TUESDAY, 11 FEBRUARY 2020
18 pages in 1 section
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Business Standard

THE MARKETS ON MONDAY		Chg#
Sensex	40,979.6 ▼	162.2
Nifty	12,031.5 ▼	66.8
Nifty futures*	12,040.0 ▲	8.5
Dollar	₹71.3	₹71.4**
Euro	₹78.1	₹78.2**
Brent crude ($/bbl)##	53.2##	53.9**
Gold (10 gm)###	₹40,575.0 ▲	₹72.0

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

BACK PAGE P18
PARASITE FIRST NON-ENGLISH BEST PICTURE OSCAR WINNER

BRAND WORLD P15
INSTAGRAM, YOUTUBE, TIKTOK TOP POWER LIST

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

BJP ISSUES WHIP TO MPs, ASKS THEM TO BE PRESENT TODAY

The Bharatiya Janata Party (BJP) issued a whip to all its members of parliament of the Lok Sabha and Rajya Sabha, asking them to be present in their respective House on Tuesday when Finance Minister Nirmala Sitharaman is expected to reply to discussions on the Union Budget in both the Houses. PTI

COMPANIES P2

Flipkart dives deeper into fintech market

Walmart-owned e-commerce firm Flipkart has increased its focus on the Indian financial technology market. Flipkart's fintech category, which comprises consumer credit constructs, device insurance, and seller financing, grew 40 per cent in 2019.

ECONOMY & PUBLIC AFFAIRS P4

Union Bank pre-tax profit up threefold

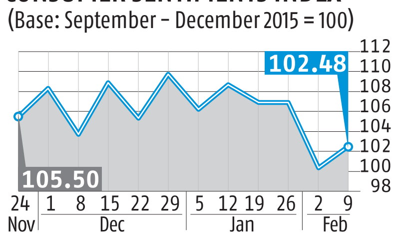
Union Bank of India's profit before tax was ₹582.4 crore in the December quarter, from ₹133.2 crore in the same period a year before. There was a rise in net interest income and dip in provisioning for stressed loans. Net profit was ₹574.6 crore.

Award for *BS* journalist

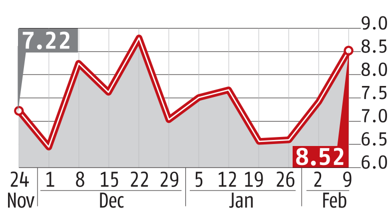
Business Standard journalist Somesh Jha has won the IFFCO-Indian Institute of Mass Communication Alumni Association's best business and economic reporter award, 2020 on Sunday. He was also adjudged the alumnus of the year for his investigative reportage on the politics of data in 2019.

THE CMIE TRACKER

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



UNEMPLOYMENT RATE (%)



Source: CMIE

UNEMPLOYMENT RATE 7.2% IN JAN 2020 10 ▶

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 1,229 companies (results available of 1,422)

SALES			
Dec 31, '18	**20.4%**	₹15.22 trillion	↗
Dec 31, '19	**1.5%**	₹15.45 trillion	↗
PROFIT BEFORE TAX			
Dec 31, '18	**-19.0%**	₹1,28 trillion	↘
Dec 31, '19	**43.2%**	₹1.84 trillion	↗
NET PROFIT			
Dec 31, '18	**-28.5%**	₹81,193 cr	↘
Dec 31, '19	**62.7%**	₹1.32 trillion	↗

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

States may not get GST compensation in full, says FinMin

Centre for rate hike to make up for ₹30K-cr revenue gap

DILASHA SETH
New Delhi, 10 February

State governments are unlikely to get the full compensation promised for shortfall in goods and services tax (GST) collection as the finance ministry says the amount will be given only through money collected from the cess imposed for this purpose.

A key ministry official said states should agree to hike GST or cess rates in the Council meeting, the date for which is yet to be fixed.

Earlier, the impression was that whatever losses states bore would be fully compensated to them for five years from the date of GST rollout. The states might not get the full amount of their losses despite the recent Union Budget carving out a special dispensation from the surplus collected through the compensation cess in previous years.

With the GST revenues of many states facing contraction over the previous year and cess realisation lower than required, the shortfall could be around ₹30,000 crore, even after taking into account the Budget proposal of a special dispensation.

After this year's provision of special dispensation, said officials, transfers to the compensation cess fund will, henceforth, be limited to collections through cess, which is levied on items such as aerated drinks, coal, paan masala, cigarettes and automobiles over the peak rate of 28 per cent.

Central Board of Indirect Taxes and Customs Member John Joseph, who was officiating as chairman at the time of Budget preparation, told *Business Standard* the compensation to states would be made only if available.

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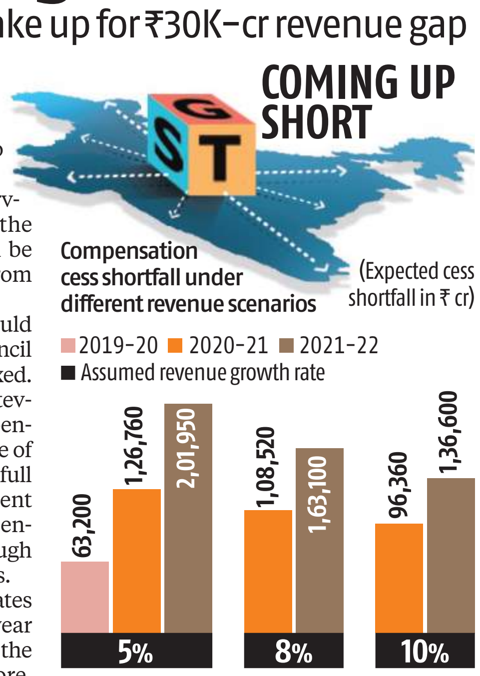

Note: GST revenue grew by around 5% in the April-January period, compared to last year
Source: Revenue augmentation panel presentation to the GST Council

STATES BEARING BRUNT OF GST SLOWDOWN P4

Amazon seeks interim stay on CCI probe order

PEERZADA ABRAR & NEHA ALAWADHI
Bengaluru/New Delhi, 10 February

E-commerce giant Amazon on Monday filed a writ petition in the Karnataka High Court, seeking an interim stay on the Competition Commission of India's (CCI's) order on probing some of its business practices.

Investigation by the CCI was launched last month after the Delhi Vyapar Mahasangh (DVM), a traders' body, filed a complaint against e-commerce players giving deep discounts on online sales of smartphones and cherry-picking sellers.

The investigation covers Amazon and rival Flipkart, which Walmart owns now.

Amazon asked the court that an interim stay be granted on the proceedings, or else a probe would cause "irreparable loss and injury" to the e-commerce player's "reputation/goodwill".

It said the CCI order "has been passed without prima facie application of mind and will cause serious prejudice to the petitioner (Amazon). Its findings are perverse, arbitrary, untenable in law".

Amazon has filed a "Writ of Certiorari" under Article 226 of the Constitution, by which there can be a judicial review of a decision of a lower court or an administrative agency. The choice of the Karnataka High Court is because Amazon India's registered office is located in Bengaluru, Karnataka.

In the past, the CCI, after studying deep discounts in e-commerce, had said it was not a matter of competition.

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IN HOT WATER

- **E-commerce platforms** have had a tumultuous time in India over the past 2 years
- **FDI norms restricted** platforms from owning inventory
- **Companies owned by e-comm** firms cannot list on latter's platform
- **Traders' bodies** have lobbied against Amazon & Flipkart
- **CCI ordered probe** into Amazon, Flipkart on Jan 13, 2020
- **Amazon founder Jeff Bezos** announced $1 bn investment in India in Jan
- **Minister Piyush Goyal** hit out at Amazon, saying it isn't doing India any favours through investment

EQUITY FLOWS RISE 75% AMID BROADER MARKET GAINS

The uptick in the broader markets has revived risk-appetite among mutual fund (MF) investors, with the industry seeing a 75 per cent jump in equity flows month-on-month (MoM) in January. Mid- and small-cap schemes garnered over one-third of the flows. Investor flows to small- and mid-cap funds improved 154 per cent and 126 per cent, respectively, over the previous month. Small-cap funds garnered ₹1,072 crore in January, while mid-cap funds collected ₹1,798 crore. Overall, equity flows stood at ₹7,877 crore. JASH KRIPLANI writes 12 ▶

CAR SALES SKID 6.2% IN JAN AS BUYERS IGNORE DISCOUNTS

Sales of passenger cars continued to decline in January despite significant discounts by automakers. This indicates that the sector is yet to recover from the worst auto slowdown in India in more than a decade. Domestic passenger vehicle sales fell 6.2 per cent year-on-year to 262,714 units in January from 280,091 in the same period last year, according to the data released by the Society of Indian Automobile Manufacturers (Siam). On Monday, auto stocks witnessed a massive fall due to the widespread impact of a weak January sales. ARINDAM MAJUMDER writes 2 ▶

Banks to get 5-yr CRR relief for retail loans

ANUP ROY
Mumbai, 10 February

The Reserve Bank of India (RBI) on Monday said banks would not be required to maintain the cash reserve ratio (CRR) for five years on their deposits for an amount equivalent to loans given to the MSME (micro, small, and medium enterprises), housing and vehicles sectors between January 31 and July 31.

Banks currently maintain 4 per cent on their deposits as CRR.

In the monetary policy, however, the RBI said it would allow relaxations on this for loans given to the three productive sectors as they could have "multiplier effects to support growth impulses".

Therefore, banks were told that they could carve out an amount equivalent to what they lent to these three sectors in the six months from their total deposit base, and go for five years without maintaining the CRR on that amount.

While home finance can stretch over a longer period, and vehicle finance loans can reach seven years, analysts say five years is a good enough window for banks.

In this period, the loan portfolios could see a number of resets, as all retail loans are now linked to repo and they need to be reset at least quarterly. This is also forcing transmission in at least one segment of the loan portfolio, something that the RBI has been trying to do for quite some time. The RBI is looking to bring down the cost of funds for banks.

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FACTS OF THE MATTER

- Relaxations on MSME, housing and vehicle loans made in view of their 'multiplier effects'
- Idea is to bring down cost of funds without deposit cuts, say analysts
- RBI can theoretically extend the unconventional measures till growth revives

Advantage Air India: Fliers give Chinese carriers a miss

ANEESH PHADNIS
Mumbai, 10 February

Air India's (AI's) non-stop flights to Canada and the US will get a fillip as the novel coronavirus (nCoV) outbreak curbs traffic flow via China and Hong Kong.

Over 5.4 million passengers flew between India and the US in the 12 months ended September 2019. Around 25 per cent of passengers flew non-stop between the two countries; the rest flew via hubs in Dubai, Doha, or Frankfurt.

Around 5.7 per cent of the India-US traffic and 8 per cent of the Delhi-US traffic travelled one stop via China and Hong Kong during the period. Hong Kong and China are popular transit hubs for Canada-bound passengers from Punjab because of low fares.

The suspension and curtailment of flights between India and China will help AI and other airlines increase their seat occupancy and market share, say travel agents and aviation experts. AI operates 36 flights per week to the US and Canada and earns around 12 per cent of its revenue from North American routes.

"We are seeing a shift in traffic flow from over the Pacific to over the Atlantic. About 10 per cent of bookings to the US and Canada via East Asia have been cancelled," said Amey Amladi, chief operating officer of Akbar Group, one of the largest travel agencies in India.

Turn to Page 15 ▶

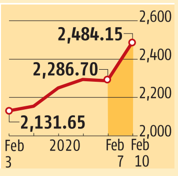
FLYING HIGH

- Emirates is the largest airline on India-US routes, followed by AI
- On the Delhi-US route, AI, United, and Emirates are the largest airlines
- Four Chinese airlines operate to Delhi. Now, they have suspended or cut flights
- Around 8 per cent of Delhi-US traffic travels via Hong Kong or China.
- Chinese carriers popular among Punjab residents travelling to Canada

ELECTRONICS COMPANIES BRACE FOR CORONAVIRUS FALLOUT P3
TAKING A TOLL: ON LIVES AND ECONOMY P13

STOCKS IN THE NEWS

Avenue Supermarts

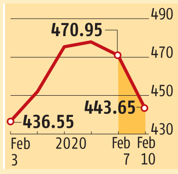


Market capitalisation hit new high of ₹1.56 trillion

₹2,484.15 CLOSE

▲8.64% UP*

Tata Steel

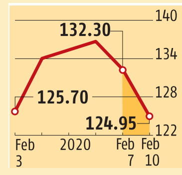


Q3 net loss at ₹1,085 cr, against profit at ₹2,284 cr in year-ago qtr

₹443.65 CLOSE

▼5.80% DOWN*

Motherson Sumi Systems

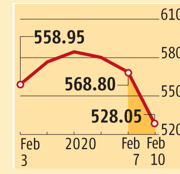


Q3 profit before tax down 44% at ₹463 crore; YoY

₹124.95 CLOSE

▼5.56% DOWN*

Mahindra & Mahindra

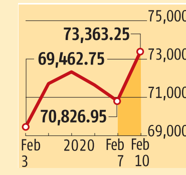


Q3 PBT down 55% at ₹868 crore; YoY

₹528.05 CLOSE

▼7.16% DOWN

MRF



Q3 Ebitda margin improved to 15.3%, from 13.9% in year-ago quarter

₹73,363.25 CLOSE

▲3.58% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

BSNL, AI and MTNL biggest loss-making PSUs: Survey

ONGC, Indian Oil Corporation, and NTPC were the top three profitable PSUs in 2018-19, whereas BSNL, Air India and MTNL incurred biggest losses for a third consecutive year, according to the Public Enterprises Survey 2018-19 tabled in Parliament on Monday. The survey, which maps the annual financial performance of all central PSUs, revealed that the top 10 companies in the red claimed a whopping 94.04 per cent of the total losses made by all the 70 loss-making central public sector enterprises during the year. PTI

Rathin Roy among 3 inducted into CG Power board

CG Power and Industrial Solutions announced appointment of three independent directors — Pradeep Mathur, Rathin Roy and Aditi Raja — in strategic positions for its Indian operations. The firm said it was committed towards amalgamating a right mix of C-suite executives who would act as consultants and function in a multi-dimensional global market. BS REPORTER

Isuzu starts press shop and engine assembly plant

Japanese utility vehicle manufacturer Isuzu Motors India has started its Phase-II operations at SriCity. The company inaugurated a new Press Shop facility and an engine assembly plant have been installed at an investment of ₹400 crores. The Press Shop and the Engine Assembly will further strengthen the company's operations by bringing very important aspects of manufacturing, in-house, said the firm. BS REPORTER

Ankur Capital plans to make entry into venture debt space

Ankur Capital is now evaluating to enter the venture debt space, said a top executive. The Mumbai-headquartered VC firm, which recently closed the first round of its second fund at ₹240 crore, is already in discussions to start a third fund that could run parallel with the second one. BS REPORTER

Tata Products new name for Tata Global Beverages

Tata Global Beverages said that the arrangement with Tata Chemicals was now operational. This means that the demerger of the consumer brands of Tata Chemicals announced last year had been completed and the business had been transferred to Tata Global. The latter has been renamed Tata Consumer Products . BS REPORTER

DGCA suspends IndiGo pilot for threat to flyer

Aviation regulator DGCA suspended an IndiGo captain for three months for allegedly intimidating and threatening a wheelchair-bound senior citizen in a Chennai-Bengaluru flight on January 13, an official said. During investigation, it was found that the pilot-in-command 'insisted' on an apology letter from the senior citizen and her daughter detaining them for about 75 minutes . PTI

Our entire product range compliant with BS-VI: Volvo

Volvo Cars India said its entire range in the country now conforms to BS-VI emission norms. All cars assembled at the company's plant or imported are now BS-VI certified, Volvo Cars India said. PTI

1,200 products for component makers launched in Auto Expo

400 companies launched 1,200 new products at the AutoExpo 2020 for component makers. Leading automakers including Maruti Suzuki, Tata Motors, Kia Motors and Ashok Leyland showcased their products. According to the organiser ACMA, foreign companies from Japan, Germany, South Korea attended the show." PTI

Grasim reports profit before tax of ₹1,454 crore

Consolidated revenue of Grasim Industries for the December quarter stood at ₹19,205 crore, while the consolidated Ebitda came in at ₹2,968 and PBT at ₹1,454 crore. For December 2019, consolidated revenue was up by 5 per cent at ₹57,724 crore and consolidated PBT was up 23 per cent to ₹6,387 crore on a year on year basis. BS REPORTER

Car sales skid 6.2% in Jan as buyers ignore discounts

Coronavirus effect adds to the downtrend in sales; BSE Auto Index slips over 2%

ARINDAM MAJUMDER
New Delhi, 10 February

Sales of passenger cars continued to decline in January despite significant discounts by automakers. This indicates that the sector is yet to recover from the worst auto slowdown in India in more than a decade.

Domestic passenger vehicle sales fell 6.2 per cent year-on-year to 262,714 units in January, from 280,091 in the same period last year, according to the data released by the Society of Indian Automobile Manufacturers (Siam).

On Monday, auto stocks witnessed a massive fall due to the widespread impact of weak January sales and fear of the coronavirus effect on the supply chain system.

The virus has virtually placed China under a lockdown, straining the global supply chain system. "Deliveries for February will certainly be delayed," Gaurav Gupta, chief commercial officer at MG Motor India had said.

It remains to be soon if the ongoing AutoExpo — the extravaganza where automakers display their new products and technologies — will be able to reverse the trend. Showroom sales for two-wheelers and commercial vehicles also reported double-digit decline, indicating that the current slowdown is far from over.

