms, according to the proposal moved to the Cabinet. Currently, the interest rates are pegged at 3 to 6 per cent for credit in foreign currency and around 10 per cent in rupee terms.

The Nirvik scheme, to be taken up by the Cabinet in the next one or two weeks, will provide credit at competitive interest rates to exporters, a government official said. According to the data compiled by the Federation of Indian Export Organisation (FIEO), around 53 per cent of the export credit outgo is currently in foreign currency, while 47 per cent is in rupee terms.

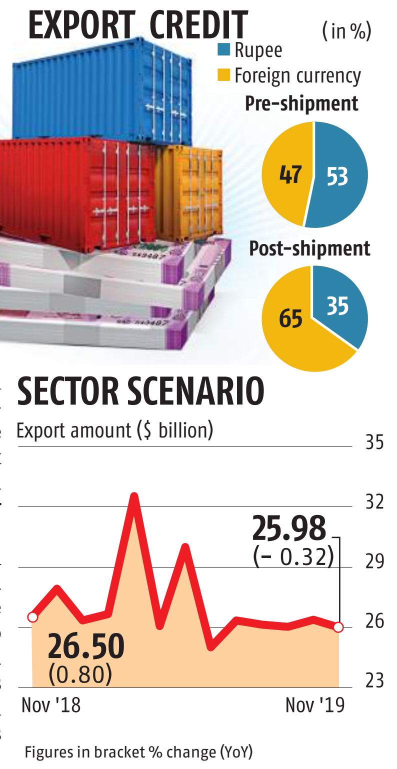
"With traders now being able to take export credit directly in foreign currencies, the ministry now aims to raise the share of foreign currency in total export credit much beyond the present level of 50 per cent," the official said.

The updated export credit insurance scheme (ECIS) envisages lowering of interest rates by providing higher insurance coverage to banks on their export credit through Export Credit Guarantee Corporation of India (ECGC). Interest will be covered for a maximum of two quarters or till the loan is declared a non-performing asset — which happens when interest remains unpaid for 90 days — whichever is earlier. The scheme will also expand the export credit insurance cover for the working capital loans for exporters to enable lower interest rates for export credit.

Besides, the annual rate of premium for accounts with up to ₹80 crore would be brought to 0.6 per cent and for those above ₹80 crore it would be lowered to 0.72 per cent. Officials from ECGC said they would not inspect bank documents and records until losses on a loan reach ₹10 crore. Earlier, the threshold was ₹1 crore.

Exports declined for the fourth successive month in November and for the fifth time this fiscal by 0.32 per cent.

"The export sector will significantly benefit from the lowering of export credit rates as it will do away with the hassle for exporters to negotiate for a better rate and make the system more transparent.



Figures in bracket % change (YoY)

It will reduce the price of export cycle or the cycle of operation. Exporters who did two export cycles in a month will be able to do three," said Ajay Sahai, director general and CEO, FIEO.The ECIS is also targeting quick settlement of claims through provisional payment of up to 50 per cent in 30 days.

"Apart from lower interest rates for export rates, exporters are also set to benefit from a better rating, since the ECIS can be considered as an export-incentive scheme," he said. As a result, the government hopes banks will be more eager to provide loans to them.

Overall, the ECGC targets a total annual coverage of about ₹3 trillion of export credit, which remains uncovered till the end of the financial year, according to officials. For taking on the additional burden, the government will boost the Export Credit Guarantee Corporation of India (ECGC)'s coffers by ₹1,700 crore annually. The commerce department has clarified that the ECGC would cover not only outstanding principal of loans but also unpaid interest.

The department has pushed for greater loan coverage, easier inspection norms, and streamlining of profiles of exporters to raise annual credit disbursal by 30 per cent in FY20. Export credit disbursal by public sector banks fell by 45 per cent in FY19 to ₹15,600 crore, according to the RBI data. In the previous year, it was ₹28,300 crore. Last year, an inter-ministerial working group started monitoring disbursal of export credit through a public dashboard. This is now reviewed with the help of trade institutions, with key figures being made available to the public periodically. SBI would provide foreign exchange funds to banks at the London Interbank Offered Rate plus 50 bps for export credit. The Libor is a benchmark interest rate at which global banks give each other short-term loans.

Attacked on campus, JNU student leader booked for vandalism

Fringe Hindu group claims responsibility for Sunday attack


Actor Deepika Padukone joined protesting students, teachers, and alumni against Sunday night's attack on JNU, in New Delhi on Tuesday PHOTO: PTI

ARCHIS MOHAN & PTI
New Delhi, 7 January

Activists and Opposition leaders on Tuesday slammed the Delhi Police for booking Jawaharlal Nehru University (JNU) Students' Union President Aishee Ghosh for vandalism, as several student organisations announced their support to Wednesday's day-long strike by central trade unions.

Leaders and activists also questioned the police's failure to identify and arrest any of the masked goons that attacked students and teachers inside the university campus on Sunday night.

The Delhi Police issued a public appeal seeking pictures, footage or any information related to Sunday's violence inside the JNU campus that left 34 people injured even as forensic teams looked for evidence.

