THURSDAY, 13 FEBRUARY 2020
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Business Standard

THE MARKETS ON WEDNESDAY		Chg#
Sensex	41,565.9 ▲	349.8
Nifty	12,201.2 ▲	93.3
Nifty futures*	12,228.5 ▲	27.3
Dollar	₹71.3	₹71.3**
Euro	₹77.9	₹77.8**
Brent crude ($/bbl)##	55.9##	54.0**
Gold (10 gm)###	₹40,421.0 ▼	₹40.0

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

ECONOMY & PUBLIC AFFAIRS P21
LOOKING FORWARD TO FIRST INDIA VISIT: TRUMP

COMPANIES P2
AIR INDIA'S JEWELS TO FIND PLACE IN NATIONAL MUSEUM

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

SRINATH NAMED TATA TRUSTS CEO; JHAVERI TO JOIN DORABJI TRUST


Srinath Narasimhan *(left)*, a Tata group veteran, was on Wednesday appointed CEO of Tata Trusts with effect from April 1. He joins at a time when group trusts are facing litigation with the I-T department over their tax status. The trustees also appointed Pramit Jhaveri, former CEO of Citi India and former vice-chairman of banking, capital markets and advisory for Asia-Pacific at the American bank, as a trustee of the Sir Dorabji Tata Trust with effect from Wednesday. 3

COMPANIES P2

DRL to buy Wockhardt's branded biz for ₹1,850 cr

Dr Reddy's Laboratories has entered into a definitive agreement with Wockhardt to acquire select divisions of its branded generics business in India, Nepal, Sri Lanka, Bhutan, and Maldives, and a manufacturing plant for ₹1,850 crore. The business is valued at 3.8 times the annualised revenue.

LPG price sees biggest hike in six years

State-run OMCs sharply hiked the price of non-subsidised liquefied petroleum gas by a steep ₹144.5 per cylinder due to a spurt in benchmark global rates. The price was increased to ₹858.50 for a 14.2-kg cylinder, from ₹714 earlier. This is the steepest hike in rates since January 2014, when prices had gone up by ₹220 per cylinder to ₹1,241.

Tax resolution Bill's ambit set to widen

Cabinet approves changes to include litigation across forums

DILASHA SETH
New Delhi, 12 February

Making the direct tax dispute resolution scheme attractive, the Union Cabinet on Wednesday expanded its scope to cover litigation pending in arbitration forums and debt recovery tribunals (DRTs). The scheme will also include cases related to revision and small-value search disputes.

The Cabinet also reduced the disputed amount by half for those assessees who got favourable orders but the income-tax department challenged those.

The move comes a week after Finance Minister Nirmala Sitharaman introduced the Direct Tax Vivad se Vishwas Bill, 2020, in the Lok Sabha to resolve disputed tax cases, amounting to ₹9.3 trillion, giving effect to the Budget announcement.

The scheme offers waiver of interest, penalty, and prosecution for settling tax disputes. It was earlier limited to cases pending before the commissioner (appeals), the Income Tax Appellate Tribunal, high courts or the Supreme Court as of January 31, 2020. Now, a complete waiver of interest and penalty will be given if tax dues are paid by March 31. An additional 10 per cent of the disputed amount will have to be paid after that.

Union minister Prakash Javadekar, briefing the media after the Cabinet meeting, said it had decided to cover disputes pending in DRTs, arbitration, tribunals, and courts, besides revision issues, under the scheme.

This means that high-profile cases like Vodafone and Cairn Plc, which are pending in arbitration, are eligible for the scheme. Queries sent to the two companies did not elicit any response.

Javadekar said the decision had been taken on the basis of suggestions received from various stakeholders. "After the Union Budget, the finance minister held discussions with stakeholders and sought suggestions from them. On the basis of their suggestions, there are now new amendments to be made in this session of Parliament," he said.

Disputes related to search and seizure cases where recovery is below ₹5 crore will also be taken up under this scheme. The whole purpose, Javadekar said, was to enlarge the scope of the Bill.

Amit Maheshwari, managing partner, Ashok Maheshwary & Associates LLP, termed it a welcome inclusion. "Including revisions, arbitrations, and DRP proceedings will help in garnering more revenue. There was no good reason to keep these proceedings out of the purview of the scheme, if the intention is to garner revenue and reduce litigation."

Turn to Page 19

ECONOMY PAGE 4
CABINET OKAYS INFUSION OF ₹2.5K CR INTO 3 PSU INSURERS

EYEING HIGHER MOP-UP

Key features of the Direct Tax Vivad se Vishwas Bill, 2020:

- **Scheme open** till June 30
- **Complete waiver of interest and penalty** for settling tax disputes pending at various levels, if payment made by March 31 (cases in arbitration include Vodafone, Cairn Plc)
- **Additional 10% of tax amount** will have to be paid after that
- **For tax arrears pertaining to interest and penalty,** 25% of disputed penalty/interest will need to be paid by March 31; 30% if payment made after that

Retail inflation hits near 6-year high; IIP contracts

INDIVJAL DHASMANA
New Delhi, 12 February

A slim revival in industrial production in November had prompted Finance Minister Nirmala Sitharaman to see green shoots of recovery. But this has turned out to be a temporary blip — factory output has again contracted by 0.3 per cent in December.

The retail inflation rate, however, rose to a 68-month high of 7.59 per cent in January, even as the rate of price rise in food items declined. However, the food inflation rate remained elevated at 13.63 per cent. The consumer price index (CPI)-based inflation rate stood at 7.35 per cent; food inflation was at 14.19 per cent in December.

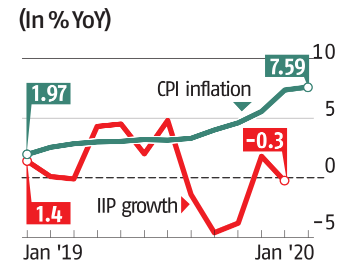
The index of industrial production (IIP) fell from a growth rate of 1.8 per cent, as the manufacturing sector slipped into negative territory again. Electricity generation continued to decline at a reduced rate in December. It shrank 0.1 per cent in December from 5 per cent in November. Manufacturing declined 1.2 per cent in December from a growth rate of 2.7 per cent in the previous month.

It was only mining which redeemed IIP numbers, rising by 5.4 per cent, against 1.7 per cent in November.

Before November, IIP had contracted three months on the trot.