The poor sales growth in January is similar to the trend in December last year which came in two months after a marginal recovery in October and November. The automakers offered record discounts to lure customers during the festival season. "According to me, the slowdown is still continuing and the bump in October and November was due to festive buy," Guenter Butschek, managing director (MD) & chief executive officer (CEO) at Tata Motors, had recently told *Business Standard*.

December had also seen healthy discounts on BS-IV products, as companies are trying to dispose of their inventories fast as the transition to BS-VI norms kick in from April 1, 2020. Also, most manufacturers witnessed a decline in wholesale numbers during the month. This is because production was reduced to control the inventory of BS-IV vehicles, at dealerships before the transition into BS-VI.

Showroom sales for two-wheelers and commercial vehicles also reported double-digit decline, indicating that growth is still far away.

"Vehicle sales continued to be stressed due to rising cost of ownership and slower growth in GDP," said Rajen Wadhera, president, Siam.

Wadhera said the recent push on infrastructure and rural economy by the government will increase sales, primarily two-wheelers and commercial vehicles.

Two-wheelers recorded a decline of 16.06 per cent in sales, with 13,41,005 units being sold in January this year, compared to 15,97,528 units in the corresponding month last year.

Wadhera cited poor consumption in rural areas as the reason for the fall in sales growth of two-wheelers.

Commercial and passenger vehicles recorded a fall of 14.98 per cent and 14.04 per cent, respectively, in January 2020, compared to last year.

A BUMPY RIDE

CATEGORY	Jan 2019	Jan 2020	% change
Passenger vehicles	280,091	262,714	-6.20
Commercial vehicles	87,591	75,289	-14.04
Three-wheelers	54,043	60,903	12.69
Two-wheelers	1,597,528	1,341,005	-16.06
Total	2,019,253	1,739,975	-13.83

Source: Siam

Hero eyes 10% of global e-cycle mkt

SHALLY SETH MOHILE
Greater Noida/Mumbai, 10 February

Two years ago, on a leisurely Sunday afternoon lounging on his sofa at his Ludhiana residence, Pankaj M Munjal, chairman and managing director (CMD) at Hero Cycles, was swiping on his iPad. The image of an electric bicycle (e-cycle) launched in Spain caught his attention.

He got on to the phone with his chief executive and research and development head. The trio met later in the day to discuss making a similar cycle. This is how Hero started reinventing the wheel.

The genesis of the thought, says Munjal, was 'the fear of failure'. The market for manually pedalled bicycles, their core business, was shrinking. "You can't change the macro trends; you have to align with it," he told *Business Standard* on the sidelines of the AutoExpo, where his company showcased a range of models that will shape its future.

These include a Straphanger, Essentia Connect, and Easy Step range of electric bicycles. The Easy Step, with a foldable body and seven-speed gear, is looking to tap into the need of an urban consumer globally.

Sale of bicycles in India are to drop 10 per cent in 2019-20. Hero's share is 40 per cent, from 36 per cent a year before, but the volumes have been muted.

Sensing an opportunity in Europe, the world's largest market for e-cycles, Hero diversified into e-cycles in 2018 through the launch of a Lectro brand. Last month, it acquired a stake in German e-bike manufacturer HNF Group.

The aim is to be a full-range supplier of e-cycles in Europe, a market that has seen 20 per cent annual growth over recent years. And, where the culture of cycling to work is gaining traction and the market is evolving at a fast pace.

To strengthen its foothold in Europe, Hero is in talks with a Dutch company for an alliance. It will announce a deal later this month.

The company says it aims at 10 per cent of the global e-cycle market in 2021-22, doubling the turnover to ₹7,000 crore and drawing half the revenue from markets outside India.

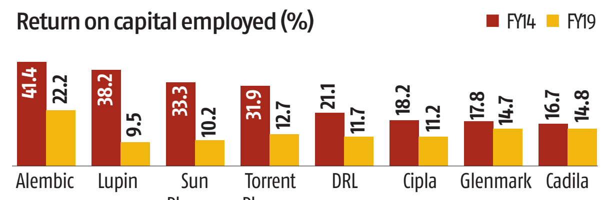
The 70-year-old firm had earlier done a pivot through acquisition of brands in India and outside, in a bid to premiumise. It bought Firefox Bikes in 2015. If then rode into Europe through the acquisition of Avocet, its first buyout abroad. Followed by the buyout of Sri Lanka-based BSH Ventures.

By the end of the ongoing financial year (March 31), Hero envisages selling 25,000 units of the Lectro brand of e-cycles and 5-5.2 million of manually pedalled bicycles. It has allocated ₹250 crore to set up an 'e-Cycle valley' in Punjab, an entire ecosystem for manufacturing e-cycles. An additional ₹350 crore into the project will be invested through joint venture partners and ancillary units. The idea is that 70-80 per cent of the production would be exported, mostly to Europe. The project will go on stream in a year and will augment the overall capacity from the current 6 million units per annum to 10 million.

PUTTING PEDAL TO METAL

- In talks with a Dutch company for an alliance
- Double the turnover to ₹7,000 cr
- Draw half of the revenue from outside India

IN A BITTER SPOT



Sources: Company, IIFL Research

Drug firms take a hit on compliance, R&D investments

SOHINI DAS
Mumbai, 10 February

The return on capital employed (RoCE) of Indian drugmakers has come down over the past five years because of higher investments in research and development (R&D) of new and complex generics, and quality compliance, the data shows.

The trend is unlikely to reverse in the near term, say experts. The RoCE, a key metric that measures how well a company is generating profits from its capital, of top Indian drugmakers has seen a decline between FY13-14 and FY18-19, shows the data analysed by India Infoline (IIFL).

For Lupin, for example, it has come down to 9.5 per cent, from 38.2 per cent, whereas Sun Pharma's RoCE has fallen to 10.2 per cent, from 33.3 per cent over the past five years. Torrent Pharma, which acquired the domestic formulations business of Unichem Pharma in 2017, saw its RoCE dip from 31.9 per cent in FY14 to 12.7 per cent in FY19.

IIFL analysts attributed the decline to increasing challenges in the US market — a key export market for Indian pharma firms. India's largest drugmaker Sun Pharma draws 31 per cent of its consolidated revenue from the US. "A majority of Indian firms now report low double-digit RoCE because of high investments. In the past, pharma firms attracted investors due to their superior RoCE metric. Conversely, lack of investor interest in main line Indian pharma names is driven by falling RoCE," IIFL said.

Earlier, Indian drugmakers used to focus on plain vanilla generic drugs that were going off patent in the US market. Those drugs required less expenditure on R&D. However, intense competition led to pricing pressure. Consequently, in the past few years, Indian drug majors turned to complex generics for higher profit margins.

India Ratings and Research said the demand-supply situation in the US generic drug market favours complex generics. The rating agency recently said it expected most large firms to aggressively invest in new product platforms to strengthen their market-readiness for the medium term. "This could constrain the cash flows and hamper the sector's deleveraging progress," it added.

Filings for complex generic drugs have risen to about 25 per cent of the overall product pipeline from nearly zero three years ago, CRISIL said.

On top of this, there is additional overhang of regulatory compliance related issues, which necessitates investments in ensuring quality compliance. In 2019, the US Food and Drug Administration issued 19 warning letters to Indian companies as against 11 issued in 2018.

Sameer Charania, director, CRISIL Ratings, said: "With intensifying regulatory scrutiny, sales growth from the US market will drop to 10-11 per cent during FY20-22, compared with growth of 16 per cent in FY19." A substantial delay in resolution of regulatory issues and/or heightened scrutiny could derail the US growth story, he said. That said remediation costs to resolve the regulatory observations are also likely to increase for big pharma. This is expected to shave off operating profitability by 100-150 basis points over the next two financial years from the current 19 per cent, CRISIL added.

Companies have thus, started focusing on cost optimisation and are also reviewing their R&D pipeline. Rating agency ICRA said the aggregate R&D spends of the top pharma companies have moderated from 9 per cent (of operating income) in FY17 to 8.8 per cent in FY18 and 7.8 per cent in FY19. For the first half of the current financial year, this has further moderated to 7.1 per cent.

Flipkart ups fintech focus to take on Amazon, Paytm

From providing consumer credit, device insurance to seller financing, the category grew 40% in 2019

PEERZADA ABRAR
Bengaluru, 10 February

Walmart-owned e-commerce firm Flipkart has increased focus on the Indian fintech market and will take on rivals such as Amazon and Alibaba-backed Paytm. Flipkart's overall fintech category, which comprises consumer credit constructs, device insurance, and seller financing, grew 40 per cent in 2019.

As the company brings the next 200 million consumers online, it aims to significantly multiply the number of users with access to its fintech products and services. This includes tier-2 and tier-3 cities, where it is seeing a lot of traction.

"We are now able to provide credit to about 65 million customers out of the base of 200 million customers. About 40-45 per cent of the customers don't have access to credit outside of the system at all," said Smrithi Ravichandran, head of business for fintech and payments group at Flipkart. "As the 200 million Flipkart customer base becomes 300 million in the next three-four years, our (aim) is to significantly multiply this 65 million. Our ambition is to give credit to everybody."

The overall transaction value in the Indian fintech market is estimated to jump from approximately $66.1 billion in 2019 to $137.8 billion in 2023, growing at a CAGR (compound annual growth rate) of 20.18 per cent, according to a report by PricewaterhouseCoopers and industry body Assocham.

Emerging markets are leading the way, with both China and India at 87 per cent fintech adoption rate in 2019, significantly higher than the global average of 64 per cent, according to EY's Global FinTech Adoption Index 2019.

Ravichandran said the company has adopted a three-pronged strategy to tap the fintech market. This includes enabling frictionless payment at scale using data insights, distribution and technology, and enabling credit especially to tier-2 and tier-3 customers and helping them buy aspirational products of their choice. It is also using innovative insurance technologies to give customers a "hassle-free" buying experience.

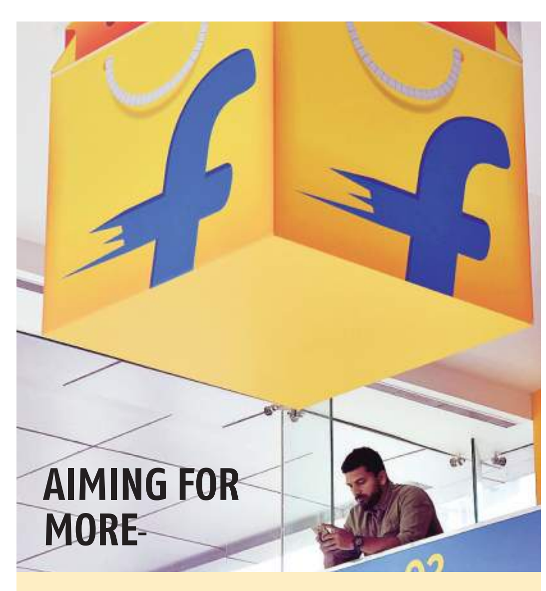
Flipkart ramped up its fintech offerings ahead of the festive season last year, to increase access to credit and affordability options for shoppers. Constructs like 'Flipkart Pay Later' and 'Cardless Credit' opened up access to credit for 55 million Indians ahead of the festive season.

Flipkart said these offerings are in-house innovations, introduced to make the online shopping experience seamless and affordable. 'Flipkart Pay Later' and 'Cardless Credit' grew more than 30 per cent in 2019.

"Driving credit access and penetration is very critical and core focus (for Flipkart) and we would continue to heavily invest in the next couple of years," said Ranjith Boyanapalli, head of fintech and payments group at Flipkart. "The reason we are extremely confident and want to invest is that we have the right distribution and technology capabilities and the right insights to make this happen."

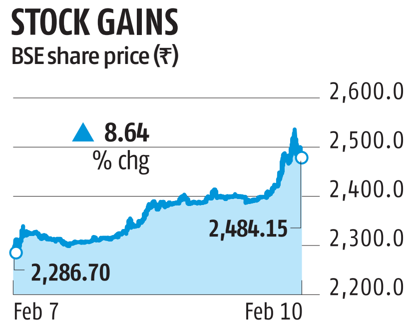
Flipkart said its seller lending programme, 'Growth Capital' grew 70 per cent in 2019, which has helped fuel the business aspirations of thousands of MSMEs (micro, small and medium enterprises) and sellers across the country.

The company also forayed into the insurance segment for the first time in 2018 with the 'Complete Mobile Protection' programme and launched 'Complete Appliance Protection' in 2019. The firm said these programmes have seen a phenomenal response from customers. During TBBD (The Big Billion Days) sale in 2018 and 2019, on average 1 in 3 appliances (mobiles, TV, and large appliances) sold on Flipkart was with 'complete device protection.'



- Overall transaction value in the Indian fintech market to reach $137.8 billion in 2023, from $66.1 billion
- Flipkart's overall fintech category grew 40 per cent in 2019
- As the company brings the next 200 million consumers online, it aims to significantly multiply the number of its fintech users
- In tier-2 and tier-3 cities, it is seeing a lot of traction

DMart M-cap crosses ₹1.5-trillion mark



SAMIE MODAK
Mumbai, 10 February

DMart retail chain operator Avenue Supermarts' market capitalisation on Monday crossed ₹1.5-trillion mark following an 8.6 per cent surge in its stock price.

The Radhakishan Damani-promoted company is now more valuable than Nestlé India and Bajaj Finserv, according to the BSE data. Shares of the company ended at ₹2,484.

The Radhakishan Damani-promoted company is now more valuable than Nestlé India and Bajaj Finserv, according to the BSE data

Meanwhile, Avenue Supermarts said it had fixed the price for its qualified institutional placement (QIP) at ₹2,049 per share.

The company issued 20 million new shares under the QIP programme to raise nearly ₹4,100 crore.

Investment bankers said the share sale garnered huge response from investors. Following the QIP, the promoter stake in the company will decline by about 2.8 per cent. The promoters could be required to dilute another 1.9 per cent before March 20 to comply with the 25 per cent minimum public shareholding norms.

CCI clears M&M, Ford Motor joint venture

The Competition Commission of India (CCI) has approved Mahindra & Mahindra's acquisition of majority stake in a wholly-owned subsidiary of Ford Motor, which will create a joint venture in the country.

In October last year, M&M said it would buy 51 per cent stake in Ardour Automotive for around ₹657 crore. In a tweet on Monday, the CCI said it has approved "formation of JV between Mahindra & Mahindra and Ford Motor and transfer of automotive business of Ford India to the JV". The remaining stake of 49 per cent in Ardour Automotive would be held by Ford Motor Co and/ or any of its affiliates. PTI

Weak signals for smartphone sales over coronavirus threat

NEHA ALAWADHI, PEERZADA ABRAR & ARNAB DUTTA
New Delhi/Bengaluru, 10 February

The spread of the novel coronavirus (nCoV) in China could have an impact on the sales of top electronics companies and smartphone makers such as Apple, OnePlus, and Xiaomi, especially those listed on e-commerce platforms like Amazon and Flipkart.

Business in China was scheduled to reopen on Monday. However, reports suggest that some provinces and districts have asked companies not to resume work till March 1.

Last year, India shipped 152.5 million units in 2019, becoming the largest smartphone market after China, according to the data from the International Data Corporation (IDC).

Of this, online sales in India were 41.7 per cent, growing by 18.4 per cent from the previous year. Offline sales grew only by 1.6 per cent during the year.

E-commerce executives in India said the industry has already started to feel the pain, given a lot of manufacturing happens in China. "It is not just the final product that comes from China. A lot of raw material used to make electronic products also comes from there. We are feeling the heat," said an e-commerce executive.

Analysts and industry experts have time and again said that since most vendors make provisions for inventory due to the Chinese Lunar New Year holiday, there may not be an immediate impact.

"The first quarter might not get affected, but new launches might see an impact," said Upasana Joshi, associate research manager, client devices, IDC India.

She added that, though, factories have not yet opened, there could be a "big drop in mobile phone supply if this goes on for another month. It is also too short a time frame to shift everything to another location, because almost all production of ships, camera modules, etc happens in China".

However, your phones may not be getting more expensive anytime soon.

"We have an economy which is perilously close to collapse. It has to be attended to by very competent doctors. In the last few years, we have found the doctors are not so competent"
P CHIDAMBARAM
Congress leader

"I am glad cheap electricity has become part of national political discourse. Delhi has shown it is possible to provide free/cheap electricity. Delhi has shown it also gets you votes"
ARVIND KEJRIWAL
Delhi chief minister

"The ideology of the RSS and the BJP is against reservation. We will not allow reservation to be done away with, no matter how much Modi Ji or Mohan Bhagwat dream of it"
RAHUL GANDHI
Congress leader

FC to recommend grants for statistics in 2nd report

Experts say MoSPI can take up leadership role but states will have to do actual work

ARUP ROYCHOUDHURY
New Delhi, 10 February

The Fifteenth Finance Commission (FC) will recommend grants for statistics in its second report, with an aim to improve statistical data collection and collation in India. This is among the various sectoral grants that the Commission has promised to award in its upcoming report, provided states and the Centre meet certain parameters.

The move comes at a time of widespread criticism on official data in India.

The Commission's report for 2020-21, tabled in Parliament on the day of the Budget, recommended a marginal reduction in vertical devolution of the divisible tax pool to 41 per cent from the prevailing 42 per cent. This is due to the newly formed Union Territories of Jammu and Kashmir and Ladakh getting funds out of the Centre's share and devolution being for 28 states now compared to 29 earlier.

The Commission's second report, for the award period 2021-22 to 2025-26, is expected to be submitted to the Centre in October.

"Reliable and credible statistics are central to policy formulation as well as its implementation and subsequent monitoring. The Ministry of Statistics and Programme Implementation (MoSPI) submitted a detailed proposal to us to enhance the system of data collection and dissemination related to various statistics, which is under our consideration," the Commission said in its first report.

