

Business Standard

How markets performed last week

	Index on Feb 7, '20	*One-week	% chg over Dec 31, '19	Local currency	in US \$
Sensex	41,142	3.5	-0.3	-0.3	-0.3
Nifty	12,098	3.7	-0.6	-0.6	-0.6
Dow Jones	29,103	3.0	2.0	2.0	2.0
Nasdaq	9,521	4.0	6.1	6.1	6.1
Hang Seng	27,404	4.1	-2.8	-2.5	-2.5
Nikkei	23,828	2.7	0.7	-0.3	-0.3
FTSE	7,467	2.5	-1.0	-3.8	-3.8
DAX	13,514	4.1	2.0	-0.4	-0.4

*Change (%) over previous week Source: Bloomberg



COMPANIES P2
BUCKLE UP TO PAY MORE FOR BHARAT STAGE-VI VEHICLES

COMPANIES P3
HEALTHY PROGNOSIS FOR PATENT DRUGS, CLOCK ROBUST GROWTH



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BUSINESS STANDARD ANNUAL AWARDS 2019



LIFETIME ACHIEVEMENT
AZIM PREMJI
Founder Chairman, Wipro



CEO OF THE YEAR
BHASKAR BHAT
Former MD, Titan Company



COMPANY OF THE YEAR
LARSEN & TOUBRO
S N Subrahmanyan, CEO & MD



STAR MNC
NESTLE INDIA
Suresh Narayanan, CMD



START-UP OF THE YEAR
BIGBASKET
Hari Menon, CEO



STAR PSU
INDRAPRASTHA GAS
E S Ranganathan, MD



STAR SME
VINATI ORGANICS
Vinod Saraf, Chairman

High-powered jury selects best seven

Leading decision-makers choose outstanding achievers of India Inc

PHOTOS: KAMLESH PEDNEKAR



(From left) Bain Capital Private Equity Chairman Amit Chandra, EY India Chairman Rajiv Memani, KKR India CEO Sanjay Nayar, Omidyar Network India MD Roopa Kudva, Aditya Birla Group Chairman Kumar Mangalam Birla (Jury Chairman), Cyril Amarchand Mangaldas Managing Partner Cyril Shroff and JSW Group Chairman Sajjan Jindal. McKinsey & Co Senior Partner Noshir Kaka (below) joined through VC



BS REPORTER
Mumbai, 9 February

With a market value of ₹1.13 trillion, Titan Company has emerged the most valued firm in Tata Group after Tata Consultancy Services. Starting its journey as a retail watch chain, Titan Company is today India's biggest jewellery brand, with rising sales and profits. In the past three years, its net sales grew at a compound annual growth rate of 20.6 per cent, while its net profit rose at an annualised rate of 27.7 per cent during the period.

The credit for this transformation at Titan goes to its former managing director (MD) Bhaskar Bhat, who retired from the company in October 2019 after leading it for nearly 17 years. When he took over the reins in 2002, the company was struggling with unsustainably high levels of debt, sagging sales, and poor profitability. His strategy to reboot the business paid off; its cash flow from operations rose sharply. The stock market soon rewarded the company with sky-high valuations.

Despite a sluggish economy, in a span of less than three years, Larsen & Toubro's (L&T's) order book has crossed the ₹3-trillion mark. As India's biggest construction company, L&T has decimated all competition — it outperformed 2018-19 (FY19) revenue guidance with 18 per cent growth. Net profit grew nearly 21 per cent in a year of muted private investments. The cherry on the cake was the acquisition of Mindtree, as the company aims to increase its presence in the Indian software sector.

Outstanding achievements like those of Bhaskar Bhat and L&T can hardly go unnoticed when a distinguished jury comprising the heads of two leading conglomerates, leaders of two private equity

funds, two global marquee management consultancy organisations, a leading social impact investor, and a top legal eagle meets in Mumbai on February 6 to decide the winners of the *Business Standard* awards for corporate excellence for 2019.

The high-profile eight-member jury was chaired by Aditya Birla Group Chairman Kumar Mangalam Birla, JSW Group Chairman Sajjan Jindal, KKR India Chief Executive Officer Sanjay Nayar, EY India Chairman Rajiv Memani, Omidyar Network India MD Roopa Kudva, McKinsey & Company Senior Partner Noshir Kaka, Cyril Amarchand Mangaldas Managing Partner Cyril Shroff, and Bain Capital Private Equity India Chairman Amit Chandra.