Capital goods continued to decline at an accelerated rate in December. Production of these items fell 18 per cent in the month, from a contraction of 8.6 per cent in the previous month. This will impact industrial production in the coming months. Turn to Page 19

MACROECONOMIC WOES
(In % YoY)



Note: Base year is 2011–12 Source: MoSPI

BUSINESS STANDARD BEST B-SCHOOL PROJECT AWARD

PHOTO: KAMLESH PEDNEKAR

(From left) **G Teja of Vinod Gupta School of Management at IIT-Kharagpur (1st runner-up), Kapil Gavali of NITIE, Mumbai (winner), and second runners-up Ayush Trivedi of SCMHRD, Pune, and Vivek Sathiamoorthy of XIME, Chennai**

SOLVING REAL WORLD PROBLEMS AT INDIA INC P21

BS SPECIALS ON THURSDAY

PERSONAL FINANCE:
Take some risk in a soft interest rate scenario 8

The other option is to go for instruments with a higher lock-in period, which give better returns, write **BINDISHA SARANG & SANJAY KUMAR SINGH**

STRATEGY:
Second time lucky? 20

Bisleri is banking on a new recipe for growth of its soft drinks business but low initial offtake, intense competition and gaps in distribution may make the going tough, writes **SHUBHOMOY SIKDAR**

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 1,620 companies (results available of 1,922)

SALES		
Dec 31, '18	19.5%	₹17.54 trillion
Dec 31, '19	0.5%	₹17.62 trillion
PROFIT BEFORE TAX		
Dec 31, '18	-14.5%	₹1.43 trillion
Dec 31, '19	33.1%	₹1.91 trillion
NET PROFIT		
Dec 31, '18	-24.4%	₹90,062 cr
Dec 31, '19	42.6%	₹1.28 trillion

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

DoT may send AGR demand next week

Move likely if telcos' plea not taken up by SC

MEGHA MANCHANDA
New Delhi, 12 February

The Department of Telecommunications (DoT) plans to send out letters to Bharti Airtel and Vodafone Idea, seeking payment of dues, if the industry's modification plea on the adjusted gross revenue (AGR) issue is not taken up by the Supreme Court this week. The expectation is that at least the first tranche of the total estimated dues of ₹1.47 trillion should be paid immediately, based on a self-assessment method.

While the DoT had earlier said it would not take any coercive action if telcos missed the January 23 deadline as the SC had agreed to hear their application requesting for modification of the order, officials believe the time has come for the companies to start paying up the dues linked to AGR. "Companies cannot manipulate our order (on no coercive action) like this and not pay at all," an official told *Business Standard*. The letters are expected to go out early next week.

In an order on October 24, 2019, the Supreme Court had upheld the DoT definition of AGR and had asked the telecom companies to pay up the licence fee dues and spectrum charges along with penalties and interest to the government within three months.

Turn to Page 19

IN A TIGHT SPOT

- **On Oct 24, SC rejected telco's appeal against govt** definition of adjusted gross revenue (AGR)
- **Telcos filed a modification plea in SC last month,** seeking extension of Jan 23 deadline to pay AGR dues; the plea is yet to come up for hearing
- **AGR definition has been a long-standing** issue between DoT, telcos
- **Cellular Operators Association of India says components of AGR which govt was trying to include** were in contravention of the Telegraph Act and the recommendations of telecom regulator

CONSOLIDATION OF TELCOS MAY HURT CUSTOMERS Page 2

India's IT leaders see product-led growth as next big opportunity

DEBASIS MOHAPATRA
Mumbai, 12 February

In a rare sight, heads of India's top information technology services companies shared a stage on Wednesday, brainstorming the health of the industry and the way forward.

In a fireside chat organised by Nasscom as part of its flagship annual IT event, TCS Chief Executive Officer (CEO) and Managing Director (MD) Rajesh Gopinathan, Infosys CEO and MD Salil Parekh, and Wipro Chairman Rishad Premji agreed that while times for the predominantly export-driven IT industry continued to remain challenging, domestic players operating in the space were going to put a major focus on product-led growth strategy.

The three companies have a combined market capitalisation of more than ₹12 trillion, and employ around 600,000 staffers.

"Our philosophy is to combine product and services, and deliver them to our clients. We will increasingly see the productisation of services (for the industry)," said Rishad Premji, who is also a former chairman of Nasscom. Turn to Page 19

PHOTOS: PTI



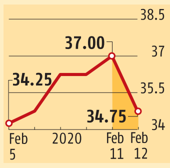
(From left) **Tata Consultancy Services MD & CEO Rajesh Gopinathan, Infosys MD & CEO Salil Parekh and Wipro Chairman Rishad Premji at Nasscom's leadership summit in Mumbai on Wednesday**

PAGE 2
IT REVENUES TO GROW 7.7% IN FY20: NASSCOM
INDIA TO REMAIN A STRETCHED SOCIETY FOREVER, SAYS TATA SONS CHAIRMAN

STOCKS IN THE NEWS

*OVER PREVIOUS CLOSE

IDBI Bank

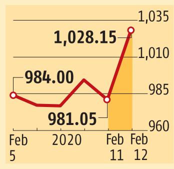


Q3 loss at ₹5,763 cr, against ₹4,185 cr in the year-ago period

₹34.75 CLOSE

▼6.08% DOWN*

CEAT

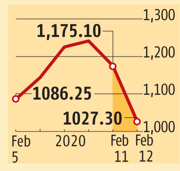


Commences production at greenfield project in Chennai

₹1,028.15 CLOSE

▲4.80% UP*

HEG

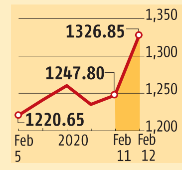


Q3 loss at ₹1 cr, against profit of ₹865 cr in the year-ago period

₹1,027.30 CLOSE

▼12.58% DOWN*

Ipca Laboratories

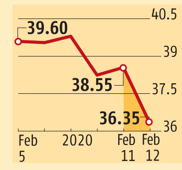


Q3 Ebitda margin at 23.56%, against 20.72% in the year-ago period

₹1,326.85 CLOSE

▲6.34% UP*

Bharat Heavy Electricals



Q3 operational revenue declined 23.3% to ₹5,459 cr, YoY

₹36.35 CLOSE

▼5.71% DOWN*

IN BRIEF

Airtel plans to raise another $250 million through bonds

Bharti Airtel on Wednesday said its wholly-owned subsidiary Network i2i plans to raise up to $250 million (around ₹1,780 crore) via perpetual bonds. This amount will be in addition to existing securities of $750 million (around ₹5,343 crore) that the company has raised recently. Network i2i, a Mauritius-based wholly-owned subsidiary of the company through joint book runners and joint lead managers has approached investors for the proposed additional issuance, the company said in a regulatory filing. **PTI**

NRC project contract with Assam not renewed: Wipro

Wipro has said its contract with the Assam for the National Register of Citizens (NRC) project was not renewed "upon its expiry in October, 2019", in response to reports that NRC data disappeared from the website because of the cloud storage provided by the IT services firm. **BS REPORTER**

WhatsApp says it now has 2 million users globally

WhatsApp now has two billion users globally, the company said in a statement on Wednesday. The firm has been under fire lately in India and other parts of the world after it disclosed that an Israeli malware called Pegasus was used to target about 140 users globally. **BS REPORTER**

USFDA issues two observations to Lupin's MP unit

Drug firm Lupin on Wednesday said the US health regulator has issued two observations after inspection of the company's Madhya Pradesh facility. The inspection of the company's Pithampur Unit-I facility by the United States Food and Drug Administration (USFDA) has been completed, Lupin said in a filing to BSE. **PTI**