"Based upon the proposal, the Commission plans to provide for grants for statistics, which will have a conditional component, to be released based upon achievement of certain milestones," it said.

These milestones include compilation and annual release of District Domestic Product Data, advance release calendar of relevant data, improvement in data collection, state monitoring framework for sustainable development goals, use of technology, etc.

"During 2020-21, the MoSPI and state governments shall work closely to develop guidelines, identify and train manpower and establish reporting systems in order to achieve the milestones for 2021-22 onwards," the report stated.

Experts say while the MoSPI can take a guiding or a leadership role, the actual work will have to be done by states.

"It has to be the states. The MoSPI can at most monitor. But according to constitutional provisions, this is the provision of states. But for a central allocation, where money is being given by the central based on data which is the domain of states, that creates a conflict of interest," said former Chief Statistician Pronab Sen, who is heading a high-level panel to review and develop the country's surveys on employment, industry and services sector.

Sen pointed out that the 13th Finance Commission also spoke about improving data. In its report, the 13th Commission had recommended grants for improvement of statistics in district and state level.

MILESTONES GIVEN BY THE COMMISSION

- Compilation and annual release of district domestic product (DDP)
- Compilation and monthly release of state index of IIP and CPI
- State monitoring framework for sustainable development goals and dynamic updation with National SDG Dashboard
- Publication of a monthly, quarterly and annual advance release calendar
- Participation in National Sample Surveys and release of estimates at the sub-state/district levels within one year of completion of the survey
- Using technology for data-capture through Computer Assisted Personal Interviewing mode, validation and processing
- Implementing dynamic updation of the proposed National Business Register
- Innovations for improvements in administrative statistics like establishment and household registries, land records, etc
- Dynamic updation with the national integrated information portal being developed by MoSPI

Source: 15th FC report

PRONAB SEN,
Former chief statistician

It has to be the states. MoSPI can at most monitor. But as per Constitutional provisions, this is the provision of states. But for a central allocation, where money is being given by the Centre based on data which is the domain of states, that creates a conflict of interest

No plan to give permanent status to panel, says Thakur

The government has no plans to give permanent status to the finance commission, Union Minister Anurag Singh Thakur said on Monday.

Currently, the government appoints a finance commission for a fixed term. While replying to a question in the Lok Sabha, Thakur also said the RBI was also not considering any proposal to give permanent status to the commission.

"No, Government of India is not considering any proposal to give permanent status to Finance Commission," the minister said in a written reply to the House. PTI

IN BRIEF

SAIL won't shut down three loss-making units: Chairman

State-owned Steel Authority of India (SAIL) will not close down three of its loss-making speciality steel plants if the company does not find buyers for these, Chairman Anil Kumar Chaudhary (*pictured*) said. Earlier, the Centre had approved outright sale of Alloy Steels Plant (ASP) in West Bengal, Salem Steel Plant (SSP) in Tamil Nadu and Visvesvaraya Iron and Steel Plant (VISP) in Karnataka, as accumulated loss in these units was over ₹370 crore in the last fiscal year. In July, the department of investment and public asset management had invited bids for 100 per cent stake sale in the three units of SAIL. However, the last date for submission of express of interests was extended thrice. "Process of divestment is on. We will not close down these special units," the chairman said. PTI

SC upholds validity of amendments to SC and ST Act

The Supreme Court on Monday upheld the amendments made to the SC and ST (Prevention of Atrocities) Act, restoring certain provisions, including that anticipatory bail cannot be granted to the accused under this law. Unless provisions of the Act are enforced in their true letter and spirit, "the dream and ideal of a casteless society will remain only a dream, a mirage", the top court said. PTI

UK high court to hear Vijay Mallya's appeal against extradition

Liquor baron Vijay Mallya is expected to return to court on Tuesday as the UK high court begins hearing his appeal against being extradited to India to face fraud and money laundering charges amounting to ₹9,000 crore. PTI

Shaheen Bagh stir: SC notice to Centre, Delhi govt on infant's death

The Supreme Court on Monday issued notices to the Centre and the Delhi government seeking responses on the issue of an infant dying on returning home from Shaheen Bagh where his parents had taken him along to the ongoing protests against the Citizen Amendment Act. A Bench took strong exception to some lawyers opposing the court's taking suo motu (on its own) cognisance of the matter. PTI

Bank fraud: HC to hear petition on Puri's bail in April

The Delhi high court Monday said it would hear in April the Enforcement Directorate's plea challenging the bail granted to businessman Ratul Puri, nephew of Madhya Pradesh Chief Minister Kamal Nath, in a money laundering case related to bank loan fraud. Judge Rajnish Bhatnagar listed the matter for hearing on April 27. PTI

Bank of Baroda cuts lending rates by 5-10 basis points

Public sector lender Bank of Baroda has reduced its marginal cost of funds-based lending rates (MCLR) by up to 10 basis points across tenors from February 12. One-year MCLR will be 8.15 per cent, as against the previous rate of 8.25 per cent. BS REPORTER

Govt clocks ₹40K cr in public procurement through GeM portal

Public procurement worth ₹40,000 crore has taken place through the government's online marketplace GeM, Expenditure Secretary TV Somanathan said on Monday. Stressing that the focus of public procurement system is on economy, rigour, fairness and transparency, he said the efficiency of procurement makes a big difference to the fiscal discipline. PTI

Plea in SC against trial of WhatsApp payments service

A plea has been filed in the Supreme Court seeking a stay on the alleged trials of WhatsApp payments service being carried out by the instant messaging app on one million users in India, saying they cannot be "reduced to guinea pigs". An NGO told the SC that WhatsApp is still not following the norms. PTI

Railways considering medical benefits to adopted kids of staff

The Railways on Monday told the Delhi high court it was "actively considering" the grievance raised in a PIL regarding restriction in medical benefits to adopted children of its employees and a "positive" direction was expected to be taken to address the issue. PTI

Q3 SCORECARD

Union Bank's pre-tax profit rises threefold

ABHIJIT LELE
Mumbai, 10 February

Government-owned Union Bank of India's profit before tax was ₹582.4 crore in the December quarter, from ₹133.2 crore in the same period a year before.

There was a substantial rise in net interest income and dip in provisioning for stressed loans. Net profit was ₹574.6 crore, from ₹153.2 crore earlier. Net interest income rose 25.7 per cent to ₹3,134 crore.

The share price closed 4.2 per cent higher at ₹50.95 on the BSE exchange.

Global gross advances grew 5.8 per cent over a year to ₹336,064 crore, driven by the retail (small borrower) segment which increased 10 per cent. The total of global deposits grew 10.6 per cent to ₹445,091 crore.

The share of low-cost savings and current accounts declined to 34.4 per cent, from 35.5 per cent a year before.

Gross non-performing assets (GNPAs, as a proportion of advances) was nearly 14.9 per cent, compared to 15.7 per cent in the same quarter a year before. Provisions for bad loans declined to ₹1,570 crore, from ₹2,139 crore. The provision coverage ratio on net NPAs was 67.4 per cent, from the earlier 58.5 per cent.

The capital adequacy ratio was 14.7 per cent. That for tier-1 capital was nearly 12.7 per cent on a standalone basis.

IOB loss before tax swells on NPA provisions

Indian Overseas Bank (IOB) has reported a substantial increase in loss before tax of ₹5,902 crore during the quarter ended December 31, as against ₹609 crore in the same period a year before.

The bank attributed this to high provisioning for stressed loans, of ₹5,564 crore during the quarter. Total income fell 8.6 per cent to ₹5,198 crore, as against ₹5,689 crore a year before.

Gross non-performing assets (as a proportion of advances) reduced to ₹23,734 crore, a ratio of 17.1 per cent, as against ₹35,787 crore with a ratio of 23.8 per cent at end-December 2018. Net NPAs declined to ₹7,087 crore (5.8 per cent), compared to ₹17,988 crore (13.6 per cent) in the earlier period. BS REPORTER

GAIL reports 22% rise in Q3 PBT at ₹1,872 cr

GAIL India on Monday reported a 22 per cent rise in profit before tax at ₹1,872 crore during the third quarter.

Its net profit saw a 25 per cent drop due to slump in margins on natural gas marketing, LPG and liquid hydrocarbons.

Revenues from natural gas marketing fell 9.5 per cent to ₹14,662.67 crore and segment profits dropped 31 per cent to ₹466.52 crore. Revenues and profits from its core gas transmission business, however, continued to grow in double digits.

GAIL Chairman and Managing Director Ashutosh Karnatak said it had been able to achieve growth in profit despite a fall in petrochemical prices. BS REPORTER

Relaxing asset quality norms risk to banks: Fitch

ABHIJIT LELE
Mumbai, 10 February

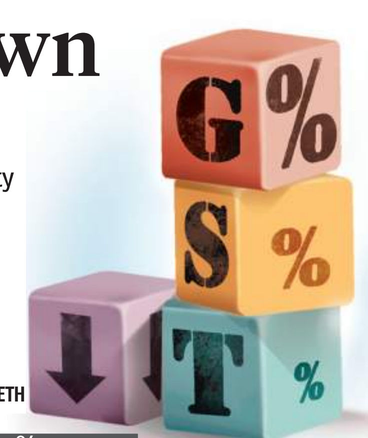
Relaxing of asset quality norms signifies a gradual shift from the Reserve Bank of India's (RBI's) effort to enhance quality and transparency of asset classification in the Indian banking system, rating agency Fitch said on Monday.

The RBI last week gave one more year for one-time restructuring of micro, small and medium-sized enterprises (MSMEs). Also, it announced relaxation in asset classification for certain real estate projects, a further dilution of the drive to enhance loan recognition, Fitch said.

There is a risk that such regulatory forbearance will perpetuate moral hazard as it follows aggressive lending growth and risk-taking in certain sectors in the five years till March 2019 (FY19).

It is not clear at the moment whether this forbearance will be extended to non-bank financial institutions (NBFIs).The probability of this is high, considering the impact the NBFI liquidity squeeze and a slowing economy have had on the MSME and real estate sectors.

States bearing the brunt of GST slowdown



Goods and services tax (GST) revenue of 23 states till December stands at ₹15,100 crore lower than last year, a 3.9 per cent dip. Now, the uncertainty over full compensation aggravates the revenue stress. Key states are in the red, with Punjab's collection at (–)16%, Uttar Pradesh (–) 11%, Andhra Pradesh (–) 16%, Kerala (–) 12%, Gujarat (–) 6% and Telangana (–) 8%. The data for five states, including Goa, Bihar, and Delhi, could not be accessed

COMPILED BY DILASHA SETH

State	Apr-Dec '18 (₹ crore)	Apr-Dec '19 (₹ crore)	% growth
Uttarakhand	5,532	3,705	-33.0
Mizoram	882	715	-19.0
Andhra Pradesh	22,879	19,133	-16.0
Punjab	10,122	8,546	-16.0
Nagaland	1,105	962	-13.0
Kerala	20,531	18,166	-12.0
Uttar Pradesh	66,396	58,910	-11.0
Karnataka	40,147	37,011	-8.0
Telangana	22,010	20,348	-8.0
Manipur*	502	467	-7.0
Gujarat	26,351	24,806	-6.0
Rajasthan	17,004	16,371	-4.0
Tamil Nadu	29,003	28,263	-3.0
Haryana	14,068	14,019	-0.35
Maharashtra	60,486	60,472	-0.02
Tripura	724	763	5.0
Chhattisgarh	5,625	5,944	6.0
Jharkhand	5,853.19	6,273.6	7.0
Odisha	8,507	9,582	13.0
West Bengal	17,861	20,270	13.0
Sikkim	273	339	24.0
Meghalaya*	453	611	35.0
Madhya Pradesh	7,285	12,723	75.0
Total collection	383,599	368,400	-4.0

* Figures for April–November

Source: Government

West Bengal rolls out sops ahead of polls

NAMRATA ACHARYA
Kolkata, 10 February

Ahead of Assembly elections in 2021, the West Bengal government on Monday announced in its Budget free electricity for consumers with quarterly consumption up to 75 units and a scheme to build houses for all permanent tea garden workers.

Finance Minister Amit Mitra presented a Budget of nearly ₹255,677 crore, an increase of about 7.4 per cent over last year. The state's outstanding debt has increased to nearly ₹4.75 trillion, an increase of about 10 per cent against the revised estimates of FY20.

The state exceeded its state tax revenue target for FY20 at ₹65,806 crore, as against the Budget estimates of ₹65,546 crore, according to the revised estimates for the year. Over the past few years, West Bengal has rolled out a slew of tax reforms, including digitalisation of taxation.

In the Budget, the state finance minister has announced free electricity scheme for consumers with quarterly consumption up to 75 units. The scheme will benefit nearly 3.5 million families

The free electricity scheme will benefit nearly 3.5 million families for an outlay of ₹200 crore. The state has also earmarked ₹2,500 crore for old age pension scheme for people belonging to scheduled caste.

For unemployed youth, the state has proposed ₹500 crore as soft loans and subsidy for income generating schemes up to ₹2 lakh. The state has proposed an allocation of ₹500 crore for construction of houses for permanent workers in tea gardens.

The state also rolled out a number of settlement schemes for taxpayers, including option to settle VAT, CST and others that are due by depositing 25 per cent of disputed tax by March 31. According to Mitra, under the settlement scheme introduced in December 2019, nearly ₹1,200 crore could be collected, benefitting nearly 30,000 taxpayers. Still, more than 25,000 disputed cases are pending. The state has also up with waiver scheme of penalty on outstanding motor vehicles dues, waiver of interest on outstanding stamp duty, waiver of agriculture income tax in tea gardens, reduction of stamp duty on amalgamation.

Mitra said: "India's GDP growth rate has touched its lowest — it has come down to 5 per cent in 2019-20, which is lowest during the past 11 years. In comparison, the growth in GDP in Bengal has reached 10.4 per cent, which is double the growth rate of India," said Mitra.Also, the state received close ₹4.45-trillion worth investments in large industries in five years of Bengal Business Summit. Also, in the last eight years, nearly ₹22,267 crore has flowed in as foreign capital, he said.

Centre denying ₹50K cr in dues to state: Mitra

West Bengal Finance Minister Amit Mitra on Monday accused the Centre of denying the state more than ₹50,000 crore in dues in the form of grant, goods and services tax (GST) collection, and devolution.

In terms of devolution of taxes in the recent Union Budget, West Bengal has been denied close to ₹11,200 crore in 2019-20 (FY20). Further, in terms of grants, the state has been denied nearly ₹37,973 crore and close to ₹1,300-crore GST compensation is due in the present month alone to the state, said Mitra at a press meet after presenting the state Budget for 2020-21.

"When Chief Minister Mamata Banerjee met Prime Minister Narendra Modi, she handed over a list, where the dues to the state was pegged at ₹38,000 crore. Now, we know from the Budget that total dues are much more. If we add the dues of more than ₹50,000 crore, the total dues will be close to ₹90,000 crore," said Mitra.

According to the West Bengal Budget document, for 2020-21, the state's share of union taxes and duties in revenue receipts is pegged at ₹65,835 crore, against ₹59,261 crore in 2019-20 (revised estimates), a rise of about 11 per cent. The grant in aid from the Centre is seen at ₹38,490 crore for 2020-21, against ₹34,174 crore in 2019-20 (revised estimates), a rise of about 13 per cent. NAMRATA ACHARYA

The rise and rise of digital news

VANITA KOHLI-KHANDEKAR
New Delhi, 10 February

Of the 405 million Indians who were online in December 2019, more than 393 million consumed news. Times Internet, Network18, and the India Today Group remain the top three digital publishers in India.

Video has played a huge role in this growth. YouTube remains the preferred partner for news video. Anywhere from 50-100 per cent of the growth in views for the top five publishers comes from YouTube. That, among other facts, is what comScore's list of the top digital publishers in December 2019 and its *Trends in Online News Consumption* report released earlier reveals. The trends report covers the data from September 2018 to September 2019.

The top 10-20 firms remain the same with some shuffling. It is their growth which is eye-popping. The India Today Group, which runs a clutch of sites such as Aaj Tak, Lallantop and others shot up from 87.34 million unique visitors or viewers in January 2019 to 153.4 million by December.

Network18, which operates CNBC, IBN and other brands, shot to 201.7 million unique users, up from 105-odd million at the beginning of 2019. The trends report offers several insights into the shape of this growth.

Here are three:

One, news aggregators are becoming powerful. Of the 282 million unique visitors that news attracted as a category in September 2019, 158 million unique visitors came from aggregators, with Dailyhunt leading the pack. That is up from about 60 million in 2018.

Two, in September 2019, Indians spent an average of 191 minutes per visitor on news sites, compared to say 352 minutes in the US or a mind-boogling 667 minutes per visitor in Finland. Also with over 90 per cent of the traffic coming from mobiles, India remains, by far, the leader in online news consumption on the mobile. China's mobile news consumption is marginally higher than India's.

Three, within languages, Hindi leads. It gets 192 million of the 282 million unique visitors to news sites in September 2019. Marathi and Malayalam are the other strong languages. Much of this is probably a function of what is available. Hindi, Marathi, and Malayalam have strong online brands from Dainik Jagran, Dainik Bhaskar, Malayala Manorama, among others. Their group firms feature routinely in the listing of the top 50 digital publishers in India.