Ghosh had suffered injuries in the Sunday attack. However, the police claim she was involved in violence before outsiders entered the campus.

A fringe right-wing group, the Hindu Raksha Dal, has purportedly taken the responsibility for the attack in a video posted on social media.

The video shows a man, identifying himself as Pinki Chaudhary, saying those who resort to "anti-national activities" will be treated the same way that JNU students and faculty were.

Amid demands that he either resign or face the sack, JNU Vice-Chancellor M Jagadesh Kumar urged students to put the past behind and return to the varsity's premises. "Our heart goes out to all injured students. The incident (violence) is unfortunate. I would like to tell students that JNU campus is a secure place," he said in a statement.

Opposition parties, particularly the Communist Party of India (Marxist), questioned the silence of Prime Minister (PM) Narendra Modi over the attack. Several JNU alumni took out a protest march in the evening. Actress Deepika Padukone was the latest to join several other Hindi film industry icons to support the protests. "I feel proud to see that we aren't scared to express ourselves... I think the fact that we are thinking about the country and its future... Whatever may be our point of view, it's nice to see," Padukone said. Opposition parties and students' organisations have said they support the strike, and will make common cause with the trade unions not just on economic issues, but against the Citizenship Amendment Act (CAA) and the National Register of Citizens (NRC).

Amid demands that he either resign or face the sack, JNU V-C M Jagadesh Kumar urged students to put the past behind and return to the varsity's premises

The North East Students' Organisation and the All Assam Students' Union (AASU) on Tuesday demanded scrapping of the CAA, saying they cannot allow "illegal Bangladeshis" to flood the region and rule over indigenous people. Addressing a press conference in the national capital, NESO and AASU said their protests will continue during the PM's scheduled visit to Assam later this month.

Protests continue

Protests against the CAA, the NRC and the attack on JNU students continued in the national capital and across the country. In Ahmedabad, the National Students Union of India (NSUI), the students' wing of the Congress, released video clippings which it alleged showed Akhil Bharatiya Vidyarthi Parishad (ABVP) students beating up NSUI activists during an anti-CAA protest. ABVP is affiliated to the RSS.

While Kerala and West Bengal have issued orders to not carry out the National Population Register (NPR), the Odisha government has initiated the process to update it with the launch of a pilot survey, an official said. In line with "instructions of the Registrar General of India, the NPR exercise has begun. A pilot survey has been carried out in parts of the state, while door-to-door survey and house-listing will be taken up mid-April," the official told *PTI*.

The Congress and other Opposition parties have opposed the NPR. Senior Congress leader P Chidambaram said on Monday that the current NPR questionnaire was different from the one used in 2010.

Explaining the format, the Odisha official said the number of fields on the registration form has been increased and several questions rephrased. Unlike 2010, when the NPR was last updated, every applicant, this time, would have to furnish Aadhaar number, mobile number, voter ID and driving licence.

In New Delhi, politics has heated up as the Assembly polls, slated for February 8, draw near. Delhi BJP chief Manoj Tiwari on Tuesday said illegal immigrants cannot be allowed to hold protests against the CAA. The ruling Aam Aadmi Party has steered clear of the controversy over the CAA and focused its campaign on the performance of its government in the last five years.

Dissuade staff from joining strike today, govt tells PSUs

PRESS TRUST OF INDIA
New Delhi, 7 January

The government has asked public sector undertakings to dissuade their employees from participating in the 'Bharat Bandh' called on Wednesday and advised them to prepare a contingency plan to ensure smooth functioning of the enterprises.

Ten central trade unions have said around 250 million people will participate in the nationwide strike to protest against the government's "anti-people" policies. Trade unions along with various sectoral independent federations and associations, had adopted a declaration in September last to go on the nationwide strike on January 8.

"Any employee going on strike in any form, including protest, would face the consequences which, besides deduction of wages, may also include appropriate disciplinary action," said an office memorandum issued by the government.

Banks have informed stock exchanges about the strike and its impact on banking services

"Suitable contingency plan may be worked out to carry out the functions of the ministry/department," it said. It issued instructions not to sanction casual leave or other kind of leave to employees if applied for during the period of the proposed protest or strike and ensure that the willing employees are allowed hindrance-free entry into the office premises.

The instructions issued by the Department of Personnel & Training prohibit the government servants from participating in any form of strike, including mass casual leave, go-slow and sit-down, or any action that abet any form of strike. Besides, pay and allowances are not admissible to an employee for his absence from duty without any authority.

Several banks have informed stock exchanges about the Wednesday strike and its impact on banking services. Banking services like deposit and withdrawal, cheque clearing and instrument issuance are expected to be impacted due to the strike. However, services at private sector banks are unlikely to be impacted. Other than banking, transport and other key services are also likely to be disrupted in many states due to this nationwide strike call.

Need to improve supply chain in agriculture: Das

Economist Tharman Shanmugaratnam says 140 million new jobs a must in a decade; manufacturing, construction should get boost

ANUP ROY
Mumbai, 7 January

Reserve Bank of India (RBI) Governor Shaktikanta Das said on Tuesday that there was a need to improve the supply chain in the agricultural market, and that increasing the average share of farmers in retail prices should be a priority area.