GitHub sets up unit in India to engage with developers

Microsoft-owned GitHub, the world's largest open source development platform, is setting up India entity in order to better serve the developer community and its own enterprise customers. India is home to it's third largest community of developers. **BS REPORTER**

DRL to buy Wockhardt's branded biz for ₹1,850 cr

Pharma major expects the acquisition to boost its domestic business

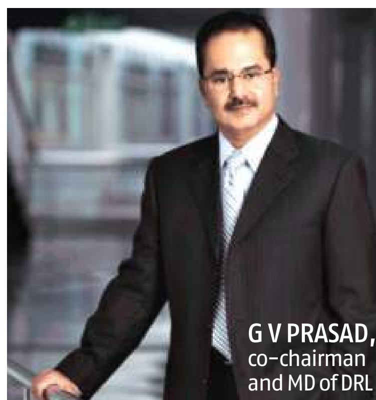
SOHINI DAS & B DASARATH REDDY
Mumbai/Hyderabad, 12 February

Dr Reddy's Laboratories (DRL) has entered into a definitive agreement with Wockhardt to acquire select divisions of its branded generics business in India, Nepal, Sri Lanka, Bhutan and Maldives, and a manufacturing plant for ₹1,850 crore.

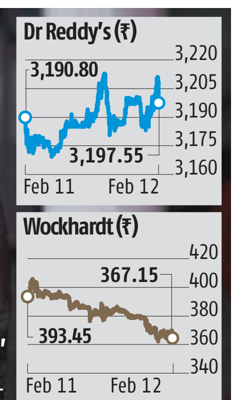
The business is valued at 3.8 times the annualised revenue. As a part of the deal, a portfolio of 62 brands in multiple therapy areas such as respiratory, neurology, VMS, dermatology, gastroenterology, pain and vaccines would be transferred to DRL, along with related business assets and liabilities, contracts, permits, intellectual properties, employees, and marketing, sales and distribution of the same.

Wockhardt's plant in Baddi, Himachal Pradesh, is also being sold to DRL, together with entire manpower of the plant.

DRL sees the acquisition as a strategic move to boost its domestic business. "India is an important market for us, and this acquisition will help in considerably scaling-up our domestic business. The acquired portfolio shall enhance DRL's presence in the high-growth therapy areas with market leading brands such as Practin, Zedex, Brozedex, Tryptomer and Biovac. We believe the portfolio holds a lot of potential and will get an impetus under DRL," said G V Prasad, co-chairman and managing director of DRL.



G V PRASAD, co-chairman and MD of DRL



"INDIA IS AN IMPORTANT MARKET FOR US AND THIS ACQUISITION WILL HELP IN SCALING UP OUR DOMESTIC BUSINESS. THE ACQUIRED PORTFOLIO SHALL ENHANCE DRL'S PRESENCE IN HIGH-GROWTH THERAPY AREAS"

The drug maker expects to close the deal in the first quarter of financial year 2020-21. DRL last made India-centric product acquisition in 2015. It had acquired Belgian company UCB's select product portfolio business in India, besides Nepal, Sri Lanka, and Maldives for ₹800 crore.

Wockhardt expects the deal to help it focus on its niche antibiotics portfolio, and infuse liquidity in its existing business.

In FY19, this business contributed around ₹594 crore, or around 28 per cent of the total standalone and 14 per cent of the consolidated revenue. For the nine-month period ended December 31, the business contributed ₹377 crore, or around 34 per cent of the standalone and 15 per cent of the consolidated revenue from operations, Wockhardt said.

"The intended sale of business portfolio is in line with the company's strategic plan to shift from acute therapeutic areas to more chronic business like anti-diabetic, central nervous system etc and also to its niche antibiotic portfolio of new chemical entities," said Habil Khorakiwala, founder chairman and group chief executive officer, Wockhardt.

"The divestment will also ensure adequate liquidity to bring in robust growth in the chronic domestic branded business, international operations, investments in Biosimilars for the US market, apart from the company's global clinical trials of breakthrough anti-infectives and R&D activities," Khorakiwala added.

For Wockhardt, the deal brings in the much needed liquidity it needs to spruce up its existing business, especially the research and development for its novel antibiotic pipeline.

Consolidation of telcos may hurt customers

TELECOM LANDSCAPE

The 3-4 player market is more akin to advanced nations

	Mobile connections (in million)	No. of players	SIM penetration (as % of population)
Australia	32.9	3	100
Malaysia	41.0	9	90
South Korea	60.4	4	100
France	65.5	4	93
UK	72.4	4	94
Thailand	93.8	6	100
South Africa	103.9	5	70
Germany	110.9	3	85
Japan	191.5	3	99
Brazil	205.8	7	90
Russia	237.6	7	80
US	351.9	5	96
India	**1,100**	**4**	**67**
China	1,600	3	86

Source: GSMA Intelligence 2020/industry estimates

SURAJEET DAS GUPTA
New Delhi, 12 February

As India stares at the possibility of becoming a three-player mobile telecom market in case Vodafone-Idea shuts operations, questions have been raised on whether this will lead to concentration of pricing power and if this will be detrimental for consumers in the long run.

Bharti Airtel chief executive officer (CEO) Gopal Vittal just last week said publicly that India should have three private mobile service providers (excluding BSNL-MTNL) as it was good from all perspectives — investments, jobs and reputation of the industry.

He is not off the mark if global trends are anything to go by. Emerging markets across the world have more than four mobile players in their countries, even though they handle a much smaller number of customers than Indian operators. However, the Indian market is more in sync with mobile markets of advanced countries like the UK, Japan, and South Korea, where there are fewer players — three to four.

Brazil boasts of seven players jostling for 205 million customers — an average of 30 million customers each. In India four firms handle 1.1 billion subscribers — an average of 275 million. In Indonesia, seven operators support just a third of the number of users handled by Indian operators. And Thailand has six players for 93.8 million customers, or an average of 15 million per player. However, emerging markets have some commonalties — a large chunk of their subscribers are on prepaid, unlike advanced markets where postpaid subscribers are the norm.

Consolidation, especially after Reliance Jio's entry and the subsequent price war, has shrunk the number of players from a peak of 16 to just four, which could reduce to three. Experts say, though the Indian market looks more akin to advanced markets in terms of number of players, those firms handle a fraction of subscribers, who pay far more than in India.

So, for instance, the three mobile players in Japan support a mere 191.5 million customers. In fact, the customer base of each of the top three players individually — Bharti Airtel, Vodafone Idea, and Reliance Jio — is far higher than the total mobile customer base of all the players in Japan.

Japan, though, is nearly a 100 per cent postpaid market with a SIM penetration of 99 per cent. India is exactly the opposite — a predominantly prepaid market (87 per cent) where customers are not sticky and have lower average revenue per user (ARPU) than postpaid customers. And SIM penetration at 67 per cent (large rural markets are untapped), means that there is still a large upside to bring in net customer additions.