YOUTUBE BOOSTS GROWTH OF NEWS VIDEOS

	UVs from YouTube (mn)	Total UVs (mn)
Network 18	67	118
India Today Group	84	85
ABP News Network	52	62
Times Internet	25	33

UV: Unique visitors
Source: comScore VMX Multi-Platform, news/information category, September 2019, India

UNIQUE VISITORS/VIEWERS

Total digital population	(000)
Times Internet	288,477
Network 18	201,690
India Today Group	153,411
Dailyhunt	133,409
The Indian Express Group	128,122
Zee Digital	116,145
HT Media Group	115,224
NDTV	91,487
Jagran New Media	80,366
Amar Ujala Group	53,002
Bhaskar Group sites	36,970
The Hindu Group	36,175
Microsoft News	34,340

Geography: India
Time period: December 2019
Universe type: Desktop 6+ and total mobile 18+
Target: Total audience

Industry seeks changes in tax settlement scheme

Finance Minister Nirmala Sitharaman on Monday met industry representatives FILE PHOTO

INDIVJAL DHASMANA
New Delhi, 10 February

Industry on Monday asked Finance Minister Nirmala Sitharaman to tweak the Bill on settling direct tax disputes by reducing the amount of tax under the scheme on the lines of a similar one for indirect taxes announced in the previous Budget.

Sitharaman on Monday met industry representatives on the scheme that provides opportunity to taxpayers to pay outstanding taxes and get waiver of interest and penalty.

Sources in the Federation of Indian Chambers of Commerce and Industry (Ficci) said the main lacuna of the scheme was that 100 per cent of the disputed tax had to be paid. On the other hand, a similar scheme to settle pre-GST excise and services tax dispute had a provision to reduce tax liability by half.

Sources in Ficci say the lacuna of the scheme is that 100% of the disputed tax has to be paid. But a similar scheme to settle pre-GST excise and services tax dispute had a provision to cut tax liability by half

The chamber recommended that reduction of tax should also be provided under the direct tax scheme.

The Direct Tax *Vivad se Vishwas* Bill offers waiver of interest, penalty and prosecution for settlement of these disputes pending before the commissioner (appeals), Income Tax Appellate Tribunal (ITATs), high courts or the Supreme Court as of January 31.

While a complete waiver of interest and penalty will be given in case of payment made by March 31, an additional 10 per cent of the disputed amount will have to be paid after that.

Separately PHD Chamber of Commerce President D K Aggarwal in a statement said that the last date for the scheme should be extended by a month till April 30.

The scheme "will benefit many taxpayers and can generate more than ₹2 trillion for the government in the coming times if it is broadened and exclusions are minimum under this scheme," said Aggarwal.

Sources at Ficci said the deadline for filing declaration should be March 31, instead of payment of taxes.

They said the scheme should also cover those taxpayers who have approached the dispute resolution panel, but have not filed appeal before the Commissioner of Income Tax (Appeals).

About 500,000 cases involving ₹9 trillion direct taxes are locked up in litigation. The scheme cannot be availed of in case where prosecution has been instituted or where tax arrears relate to undisclosed foreign income or assets.

'Imported goods kept in bonded warehouse can be re-exported in DTA'

CHATROOM

T N C RAJAGOPALAN

Is it necessary that goods stored in customs bonded warehouse have to be first processed for value addition and then removed for re-export or for local consumption?
No. You can re-export the warehoused goods under Section 69 of the Customs Act, 1962 without any processing. You can also clear the warehoused goods in DTA without any processing under Section 68 of the Customs Act, 1962. The conditions for such re-export or DTA clearance are spelt out in those legal provisions.

We are auto parts manufacturers and facing a problem of non-clearance of long-pending shipping bills, due to which the name of our concern is appearing in the RBI Caution List. The pending shipping bills pertain to FYs 2013-14, 15-16, 16-17, 17-18 and 18-19. Most of the cases are of short payments (by more than 25 per cent) or no payments (100 per cent), due to quality problems or rejections destroyed at the customer's end. There is no record available for matching of adjustments/deductions made by the customer from the payments towards old rejections/material scrapped at their end. There is also a case, where due to some inadvertent mistake, excess rate was charged in the export bill, and thereafter a credit note (of about 38.06 per cent of the export bill) was issued to the customer towards rectification of the error. Further, our cases for write-off do not fall under the categories/circumstances given in the provisions/ guidelines of RBI Master Circular [for write-off of unrealised export bills (C.23)]. How can such long-pending shipping bills be cleared/closed?
Para C.23(xi) of the Master Direction no.16/2015-16 dated January 1, 2016 (as amended) says that cases not covered by the above instructions/ beyond the above limits, may be referred to the concerned Regional Office of the Reserve Bank of India. So, you may approach the RBI through your bank.

In our EPCG authorisation issued under FTP 2011-12, as per prevalent policy, we obtained JDGFT's permission to fulfil EO through exports of a group company. Is it obligatory for the authorisation holder to fulfil 50 per cent EO first and thereafter fulfil remaining 50 per cent to be fulfilled by the group company? Also, if 50 per cent of EO is fulfilled by the group company and remaining 50 per cent is not fulfilled by authorisation holder, will it be considered that 50 per cent EO stands discharged under authorisation?
There is no requirement that you have to fulfil 50 per cent EO first and thereafter count the remaining 50 per cent of the EO through exports of your group company. Also, there is no bar on counting 50 per cent of the EO through exports of a group company, even if you have made no exports.

According to Para 2.50A of FTP, "Imported goods found defective after Customs clearance, or not found as per specifications or requirements may be re-exported back as per Customs Act, 1962". What is the corresponding provision for re-exporting goods back, as per Customs Act 1962?
Please refer to Section 26(1)(d)(i), Section 69 and Section 74 of Customs Act, 1962.

Business Standard *invites readers' SME queries related to excise, VAT and exim policy. You can write to us at* smechat@bsmail.in

Tackling the locust menace

Effective monitoring for timely warning and prompt large-scale control operations, preferably through aerial spraying, seems imperative for good results

FARM VIEW

SURINDER SUD

Desert locusts, a type of grasshopper, are the most destructive of all the pests. They are also very prolific breeders and voracious eaters, devouring any vegetation that comes their way. Moreover, they are good fliers and if aided by winds can cover up to 150 km in a day to migrate to areas across countries and geographical regions.

Unsurprisingly, therefore, the current locust outbreak, spotted first in East Africa in March 2019, surfaced later in areas around the Red Sea and Southwest Asia, including Iran, Afghanistan, Pakistan and India. Thousands of hectares of cropland have already been ravaged by locusts in the Indian states bordering Pakistan — notably Gujarat, Rajasthan and Punjab. Of late, it has spread to the Sirsa region of Haryana as well. Though the timely response by the central and state authorities, coupled with efforts of the vigilant farmers, have managed to prevent the locust situation from getting out of hand, the threat is not yet over and perhaps the worst is still ahead.

According to the United Nations Food and Agriculture Organisation (FAO), the recent heavy rain in the southern coast of Iran, where locust swarms have already laid eggs, have created conditions conducive for them to undergo couple of additional breeding cycles. This might lead to exponential proliferation of their population in coming months. Migration of some of them to the India-Pakistan region cannot be ruled out. Besides, some locust flocks already present along the India-Pakistan border have also found favourable soil moisture regime for breeding, thanks to overabundant winter rain this year. This is bad news for agriculture. Pakistan has already declared a national emergency over locust outburst in Sindh, South Punjab and Khyber Pakhtunkhwa.

In India, locusts have been noticed since last June. Gujarat and Rajasthan have witnessed tangible crop damage due to them. Punjab and Haryana have begun to feel the pinch now. The Rajasthan government has formally approached the Centre to treat the locust onslaught as a national calamity. The agriculture ministry, which is assisting the affected states in combating this menace, is planning to widen this fight by inviting 30 locust-infested countries to prepare a joint road map for coordinated international action against locusts.

The FAO, which is monitoring the locust situation in various regions, at present, is focused more on Africa where the infestation has assumed perilous proportions. The locust swarms in some African nations have become so intense that one cannot see the sky. The global body has sought liberal donations to cope with this scourge.

Locusts are, indeed, hard to control because of the huge magnitude of their swarms and their unique propagation technique. The females lay clusters of eggs, encapsulated in pods, below the soil surface by digging holes, which are later covered with soil. This makes it difficult to destroy the eggs to stall the multiplication of locusts at this stage itself. The nymphs and adults tend to get scattered over vast stretches, necessitating simultaneous control measures over large contiguous areas. Only specialised organisations and government agencies can undertake such operations. Moreover pesticides are required to be applied in concentrated doses through vehicle-mounted or aerial sprayers. Special precautions are needed to save humans, livestock and other non-targeted fauna from the pesticides.

Some bio-pesticides, such as neem extract and certain types of fungi and bacteria, have also been found to be effective against locusts, but these take much longer, often a week to 10 days, to show results. By then, the damage is usually done. Some other bio-control agents and natural enemies of locusts, such as wasps, predatory beetle larvae, birds and reptiles, are also of limited utility because of their slow action. Farmers, on their part, can do little except scaring locusts away from their fields by beating drums and kitchen utensils, blaring out loud noise from loudspeakers and burning fires. But this only shifts the menace to the neighbouring areas. Effective monitoring for timely warning and prompt large-scale control operations, preferably through aerial spraying, seems imperative for good results.

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CHINESE WHISPERS

Further decolonisation

In an early decision after becoming Madhya Pradesh chief minister, Kamal Nath (*pictured*) had said he wanted to redesignate the office of the "collector" because it was an inheritance of the colonial era, when "collectors were a tool to collect revenue for the British government". Now, after more than a year, he has constituted a committee headed by senior IAS officer I C P Keshari, for the task. He, along with four other IAS officers, is expected to suggest alternatives to the word "collector". Some options such as *jila prashasak* (district administrator) and *jiladheesh* (ruler of district) were discussed recently by the government but no decision was taken. Most other states in India use the term "district magistrate" instead of "collector".

Disproving slowdown theory

It's again a Bharatiya Janata Party leader who has "proven" there is no slowdown in the world, let alone in India. "There have been discussions, in Delhi and the world, about a recession. If there was any recession, we would have come here wearing *kurta* and *dhoti*, not coats and jackets. If there was a recession we would not have bought pants and *pajamas*," Virendra Singh, MP from Uttar Pradesh's Ballia district, said. Last November, Union minister Suresh Angadi had dismissed the Opposition's criticism of the state of the economy, asserting that airports and trains were full and people were getting married, and that indicated the country's economy was "doing fine".

Yes, there is 'slowdown'

While ruling party members fervently hope there is no slowdown — and have taken it upon themselves to prove there is none indeed — leaders of various opposition parties have not stopped criticising the Central government for failing to revive the economy. "Prime Minister Narendra Modi spoke about doing *surya namaskar* to strengthen his back. It would be good if he could suggest a similar *asana* (yoga posture) to unemployed youngsters," Samajwadi Party chief Akhilesh Yadav said at an event in Barabanki, Uttar Pradesh. He was picking up where Congress leader Rahul Gandhi and Modi had left. The prime minister, in his reply to the discussion on the presidential address, had referred to the Congress leader's comments about "youngsters beating up Modi with sticks over the lack of jobs", and had said he would increase the number of *surya namaskar* so that his back could "withstand" the beating.

FMCG's middle-class crunch

The Budget's incentives have ignored a large section of middle-class buyers, pushing a revival in demand further down the road

VIVEAT SUSAN PINTO

Fast-moving consumer goods (FMCG) companies are waking up to a new reality: The consumption slowdown could extend a little longer than expected since the Budget has not given the middle class much room to loosen their purse strings just yet.

Instead, as many FMCG executives say, it has pushed "hard choices" on people. "They have given money in one hand and taken it from the other," says Adi Godrej, chairman, Godrej group, while speaking of the cuts in personal taxation for earnings up to ₹15 lakh per annum.

The cuts in personal taxation across income brackets were expected to be an important lever to spur consumption. The government, though, has opted to be cautious on that front.

"The income tax cuts for those earning up to ₹15 lakh annually can be availed of only if tax exemptions in the bracket are forgone," says Godrej. "What good does that serve? We need bold measures to boost consumption. That has not happened," he says.

Encouraging the middle class to spend some more is important because it is the backbone of the economy, says Ankur Bisen, senior vice-president, retail and consumer products, Technopak. Industry estimates have pegged the size of India's middle class at 350-400 million. Their incomes could vary from anywhere between ₹3-5 lakh per annum at the bottom of the pyramid and ₹25-30 lakh per annum on the top, they say.

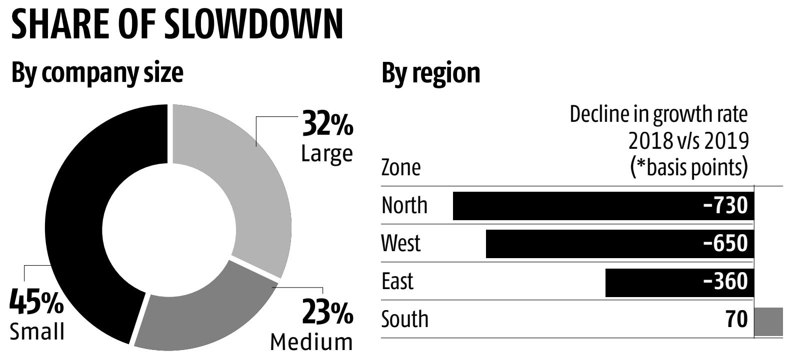
And while those drawing up to ₹15 lakh per annum have been given some tax breaks, those above the ₹15 lakh per annum threshold have been passed up for now. This means, says H K Pradhan, p rofessor of finance and economics, Xavier School of Management, that these people would be a tad slower in making key purchase decisions. Many continue to keep cutting household expenditure wherever possible, including on everyday items from soaps to biscuits.

As Sanjiv Mehta, chairman and managing director, Hindustan Unilever, said, "The market conditions are challenging in short term. But I remain hopeful of a revival in the medium to long term. It is important to put money in the hands of people to kick off a virtuous cycle of growth."

Experts say that the challenges of growth revival have been left to the market. "The Budget has not addressed the demand slackening appropriately or taken measures to revive rural consumption, which is a key cause for the current slowdown," he says.

Varun Berry, managing director, Britannia Industries, says that the levers that the government has activated, including rural, infrastructure and entrepreneurship, would take time to fire up, a point that has been reiterated by many CEOs following the Budget on February 1.

SHARE OF SLOWDOWN



*One basis point is equal to one-hundredth of a percentage point

Source: Nielsen

"There is a structural demand issue in the market. And any sign of a revival would show up with a lag. It would depend on a number of factors, including the monsoon, post-harvest crop and festive demand," says Madan Sabnavis, chief economist, Care Ratings.

In other words, most FMCG CEOs and experts are now pointing to a revival in the third quarter of FY21 versus the fourth quarter of FY20. Even the Reserve Bank of India (RBI) in its bimonthly monetary policy meet last week had said that a demand revival could come about in the second half of 2021, specifically in the third quarter when the gross domestic product (GDP) growth rate would touch 6.2 per cent from 5 per cent now.

For market research agency Nielsen, this is a worrying sign since it had forecast a demand revival for the FMCG market in the January-March 2020 period, saying the sector had bottomed out after reporting its slowest growth in six quarters during October-December 2019.

Nielsen data shows that the FMCG market growth stood at just 6.6 per cent in the December quarter from a high of 16.2 per cent in July-September 2018. That is a decline of nearly 60 per cent, the agency said, pointing to how bad the slowdown has been in recent months. Rural areas have grown at an even slower pace to overall market growth in the December quarter, it said, at 5.2 per cent versus urban areas, which have grown at 7.4 per cent during the period.

But can companies afford to hold back on their launches and initiatives in the absence of a meaningful upturn in the economy? Not at all, says Mohit Malhotra, chief executive officer, Dabur India. "The strategy for us would be to stay the course and to invest strongly behind our brands," he said in an investor call last week. "We will continue to expand our distribution footprint and enhance our competitiveness in the market."

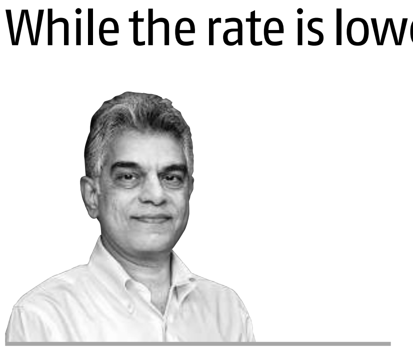
In an investor update last week, consumer goods major Marico said that it would focus on reviving sustainable growth in its brands by redirecting funds from trade promotions to consumer pricing. The company also said that it would upgrade its distribution infrastructure in urban general trade and expand direct reach to rural areas.

Nielsen says that companies are focusing more on entry-level packs and price points in keeping with the trend of lower household consumption. Some experts say that low-unit packs in an FMCG company's portfolio has grown by 20-25 per cent in the last few months versus 10-15 per cent earlier. That trend, they say, will not slacken any time soon.

ON THE JOB

Unemployment rate 7.2% in Jan 2020

While the rate is lower in rural India, it is also less meaningful



MAHESH VYAS

In January 2020, the unemployment rate in India was 7.16 per cent. This is substantially lower than the 7.6 per cent unemployment rate recorded in December 2019.

In recent months, the monthly unemployment rate seems to have stabilised at just below 7.5 per cent. But, month-on-month variations, at about 65 basis points, have been higher than in earlier years. Such variations have usually been between 30 and 50 basis points. The average monthly unemployment rate over the 12 months ending January 2020 is 7.4 per cent. During this period, the rate touched a high of 8.2 per cent in August 2019 and it dipped to a low of 6.7 per cent in March 2019.

The unemployment rate did cross 8 per cent in August and October 2019. But, it has been distinctly lower than that since October. While the unemployment rate did breach the 8 per cent mark twice, it did not seem to be able to sustain that level. The rate seems to have slipped down decisively below 8 per cent but it remains distinctly higher than 7 per cent.