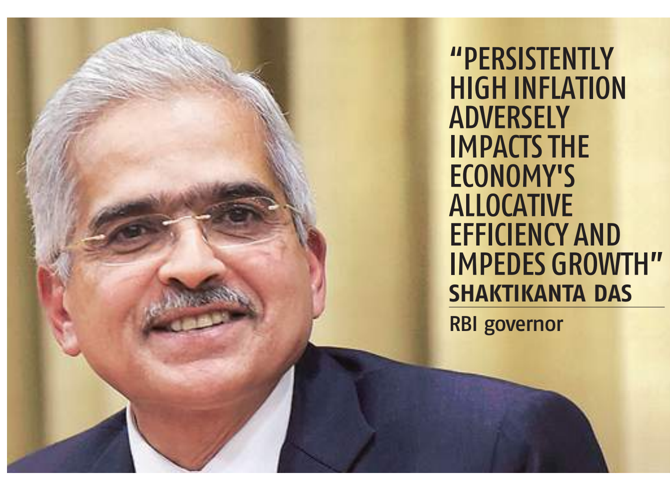
The average share of farmers in major primary food items varies between 28 per cent and 78 per cent, the governor said, but "the higher share of retail prices going to farmers augurs well for the rural economy, which, in turn, could help sustain domestic demand".

Das said this in his opening remark at the third Suresh Tendulkar Memorial Lecture by Tharman Shanmugaratnam, senior minister, Republic of Singapore.

According to the RBI governor, wider rural road network, better communication facilities, and easier access to micro credit will contribute to better price realisation for farmers. "This ongoing process needs to be sustained alongside further agricultural market reforms," said Das.

The government and the RBI have taken steps to improve financial inclusion and will continue to undertake important reform measures, he assured. In this context, the RBI's mandate also contributes to better financial inclusion. The RBI is reviewing priority sector lending norms, "keeping in mind the changing needs of the economy with a view to make them more inclusive".

"The mandate given to the RBI on maintaining price stability, financial stability, and economic growth is not only important from a macroeconomic perspective, but also for the objective of inclusive growth. Persistently high inflation adversely impacts the economy's allocative efficiency and impedes growth. It also contributes to a worsening of income distribution by depreciating the real income of the poor," the RBI governor said.



At the same time, high growth with financial stability can bring inclusiveness in the process of wealth creation and its spread effect. Improved tax collection can be utilised for social and infrastructure expenditure.

India's challenges

Shanmugaratnam in his speech pointed out that India has achieved a lot in the past five years in social and economic parameters, particularly in electrification, sanitation, financial inclusion, insurance to poor, but much more needs to be done as the country continues to suffer from legacy issues.

The country needs to be more export-focused. "If you can get into the global value chain in the next five years, there's scope in the market," said Shanmugaratnam.

The country must create jobs at a rapid rate to accommodate the youth of the country, where the unemployment rate is as high as 30 per cent.

"India needs to create 140 million jobs over the next decade, which is much more than what it has done before. Most of the jobs must come in the next five years; skills should be developed at a fast rate. We are competing with machines, which are increasingly getting smarter," said Shanmugaratnam.

"Job growth is critical for India. Youth under-employment will not only be a continuing problem, it can get worse," the celebrated economist said.

India's productivity growth has been decent in the past, but it needs to grow at a faster clip. Labour reforms are needed, so that companies can grow beyond a size. There should be more urbanisation, so that pressure on existing cities doesn't mount. The cities should be "crucibles of inclusive living". Manufacturing and construction sectors should be promoted because these sectors absorb the bulk of jobs, and that way labour can be reallocated from low productivity agriculture sector.

"Financial stability is a critical public good, while in the future, the green economy and moving away from unsustainable practices should be priority," he said. In a country like India, temperature variation of even 1.5 per cent could wreak havoc on the environment, and the lives of the people.

AI pilots' union calls for vote on strike, insolvency

Pilots of Air India will hold a secret ballot to decide whether to strike or take the cash-strapped airline to bankruptcy court to get their dues, the Indian Commercial Pilots Association (ICPA) told its members on Tuesday.

"In spite of requests to clear our illegally withheld 25 per cent dues, there seems to be no intent to clear the dues immediately. We are being treated like bonded labour by not waiving off the notice period while not paying our salaries, flying allowances and International layover allowance in time," ICPA said. It said it did not trust "any verbal commitments" as it had had several experiences, where even written agreements had been interpreted wrongly. A strike can be declared only after giving 14 days' notice to the employer. ICPA said the strike call would be taken after the secret ballot, "provided two-thirds of members of the respective regions vote for the decision to strike". However, it said whether to approach NCLT would be decided by a simple majority vote. "The date of polling will be intimated by respective regional (chapters)," it said.