The trend is also reflected in other advanced markets. For instance, in Germany, there are only three players for 111 million customers. In the UK, four telcos fight it out for 73 million customers. And South Korea has four players for 60.4 million mobile subscribers.

Even in the US, the merger of T-Mobile and Sprint was stuck for many years over fears that it would stifle competition, but it got court clearance on Tuesday. However, even after it has been cleared US will continue to have a three big players Verizon, AT&T, T-Mobile and a new player in Dish apart from TracFone amongst others supporting 351 million customers.

Many analysts, however, said the Chinese model of keeping the number of players limited —it has only three players for 1.6 billion customers — made each of them a behemoth.

IT sector's revenue to grow 7.7% in FY20: Nasscom

Industry body 'cautiously optimistic' on growth in FY21

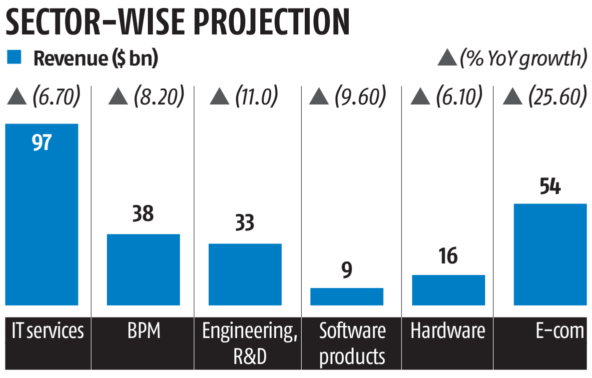
DEBASIS MOHAPATRA
Mumbai, 12 February

Nasscom on Wednesday said the IT sector was likely to end the current financial year with 7.7 per cent revenue growth to touch the $191-billion mark. Though this (growth rate) was higher by 160 basis points (bps) over FY19, the industry body said it remained "cautiously optimistic" on growth prospects for the next financial year (FY21).

"Based on what CEOs have said, we are cautiously optimistic," said Keshav Murugesh, chairman of Nasscom. He said they would invest mainly in two-three areas, including skill development, which will take care of demand for digital and technology solutions. Murugesh, also the CEO of WNS Global Services, added that the industry aspires to reach $350 billion in revenue by 2025.

However, after missing Nasscom's 2020 collective revenue projection of $200-225 billion, it looks difficult to achieve $350 billion in revenue, which requires the industry to grow at a compound annual growth rate of close to 13 per cent for the next five years.

SECTOR-WISE PROJECTION



Nasscom, which has discontinued the practice of providing annual growth projections citing the changing nature of business, said the IT services sector is likely to touch revenues of $97 billion in FY20 — a growth of 6.7 per cent over the last financial year.

Similarly, revenues from the e-commerce sector are expected to be $54 billion, a rise of 25.6 per cent over the same period last year.

In FY20, exports from the sector are likely to touch $147 billion — 8.1 per cent higher over the same period last year. "Despite so much negativity, rising protectionist themes, Brexit, and other headwinds, the industry has delivered well ahead of expectations," said Murugesh.

In FY20, the industry body said, net new employees' addition stands at 205,000 — which is 15,000 higher than FY19. This is the highest number of addition in new employees in the last five years.

While in FY17, the industry added 173,000 staffers, the number was 105,000 in FY18 and 190,000 in FY19.

On visa restrictions by the Trump administration, Debjani Ghosh, president of Nasscom, said the government needs to change its narrative about the importance of Indian engineers in driving US growth.

"We have to change the narrative and that's our recommendation to the government. The US administration has to realise that 90 per cent of the H1B visas are going to US companies and not Indian ones," said Ghosh.

"High-skill talent mobility is critical for a company's growth and this shouldn't be treated as immigration."

India to remain a stretched society: Chandrasekaran

DEBASIS MOHAPATRA
Mumbai, 12 February

India will always remain a 'stretched society', with limitations of both infrastructure and skilled manpower that underlines the importance of technology in improving efficiency and creating jobs, said Tata Sons Chairman N Chandrasekaran.

Addressing the Nasscom Technology and Leadership Forum, the annual flagship event of the IT industry body, Chandrasekaran said the fears of job loss due to artificial intelligence (AI) was a narrative created by the developed economies.

"India forever will remain a stretched society. We should make the most of what we already have. The problem of the country is distinctly different from that of the US, Japan or any other country. We don't have problems with age or numbers, but we lack skill and qualification," said Chandrasekaran.

"Our approach to automation has to be deliberately and distinctly different from the US and other countries. When you look at the developing markets, we have distinctly different characteristics. And, the technology will play out differently (for us)," said the Tata Sons chairman.

"WE DON'T HAVE PROBLEMS WITH AGE OR NUMBERS, BUT WE LACK SKILL & QUALIFICATION"

N CHANDRASEKARAN
Tata Sons chairman

With appropriate skilling, India can contribute more to its GDP by converting informal jobs into formal ones.

"Indian workforce is overwhelmingly informal. It does not have consistent wages, contract or other safety nets. If informal jobs become formal, it will be a huge advantage for the economy."

The Maharaja's jewels to be housed in National Museum

AI's collection of art and memorabilia goes on display

PAVAN LALL
Mumbai, 12 February

Debt-ridden Air India, which is to go under the hammer, will see a part of its art and collectibles showcased at the Nehru Centre in Mumbai from Thursday.

The exhibition titled *Maharaja of the Skies – An Indian Heritage* is being organised by the Society for Culture and Environment.

The collectibles consist of hundreds of memorabilia that mostly include reproductions but also a few originals from Air India, the organisers said.

The originals include a book with JRD Tata's flight records, Royal Doulton porcelain plates with the carrier's logo, flight recorders and scale model aeroplanes. The reproductions comprise posters and photographs of calendars, diaries, coasters and paintings.

(*Left to right*) **A collage displaying the attire of Air India's air hostesses; pictures of employees; a poster; and an original Royal Doulton Style Award**

PHOTOS: KAMLESH PEDNEKAR

Air India chairman and managing director Ashwani Lohani told *Business Standard* that earlier plans to house the entire collection of art and collectibles in a new museum built just for it have been shelved.

"Now, the entire collection of art work will be housed at the National Gallery of Modern Art in Delhi in the near future," he said. In other words, divestment or not, the art and memorabilia will not go on the block.

He went on to add that the exhibition was a powerful reminder of Air India's past glory.

He said, "One cannot but help remember what a great culture Air India was imbibed with in the past, from having its own glamour and style quotient, to its own engine works."

Despite its troubles, he said, the airline still flies to over 40 international destinations and is operating 450 flights daily.

Air India was also renowned for having a strong culture of investing in art to promote the airline with department budgets and personnel specifically dedicated to achieve that.