Evidently, although the unemployment is quite high at about 7.4 per cent, it has stopped rising as it has been since mid-2017. The new phenomenon is a substantial increase in the month-on-month variations in the unemployment rate. Besides the increase in monthly variations, there is an increase in the gap between rural and urban unemployment rates.

The urban unemployment rate is always higher than the rural unemployment rate. This seems counter-intuitive but it is true. Intuitively, we understand that rural regions cannot provide much meaningful work and therefore people migrate from villages to cities. If there are no jobs in rural regions, how can unemployment there be lower? Similarly, how can unemployment be higher in urban regions? The problem arises because of the way employment is defined.

Household surveys capture all kinds of employment. But all employment is not necessarily in productive work. Even disguised employment — that which adds no real value and even that which is not even desirable or even recognised as a meaningful job by the person engaged in it, is considered employment. If a person is engaged in doing some work for pay or for profit independent of whether the work is meaningful, desirable, recognised or whether it adds any value or not, it is considered employment.

In rural regions, some members of a family may manage a farm and some of its members may go out to the cities to find better jobs. But when they do not find jobs and return to their village they get absorbed into the family farms without displacing any of the others already working on the farms. This does not necessarily produce any more farm produce, but now the farm employs more people than it did earlier. The additional people do not add any significant value or desire this work or even consider it as work. Yet, a survey will record this as employment.

If these members who returned to their villages had stayed in the cities they would have declared themselves unemployed because they were looking for jobs there but were unable to find any. But, when they did not find any job and therefore returned to work on their farms, when they honestly declare their activities to surveyors, the surveyors honestly record them as employed.

It is easier to remain employed in such a disguised manner in the rural parts. Rural India does not provide meaningful jobs like urban India provides but it can keep people employed in unproductive or low-productivity disguised work.

But this is possible only when rural folks have land to till. Landless labourers who do not have land to fall back on are the major source of the unemployed in rural regions. Besides, the educated who are not willing to work on the farms, but continue to live in rural India form the bulk of the unemployed in the rural parts.

The rural unemployment was 6 per cent in January 2020. It was 6.9 per cent in December 2019 and had peaked at 8 per cent in October 2019. The fall in unemployment in rural India has been quite sharp.

While rural unemployment fell, urban unemployment rose in January 2020. It touched 9.7 per cent compared to 9 per cent in December 2019. At 9.7 per cent the urban unemployment rate is close to its recent peak of 9.71 per cent in August 2019.

While rural and urban unemployment rates have been very different, the divergence increased sharply in January 2020 to 3.73 percentage points.

While the unemployment rate is lower in rural India, it is also less meaningful. But it has a bigger weight in the all-India unemployment rate. Therefore, what matters most is the unemployment rate in urban India, which has risen to 9.7 per cent in January 2020.

The author is MD & CEO, CMIE

LETTERS

Handle with care

This refers to the editorial "How much money will you get if your bank goes bust?" (February 10). Tamal Bandyopadhyay gave a good analysis on the insurance cover available to bank deposits vis-a-vis prevailing trends across the globe. With the hike in the insurance cover to ₹5 lakh, 93 per cent of the depositors are expected to be covered. But, as far as deposits are concerned, only 34 per cent are covered. What measures can the rest 66 per cent deposit holders take to keep their money safe? I can suggest some steps. Keep deposits in the names of family members if you are opting for one bank or open accounts in multiple banks. The chances of multiple banks collapsing at a same time are remote. Next, restrict deposits in individual names to ₹5 lakh in one bank. As of now the safest banks are the public sector ones. Since majority shareholding is with the government, sovereign guarantee is available. The government will not allow these banks to fail.

Be wary of deposits in co-operative banks even if they pay better interest rates than others. Customers should not be enticed by higher interests and risk their corpus. Even though there is an insurance cover to the extent of ₹5 lakh, the procedure for getting this amount is a long drawn out and laborious one. It will need ingenuity and knowledge of the rules to ring-fence one's deposits from erosion if the institution fails.

KV Premraj Mumbai

Better safe than sorry

This refers to the editorial "AI to the rescue" (February 10) regarding the coronavirus threat. There are distinct similarities between SARS and the coronavirus outbreak because both originated from China and killed more than 700 people. Only, SARS had a cure, which is not the case with the coronavirus. Though China has informed the World Health Organization about this epidemic, it did not handle this infection the way it should have. In fact, China pulled up its own doctors who tried to raise their voice against the coronavirus threat. China thought it would be able to handle this, but unfortunately found it is too big a problem for them to wish away. As rightly pointed out in your editorial, it is better to be prepared for any eventuality here in India. Today we may have less than 10 confirmed cases in Kerala, but there is no guarantee that it will not spread further.

Bal Govind Noida

Do not discriminate

Successive governments at the Centre have been non-responsive towards the demands of the pensioners of financial institutions, in particular, public sector banks and the likes of LIC and GIC. True, the financial position of banks has worsened over the last few years but that is because of political interference, wilful default by big borrowers and a small group of corrupt officials. But this should not become the reason to deny pensioners full dearness relief and upgrade to their pension. The quantum of pension fund of banks and other institutions, built over the years, is sound to meet all the past, present and future liabilities. Moreover, the pension rules/regulations also provide for requisite augmentation of pension funds.

The central government employees and pensioners, right since 1982, have ensured that the government respects and adheres to the Articles 14 (Right to equality) and 21 (Right to live in dignity) of the Constitution. They have obtained revised pension and arrears since pay revisions on January1, 1996, 2006 and 2016, although, on a few occasions, they have had to knock on the doors of the Central Administrative Tribunal and the Supreme Court of India. They were fortunate enough to get the courts' judgment in their favour in two-three years. However, the LIC pensioners have been fighting their cases for over 20 years. It is unfair on part of the Centre to discriminate between the central government and public sector financial institution pensioners. The government, which proclaims "*sabka saath, sabka vikas, sabka vishwas*", should do justice at the earliest.

Ramanath Nakhate Mumbai

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HAMBONE

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Rowlatt redux?

PSA dossiers against two former CMs point to overreach

The Public Safety Act (PSA) dossiers against former Jammu & Kashmir (J&K) chief ministers Mehbooba Mufti and Omar Abdullah, who completed six months of house arrest, appear to have come straight from the playbook of the world's most authoritarian regimes. The 42-year-old Act allows a person to be taken into custody to prevent him or her from acting in a "manner prejudicial to the security of the state and maintenance of public order" for up to two years. Even within that broad and ambiguous remit, the dossiers against Ms Mufti and Mr Abdullah are bizarre and thin on hard evidence. The accusations against the two leaders do not go beyond the standard activities of any politician in a vibrant democracy. For instance, Ms Mufti is inexplicably referred to as "Daddy's girl" (is closeness to her late father a security threat?), who has "dangerous and insidious machinations and [a] usurping profile and nature". The proof? Critical statements about the Centre's decision to read down Article 370 and 35A, which gave the former state of J&K its special status. Apparently, Ms Mufti's warning that the Centre's actions would be "akin to lighting a powder keg" and tweets criticising the criminalisation of Triple Talaq — statements that commentators all over India have echoed — make her a threat to public safety.

The dossier also says she collaborated with separatists, citing "confidential reports," a standard alibi for non-evidence, though her demand that militants be treated with dignity after death may have been considered unpatriotic. The inconvenient truth that the Bharatiya Janata Party (BJP) thought fit to ally with this same politician's party between 2015 and 2018 appears to have been overlooked. The evidence against Mr Abdullah also focuses on his speeches in defence of Articles 370 and 35A and his unexceptionable statement that abrogating them would reopen debates about J&K's constitutional status. Then, it urges his detention because his "capacity ... to influence people for any cause can be gauged from the fact that he was able to convince his electorate to come out and vote in huge numbers even during peak of militancy and poll boycotts". The logical dissonance in equating with incipient terrorism a politician's ability to mobilise voters to exercise their franchise appears to have bypassed the dossier's authors.

It can be said that both leaders have been hoist with their own petard, since J&K governments have regularly invoked the Act since it was passed in 1978 as terror threats began to mount. But the evidence on which the Centre has chosen to act suggests an unwarrantedly thin-skinned response to criticism for its decision to alter J&K's status. It is also worth noting that it has fully exercised a 2018 amendment to the PSA Act, allowing individuals to be detained outside the state. All these actions bear an unsettling resemblance to the British response to protests against the Rowlatt Act of 1919. The difference is that those repressions were imposed by a colonial power on a subject people. To be fair, it's not the BJP alone; successive governments in India have been on an overdrive on preventive detention. Remember the Maintenance of Internal Security Act (MISA), a controversial law passed by Parliament in 1971? Sadly, the tradition continues. If citizens' right to criticise a government becomes a law and order threat, the future of the republic as a functioning democracy becomes an open question.

Optimistic projection

Doubts emerge about the Budget's tax revenue estimates

The Union Budget for 2020-21 has rightly received plaudits for attempting to restore some transparency and credibility to the government numbers. The extra-budgetary borrowing has been explicitly accounted for in some respects and the revenue and expenditure numbers, at first glance, do not seem out of line with reality. Yet it is important to note that on closer analysis several aspects of the budgeting are, in fact, optimistic. Some have focused on the difficulty of raising ₹2.1 trillion from the markets in 2020-21, given that this disinvestment target is well above what has been achieved in previous years. But questions should also begin to be asked about the tax revenue assumptions for both the current and next year. As this newspaper has reported, when the tax revenue assumptions for the current fiscal year are reconciled with the as-yet unaudited provisional actuals for the nine months available, it appears the Budget hopes for 40 per cent of the full year's tax collection to be obtained in the last quarter of the 2019-20 fiscal year. This is considerably more than what has been the case in previous years, other than in an exceptional year when there was an oil price windfall accompanied by higher fuel taxes. For comparison, the equivalent proportion of the whole year's tax revenue collected in the last quarter of 2018-19 was under 30 per cent. While it is possible that the government hopes that significant additional tax will accrue through extra effort and a perceived revival in the economy, it is nevertheless the case that these assumptions appear hopeful.

The implications for next fiscal year's revenue and deficit targets are worrying. If historical patterns are met and the government falls short of its 40 per cent target in the last quarter, then the increase in tax revenue budgeted for 2020-21 over 2019-20 reaches alarming and unrealistic proportions of over 20 per cent. This is improbable, given that nominal growth is low at the moment. It would almost certainly lead to another climbdown in terms of the Budget numbers. The finance ministry will be hoping for positive shocks to revenue to compensate for this probability. One such shock could be provided by the dispute settlement scheme for direct taxes proposed in the Budget. If the take-up for this scheme is large enough, then the Budgeted tax revenue would be more than sufficiently supplemented.

The consequences of overestimating tax revenue for the deficit projections should be taken into account. The finance minister has already invoked the escape clause in the Fiscal Responsibility and Budget Management Act, in spite of there being no major structural reform in 2019-20 that would justify such slippage. If the optimistic tax revenue projections are not borne out, then the fiscal deficit will appear even worse than it is currently. The impact for India and the broader economy must, therefore, be taken into account. Rating agencies and international organisations have already pointed out that India's general government deficit is high compared to its emerging market peers. This would further worsen that comparison, putting at risk India's credit rating and its companies' ability to raise funds globally.

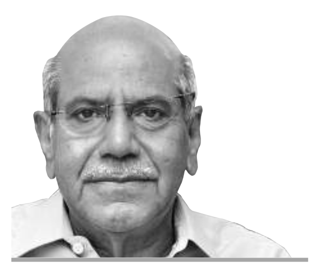
ILLUSTRATION: AJAY MOHANTY

Keep the RCEP option open

By not joining the trading arrangement, India risks becoming a rule taker rather than a rule maker

India chose not to join the consensus reached at Bangkok in November last year when member countries decided that the Regional Comprehensive Economic Partnership (RCEP) would move to the final phase of text-based negotiations and conclude the agreement by the end of 2020. India was not prepared to accept a regional trading arrangement in which it had limited entitlement to deal with import surges.

There were issues relating to rules of origin. This is inherent in dealing with an already regionally integrated trading network based on supply chains. Typically, a product from any of the trading partners is made up of components and intermediates from several countries. Country specific trade measures and tariffs have little meaning. Not being part of these supply chains, India is at a disadvantage, since selectivity in tariff treatment of its numerous partners makes rules of origin a complex exercise. However, if India believes that the future of its trade lies in becoming part of regional and global supply chains then staying out of the RCEP contravenes that objective. A better strategy would have been to leverage the size of the Indian market to obtain entry into supply chains within the RCEP. This would have also triggered more urgent improvements in infrastructure, trade facilitation measures and quality, which count more in supply chains than tariffs. Supply chains can only work in a low-tariff regime allowing liberal import of components and intermediates.



SHYAM SARAN

The latest Economic Survey has recommended that India should "chart a China-like, labour intensive, export trajectory and thereby create unparalleled job opportunities for a bourgeoning youth." It calls for a focus on "network products", which are produced across value chains, enabling assembling products "at mammoth scale." This, it is argued, will integrate "Assemble in India" into "Make in India." In her speech presenting the Budget, the finance minister echoed the Economic Survey, stating, "India needs to manufacture networked products. That will make it a part of global value chains. This in turn gets more investment and generates more employment for our youth."

In this context, India should have demonstrated that it does have an open mind on the RCEP, as it has claimed, by responding positively to Asean's invitation to an informal meeting of RCEP members in Bali held on February 3 and 4. Its negotiators could have brought this new "Assemble in India" strategy to the negotiating table, linked tariff concessions to its entry into supply chains and tested the willingness of its partners to address some of its genuine concerns. This could turn out to be a lost opportunity.

As pointed out earlier, supply chains operate through low-tariff regimes, while the trend over the last four Budgets, including the current one, has been to progressively raise tariffs.

India is turning away from the 25-year trend towards enhanced economic liberalisation and embrace of globalisation. An import substitution strategy is becoming increasingly salient but its policy fallout is somewhat confused. Should not this policy choice be reflected in a weaker rupee exchange rate? Should foreign investment be invited in sectors where Indian players are weak?

The shift towards a protected economy is clear from the following observation of the finance minister, "It has been observed that imports under free trade agreements (FTAs) are on the rise. Undue claims of FTA benefits have posed threat to domestic industry. Such imports require stringent checks. In this context, suitable provisions are being incorporated in the Customs Act. In the coming months we shall review Rules of Origin requirements, particularly for certain sensitive items, so as to ensure that FTAs are aligned to the conscious direction of our policy."

One such proposed amendment to the Customs Act is specifically referred to. A clause in Section 11(2) empowers the central government, for prevention of injury to the economy of the country, by the uncontrolled import or export of gold and silver, to prohibit their import or export. This clause is being amended to include "any other goods" in addition to gold and silver in its ambit. This would be a very significant and sweeping trade restricting measure and it is not clear whether it would be in keeping with our World Trade Organization (WTO) obligations.

Most global trade is now conducted through large regional trade arrangements such as the North American Free Trade Area, the European Union, Mercosur (in Latin America). The RCEP would be their counterpart in Asia. The role of WTO has been declining progressively and with it the concept of unrestricted trade and investment flows and, importantly for developing countries, an acceptance of the principle of non-reciprocity based on levels of development. We are now moving towards a global trade regime, which will be more explicitly based on the principle of reciprocity, and trade flows will be influenced less by tariffs and more by standards, specifications, intellectual property safeguards and environmental standards. This new global regime, overseen through a reformed and restructured WTO, will be a bargain negotiated by the major regional trading arrangements. Individual countries, except for major trading nations such as China and the US will have limited leverage. India's external trade volume is now back to less than 2 per cent of the global volume. If India is not part of one of these trading arrangements, it will end up being a rule taker rather than one of the rule makers. We must think this through carefully because it will impinge on our future economic prospects as well as geopolitical clout.

In 1991, when India adopted far reaching economic reforms and liberalisation policies, there were fears that Indian industry would be hollowed out. These were not only belied but India embarked on a sustained high growth trajectory. Why abandon a remarkably successful economic strategy and return to a failed import substitution strategy? More importantly, should not there be greater coherence in our trade and investment policies? It is incongruous to talk about making India a global assembly hub and then adopting policies that make it unlikely.

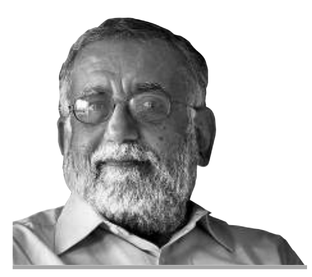
The writer is a former foreign secretary and is currently Senior Fellow, CPR

Marathons, but no winners

Some 2,500 years ago, Pheidippides, an Athenian runner, is reputed to have run 42 km to Athens to announce Athenian victory over Persian invaders in the Battle of Marathon. Though historically inaccurate, the legend endures. A 42-km race has been an exciting part of all modern Olympic Games. The term marathon is now routinely used to describe any long-lasting event, including Finance Minister Nirmala Sitharaman's February 1 Budget speech. After 2 hours and 40 minutes, Ms Sitharaman had not yet done with it, but had to abandon the rest of it due to exhaustion (that duration, by a remarkable coincidence, is very nearly the same as O P Jaisha's Indian women's marathon record of 2 hours and 35 minutes). That failure, however, is not the only reason why it was not a winner.

But this column is not about the Budget's many infirmities by commission and omission and confusions. They have attracted significant comment. To add to them would be flogging a dead horse. I wish to focus instead on the increasing harm being done to the integrity of the budgeting concept and process over the past decade or longer, reducing the Budget to just a formality.

Article 112 of the Constitution of India mandates that "The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the 'annual financial statement'. The estimates of expenditure embodied in the annual financial statement shall show separately (a) the sums required to meet expenditure described by this Constitution as expenditure charged upon the Consolidated Fund of India; and (b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund of India."