As jury chairman, Birla started the deliberations by asking the jury members to disclose conflicts, if any, with the shortlisted candidates, and two of them recused themselves from deliberations in relevant categories. The jury was earlier provided with a long list of names based on the financial data for year ended March 2019, compiled by the *Business Standard* Research Bureau, to name CEO of the Year as well as achievers in other categories — public sector undertakings (PSUs), multinational firms, and small and medium enterprises (SMEs) from the listed space.

Corporate governance, contribution to society, scale, sustainability, leadership, and innovation were the buzzwords that figured prominently during the jury deliberations. Apart from the financial data, high standards of corporate governance followed by companies should be kept in mind while selecting the winners, said Birla.

Jindal, who won the *Business Standard* award in 2017, was of the opinion that a company's all-round growth should be kept in mind to select the winner and not just growth in market capitalisation. Turn to Page 13

INDIA'S FISCAL GAP ONE OF THE HIGHEST IN EMERGING MARKETS

At about 7.5 per cent of gross domestic product (GDP), the revenue-to-expenditure gap in India is one of the highest among major emerging markets. According to International Monetary Fund estimates, total government expenditure was equivalent to around 27.1 per cent of GDP while total government revenue was around 19.6 per cent of GDP in the last calendar year. KRISHNA KANT & SACHIN MAMPATTA write

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Uptick in used CV sales helped in Q3, but new vehicle sales remain weak and operational challenges haven't eased. HAMSINI KARTHIK writes

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Not allowing portfolio management services providers to charge an upfront fee will bring them on a par with mutual funds. SANJAY KUMAR SINGH writes

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Experts fear the govt's desire to appease its core voter base could be detrimental to businesses. NEHA ALAWADHI writes

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PEs. In the absence of tax clarity, foreign firms avoided being qualified as such. The new provision will allow about 3,500 foreign firms and 1,400 PEs to

SoftBank among suitors for stake in Mahindra Electric

SURAJEET DAS GUPTA
New Delhi, 9 February

Mahindra Electric Mobility, one of the country's largest electric vehicle (EV) manufacturers, is in preliminary talks with Japanese giant SoftBank for an alliance which could include taking minority stake in the company.

The company, in which Mahindra & Mahindra (M&M) is the key investor, publicly announced a few weeks ago that it would look for a private equity investor or a strategic investor to scale up its operations, though M&M will continue to stay as a big investor.

Mahindra Electric Mobility sold over 10,400 EVs in 2018-19 — that's growth of over two and a half times the previous financial year. It expects to see another huge jump in sales in 2019-20.

An M&M spokesperson declined to comment on the reported talks with SoftBank; the latter's spokesperson also said it did not comment on speculation.

However, sources say that since Mahindra Electric Mobility is talking to a diversified range of potential investors, which also include those with whom it can develop EVs, powertrains, and chargers, among others, it is uncertain if the discussions

PLUGGING INTO SALES



90%
EVs on Indian roads are low-speed e-scooters (less than 25 km per hour); they don't need licences or registration

759,000
EV sales in FY19; up from 576,000 the previous year — bulk being three-wheelers (630,000) and two-wheelers (126,000). Only 3,600 four-wheelers were sold

1%
EV sales percentage of total vehicles sold; have potential to go up to 5% in some years

with SoftBank will lead to a tie-up. For SoftBank, EVs are a key area of focus. It has already invested over \$250 million in Ola Electric Mobility, where it is a key investor, valuing the company at \$1 billion.

Ola has spun off its electric mobility business into a separate entity and has an ambitious target to put over 1 million EVs on Indian roads by 2022. It has been running numerous pilots on EVs. It is building charging stations and has set up

a research and development centre. The parent company has also raised \$300 million from Hyundai and Kia and has been focusing on India-specific EVs.

SoftBank's other advantage is that it is one of the key shareholders in Ola and Uber's transportation services business; it is this business that is expected to be one of the main buyers of bulk EVs — cars, three-wheelers, two-wheelers, and buses. Turn to Page 13

RBI 'reminds' banks on provisioning for telco loans

Follow spirit of April 2017 communiqué

RAGHU MOHAN
New Delhi, 9 February

The Reserve Bank of India (RBI) has informally reminded banks of the need to make additional provisioning for 'standard' telecom loans and specific exposures in the sector with a high probability of being declared non-performing assets (NPAs) in their books down the line.