Its art department had patronised young talent who went on to become established artists and include B. Prabha, whose paintings were first bought by the carrier. The original collection includes six-feet long paintings by MF Husain, and other large works by V S Gaitonde, Anjolie Ela Menon, Jitish Kallat and Sakti Barman. It also includes textiles, sculptures, wooden artefacts and even ashtray sculptures that were created by artist Salvador Dali. The collection also includes diaries, posters and sketches by Goan artist Mario Miranda.

How many pieces does the collection consist of? While speculation in public domain has ranged from estimates of 10,000 to 40,000 pieces, it's not known as to how many exactly there are in the catalog of collectibles.

Air India officials declined to offer specifics, saying even letterheads, annual diaries and coasters were collectibles and hence the number was high but not available off-hand.

Dinesh Vazirani, CEO of art gallery and auction house Saffronart, said Air India's collections happened over decades and they were not just in India but in all of its offices internationally as well. "The collection, which is a store of Indian heritage and history, would be best served by being housed in museums across the country, given that it is after all government property," he added.

Is there a valuation to the entire collection? Experts say it's hard to narrow it down to a single number because of the diversity of artefacts in the portfolio.

"The original posters of Air India itself sell for between ₹50,000 and ₹60,000 each which is high for just a poster," said Ashvin Rajagopalan, director of the Piramal Art Foundation.

"The original masters like Husain and Raza are in the crores," he added. The entire collection is hard to zero down in value but its scope and expanse are legendary, he further said.

Meera Dass, the official who curated the exhibition, said the point of the display was to encourage a look-back at the history of India's only state-owned airline whose mascot is depicted by a turbaned Maharaja. It carried a tagline 'The airline that treats you like a Maharaja'.

KEC to tap civil works in oil & gas sector

AMRITHA PILLAY
Mumbai, 12 February

With the central government's thrust on developing a gas-based economy, engineering company KEC International is aiming to tap civil work opportunities in the oil and gas segment. "We are looking at the sector, which will include projects like tankages, related infrastructure and pipelines," said Vimal Kejriwal, managing director.

Union petroleum minister Dharmendra Pradhan said in December that the country was moving to a gas-based economy. He put the investment planned for developing gas-based infrastructure at $60 billion (₹4.3 trillion).

Kejriwal sees this as an opportune time to enter the oil and gas engineering segment, in the absence of IL&FS and Punj Lloyd. Owing to financial concerns at both these, KEC sees no major company vying for the same set of orders.

To test the waters, Kejriwal says they'll bid for smaller projects worth ₹50-250 crore. With discussion on gas grids and new refinery complexes, civil orders from this segment should rise.

Old timer Srinath to take over as CEO of Tata Trusts

Pramit Jhaveri inducted as trustee of Dorabji Tata Trust with immediate effect

DEV CHATTERJEE
Mumbai, 12 February

Srinath Narasimhan, a Tata Group veteran, was on Wednesday appointed chief executive officer (CEO) of Tata Trusts with effect from April 1.

Srinath joins at a time when the trusts are facing litigation with the income tax department over its tax status. Also, the group is in the middle of a legal dispute with its former chairman Cyrus Mistry.

Tata Trusts owns 66 per cent stake in Tata Sons, the holding company of the group.

Narasimhan is currently managing director of Tata Teleservices, which sold its loss-making wireless telephony business to Bharti Airtel for free. But Tata Tele paid its bank debt and government dues worth ₹60,000 crore.

Narasimhan has held coveted positions in the Tata Group, including the post of managing director of Tata Communications. He had joined Tata Administrative Services in 1986.

In another top appointment, Pramit Jhaveri, former CEO of Citi India and former vice-chairman of banking, capital markets and advisory for Asia-Pacific of the American bank, was inducted as a trustee of the Sir Dorabji Tata Trust with immediate effect.

Srinath Narasimhan (*left*), MD of Tata Teleservices, joins at a time when the trusts are facing litigation with the I-T department over its tax status; Former Citibank CEO Pramit Jhaveri

In February last year, R Venkataramanan (popularly known as Venkat) had stepped down as managing trustee of Tata Trusts.

Subsequently, a search committee led by Ratan Tata, interviewed several internal employees as well as professionals from elsewhere to select a CEO and finally zeroed in on Srinath by November.

After Venkat's resignation, Tata Trusts was managed by Ratan Tata along with a core group of officials. Among other recent changes in the organisation, Noel Tata, Ratan Tata's half-brother, was appointed a trustee of the Sir Ratan Tata Trust, which is the second biggest trust in the Tata Trusts fold. One of the immediate challenges before Srinath will be to handle the litigation with the income tax department.

On October 31 last year, the I-T department cancelled the registration of six trusts (not the bigger ones) operating under Tata Trusts. It cited violation of norms applicable to charitable institutions. This may result in a tax liability of about ₹12,000 crore.

The Tatas are challenging the date of the order, which makes the trusts liable to pay a much higher amount of tax under the new tax provision introduced in June 2016 concerning charitable trusts.

Tata Trusts is of the view that the cancellation should apply retrospectively, as it had offered to surrender the registration in 2015. This is about a year before the new tax provision became effective.

Srinath will have to continue the work by the trusts in the field of education, health, environment and sanitation, among others. Tata Trusts today runs some of India's mega charitable programmes from the money it earns as dividend from Tata Sons.

Swiggy partners eateries to create delivery-only brands

NEHA ALAWADHI
New Delhi, 12 February

The aim is to cater to a gap in the food delivery requirement in some particular areas

Food ordering and delivery aggregator Swiggy has partnered some restaurants on its platform to create delivery-only brands, with a separate identity from the parent eatery.

The aim is to cater to a gap in the food delivery requirement of particular areas. The initiative, called 'BrandWorks,' offers a different menu, images, packaging and pricing from the restaurant's usual menu.

Run experimentally over five-odd months, Bengaluru-headquartered Swiggy now has 100 BrandWorks brands across 13 cities. It plans to triple the number by the end of the year.

"We approached these restaurants with consumer need gaps, knowing their (restaurants') culinary capabilities. We said, let us co-create a brand in terms of menu, images, pricing, packaging. The brands are operated out of the partner's existing kitchens — so, its an asset-light, minimalistic, incremental expenditure for the partner to do more out of their existing kitchens, while consumer needs are getting met," said Vishal Bhatia, chief executive of New Supply Business at Swiggy.

For instance, he said, delivery-friendly Chinese food continues to be a gap in Delhi. Swiggy has, accordingly, partnered with Delhi-based Chinese and Thai food chain Bercos to create a delivery-only brand, called House of Chow.

"It will be the same team and the existing kitchen (of Bercos). The packaging and some different products are the only extra cost for this brand. The portion sizes are also different — we have meals for one, individual meals and so on. We've also kept this as an independent brand, as we don't want to cannibalise the Bercos brand," said Kabir Advani, managing partner of Bercos Restaurant.

House of Chow is currently available at six Bercos outlets, and the restaurant plans to expand it to 15 by June.

Bhatia's team is also the one that takes care of the Swiggy Access initiative, which was begun three years earlier. This involved taking on lease on a property, refurbishing into small, shared, kitchens and sub-letting to restaurant chains.