BS REPORTER

FY20 likely to see highest claims under crop insurance scheme

Insurers may expect claim ratio to be as high as 120%

NAMRATA ACHARYA
Kolkata, 7 January

The year 2019-20 could see the highest claims ever under the government's crop insurance scheme, the Pradhan Mantri Fasal Bima Yojana (PMFBY).

According to sources, insurers are expecting the claim ratio to be as high as 120 per cent this year. This is because unseasonal rains and natural calamities led to high crop damage, they said.

This year, at least three private insurers, ICICI Lombard General Insurance, Tata AIG and Cholamandalam MS General Insurance, did not participate in the scheme. The claim data for 2018-19 is yet to be released by the government. Together, these companies accounted for about ₹3,000 crore of premium.

According to sources, last year, in many areas, the insurers had to pay very high amount of claims, leading to reluctance in bidding for the scheme this year.

As a result, many reinsurers also increased their overall rates this year. Earlier, reinsurance companies used to pay commission in the range of 7-20 per cent to insurance companies, which protected the latter against huge losses.

After last year, reinsurance companies have reduced the commission to 3-3.5 per cent. The PMFBY, being a mass scheme, is heavily dependent on reinsurance support.

"This is a particularly bad year for insurers in the PMFBY. Hence, much of the viability of the scheme as a private-public partnership model will be tested in the future," said a source close to the development.

Further, insurers are reluctant to bid in high risk areas. In about 10 drought-prone districts of Maharashtra, there were no bidders for the scheme this year.

Moreover, many private insurers also faced delay in payments from state governments, according to an official of a private insurance firm. Political intervention in claim settlements is another issue faced by private companies, say insurers. Further, crop cutting experiments, which determine overall yield and are crucial in assessing losses, are still conducted manually in most states, making it highly prone to human error.

According to government data, a little more than seven million CCEs are conducted annually. In the first two years, the PMFBY was particularly good for insurance firms in terms of profitability.

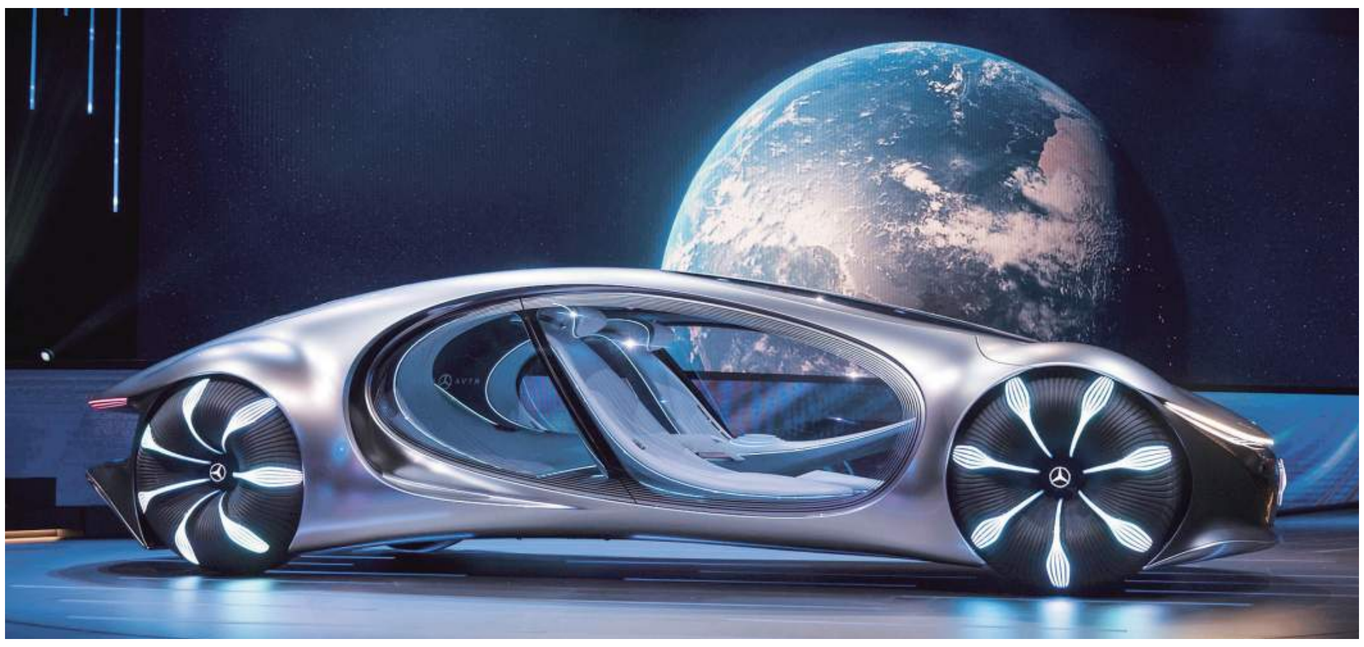
BAD FY FOR INSURANCE FIRMS

- **ICICI Lombard General Insurance,** Tata AIG and Cholamandalam MS General Insurance did not participate in the scheme
- **Reinsurance companies have reduced** the commission to 3-3.5%
- **Insurers are reluctant** to bid in high-risk areas
- **In about 10 drought-prone districts** of Maharashtra, there were no bidders for the scheme this year
- **Many private insurers faced delay** in payments from state governments
- **Political intervention in claim settlements** is also an issue faced by private firms, say insurers

In the 2016-17 and 2017-18 financial years, total premium collected under the PMFBY was about ₹48,267 crore. The claim payout in the period was about ₹39,789 crore, indicating that close to ₹9,000 crore went collectively to insurance and reinsurance firms.