ET CETERA

SHREEKANT SAMBRANI

Pratap Bhanu Mehta is correct when he observes that "the Budget reads like a five-year plan with lots of objectives and targets but no road map" (*The Indian Express*, February 3, 2020), but does not add that Union Budgets have simply not been the plain vanilla accounting statements of the Consolidated Fund of India for some decades. That constitutionally-mandated purpose now appears to have been relegated to mere footnotes. A whole succession of finance ministers have treated Budgets as vision things, not accounting exercises. The first two Modi 2.0 Budgets of July 2019 and February 2020 do not even make the pretence to be such exercises.

Budgets no longer present a true picture of government finances. That is not solely because of the cloud hanging over the integrity of official data, but also because of the increasing recourse of governments of the day to measures such as postponement of committed expenditures or credit taken in advance of payments to be received or transferring borrowings to public sector agencies. When schoolchildren indulge in similar practices, they are fudging; if businesses do so, they are supposed to be gold-plating the books, and in case of governments, such accounting legerdemain is couched as "off-Budget transactions." The net effect in all cases is the same— obfuscating the reality.

Over the years, Budget speeches have grown longer: I had termed Arun Jaitley's two-hour long 2017 Budget oration the longest in my memory, but Ms Sitharaman's two forays have been even longer. Yet at the same time, they show what in layman's terms is tantamount to laxity in application of mind. Not only do gaps between Budget estimates, revised figures and actuals keep widening, but also measures proposed in the Budgets have no sanctity. Exigencies are not anticipated; taxation rates and other revenue-generating means can be and are altered any time to meet them. As for expenditure, the time-honoured practice is to make what in effect are token allocations, with an eye on the political (electoral) fallout, rather than requirements of a well-designed programme. And every annual exercise has no memory of even the immediate past, like each circuit in the bowl is a new experience for the goldfish!

The annual Economic Survey is expected to be an integral component of the budgetary process. Its analysis is meant to be a snapshot of the current economy and act as the basis of Budget proposals. In reality, though, the Surveys, too, have grown longer and at the same time, become disjointed from budgets. Arvind Subramanian's well-crafted and illustrated oeuvrés were eminently readable, but their persuasive disquisitions on topics such as universal basic income, internal migration and missing women found no connection to the Budgets they preceded. The current down-to-earth Survey similarly appears to be a standalone exercise with little impact on the Budget.

The vital exercise of making and presenting Budgets has been gradually reduced to just going through motions over the last several years, a tiresome but unavoidable chore for the government in power of any and all political affiliations. The ensuing debates are now devoid of substance, akin to shadow-boxing. Governments have had no trouble getting Budgets passed through Parliament even when they had no brute majority.

In this season of heightened awareness of a functional democracy, we need to realise that the travesty of Budgetary accountability is yet another step in the direction of citizens' disempowerment.

The writer is an economist

Creating the nation

BOOK REVIEW

PRAVEEN CHAKRAVARTY

Let us indulge in a thought experiment. The government runs an all-India referendum today and gives people two choices. One option is for the people to give up their right to vote in return for a monarchical system of guaranteed rulers with a responsibility for social and economic well-being of the citizens while the other choice is to continue to have the right to vote with no guarantees. Would Indians, after experiencing seven decades of the right to vote, give up their right or would they implicitly distrust rulers and prefer to keep their right to vote and keep governments in check?

I do not know of any scholarly empirical study done along these lines, so we don't know the answer. The larger question here is how important is the right to vote for the average Indian? How satisfied is the average Indian with the nation's tryst with electoral democracy?

Seven decades after India's founding fathers chose constitutional republicanism with universal adult suffrage, modern political scientists lament the corruption of the ideals of India's electoral democracy where the relationship between the voter and his political representative has dwindled to a commercial transaction enveloped in cynicism about politics and politicians. Which often raises the question over how important do today's Indians consider their right to vote.

Madhav Khosla's 160-page book *India's Founding Moment* is a scholarly tome of the choices that confronted India's founders and the nuanced, conscious and sub-conscious decisions they took to create a nation that many scholars then deemed foolish. The book is deceptively simple in its introduction when it outlines its emphasis on just three aspects of the making of India's constitution — the decision to codify it, the factors underlying the choice of a strong Centre and the framework for identity representation of pluralistic India.

INDIA'S FOUNDING MOMENT: The Constitution Of a Most Surprising Democract
Author: Madhav Khosla
Publisher: Harvard University Press
Price: ₹599
Pages: 240

Each of these three topics are covered in extraordinary depth and profundity. The author has made a stellar attempt to dive into the minds of India's great founding leaders such as B R Ambedkar, Mahatma Gandhi, Jawaharlal Nehru, Maulana Azad, M Visvesvaraya and others and place them in the larger context of global thought prevailing then. Each chapter ends with a conclusion that provides a concise summary of the chapter.

The book raises some deep questions and issues in the reader's minds as one traverses through the book. It made me think of the thought experiment outlined above. The book left me astonished at the complexity of some of the decisions made by the Constituent Assembly, such as the one about universal suffrage or the need for a strong state. The book details how much India's leaders agonised over these decisions and to balance their individual prejudices against the larger nation's.

It is fashionable today to mock at the length of the Constitution, which is the world's longest, or the seemingly anti-federal nature of it or to dismiss it as a mere copy of the British's Government of India Act. Dr Khosla refutes each of these charges in an erudite manner with research, evidence and persuasive arguments. He has devoted an entire chapter just to explain the need and decision to codify the Constitution, which eventually resulted in a very large document that even one member of the Constituent Assembly observed sarcastically, "I venture to think that if they had the time, they would have even prescribed a code of life in this Constitution".

Modern day "small government" liberals criticise the decision to establish a strong and a large State. Again, the complexity of this decision in the context of the situation then and the Constitution makers' apprehensions of integrating a disparate, pluralistic and hierarchical society is evocatively described in the second chapter, which is a must-read for today's critics. There is a delightful section titled "Centralisation and Modernisation" which describes the engineer M Visvesaraya's 1920 document "Reconstructing India", a nugget that is perhaps unknown to many people. It goes right to the heart of the modern economic debate over the role, size and powers of the State in economic development.

Should adult franchise be a right or a privilege? Should the Constitution be easily amendable or not? Questions such as these are raised and answered with great felicity of reason and knowledge. Amid today's social unrest over citizenship and immigration, the chapter on Identity and Representation provides a fascinating historical context.

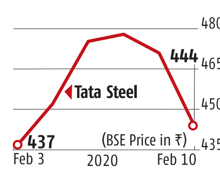
Overall, the book is exceptionally deep and thoughtful. But it is also extremely dense. The language is complicated and difficult even for an English-speaking, non-academician. The book too often refers to lacunae in current scholarship of India's constitution which is needless. Perhaps the book is intended as an academic reference text for doctoral students. But it is a pity that by being so complex, the book is out of bounds for the average English-speaking Indian to understand the extraordinary efforts taken by the nation's founders to give them their country as they know it today.

Business Standard
MUMBAI | TUESDAY, 11 FEBRUARY 2020

The Smart Investor

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: TATA STEEL FALLS ON MARGIN CONCERNS



Tata Steel stock fell by 5.8% on Monday after the company posted a multi-quarter low profit per tonne. While carbon costs for its European arm are a near-term concern, the spread of coronavirus could hurt the steel price rally in India, the company's most profitable market

"An Indian power co raised $1 bn from the offshore market at 3.95% for 10 years. In FY20, the offshore market has provided more credit than local banks to the corporate sector. Only large cos can access this market. MSMEs have to rely on local credit, which isn't flowing"

NILESH SHAH,
MD, Kotak Mutual Fund

Equity flows jump 75% in Jan

Investments in mid- and small-cap funds more than double; industry's asset base at a new high

JASH KRIPLANI
Mumbai, 10 February

The uptick in the broader markets has revived risk-appetite among mutual fund (MF) investors, with the industry seeing a 75 per cent jump in equity flows month-on-month (MoM) in January. Mid- and small-cap schemes garnered over one-third of the flows.

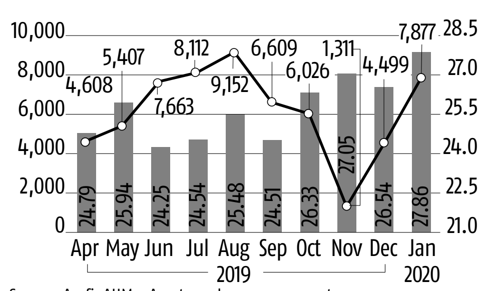
Investor flows into small- and mid-cap funds improved 154 per cent and 126 per cent, respectively, over the previous month. Small-cap funds garnered ₹1,072 crore in January, while mid-cap funds collected ₹1,798 crore. Overall, equity flows stood at ₹7,877 crore.

Fund managers have been bullish on a broader market recovery, but say economic recovery will be a key factor to watch out for.

Mid- and small-caps were trading at large discount to large-caps in valuation terms. In recent months, some of the discounts have moderated. However, a run-away rally could be challenging unless economic recovery starts to play out," said Rahul Singh, chief investment officer of Tata MF.

The asset size of the MF industry at the end of January stood at ₹27.85 trillion, which was a new high.

ON STRONG FOOTING



Source: Amfi; AUM = Assets under management

Meanwhile, flows through systematic investment plans (the monthly investment facility, also known as SIPs) improved marginally to ₹8,532 crore, which was a new high.

Both mid- and small-cap schemes have outperformed large-caps in recent months. In the trailing three-month period, mid- and small-cap schemes have delivered returns of 9.5 per cent on average, whereas large-cap schemes have returned little over 1 per cent.

Over the same period, the front-line indices — Sensex and Nifty — have given returns of 1.6 per cent and 1 per cent, far lagging broader indices, such as the BSE Midcap and the BSE Smallcap, which have yielded returns of 7.1 per cent and 9.7 per cent, respectively.

In January, the overall gross equity flows improved 9.4 per cent, while the redemptions eased by nearly the same margin.

According to industry participants, mid- and small-cap schemes can continue to see robust traction. "We can see investor flows coming into mid- and small-cap schemes if the broader markets continue to hold up," said Radhika Gupta, chief executive officer of Edelweiss AMC.

"While small-cap funds have not been in flavour during the last few months, the recent market rally seems to have driven the inflows into small- and mid-cap funds. As a result, the assets under management for small-caps has seen the biggest jump in the last nine months," said Sundeep Sikka, executive director and chief executive officer of Nippon Life India AMC.

On the debt side, investor flows stood at ₹1.09 trillion, contributed largely by liquid and overnight schemes. For liquid schemes, the investor flows stood at ₹59,682 crore, while overnight schemes garnered flows to the tune of ₹22,652 crore.

Among other debt categories, ultra-short duration schemes attracted ₹8,152 crore of flows. This was followed by low-duration (₹5,562 crore), money market fund (₹6,989 crore) and banking and PSU fund (₹3,032 crore).

Experts say with bank deposit rates staying flat, investors could be possibly looking for higher returns in some of these duration products.

Credit risk funds continued to see investor outflows. In January, investors pulled out ₹1,214 crore from these schemes.

"Investors are looking at the schemes where the quality of underlying debt papers are expected to be on the higher side and credit risks are expected to be low," said a fund manager.

Industry players say overnight schemes can scale up in the coming months. "With the introduction of exit load in liquid funds and additional restrictions, which will come into effect from April 1, 2020, we expect this trend to continue," said G Pradeepkumar, chief executive officer at Union AMC.

At the beginning of the current financial year, overnight schemes accounted for ₹11,309 crore of investor assets. At the end of January, the size of the category stood at ₹54,578 crore; a fivefold rise.

At the end of January, equity assets stood at ₹7.89 trillion, while assets managed by debt schemes stood at ₹12.41 trillion.

Two dozen apply for Sebi chairman's post

SHRIMI CHOUDHARY
New Delhi, 10 February

The government has received close to two dozen applications for the Securities and Exchange Board of India (Sebi) chairman's post. The last day to submit applications ended on Monday.

Sources in the government said top bureaucrats, including officials from the department of financial services, the department of economic affairs, and also the Ministry of Corporate Affairs, have applied for the position. Top Sebi officials also are in the reckoning.

The selection panel, which is headed by the cabinet secretary, would shortlist the candidates and interview them.

Observers said an extension to Tyagi could be a possibility as the advertisement gave just two weeks to those interested to apply for the post

On the other hand, government sources are also not ruling out an extension to incumbent chairman Ajay Tyagi, whose term ends this month. Tyagi was appointed for a tenure of three years. He took charge from his predecessor U K Sinha on March 1, 2017.

The finance ministry had on January 27 put out an advertisement seeking applications for the post by February 10.

Observers said an extension to Tyagi could be a possibility as the advertisement, which was floated, gave just two weeks to those interested to apply for the post. Usually, the search process starts three months in advance as the selection process is timing-consuming.

Meanwhile, the Sebi board is slated to meet on Monday in Mumbai, where it will finalise the sandbox policy and also approve measures to tackle "difficult to recover" dues.

To enhance recovery proceedings and tighten the noose around market offenders, Sebi is likely to introduce a mechanism to recover dues from untraceable individuals. The new mechanism may allow the market regulator to seize assets of the alleged violators, even before a final judgment is passed by appellate bodies.

Under the new policy, Sebi may also be able to recover penalties by seizure of bank accounts and other assets, if the accused fails to file an appeal within 45 days of the order passed by Sebi.

Currently, such recovery can only be made after the Supreme Court passes a judgment in the matter.

Under the said rule, Sebi will identify such cases and segregate them as "difficult to recover", according to the provisions of the General Financial Rules, 2017.

Currently, there is no provision in the Sebi Act, or regulation to declare and segregate dues as non-recoverable.

The new framework will ensure better recovery proceedings and launch prosecution under Section 24(2) of the Sebi Act, 1992 in special courts, a source said. The Sebi board would weigh the nuances of this measure and whether the new policy for recovery needs to be framed in a comprehensive manner and on the lines of the Central Board of Direct Taxes provisions.

Further, to encourage the use of fintech innovations in the capital markets, Sebi is planning to allow live-testing of new products, services, and business models for select customers.

Non-residents stare at higher tax on dividends

Those not availing treaty benefits may have to shell out as much as 40% tax

ASHLEY COUTINHO
Mumbai, 10 February

Non-resident investors coming through the foreign direct investment (FDI) route and not availing treaty benefits are a worried lot as they stare at a higher tax outgo, with the withholding tax on dividends considerably higher than the applicable tax rates.

Post amendment, Section 115A of the Income Tax Act provides that non-residents would be taxed on the dividend at 20 per cent, plus surcharge and cess. The TDS or withholding tax is governed by Section 195, for which rates are specified each year in Part II of the first schedule of the Finance Act as "rates in force". Usually, both TDS and final tax rate are the same.

But, the First Schedule is yet to be amended. And for a non-resident, who is not eligible for relief under an Double Taxation Avoidance Agreement, the rate of withholding tax may be 30 per cent or 40 per cent, plus surcharge and cess, depending on whether the shareholder is a non-corporate or corporate entity.

On the other hand, income in the hands of such foreign shareholders under the domestic tax law is taxable at 20 per cent, plus surcharge and cess. The anomaly is because of the way the current tax laws are structured and they need to be corrected, said experts.

"If the treaty benefit is not available to such dividends, it will be subject to withholding tax at higher rates since tax shall be required to be withheld in the residual category, which is 30 per cent for non-companies and 40 per cent for companies," said Sunil Gidwani, partner at Nangia Andersen.

INCREASED BURDEN

- Withholding tax of 30-40 per cent may be applied if a non-resident is not eligible for DTAA benefits
- Section 115A of the I-T Act taxes dividends at 20 per cent for non-residents
- Section 195, which specifies withholding tax rates, is yet to be amended
- Indian companies usually adopt the most conservative position while withholding taxes
- The anomaly will compel foreign shareholders other than FPIs to file income tax returns

"Indian companies usually adopt the most conservative position while withholding taxes to avoid disallowance in their assessments. They will, therefore, end up deducting tax at a higher rate even though the non-resident's ultimate tax liability is lower, hurting the latter's cash flows," said Suresh Swamy, partner-financial services, PwC India.

The anomaly will compel foreign shareholders other than FPIs to file a return of income in India and claim a refund of the excess tax deducted or forego it, said experts. This will depend on the amount of dividend receivable as against the time and cost of tax compliance. This would not have been the case if TDS were to be deducted at the rate of 20 per cent.

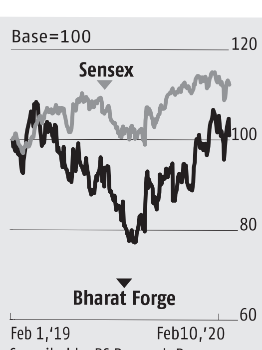
"The foreign shareholder may need to file an income-tax return in India to reclaim the excess tax withheld. The alignment of the withholding tax provision with the final tax liability of the income in the hands of the foreign shareholder would be desirable," said Subramaniam Krishnan, partner, EY India.

According to Gidwani, non-residents may apply for a lower-deduction certificate but a large number of shareholders applying for such a certificate will put an unnecessary burden on the government machinery. "Before 1997, when the taxability of dividends was in the hands of recipients, Part II of the First Schedule contained a specific entry for withholding of tax at 20 per cent in case of non-resident non-Indians, as well as foreign companies," he observed.

THE COMPASS

Weak outlook to weigh on Bharat Forge stock

Falling crude oil prices and lower CV demand have dented company financials



Compiled by BS Research Bureau

RAM PRASAD SAHU

A muted outlook and weak December quarter results led to a 3.7 per cent fall in the stock of Bharat Forge. Sluggish demand across segments saw volume in terms of tonnage fall 30 per cent year-on-year (YoY). While weakness was evident in exports, the overall decline in revenues of 36 per cent was led by the domestic segment, which reported a 39.5 per cent fall.