It had, it earlier said, spent about ₹250 crore for opening a little over 1,000 such 'cloud kitchens' on a million sq ft of space.

Godrej to challenge NGT order quashing green nod for project

PRESS TRUST OF INDIA
New Delhi, 12 February

Realty firm Godrej Properties on Wednesday said it will challenge the NGT order quashing environmental nod granted to one of its housing project in Bengaluru, saying no construction work has been done in the buffer zone of lake. The National Green Tribunal (NGT) quashed the environmental clearance (EC) granted to a high-rise residential project being built by Godrej in Bengaluru for raising construction in the buffer zone of Kaikondrahalli lake.

"NGT has passed an order concerning our projects in Bengaluru. We reiterate that as a responsible corporate, we follow all concerned regulations and are confident of our compliance in this project," Godrej Properties said in a statement.

"There has been no construction in the buffer zone and we are confident of our merits and compliances in the case. We are in the process of challenging the said order," it added.

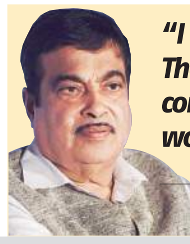
Godrej Properties is the real estate arm of diversified Godrej Group.

Earlier, a Bench of NGT Chairperson Justice Adarsh Kumar Goel and Justice S P Wangdi said no environmental clearance could have been granted which permitted construction in the buffer zone of Kaikondrahalli lake and drains merely by imposing a condition that no such construction will be raised.

"Stand of the project proponent that the project is permissible cannot be accepted. It is clear that the project stipulates construction in the buffer zone, in violation of zoning plan and judgment of this tribunal as affirmed by the Supreme Court. Accordingly, the appeal is allowed and the EC is quashed," the Bench said.

"RBI's role as the regulator has been enhanced. We trust that this will deter malpractices and make our financial systems more credible... I will request all bankers to keep a keen eye and not let a good idea die for lack of funding"

RAM NATH KOVIND
President



"I am not going to increase the cost (of the Zojila project)... There is a need for tunnels to provide all-weather connectivity. In the next five years, we will undertake work worth more than ₹1 trillion for tunnels"

NITIN GADKARI
Union minister for road transport and highways

"Keeping in mind the directions of the Supreme Court, certain agreements have been signed, which will resolve Sahara's problems within this year, that is 2020"

SUBRATA ROY
Sahara group chief

Q3 brings much-needed respite for state-run banks

NPA ratio declines even as PBT improves for most; MSMEs, agri and retail segments though may see fresh stress, warn experts

HAMSINI KARTHIK & ABHIJIT LELE
Mumbai, 12 February

Improvement in the profile of public sector banks (PSBs) became visible in the December quarter (Q3). Most have either reported a higher profit before tax (PBT) or moved into the black, besides reporting a dip in net non-performing assets (NPAs), compared to a year ago, even as overall credit growth remained muted.

In Q3 of financial year 2019-20 (FY20), for instance, five of the 13 banks — led by State Bank of India (SBI) — reported a year-on-year (YoY) rise in PBT, while four others — Andhra Bank, Bank of India, Central Bank and Oriental Bank of Commerce — reported PBT as compared to a loss before tax (LBT) in the December 2018 quarter.

The combined profit figures would have been higher but for the continued losses (before tax) of Allahabad Bank (₹2,195 crore) and a 162 per cent surge in LBT in Indian Overseas Bank to ₹5,902 crore in Q3FY20.

The asset quality — NPAs as a percentage of loan book as well as provisions for bad loans — also shows improvement. Of 13 lenders, 12 reported a decline in net NPA ratio in Q3, compared to the year-ago period. Even on a sequential basis (over Q2FY20), nine saw their net NPA ratios decline or remain flat. The decline was aided by increased provisions by banks, as well as improved recovery of bad loans.

Slippages (loans turned bad) in corporate loan book have come down compared to the year-ago period. There were two finance accounts in Q3, including Dewan Housing Finance Limited (DHFL), which turned into NPAs and partly offset the gains arising from the reduction in bad loans to the tune of ₹40,000 crore because of resolution of Essar Steel loan account.

"Corporate loan NPA was 18-19 per cent in FY18 and now they are trending down to 15-16 per cent. These numbers are likely to further come down and I see a clear trend of asset quality easing in corporate loan," says Krishnan Sitaraman, senior director of Financial Sector Ratings and Structured Finance Ratings at CRISIL.

Experts say, two factors are helping these banks — an overall reduction in systemic stress, mainly lumpy accounts and high provisioning costs that these banks have taken over the past years. These have brought them to a comfortable level in terms of handling the asset quality, particularly on their corporate book.

Jindal Haria, director, banking and financial institutions, India Ratings & Research, says provisioning that PSBs have taken on corporate gross NPAs is 70 per cent or upwards (excluding technical write-offs). In fact, most PSBs currently work with a provision coverage ratio (PCR) upwards of 80 per cent and IDBI Bank, in particular, has PCR of 94 per cent (including technical write-offs).

These are record levels of PCR, for state-run banks and the Indian banking system at large. "The overall position on PCR is much better now than before and much of the stress is well recognised. Additions, hence, could be limited," says Haria.

What's also providing comfort is the declining trend of slippages ratio or accretion of fresh NPA as a percentage of total loan book. According to CRISIL, the slippages ratio for FY20 is pegged at 3.5 per cent, which is a little lower than the 3.7 per cent level seen in FY19 and nearly half the peak slippages ratio of 7.4 per cent.

That said, Sitaraman warns that even at current levels, the slippages ratio is far from the steady level of 2.5-3 per cent seen before asset quality deterioration about four-five years ago. This also means that while large corporate bad loans may not be a headache for PSBs any more, it remains to be seen if incremental stress will add up from small loans.

Two factors will matter for PSBs among others. The inter-creditor agreement or ICA signed among banks to resolve stressed loan accounts since June 2019 haven't proved successful so far. Examples such as Cox and Kings, Dewan Housing Finance and Jain Irrigation bear testimony of this and banks have started providing for these loan exposures.

Clarity on nearly ₹2.5 trillion loan accounts covered under ICA will be known in the March quarter as the validity of these ICAs would have lapsed starting January 2020 and banks would have to provide for them starting from March 2020 quarter.

Similarly, while loans to micro, small and medium enterprises (MSMEs) get a one-year window for restructuring, stress is fast building in this segment warranting higher extent of caution. Pointing out that the recent regulatory dispensation only concerns standard assets, Siddharth Purohit of SMC Capital, said MSME loans could soon pose the twin risk of asset quality deterioration and lower pace of growth for PSBs. "What if the underlying economic situation doesn't recover even after the dispensation, that is also equally a concern," he adds.

S S Mallikarjuna Rao, Punjab National Bank managing director and chief executive officer, has already guided for elevated stress in Q4 and probably for the first quarter of FY21 coming from MSME and agricultural loans. Interestingly, SBI's chief, Rajnish Kumar, in a post-results conference call indicated that debt wavier schemes have impacted recoveries and renewal of agri loans, and slippages in this segment stood at ₹2,900 crore in Q3FY20.