The RBI's move is the first on the treatment to be accorded to the sector's exposures by banks following the Supreme Court's (SC's) order of October 24, 2019. The SC order had said telephony players were to pay past airway charges and licence fee dues, according to the adjusted gross revenue (AGR). This has been calculated by the government to be at ₹1.33 trillion.

It also marks a significant follow-up to the banking regulator's April 17, 2017, communiqué — when it had singled out the telecom sector for additional provisions for standard advances at higher than the prescribed rates. "The said notification was more in the form of moral suasion, very important nonetheless. But now that the stress is in front of us, it means we have to get cracking on these accounts," said a senior banker.

It has been learnt that while a clutch of banks did provide in excess of the 40-basis points (bps) mandated for 'standard' loan exposures (defined as those which are perfectly in order) — by as much as 100 bps — this was later reversed. Turn to Page 13

NO MORE MISSED CALLS

Additional provisioning on 'standard' advances will apply to Jio, Airtel, and Vodafone Idea as matter of hygiene

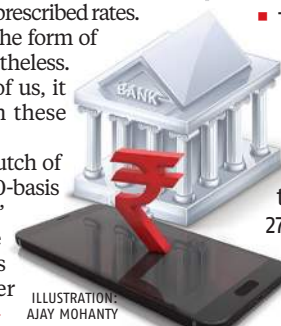
A clutch of banks did provide in excess of 40 bps mandated for 'standard' loan exposure — by as much as 100 bps — but reversed it later

Banks are to be proactive on provisioning, even if account is not NPA after banking regulator's 'reminder'

IDFC Bank made 50% provisioning on a legacy telecom loan of ₹1,622 crore for Q3FY19

Total debt to telecom is estimated to be at ₹4 trillion, but entire amount not at risk; at worst, it will be ₹1 trillion

Average risk weight for telecom rose to 34.2%, from 27.4%, between March 2019 and September 2019 — highest deterioration for any sector



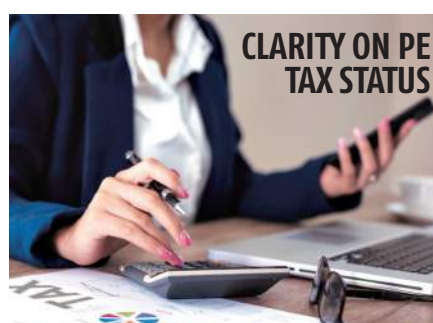
Indian MNCs to pay tax on pre-negotiated income

SHRIMI CHOUDHARY
New Delhi, 9 February

Multinational companies (MNCs) having a permanent establishment (PE) in India could soon get clarity on taxes they are supposed to pay.

In the Union Budget 2020, the government allowed these firms to enter into advance pricing agreements (APAs) with the income-tax authorities. In those they can negotiate how much of the margins on profits accrued in India would be taxed for having a PE in India.

Until now, such an arrangement was possible only in transfer-pricing matters. Tax experts say the move will improve MNCs' compliance with Indian laws on



access APAs, or a safe harbour regime in which they can pre-decide the income for at least nine years (including the roll-back of four years) and accordingly pay

New provisions would cover MNCs in the form of PE, foreign subsidiary
Allow them to ascertain profit attributable to Indian presence
Applicable on all services rendered in India which trigger PE tax status
Gillette, IBM, Sony, Oracle, Philips, HUL, Audi operate in India as foreign subsidiary

Tax litigation arises over foreign firms' operations
At present, tax rate on PE status attracts 43%, foreign subsidiary pays 25%
Tax status of digital firms such as Amazon, Netflix, Facebook under deliberation
India awaiting OECD final outcome, to activate tax on these

stipulates 25 per cent (under the new corporate tax regime).

Safe harbour refers to circumstances under which the income-tax authorities accept the transfer price declared by the assessee without any question or scrutiny. An APA is an agreement between taxpayer and tax authority for transactions over a fixed period.

"This is for greater tax certainty. A large number of disputes in international taxation are on the amount of profits that should be taxable to a PE in India and hence be taxed in India. Taxpayers can now enter into APAs, which will pre-decide an agreed amount of profit," said an official privy to transfer-pricing matters. Turn to Page 13