The PMFBY is based on actuarial calculations; rates are based on risk perception. Thus, premiums differ, based on crop and region. However, a farmer pays only a flat 2 per cent premium to insurance companies, the rest being reimbursed by the central and state governments. On an average, the premium is 12-15 per cent, with the central and state governments bearing 5 per cent each. Insurers in each state are chosen on the basis of competitive bidding.

Daimler steals the show with *Avatar*-inspired concept car



Mercedes-Benz AG Vision AVTR concept car during a press event at CES 2020 in Las Vegas on Monday PHOTO: BLOOMBERG

CHRISTOPH RAUWALD
7 January

Daimler AG Chief Executive Officer Ola Kallenius paused an ambitious cost-cutting campaign long enough on Monday to unveil a futuristic concept vehicle inspired by one of the most expensive Hollywood blockbusters ever made. The Mercedes-Benz AVTR, named after the environmentally-conscious sci-fi film *Avatar*, is designed to showcase a melding of human and machine interaction for a mode of transport "in the very distant future," according to the German carmaker.

Oscar-winning director James Cameron joined Kallenius on stage at MGM Park Theater to debut the vehicle during the Consumer Electronics Show, now called CES, in Las Vegas.

The electric-powered car features a fully recyclable battery, lateral crab-like movement and no steering wheel. Instead, a biometric control function "allows human and machine to merge" as the car monitors the driver's breathing patterns, the firm said. The Tinseltown glamour at one of the world's biggest gatherings of tech aficionados marked a jarring contrast with Kallenius' recent public appearances after taking over the world's largest premium-car manufacturer from veteran leader Dieter Zetsche last year.

The new CEO has vowed to slash more than 10,000 jobs worldwide to save €1.4 billion ($1.5 billion) by the end of 2022. That comes as global demand for cars waned after a decade of almost uninterrupted growth. Daimler is also conserving cash to pay for an electric-powered vehicle blitz needed to meet emissions rules in Europe and compete with industry leader Tesla.

CES 2020

It's unclear if the new concept vehicle will make an appearance in the long-awaited Avatar sequel film, the release date of which has been pushed back from later this year to December 2021. That's one facet of the film franchise that Kallenius won't be keen to emulate as Daimler moves ahead with plans to introduce more than 10 fully-electric vehicles over the next three years. BLOOMBERG

Amazon, Intel and Ford chase automotive data dollars

Modern cars roll out of factories packed with cellular connections, powerful processors and growing suite of sensors, including cameras, radar and microphones. That's turning them into the next information goldmine, rivalling the data-creating capabilities of smartphones.

Amazon.com, Intel, Qualcomm and BlackBerry were at the Las Vegas conference this week to pitch data-crunching services and partnerships to an auto industry searching for new revenue streams and business models. "CES will highlight the next big industry transformation that revolves around how this data can be monetised," said Brian Rhodes, an automotive technology analyst at IHS Markit. BLOOMBERG

Samsung's rolling bot to run your smart home

Samsung Electronics kicked off 2020 with an array of gadgets from prototype augmented-reality glasses to a new smart speaker that the company hopes will kickstart a fresh foray into the crowded smart home arena. "We need to rethink the space we have to accommodate our diverse and evolving lifestyles and generations," said Hyunsuk Kim, chief executive officer of Samsung's consumer electronics division, during the opening CES keynote address. Along with artificial intelligence-driven concept products like the Ballie rolling bot, Samsung also showcased tech solutions for visually impaired and disabled people under the broad banner of technology enhancing people's lives. BLOOMBERG

Uber partners with Hyundai to develop electric air taxi

Hyundai will produce and deploy the vehicles while Uber will provide aerial ride-share services PHOTO: TWITTER

HYUNJOO JIN AND JOYCE LEE
Seoul, 7 January

US ride-hailing company Uber Technologies Inc and South Korean automaker Hyundai Motor have teamed up to develop electric air taxis, joining the global race to make small self-flying cars to ease urban congestion.

Global players like Germany's Daimler, China's Geely Automobile and Japan's Toyota have all unveiled investments in startups that aim to deploy electric flying cars capable of vertical takeoff and landing. But there are big technological and regulatory hurdles to the plans.

Uber and Hyundai, for instance, gave widely different timelines for commercialisation, underlining these challenges.

"We've been making steady progress towards a goal of launching Uber Air by 2023," Eric Allison, head of Uber Elevate, said at the Consumer Electronics Show (CES) in Las Vegas.

Euisun Chung, Executive Vice Chairman of Hyundai, expects commercialisation of urban air mobility service in 2028, saying it takes time for laws and systems to be in place.