The uncertainty for the banking system and for PSBs, in particular, is on recoveries. Analysts say Q3 numbers were significantly comforted by recoveries from Essar Steel. "Going into March quarter, there are no big recoveries to help the financials of banks," Purohit adds.

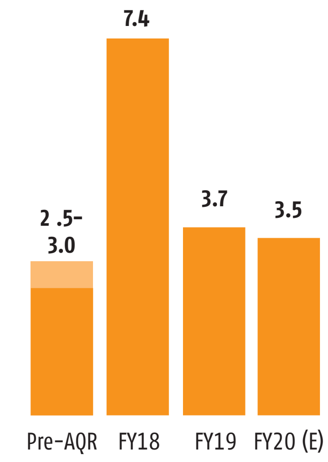
There is some bit of stress building up on the retail loans front, too, for the entire banking sector, private banks included. Therefore, while Q3 does instill confidence on the asset quality front, the ability to sustain this is more critical for PSBs. With the finance minister recently nudging banks to raise capital on their own, it is imperative for PSBs to sustain the improvement in their financials.

REDUCING NPAs, RISING PROFITS

	Net NPA (%)		Change (bps)	PBT (₹ crore)		
	Q3FY19	Q3FY20		Q3FY19	Q2FY20	Q3FY20
Allahabad Bank	7.7	5.1	-260	-726	-2,108	-2,195
Andhra Bank	7.0	6.4	-63	-424	141	235
Bank of Baroda	4.3	4.1	-21	744	1,127	-2,197
Bank of India	5.9	6.0	10	-6,728	408	120
Canara Bank	6.4	5.1	-132	380	507	531
Central Bank	10.3	9.3	-106	-1,097	103	170
IOB	13.6	5.8	-780	-609	-2,250	-5,902
Indian Bank	4.4	3.5	-92	223	592	390
Oriental Bank	7.2	6.0	-120	-2,717	212	256
PNB	8.2	7.2	-104	346	633	-383
State Bank of India	4.0	2.7	-130	6,619	5,060	10,970
Syndicate Bank	6.8	5.9	-81	136	317	291
Union Bank	8.3	7.0	-128	133	-1,618	582

NPAs: Non-performing assets; source: Capitaline
Compiled by *BS* Research Bureau

Easing slippages



E: Estimates; AQR: Asset quality review
Source: CRISIL

IN BRIEF

Maharashtra govt staff to have 5-day work week from Feb 29

The Maharashtra government on Wednesday announced five-day work week for its officers and employees beginning February 29 and extended the current work hours by 45 minutes. The government is of the view that the new structure would not only improve the quality of life of its employees but will also cut down expenses on fuel and electricity. State employees have been demanding the five-day work week since the last many years. The decision was taken at the state Cabinet meeting chaired by Chief Minister Uddhav Thackeray, which will benefit nearly 2 million officers and employees. The employees currently get holidays on every second and fourth Saturday. PTI

E-cigarettes, similar products banned at airports, aircraft

The aviation security regulator BCAS has banned e-cigarettes and similar products on all airports and aircraft in India. "E-cigarettes includes all forms of electronic nicotine delivery system, heat not burn products, e-hookah...," said a circular, adding sale, storage, distribution and advertisement of these is prohibited. PTI

CIA spied on India, other nations for decades: Report

The CIA read the encrypted messages of several countries, including India, for decades through its secretly owned Switzerland-based company trusted by governments all over the world to keep the communications of their spies, soldiers and diplomats secret, said an American daily. PTI

BS staffer dies

Assistant art director of *Business Standard* Sunil Kumar Girota passed away in New Delhi on Wednesday. He was 54. On Tuesday, he was admitted to Safdarjung Hospital after a brain haemorrhage. He is survived by his wife, son and daughter. He joined *Business Standard* in 2008. BS REPORTER

JM Financial to launch NCD issue of ₹300 cr today

JM Financial Products will launch on Thursday the third tranche of its non-convertible debenture (NCD) issue for up to ₹300 crore, including green-shoe option of ₹200 crore. The minimum application size would be ₹10,000 collectively across all series for a tenor ranging between 24, 40, 60 and 120 months. The annual coupon rate ranges between 9.29 per cent and 10 per cent. The company has an AA rating. BS REPORTER

City Union Bank pre-tax profit drops to ₹227 cr

Kumbakonam-based City Union Bank has posted a marginal decline in profit before tax at ₹227.43 crore during the quarter ended December, 2019, compared to ₹228.10 crore during the same period last year. BS REPORTER

I-T dept to share all taxpayers' PAN and other data with Sebi

The Income-Tax (I-T) Department will share all taxpayers' data like PAN information with Sebi to help the regulator in its probe against various entities. PTI

MERGER OF STATE-OWNED GENERAL INSURANCE FIRMS

Cabinet okays infusion of ₹2.5K cr into 3 PSU insurers

Centre takes steps to make insurance merger bill less than Budget Estimates

SUBHOMOY BHATTACHARJEE
New Delhi, 12 February

After the Cabinet approved a ₹2,500-crore infusion into three state-owned general insurance companies on Wednesday, the finance ministry is hoping the additional bill will be far lower than ₹6,950 crore announced in Budget 2020-21.

The CMDs of the three companies, Oriental Insurance, United India Insurance and National Insurance have been advised by the government to quickly bring their claims settlements in each line of business — motor, health and fire — in sync with each other. The companies would soon announce the formation of joint Lok Adalats as well as take the help of the insurance Ombudsman. This would bring the claims handling departments of the firms closer to each other's best practice.

The CMDs have already held one round of meetings. "The exercise will also tell us more accurately how much of their money is locked up as provisioning for these cases," said a government official, aware of the developments. This will determine how much money the government may need to provide the merged entity to bring its solvency ratio in line with the regulator, the Insurance Regulatory and Development Authority of India (Irdai).

Finance Secretary Rajiv Kumar recently said the merger would happen next year. The finance ministry had provided the ₹2,500 crore through the first supplementary demands for grants for 2019-20, which has been cleared by the Cabinet now. This is the first time ever when the government has had to put money into the insurance companies as their owner. Going ahead while each company has put up a large bill towards merger, the ministry feels the additional support needed would be reasonable. It will depend on improving what is called the solvency ratio, a measure of the balance between assets and liabilities of the companies.

The biggest drain on the solvency ratio of these companies comes from the claims from the third-party motor insurance business. According to Irdai data, the total third-party premium booked by these three companies in 2018-19 was ₹11,860.58 crore. Since no insurance companies share data on their claims with each other, the finance ministry and Irdai suspect that a lot of the resultant claims are duplicates. The claims ratio — claims paid over net earned premium for the three companies — is 108.54 per cent compared with 74 for the private sector companies (2018-19). The number for the state-owned firms has deteriorated over the past few years with United India at one stage having stopped taking out fresh group medical insurance business.