The company indicated that the demand scenario over the next couple of quarters will be soft. While the transition to BS-VI emission standards, which come into force on April 1, is responsible for the uncertainty in the domestic market, it is the weak consumer demand in North America and Europe which is pegging back sales outside India.

For the quarter, the decline was led by the domestic commercial vehicle (CV) segment. The sharp decline in orders by CV makers and the need to maintain lower inventory ahead of the transition affected the company.

The industrial segment, too, witnessed a sharp correction with reported revenues, especially in the exports business, down over 52 per cent. The correction in crude oil prices dented the demand both in the shale gas segment, as well as related orders from the mining and construction segment. Given the price trends, demand from this segment is expected to remain soft in the near term.

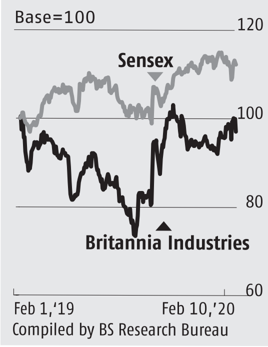
The only bright spot was the passenger vehicle segment, which is the smallest of the three segments and accounts for less than a fifth of the overall revenue. The company posted 9 per cent growth in its revenue. Growth in the segment is expected to pick up from the current quarter.

Weak demand and sub-par utilisation of its facilities meant negative operating leverage, which impacted its operating profit margins. The metric was down over 600 basis points as compared to the year-ago quarter and 170 basis points on a sequential basis. The company believes that cost-cutting efforts and tailwinds on the commodities front should help it improve margins by the second half of FY21.

While the recovery is expected to take a couple of quarters, the company highlighted that the situation is close to bottoming out, with growth expected from FY21. Key triggers for Bharat Forge include the uptick in the aluminium forging, which fetches higher margins, better growth from the passenger vehicle business, and e-mobility solutions, as well as a recovery in its subsidiary financials.

Britannia's third quarter was far from crunchy

2-4% volume and revenue growth below expectations



Compiled by BS Research Bureau

SHREEPAD S AUTE

Thanks to the poor consumption sentiment, Britannia reported lower-than-expected revenue growth in the December 2019 quarter (third quarter, or Q3). Consolidated net sales rose by 3.8 per cent year-on-year (YoY) to ₹2,936 crore, against Bloomberg consensus estimate of ₹3,031 crore, with volume growth decelerating to around 2 per cent, from 3 per cent the previous quarter.

Analysts had pegged volume growth number at 3-4 per cent. This, along with worries over rising food inflation, dragged down Britannia's stock by 3 per cent to ₹3,155 — on a day broader market sentiment was muted. The biscuits-to-dairymaker had reported its Q3 numbers on Friday after market hours.

There is some silver lining though. Despite higher food inflation, Britannia's earnings before interest, tax, depreciation, and amortisation margin expanded by 94 basis points (bps, or bips) YoY of 16.8 per cent — the highest in at least 20 quarters.

Britannia had hedged against higher prices of key raw material prices such as wheat, sugar, etc, which mitigated gross profit pressures. Gross profit margin was down 107 bps on a consolidated basis in Q3, and according to the management, it would have been another 100 bps lower (due to about 5 per cent input cost inflation) without the hedging initiatives.

Additionally, cost-efficiency measures led to a 134-bps YoY compression in other operating expenses, as a percentage of revenue, in Q3. The management expects these initiatives to yield another 210 bps in cost savings.

Although the hedging cover for some raw materials will not be available in the coming quarters, Britannia plans to take selective price hikes to offset rising input costs. While such a move would diminish hopes of near-term volume growth recovery, it would not hurt value growth, it said.

Shirish Pardeshi, analyst at Centrum Broking, said, "Britannia's steps in terms of selective price hikes, deepening distribution reach, and protecting its distributors seem to be in the right direction. This would keep Britannia as one of the biggest beneficiaries once the slowdown starts tapering."

But, till then, investors will have to remain content with low single-digit volume growth, which may keep a lid on the stock price.

Britannia's pre-tax profit grew by 6.7 per cent YoY to ₹497.2 crore in Q3, better than expectations of ₹479.3 crore. Net profit growth of 23 per cent was mainly driven by lower corporate tax, hence, not strictly comparable.

At 46x its 2020-21 estimated earnings, only medium- to long-term investors with some risk appetite may consider it on dips.

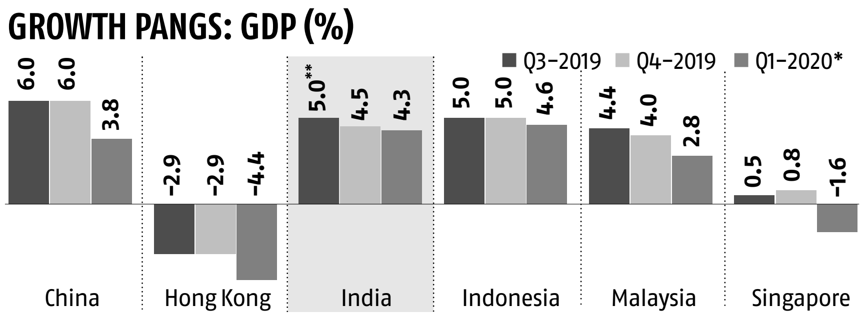
CORONAVIRUS OUTBREAK

Taking a toll: On lives and economy

- 40,600 PEOPLE INFECTED, DEATHS CROSS 900, ACCORDING TO GLOBAL HEALTH AUTHORITIES
- SPREAD OUTSIDE OF CHINA MAY BE 'TIP OF THE ICEBERG', WARNS WHO
- INDIA AMONG THE MOST VULNERABLE NATIONS ECONOMICALLY, SAYS NOMURA

This qtr may be weakest globally since '08: Analysts

PHOTO: REUTERS



* Expected slowdown in the Q1 of calendar year; **Govt figure (Nomura stated NA)

Source: Nomura report

PUNEET WADHWA
New Delhi, 10 February

With coronavirus getting a tighter grip on China and impacting world trade, most analysts have started lowering global growth forecasts as measured by gross domestic product (GDP) for the first quarter of calendar year 2020 (Q1-2020).

They added that India would be among the worst affected.

Those at UBS, for instance, expect that this would be the weakest quarter for global growth since the global financial crisis in 2008. It may also be on a par with the Asian crisis in the late 1990s.

Global GDP growth, according to Arend Kapteyn, global head of economic research at UBS, will take a serious knock. It may slip to 0.7 per cent in the January 2020 quarter (Q1-2020), from 3.2 per cent in the December 2019 quarter (Q4-2019).

Though he expects growth to rebound in the April-June 2020 quarter, the impact could slow the overall 2020 GDP growth by 20 basis points (bps) to 2.9 per cent.

The main channel of economic disruption at this stage, according to UBS, is largely via lower tourism flows (in/out of China). It is also due to reduced import demand from China — particularly of consumption goods – and restrictions imposed by other countries on China.

"We expect import growth in China to fall from 3.2 per cent in Q4 to a negative 4 per cent in Q1. The rebound we hope for in Q2 largely reflects delayed consumption effects in China. The improvement in Q3 reflects the lagged impact of stimulus coming on line, particularly in China," the UBS report said.

The number of suspected/confirmed cases is rising at an alarming rate and close to 99 per cent of them are in China, suggest reports.

The economic impact, experts feel, will also be magnified this time compared to the SARS outbreak. This is because Asia's weight in the global economy has risen from 21 per cent in 2003 to 37 per cent now.

India among worst hit

For China, the GDP growth projection for the January 2020 quarter (Q1-2020) presents a more alarming picture. Analysts at Nomura, led by Rob Subbaraman, head of global macro research and co-head of market research, along with Sonal Varma and Rebecca Wang expect GDP growth in China to sink to 3.8 per cent during this period. This compares to 6 per cent in the previous corresponding quarter.

They, too, expect this to rebound in Q2-2020 to 6.4 per cent on pent-up production and demand.

"The size of China's economy has swelled to about 16 per cent of world GDP from 4 per cent during SARS in 2003. Our results show that nine out of the top 10 vulnerable countries are in Asia. They include Hong Kong, Singapore, Taiwan, Japan, South Korea, Thailand, Malaysia, the Philippines and India," said the Nomura report.

However, Nomura's base-case assumption is that the coronavirus infection rate in China will start to taper in late February.

This will allow the government to ease the lockdown of major cities in March.

UBS, too, sees China's GDP to slip to 3.8 per cent in Q1-2020 and rebound in Q2-2020 onwards.

"We have downgraded China's 2020 GDP growth forecast to 5.4 per cent. As the coronavirus outbreak is a one-off negative shock, we expect China's GDP growth to rebound to 6 per cent in 2021 as activities normalise. Notwithstanding the big negative hit on consumption from the virus outbreak, China's long-term trends of moving towards a more consumption-driven economy, of rising services share in the overall economy, and of technological upgrade should continue as well," said the UBS report.

Indices stay in the red; metals, auto worst hit

BEARISH BOURSES

	10-02-2020	% chg*
Asia		
S&P BSE SENSEX INDEX	**40,980**	**-0.4**
Nifty50	**12,032**	**-0.6**
NIKKEI 225	23,686	-0.6
HANG SENG INDEX	27,241	-0.6
Straits Times Index STI	3,163	-0.6
Euro (IST 21:50)		
DAX	13,470	-0.3
FTSE 100	7,440	-0.3

*1 Day; Source: Bloomberg
Compiled by *BS* Research Bureau

AGENCIES
Mumbai, 10 February

Indian equities fell for the second straight session on Monday in line with global markets, which continued to reel from the mounting death toll and economic damage from the deadly coronavirus.

At close, the Sensex was down 162.23 points, or 0.39 per cent, at 40,979.62. The index swung about 373 points during the day. Likewise, the Nifty ended lower by 66.85 points, or 0.55 per cent, to 12,031.50.

Indices were mainly dragged down by heavy losses in auto and metal stocks.

On the Sensex chart, Mahindra and Mahindra crashed over 7 per cent, followed by other major laggards — Tata Steel (5.80 per cent), ONGC (2.84 per cent), Sun Pharma (2.39 per cent), and Hero Motocorp (2.34 per cent).

In contrast, Bajaj Finance, TCS, Kotak Bank, Asian Paints, HDFC, HUL and Reliance Industries closed with gains.

Sectorally, among the top losers were metal (3.14 per cent) and auto (2.37 per cent) indices. Power and consumer durables, too, fell 1.66 per cent and 1.64 per cent.

Bourses in Hong Kong, Tokyo and Seoul settled in the red, while those in Shanghai ended higher as Chinese workers returned to work. Stock exchanges in Europe, too, remained in the negative zone.

But, US stocks rose and the Nasdaq hit a record high, as a recent set of strong domestic economic data and largely upbeat fourth-quarter earnings tempered worries about the coronavirus outbreak.

On the other hand, the rupee rose by 10 paise to close at 71.30 against the dollar amid easing crude oil prices and weakening of the American currency in the overseas market.

Brent crude was trading at nearly $53 per barrel, 1.6 per cent down on weaker Chinese demand, even as traders waited to see if Russia would join other producers in seeking further output cuts. Oil has dropped more than 20 per cent from a peak in January after the spreading virus hit demand in the world's largest oil importer and fuelled concerns of excess supplies.

Base metal zinc prices lurched to the lowest since July 2016 after a surge in inventories and amid worries about demand in China. Zinc stocks in warehouses certified by the London Metal Exchange hit the lowest in nearly three decades last week, but analysts said this was deceptive since there was a lot of metal being held in other depots.

On the flip side, the impact of the virus outbreak has lifted the appeal of safe-haven assets, such as gold. Spot gold was trading at a near one-week high $1,572.88 per ounce.

"The focus on the economic fallout from the continuous spreading of the virus in and outside of China is supporting gold," Saxo Bank analyst Ole Hansen said, adding prices could continue to see upward momentum.

Apparel enquiries now diverted from China to India

T E NARASIMHAN
Chennai, 10 February

At this time of the year, buyers from Western markets travel to China to negotiate with garment exporters for the next season. Because of the coronavirus spread, most of them have reportedly cancelled the trip and started discussing with exporters from other countries, including India.

T Rajkumar, chairman, Confederation of Indian Textile Industry, says it is possible for export of finished textile goods, clothing and fabric to rise by at least 20-30 per cent this year, due to the Chinese virus issue.

The flip side is exporters saying they are not in a position to convert such enquiries into orders, being unable to match the competition's price. Made-in-India products are costlier by 10-15 per cent as compared to the competition from Bangladesh, Vietnam, Cambodia and others. The other major issue for some exporting units is that they are not able to import accessories from China. With the epidemic in China, many textile factories there have halted operations, disrupting export of both textiles and raw material.

However, add exporters, most of our competing countries are heavily dependent on China for importing raw material for textiles. So, India can still fill a gap, if the government quickly responds and gives some tax benefits.

On the other hand, the four per cent incentive given under the Merchandise Exports from India Scheme (MEIS) on made-ups and garments was withdrawn recently with retrospective effect from March 7, 2019. Further, it was stated all incentives under MEIS granted to exporters of made-ups and garments on export till July 31, 2019, would be recovered. There are also pending claims under the erstwhile ROSL scheme, which was discontinued from March 7, 2019.

"Looking at our current infrastructure and pricing, I am not sure if we would be in a position to take advantage of such inquiries. Yes, accessory supply will be impacted, though not in the immediate future," said Rahul Mehta, veteran in the apparel industry and president of the Mumbai-based Clothing Manufacturers Association of India. Accessories bought by Indian manufacturers from China are stuck. No deliveries started after the Chinese New year and all units there remain closed.

More on business-standard.com

FOXCONN, GM TO RESTART PRODUCTION

PHOTO: REUTERS

- Apple's main iPhone maker Foxconn got the green light to reopen two major plants at Zhengzhou and Shenzhen
- General Motors said it would restart production from February 15 in China
- Chinese President Xi Jinping said the government would try and prevent large-scale layoffs
- British Airways has cancelled mainland China flights until end of March
- Japanese wireless carrier NTT Docomo and Sony pulled out of the Mobile World Congress in Barcelona. Amazon, LG Electronics, Ericsson and Nvidia have already withdrawn from the MWC

China on Monday appreciated Prime Minister Narendra Modi's letter to President Xi Jinping offering **solidarity and assistance to deal with the deadly coronavirus outbreak, saying it "fully demonstrated" New Delhi's friendship with Beijing**

AN SOS CALL FOR PM

BINAY KUMAR SARKAR, a chef from West Bengal, uploaded a video on Facebook, urging the PM for help. Sarkar, who is on the quarantined cruise ship off Japan's coast, appealed: "Modi *ji*, please segregate us and bring us back home safely"

BASE METALS LOSE LUSTRE

	Unit	Feb 7	Feb 10	% chg
Nickel	₹/Kg	980	970	-1.02 ▼
Tin	₹/Kg	1,250	1,240	-0.80 ▼
Copper	₹/Kg	450	449	-0.22 ▼
Silver	₹/Kg	46,230	46,225	-0.01 ▼
Zinc	₹/kg	175	175	0.00 ↔
Standard Gold	₹/10 gm	40,503	40,575	0.18 ▲

BRENT CRUDE ($/BBL)
53.86 Feb 7
53.00 Feb 10
▼ -1.6 % chg

JLR WARNS OF SUPPLY CHAIN ISSUES

Two days after conceding the coronavirus is likely to affect its Q4 performance, Jaguar Land Rover (JLR) warned of potential disruption to its supply chains outside of China. It said that if disruption continues, its "supply chains outside China could also be impacted"

> THE DETECTION OF A SMALL NUMBER OF CASES MAY INDICATE MORE WIDESPREAD TRANSMISSION IN OTHER COUNTRIES; IN SHORT, WE MAY ONLY BE SEEING THE TIP OF THE ICEBERG"

TEDROS ADHANOM GHEBREYESUS, chief, WHO

PTA prices decline 10% on virus spread, duty cut

DILIP KUMAR JHA
Mumbai, 10 February

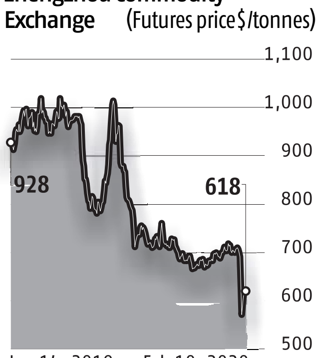
In a major relief for synthetic yarn makers, its key raw material of Purified Tephthalic Acid (PTA) has become cheaper by 10 per cent in the past week, following the temporary suspension of import from China due to the coronavirus epidemic there.

Withdrawal of anti-dumping duty on this synthetic textile raw material has further made it cheaper in India. Trading currently at $600-$620 a tonne, prices slumped from $660-$700 a fortnight ago.

PTA prices are determined by those of crude oil, also down over the past week, by 10-12 per cent. Being correlated with crude oil, even domestic manufacturers quote PTA prices in dollar terms.

In the recent Union Budget, the central government had announced an end to the earlier 2.5 per cent anti-dumping duty (ADD) in PTA. And, as mentioned earlier, import has been hit; China is the world's largest exporter. Indian producers have

PURIFIED TEREPHTHALIC ACID (PTA)
Zhengzhou Commodity Exchange (Futures price $/tonnes)



sufficient stock to meet the import component of supply to synthetic yarn makers, nullifying the impact of temporary import suspension.

"PTA prices have dropped by almost 10 per cent since eruption of coronavirus in China," said Madhusudhan Bhageria, chairman, Filatex India."