Hyundai is the first carmaker to join Uber's air taxi project, which also counts Boeing subsidiary Aurora Flight Sciences among its partner firms.

Hyundai is the first carmaker to join Uber's air taxi project, which also counts Boeing subsidiary Aurora Flight Sciences among its partner firms

Hyundai will produce and deploy the vehicles while Uber will provide aerial ride-share services.

Uber, which has partnered with eight companies on its air taxi project, however, acknowledged it would be "unrealistic" to expect all its partners to go to market at the same time.

"Our plans for our limited commercial operations in 2023 will likely involve other partners," Sarah Abboud, Communications Manager at Uber, told Reuters.

Hyundai will unveil a concept electric aircraft developed with Uber at CES, with the self-flying electric car designed to carry up to four passengers with a pilot and fly on trips of up to 60 miles (100 km).

"The overall cost to produce and operate UAM (urban air mobility) vehicles should be really low enough for everyone to enjoy the freedom to fly," Shin Jai-won, Head of Urban Air Mobility Division at Hyundai Motor, said.

Air taxis come in several shapes and sizes - electric motors replace jet engines, and aircraft have rotating wings and, in some cases, rotors in place of propellers. REUTERS

56 dead in stampede at Soleimani's funeral

Tehran considering scenarios to avenge death; designates US forces as 'terrorists'

Iranians attend the funeral procession for Major General Qassem Soleimani PHOTO: REUTERS

AGENCIES
Dubai/Baghdad, 7 January

At least 56 people were killed in a stampede as tens of thousands of mourners packed streets for the funeral of a slain Iranian military commander in his hometown on Tuesday, forcing his burial to be delayed by several hours, state media said.

General Qassem Soleimani's burial began in the early evening in the southeastern Iranian city of Kerman, four days after his killing in a US drone strike in Iraq that plunged the region into a new crisis and raised fears of broader conflict.

"A few minutes ago his body was transferred to the martyrs section of Kerman cemetery," the semi-official news agency ISNA reported, adding that Soleimani's interment had begun.

Soleimani, who commanded the elite Quds Force, was responsible for building up Tehran's network of proxy armies across the Middle East. He was a pivotal figure in orchestrating Iran's long-standing campaign to drive US forces out of Iraq.

A senior Iranian official said Tehran was considering several scenarios to avenge his death. Other senior figures have said the Islamic Republic would match the scale of the killing when it responds, but that it would choose the time and place.

Tuesday's stampede broke out amid the crush of mourners, killing 56 people, state television said, raising the toll from 50 previously. More than 210 people were injured, an emergency services official told the semi-official Fars news agency.

"Today because of the heavy congestion of the crowd unfortunately a number of our fellow citizens who were mourning were injured and a number were killed," emergency medical services chief Pirhossein Kolivand told state television.

Soleimani was a national hero to many Iranians, whether supporters of the clerical leadership or not, but viewed as a dangerous villain by Western governments opposed to Iran's arc of influence running across the Levant and into the Gulf region.

Iran's opponents say its proxies have fuelled conflicts, killing and displacing people in Iraq, Syria and beyond. Tehran says any operations abroad are at the request of governments and that it offers "advisory support".

Soleimani's body had been taken to Iraqi and Iranian cities before arriving in Kerman for burial.

Iran's parliament, meanwhile, has passed an urgent bill declaring the US military's command at the Pentagon and those acting on its behalf in Soleimani's killing as "terrorists," subject to Iranian sanctions.

The measure appears to be an attempt to mirror a decision by President Donald Trump in April to declare the Revolutionary Guard a "terrorist organisation." The US Defense Department used the Guard's designation as a terror organisation in the US to support the strike that killed Soleimani.

Modi, Trump talk tension

US President Donald Trump and Prime Minister Narendra Modi have discussed ways to further strengthen the US-India strategic partnership and reviewed "regional security matters", the White House has said. The telephonic conversation between Trump and Modi came in the backdrop of escalating tensions in the Gulf region after the US killed top Iranian commander General Qasem Soleimani in a drone strike in the Iraqi capital, Baghdad. PTI

Pakistan's National Assembly passes bills to extend Gen Bajwa's tenure

Pakistan's lower house of Parliament and a key panel of the upper house on Tuesday passed three crucial bills to give extension to Army chief Gen Qamar Javed Bajwa for another three years, signalling the dominance of the powerful army, which has ruled the country for more than half of its 72 years of existence.

Gen Bajwa, a close confidant of Imran Khan, was to retire on November 29 last year at the end of his three-year original term but the Prime Minister gave the 59-year-old Army chief another extension of the same length, citing the regional security situation through a notification on August 19.

However, the Supreme Court on November 28 suspended the government order, observing that there is no law to give extension to the Army chief's tenure. But the apex court granted a six-month extension to Gen Bajwa after being assured by the government that Parliament will pass a legislation on the extension/reappointment of an Army chief within six months. PTI

Paris, US give themselves 15 days to settle dispute on taxing tech giants

France and the United States have given themselves 15 days to settle a dispute over the taxation of US tech giants, French Finance Minister Bruno Le Maire said Tuesday.

Le Maire said he had a "long discussion" on the telephone Monday with his US counterpart Steven Mnuchin.

"We have given ourselves exactly 15 days" to solve the issue at the Organisation for Economic Cooperation and Development, Le Maire said, urging Washington not to impose sanctions during this time. He was speaking at a meeting in Paris with EU Trade Commissioner Phil Hogan, who said the European Union would "stand together with France" in the dispute.

President Donald Trump last month threatened to punish Paris for a new tax on tech giants such as Netflix and Amazon, unveiling sky-high retaliatory duties on $2.4 billion of French wines, makeup and leather handbags. AFP/PTI

ELON MUSK BREAKS INTO DANCE DURING TESLA SUV LAUNCH

Elon Musk showed off his dance moves at the launch of Tesla's Model Y electric sports utility vehicle programme at its new Shanghai factory on Tuesday. PHOTO: BLOOMBERG

Nirbhaya rapists to be hanged at 7 am on Jan 22

ORDER WILL RESTORE FAITH OF WOMEN IN LAW: VICTIM'S MOTHER

ALL MAJOR POLITICAL PARTIES LAUD DEATH WARRANTS AGAINST 4 CONVICTS

TIHAR TO GET MEERUT HANGMAN TO CARRY OUT EXECUTION IN JAIL NO. 3

PRESS TRUST OF INDIA
New Delhi, 7 January

A Delhi court on Tuesday issued death warrants against all the four convicts in the Nirbhaya gangrape-murder case and ordered they be hanged on January 22 at 7 am in Tihar jail, over seven years after the brutal crime sparked outrage and anger across the country.

The death warrant, also known as black warrant, addressed to the office of the Tihar jail chief, was issued by Additional Sessions Judge Satish Kumar Arora against Mukesh (32), Pawan Gupta (25), Vinay Sharma (26) and Akshay Kumar Singh (31), all of whom are on death row.

"We have received the court order and will plan the execution accordingly. Three of the accused are in Jail No. 2 and the fourth one is in Jail No. 4. Now they will be put in isolated cells and won't be allowed to have any interaction with other prisoners," Tihar jail sources said.

The sources said prison authorities in Uttar Pradesh will be approached to make available a hangman from Meerut to carry out the execution in Jail No. 3.

The sources said in all likelihood the four men will be hanged simultaneously amid reports that a new gallows frame is being readied for this purpose.

Nirbhaya's mother Asha Devi was present in the courtroom in the Patiala House Courts Complex and became emotional during a media interaction.

"The hanging of the four convicts will restore the faith of women in law," she said. "Though late, the family today got justice," Nirbhaya's grandfather Lalji Singh said.

The BJP said justice has been delivered, while Delhi CM Arvind Kejriwal said "long-term wish of people fulfilled"

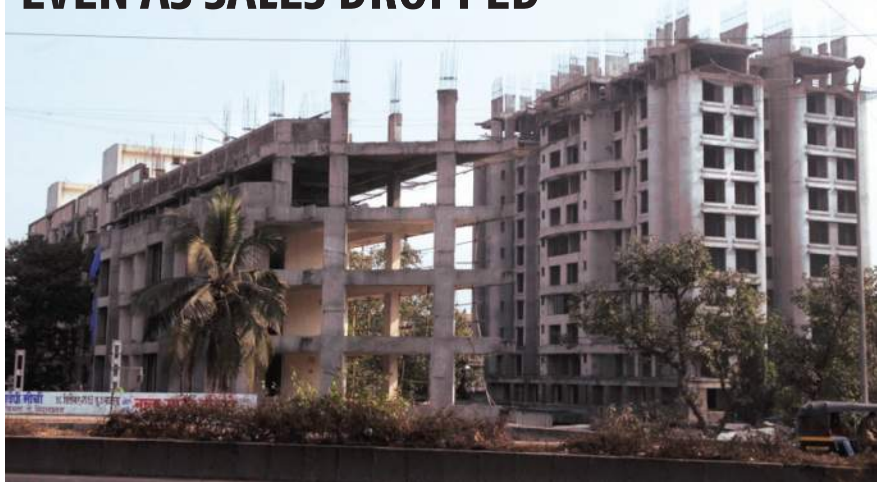
The Congress said this will give peace to Nirbhaya's family and the country.

The 23-year-old paramedic student, referred to as Nirbhaya or fearless, was gangraped and brutally assaulted on the intervening night of December 16-17, 2012, inside a moving bus in south Delhi by six persons before being thrown out on the road. She died on December 29.

Ram Singh, one of the accused, committed suicide in jail. A juvenile, among the accused, was convicted by a juvenile justice board and was released later.