More on business-standard.com

India orders checking of Chinese agri, livestock imports

Plant quarantine officials want to ensure the virus doesn't affect crops

AT RISK

- $282 million worth of agricultural and allied commodities were imported from China in 2018-19
- The government is yet to impose restrictions on imports from China
- Quarantine officials at ports asked to ensure that samples are sent to ICAR units, if local laboratories don't have necessary facilities
- Animal feed, kidney beans, bamboos, and wheat gluten are among major imports
- Studies have found Chinese pangolin *(pictured inset)* as the potential source of the virus outbreak

SUBHAYAN CHAKRABORTY
New Delhi, 10 February

India has ordered that agriculture and livestock shipments from China be checked for the deadly coronavirus that has led to more than 900 deaths and upwards of 40,000 cases in mainland China.

"Commodity imports from China should be thoroughly checked, and samples should be tested in laboratories before according import clearance," stated a notification by the Directorate of Plant Protection, Quarantine, and Storage which was sent to importers, exporters and plant quarantine offices nationwide on February 5.

The department oversees integrated pest management in crop production programmes and monitors potential pests, which may lead to crop damage. The government classifies 'pests' as any species, strain or biotype of plant, animal or pathogenic agent that may prove injurious to domestic plants and plant products.

The department has also asked quarantine officials stationed at ports to ensure that samples are sent to Indian Council of Agricultural Research units if local laboratories don't have necessary facilities to study viruses.

However, an official said the latest notification does not prohibit imports from India of agricultural commodities, instead aims to check whether agricultural goods are showing traces of the virus that may become a pest to India's crop and livestock ecosystem. "There's always a chance that the virus amplifies in plant hosts and, thereby, we need to research whether agro produce from China is infected with the virus," he added.

In 2018-19, India's total import of agricultural and allied commodities from China was $282 million, down 19 per cent from the previous year. Major inbound goods comprise animal feed, kidney beans, bamboos, and wheat gluten, among others, according to the Agriculture Ministry.

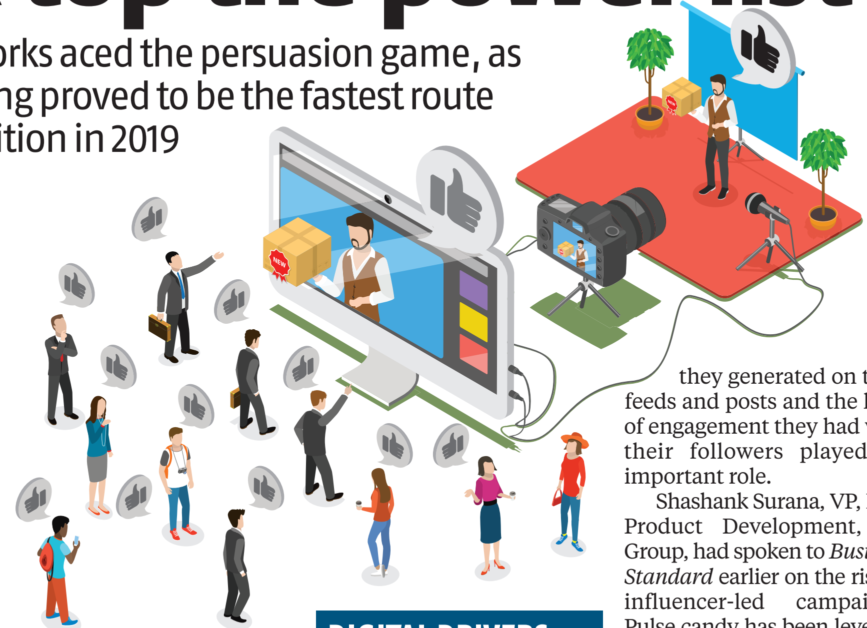
The coronavirus outbreak was initially traced to wild animals sold at a wet market in the Chinese city of Wuhan. Now, genetic comparison studies at South China Agricultural University in Guangzhou have identified the Chinese pangolin, an anteater, as the potential source of the virus outbreak.

The government is yet to impose any restrictions on the overall imports from China. Officials at both Directorate General of Foreign Trade and Central Board of Indirect Taxes and Customs, responsible for drafting trade legislation and imposing them, said they are monitoring the situation. "While we are monitoring the situation, blanket restrictions on imports of non-agricultural goods are not possible since the current technology at ports of entry doesn't allow detection of virus in shipments," a DGFT official said. The Indian Institute of Foreign Trade has urged precautionary steps to monitor agricultural, marine, and food imports from China. However, suggestions by experts to provide protective gear to workers stationed at ports who handle such imports have not yet been accepted by the government.

Instagram, YouTube, TikTok top the power list

Social media networks aced the persuasion game, as influencer marketing proved to be the fastest route to customer acquisition in 2019

T E NARASIMHAN
Chennai, 10 Febuary



What did PepsiCo India do to spread the word about its new look Lays? Or luxury watchmaker Tissot, to gain familiarity in the country, or Chinese handset brand, Vivo, to add a youthful gloss to its image. In all of these cases and many more, through 2019, brands turned to select social media networks and a band of influencers to amplify their marketing efforts.

A report released earlier this week by an Indian influencer-marketing firm Buzzoka said, "From celebrities to the rising class of micro–influencers (experts in a specific topic with smaller, but more highly engaged audiences), influencers are emerging as a critical marketing tool for brands large and small."

The top social media platforms are Instagram, YouTube and TikTok, in that order, according to the Buzzoka Influencer Marketing Outlook-III, 2020. For most brands, influencers were an amplification strategy, helping the brand take its new launches, fresh looks and offers to a wider audience.

Sameer Singh, vice-president, Monetisation, TikTok India has been working very closely with brands over the past year. "We worked with Pepsi for their #SwagStepChallenge. The challenge garnered close to 37 billion views till date. Moov partnered with us to launch #MakeYourMoov that gave young users an opportunity to showcase creative and unique fitness moves. The campaign has garnered over 10 billion views. And Marico Hair & Care launched #KhuleBaalBefikar. Within three days, the hashtag saw 2.8 billion views, and to date, it has over 10.6 billion views," he says.

According to the report, 76 per cent of the respondents said that influencer marketing is an important part of their marketing strategy and the majority said that its relevance grew in 2019 and will continue to do so, because influencers offer brands better reach and engagement and come with phenomenal story telling capabilities.

In 2019, TikTok dominated the brand story in terms of its expanding base of young users while Reliance Jio played a big role in the growth of influencer marketing, both in terms of content creators and the audience watching them.

"Influence has long been at the core of marketing, seeking it, increasing it, and then effectively using it to achieve goals," says Prashant Sharma, CMO of Nofiltr, a social marketing firm. He estimates that the influencer marketing segment will grow at a CAGR of +38 per cent over 2020-26.

Most marketers said that they looked for a combination of factors while choosing influencers and platforms. The number of followers, the quality of the content that they generated on their feeds and posts and the level of engagement they had with their followers played an important role.

Shashank Surana, VP, New Product Development, DS Group, had spoken to *Business Standard* earlier on the rise of influencer-led campaigns. Pulse candy has been leveraging both macro and nano influencers in the digital space, he said, adding "There is a need to find and leverage the most suitable digital influencer, who embodies the true brand value and proposition."

As the report notes, influencers help amplify the brand message. They help the brand speak in many tongues, adapt to regional preferences and become more resilient to changing tastes, by taking the brand closer to consumers in remote parts of the country and to those that do not find a place in the mainstream narrative.

Dilen Gandhi, senior director and category head, Foods, PepsiCo India spoke to *Business Standard* earlier about the company's influencer strategy and said, "Influencers act as micro-amplifiers that can drive engagement to the idea. It's the equivalent of your friend relaying a message they've heard on mass-media; your friend will add his own flavour while retaining the essence. This makes the message at once more relatable and sticky, however the original idea still remains core."

DIGITAL DRIVERS

- Brands choose influencers on the basis of their content (43%), ability to spread the word (37%) and expand the reach of their campaign
- 94% said that there is a need to identify and work with regional influencers to unlock the full potential of such marketing
- Marketing budgets for influencer–focused campaigns have gone up significantly, for 2–5% of respondents it was 47% of the total marketing budget, but for the majority it is between 13–20%

Source: Buzzoka Influencer Marketing Outlook–III, 2020

FROM PAGE 1

GST compensation..

"The law is very clear. It says that for the purpose of paying compensation, compensation cess will be introduced. Compensation will be given from that. If that cess is not coming up to the required amount, the law does not say that you can take it from central GST...", he said.

States are free, he added, to increase the GST or cess rates to get full compensation.

Earlier, states were assured that their revenues would be protected to the extent of 14 per cent growth on the base year of 2015-16 for five years from the date of GST rollout, which was July 1, 2017.

Clause 18 of the Constitution Amendment Act for GST stated "Parliament shall...on recommendation of the GST Council provide for compensation to the states for loss of revenue arising on account for implementation of the GST for a period of five years".

Subsequently, the GST (Compensation to States) Act was passed, which states that compensation would be payable from the GST Compensation Fund.

Experts say the spirit of the law is that states will be fully compensated for revenue shortfall for a five-year period, assuming a 14 per cent growth rate, while the Centre was going by the letter. "Ideally, the Centre should not go back on its word given to states," said an indirect tax expert, who did not wish to be named.

The Centre has estimated a compensation cess shortage of ₹63,200 crore in financial year 2019-20 (FY20). In the first 10 months of FY20, GST collection grew 4.6 per cent. The central government will transfer a surplus from the previous two years of ₹35,000 crore in two installments to the compensation fund. This still leaves a gap of around Rs 28,000 crore.

"It is decided to transfer to the GST Compensation Fund balances due out of collection of the years 2016-17 and 2017-18, in two installments. Hereinafter, transfers to the fund would be limited only to collection by way of GST compensation cess," Union Finance Minister Nirmala Sitharaman had said in her Budget speech.

Joseph says, "If the compensation cess is not giving enough money, let them (states) increase the rate of cess or GST rates or add more items. The Centre never said that it will oppose the raising of rates."

GST revenue of 23 states till end-December was ₹15,100 crore lower than last year's or a 3.9 per cent decline YoY. If revenue loss is assumed on the basis of 14 per cent growth, it would mean a shortfall of ₹69,000 crore for these states till December. The loss would be much more, since 14 per cent growth for compensation in the GST laws is taken on the base year of FY16.

Compensation cess collection is ₹7,000-8,000 crore a month, as against the compensation requirement of ₹14,000-15,000 crore a month.

In the April-December period of FY20, Punjab's and Andhra Pradesh's GST collections fell by 16 per cent, that of Uttar Pradesh by 11 per cent, Kerala by 12 per cent, Gujarat by six per cent and Telangana by eight per cent. States have received compensation till September so far in FY20.

The Centre has pegged cess collection at ₹98,000 crore in the Revised Estimate of FY20, which is ₹10,000 crore lower than what was estimated at the beginning of the financial year.

Amazon...

The DVM has alleged Amazon and Flipkart influence pricing by providing discounts as well as inventories to sellers.

Further, it has complained that Amazon and Flipkart have done exclusive arrangements, deep discounts, and preferential listing.

The DVM has said these are exclusionary tactics with adverse effects on competition.

However, according to Salman Waris, managing partner at New Delhi-based specialist technology law firm TechLegis Advocates & Solicitors, Amazon will not get immediate relief because reports suggest that the DVM had filed a caveat with the Karnataka High Court in the past. As a result, Amazon will not be able to get an instant stay on the order without the arguments being heard in the court.

Amazon and Flipkart did not respond to requests for comment until the time of going to press.

The two firms have the lion's share of the e-commerce market in India, and incurred the ire of small traders, who have time and again alleged that their (of Amazon and Flipkart) platforms do not follow foreign direct investment (FDI) norms, and their business practices harm the trading community.

"Amazon claims it follows the FDI policy; then why is it opposing investigation?" asked Praveen Khandelwal, secretary general, Confederation of All India Traders (CAIT). "Let investigation be conducted by the CCI. The stay application by Amazon is an ample testimony to the fact that all is wrong with its business model."

India's e-commerce market is estimated at around $40 billion, and makes for less than 10 per cent of the overall retail pie, which is estimated at close to $700 billion.

Banks...

"This, along with long-term repo operation (LTRO) can bring down cost of funds for banks, without lowering deposit rates," said an economist. The Reserve Bank, in its policy meeting also said banks can avail up to ₹1 trillion of liquidity for one and three years at the repo rate.

Banks had maintained that they could not lower lending rates if deposit rates were not cut. Lowering deposit rates could make depositors leave banks in search of higher returns elsewhere. Experts say the LTRO is a deposit-like product for banks.

Announcing such schemes also has risks for the central bank as the interest rate cycle could turn and rates could go north.

"Even if banks take the money from LTRO, or even the savings that come from CRR exemptions, and put the money in corporate bonds, that's a form of lending and should help the economy," said an economist requesting anonymity.

Importantly, economists say, if needed, RBI can increase such CRR relaxations and LTRO operations.

Air India...

"The main beneficiary will be Air India, followed by the Gulf and European airlines, which offer capacity and competitive fares — this being a lean season for travel," he added.

"Before the outbreak of the nCoV, China Eastern Airline tickets to Toronto and Vancouver were selling like hot cakes — these were around 15-20 per cent cheaper than the rest. But now, customers are wary of Chinese carriers and are getting rebooked on Air Canada, Lufthansa, or other airlines," said Amit Minglani, manager of Chandigarh-based Prompt Travels.

Four Chinese airlines operate flights to Delhi but following the virus outbreak, they are cutting down the flights. Air China and Shandong Airlines have suspended their India flights, while China Southern Airlines and China Eastern Airlines have cut frequencies to Delhi.

Hong Kong-based Cathay Pacific, which operates 49 weekly flights to six cities in India, will operate 36 flights per week in February and March. "We carry passengers to Canada and the US. We are seeing bookings as well as cancellations. Hence, we're unable to comment on the exact impact," Cathay Pacific said in a statement.

BS SUDOKU # 2970

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SOLUTION TO #2969

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Very Hard: ★★★★★

Solution tomorrow

HOW TO PLAY

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

OSCAR WINNERS 2020

The South Korean black comedy thriller *Parasite* made history, becoming the first foreign-language film to win Best Picture. It also took home the awards for Best Original Screenplay and International Feature Film, while Bong Joon-ho won Best Director award. *1917*, the World War I drama from Sam Mendes, won three awards — Best Visual Effects, Cinematography, and Sound Mixing. Martin Scorsese's *The Irishman* had 10 nominations, yet it left empty-handed.

Best Actor
Joaquin Phoenix, *Joker*

Best Picture
Parasite

Best Director
Bong Joon Ho, *Parasite*

Original Screenplay
Parasite

International Feature
Parasite

Supporting Actor
Brad Pitt, *Once Upon a Time ... in Hollywood*

Best Actress
Renée Zellweger, *Judy*

Supporting Actress
Laura Dern, *Marriage Story*

Adapted Screenplay
Jojo Rabbit

Visual Effects
1917

Production Design
Once Upon a Time... in Hollywood

Govt readying $2.6-billion US naval helicopter deal ahead of Trump trip

The government is set to give final approval to a $2.6-billion deal for military helicopters from US defence firm Lockheed Martin ahead of a proposed visit by US President Donald Trump this month, defence and industry sources said.

The government is trying to pull out all the stops for Trump's trip in a bid to reaffirm strategic ties between the two countries, which have been buffeted by sharp differences over trade, to counter China.

India's defence purchases from the US have reached $17 billion since 2007 as it has pivoted away from traditional supplier Russia, looking to modernise its military and narrow the gap with China.

Modi's Cabinet Committee on Security is expected to clear the purchase of 24 MH-60R Seahawk helicopters for the Indian Navy in the next two weeks, a defence official and an industry source briefed on the matter separately told *Reuters*.

"It's a government-to-government deal, it is close," said the industry source.

To cut short lengthy negotiations between Lockheed and the Indian government, the helicopters that will be deployed on India's warships will be bought through the US foreign military sales route, under which the two governments will agree details of the deal. Trump is expected in India around February 24 on his first official visit to the country, although no formal announcement has yet been made.

Both countries are separately working on a limited trade agreement ahead of the trip, after earlier imposing tit-for-tat tariffs on each other's imports. Trump has called India the "tariff king of the world", but the Modi government has been trying to address some of his concerns. **REUTERS**

US Budget proposal cuts foreign aid, trims safety net programmes

US President Donald Trump will propose a 21 per cent cut in foreign aid and slash to social safety-net programmes in his $4.8- trillion Budget proposal for fiscal year 2021, according to senior administration officials.

The Budget would spend money to fund infrastructure projects and defence, but would also raise funds by targeting $2 trillion in savings from mandatory spending programmes. It assumes revenues around $3.7 trillion. Last year, Trump sought in his Budget proposal to slash foreign aid but faced steep resistance from Congress and did not prevail.

Trump who promised to build a wall along the US border with Mexico during 2016 presidential election, will seek $2 billion in funding for further construction on that project.

The administration shifted resources from the military last year after Congress refused Trump's initial wall funding request. The White House will not seek further funds from the military for the wall, a senior administration said.

The Budget seeks money to fund a US infrastructure overhaul that both Democrats and Republicans have said is a priority. The military spending will be increased by 0.3 per cent to $740.5 billion for FY21. Trump's foreign aid proposal seeks $44.1 billion in the upcoming fiscal year, an administration official said. The White House will also propose to slash spending by $4.4 trillion over 10 years.

The Budget would include $130 billion from changes to prescription-drug pricing for the Medicare programme for older Americans, $292 billion from cuts in safety-net programmes - such as work requirements for the Medicaid programme for the poor, and food stamps - and $70 billion from clamping down on eligibility rules for federal disability benefits. **REUTERS**