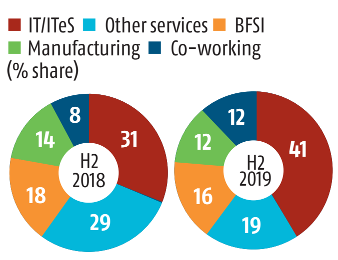
The victim's mother flashes the victory sign along with lawyers outside Patiala House Courts in New Delhi on Tuesday PHOTO: PTI

MUMBAI SAW MORE HOME LAUNCHES LAST YEAR EVEN AS SALES DROPPED



Mumbai saw the highest number of homes launched in calendar year 2019 (CY19), at 79,810 units — a 7% increase over 2018, even as sales fell 5%. In launches, Mumbai was followed by Pune at 44,660 units (a 37% rise) and Bengaluru at 33,772 units (a 23% increase). But, in the second half of CY19, Mumbai saw a fall in both home launches and sales by 6% and 14%, respectively, said Knight Frank's *India Real Estate: H2 2019* report, released on Tuesday. However, the real estate sector recorded overall growth in 2019, despite slowdown. The residential segment in the top eight cities saw 1% growth YoY in sales volume in 2019 COMPILED BY VINAY UMARJI

SECTOR-WISE SPLIT OF OFFICE TRANSACTIONS



RESIDENTIAL LAUNCHES (number of units)

	2018	2019	% Chg
MUMBAI	74,363	79,810	▲(7.0)
PUNE	32,684	44,660	▲(37.0)
BENGALURU	27,382	33,772	▲(23.0)
NCR	15,819	22,905	▲(45.0)
HYDERABAD	5,404	13,495	▲(150.0)
CHENNAI	10,373	11,542	▲(11.0)
AHMEDABAD	4,167	11,487	▲(176.0)
KOLKATA	12,015	5,654	▼(-53.0)
ALL-INDIA	182,207	223,325	▲(23.0)

RESIDENTIAL SALES (number of units)

	2018	2019	% Chg
MUMBAI	63,893	60,943	▼(-5.0)
BENGALURU	43,775	48,076	▲(10.0)
NCR	40,643	42,828	▲(5.0)
PUNE	33,521	32,809	▼(-2.0)
CHENNAI	15,986	16,959	▲(6.0)
AHMEDABAD	16,188	16,713	▲(3.0)
HYDERABAD	15,591	16,267	▲(4.0)
KOLKATA	12,731	11,266	▼(-12.0)
ALL-INDIA	242,328	245,861	▲(1.0)

NEW OFFICE COMPLETIONS (figures in million sq ft)

	2018	2019	% Chg
BENGALURU	7.6	16.1	▲(111.0)
NCR	7.6	12.3	▲(62.0)
HYDERABAD	3.9	10.9	▲(181.0)
KOLKATA	2.4	6.0	▲(153.0)
MUMBAI	6.5	5.4	▼(-18.0)
AHMEDABAD	3.1	4.9	▲(57.0)
PUNE	6.9	4.1	▼(-41.0)
CHENNAI	1.3	1.7	▲(31.0)
ALL-INDIA	39.3	61.3	▲(56.0)

OFFICE TRANSACTIONS (figures in million sq ft)

	2018	2019	% Chg
BENGALURU	13.4	15.3	▲(14.0)
HYDERABAD	7.0	12.8	▲(82.0)
MUMBAI	7.9	9.7	▲(22.0)
NCR	7.4	8.6	▲(17.0)
PUNE	6.6	6.2	▼(-5.0)
CHENNAI	3.5	5.2	▲(50.0)
AHMEDABAD	1.0	1.5	▲(50.0)
KOLKATA	0.8	1.4	▲(69.0)
ALL-INDIA	47.6	60.6	▲(27.0)

2018 / 2019; ▲ % Chg in bracket

Will not let industries move out of Maharashtra: Uddhav

ANEESH PHADNIS
Mumbai, 7 January

The Maharashtra government will create a conducive environment for investment and not let industries move out of the state, Chief Minister Uddhav Thackeray (*pictured*) told leaders of India Inc on Tuesday.

The meeting, Thackeray's first with industry captains after taking charge as CM, comes against the backdrop of a weakening GDP growth.

Reliance Industries Chairman Mukesh Ambani, Tata Group Chairman Emeritus Ratan Tata, Mahindra Group Chairman Anand Mahindra among others participated in two-hour discussion organised by the Confederation of Indian Industry (CII).

"We will solve all problems of the industrial houses and will not let industries shift out of the state," Thackeray said.

The industry leaders reiterated the demand for lower electricity charges and a reduction in stamp duty.

Uday Kotak, president-designate, CII, said: "CII is committed to working with the government of Maharashtra for the development of the state. Business and industry will strongly support the vision of Mr Thackeray. At around 15 per cent, Maharashtra contributes highest to India's GDP. Mumbai can play a significant role in being the financial capital of the world and the state should leverage significant opportunity in the fintech space."

Maharashtra is facing competition from other states to attract new investment and has seen a decline in manufacturing activity in the recent past. Last April, the state government unveiled an industrial policy, promising sops and concessions, in a bid to attract ₹10 trillion worth of investment over five years. The policy also aims to generate four million jobs.

"The country's economy was projected to grow at 8 per cent or higher and the state's industrial policy was framed against that backdrop. But now various indicators are pointing to a slowdown and credit offtake too has reduced," an official said to a query on the state's ambitious industrial targets.