To bring clarity in the claims business, beginning with the motor portfolio, which is usually the second-largest business of these firms, the government has also decided to involve the insurance Ombudsman in each region. There are 17 such Ombudsmen spread across India. They are expected to know the details of the complicated cases and the extent of losses that might need to be paid up by these three firms. This is a surprise for the sector where the Ombudsman scheme has languished owing to lack of response by the insurance firms, government run or privately held.

The bringing together of the claims department of each firm would also help to improve the public perception of these companies which might otherwise face dwindling business, rapidly. Unlike life insurance, non-life policies are written for just a year, though the Supreme Court has last year ordered that third party motor insurance companies to be issued for three years.

Unlike the merger of banks, where it was important to ensure that their IT framework work seamlessly with each other so that the depositors face no difference in their experience, the government-run insurance companies are primarily judged by the experience of their claims settlement practices.

In, say, a motor accident case, the owner of the vehicle is not too bothered with the technological interface as much with the swiftness with which her claim is settled. "It has little to do with the technological practices but a lot to do with the efficiency of the practices the companies have put in," said a source.

The differences crop up because of competition with each other as well as with private firms. The plan now is to build on the strengths and weaknesses in different markets of general insurance of each of these firms which would also take down the merger bill.

ILLUSTRATION: AJAY MOHANTY

OTHER DECISIONS IN THE CABINET

- To provide autonomy to the top 12 major ports, and improve their efficiency and competitiveness, the government approved the much-awaited Major Ports Authority Bill
- Nod to India–Iceland pact in the fisheries sector
- Pesticides Management Bill, 2020, approved. It will regulate the pesticide sector by fixing prices and setting up an authority

Govt insurers' market share loss continues

NAMRATA ACHARYA
Kolkata, 12 February

Public sector general insurance companies continue to lose market share to private peers. As of January, the cumulative market share of the four PSU general insurance companies stood at 38.2 per cent, against 40.23 per cent in January 2019, according to the data released by the Insurance Regulatory and Development Authority of India (Irdai).

National Insurance, Oriental Insurance, United India Insurance and New India Assurance are the four PSU insurers, and barring New India Assurance, the others have been losing market share for some time now. However, compared to December 2019, United India Insurance has marginally gained market share in January.

New India Assurance continues to have the highest market share in the general insurance space at 14.28 per cent, followed by United India Insurance at 9.19 per cent, National Insurance at 7.67 per cent, and ICICI Lombard at 7.22 per cent.

In the February 2018 Budget, the government had announced a plan to merge National Insurance, United India Insurance and Oriental Insurance, and list the merged entity on the stock exchanges.

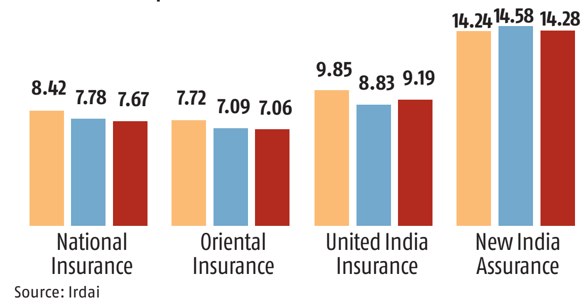
However, there has little progress on the merger since, even as the financial health of the firms deteriorated in terms of financial losses, falling market share and poor solvency ratios.

National Insurance's solvency ratio, a key measure of financial strength, stood at 1.04 at the end of FY19, against the regulatory requirement of 1.5, according to the data.

It was 1.05 for United India in the second quarter (Q2) of FY20. The company posted pre-tax loss of ₹1,091 crore in Q2FY20, according to the data from the General Insurance Council. Oriental Insurance's solvency ratio was 1.56 in Q1FY20. The company had posted net loss before tax of ₹330 crore in Q2FY20.

The three insurers, under the aegis of GIPSA (General Insurance Public Sector Association), earlier appointed consultant EY to draw a blueprint for the merger plan.

A MIXED TREND



Source: Irdai

'Given the position of balance sheets, banks may not be able to go to the market'

United Bank of India (UBI), one of the oldest banks in eastern India, is set to be amalgamated with Oriental Bank of Commerce and Punjab National Bank on April 1. **ASHOK KUMAR PRADHAN,** managing director and chief executive officer of the bank, in conversation with **Namrata Acharya** and **Ishita Ayan Dutt,** shares his views on the banking sector and the current status of the merger. Edited excerpts:

Q&A

What is your assessment of the Budget, especially its impact on public sector banks?
Increasing the deposit insurance limit to ₹5 lakh is a positive, but it will largely impact the operating profit of banks. Regarding their recapitalisation, the government has assured that capital will be provided to banks, as and when required. It is expected that banks will raise money from the market. Given their balance sheet, they may not be in a position to go to the market just yet.

What is the progress on the merger?
All the 34 committees have given their reports. It is being evaluated by the advisor (meanwhile, the anchor bank has appointed one advisor). They will be in a better position to standardise/harmonise, as they have the combined views of the three banks.

Has the swap ratio been decided?
The valuation has been done. Some reconciliation process is on.

What are the broad recommendations of the committees?
All banks draw guidelines from the Government of India. The framework is the same. What is needed is codification and synchronisation of products' features and processes to give clarity in the amalgamated entity.

What is the progress of the information technology (IT) merger?
We understand Infosys is working on the merger of Bank of Baroda. Hopefully they have come out with some sort of solution for BoB. If they find a reasonable amount of success, that should be carried forward.

What will be the cost of the merger?
Initially the cost will be mostly on IT integration. The real picture will be clear after a year or so. There will be savings, in terms of administrative cost. The overlap of branches in Punjab, Haryana, Himachal Pradesh, and Delhi could be rationalised. It is not that we need to close the branches, but some of them can be merged and the licence, which is freed, can be utilised to open branches in other areas/pockets.

What is your view on the steps taken to boost credit growth in the last monetary policy?
It was an excellent monetary policy. Definitively, credit growth will get a big boost.

Is agri loan a cause for concern?
It is considered as a loan in perpetuity. Now the regulator is suggesting it should be liquidated and given afresh. We have suggested a part of the loan be continued and the rest be closed/allowed again.

In the current scenario, what is the overarching concern?
Stalled projects is a major issue. In the power industry, more than ₹2 trillion is stuck. Solution in the power sector would unlock massive funds.

How has the credit offtake been this financial year?
Credit offtake has been poor this financial year, 7-7.5 per cent for the banking sector. At UBI, we have been relatively better. In retail, our credit growth is 14 per cent. In micro, small and medium enterprises, it is 7-8 per cent.

No proof against us: Amazon

PEERZADA ABRAR
Bengaluru, 12 February

The counsel representing Amazon on Wednesday told the Karnataka High Court that the Competition Commission of India (CCI) did not have prima facie evidence to order a probe against some of its business practices. The matter has been listed for further hearing on Thursday.

Amazon, which was represented by senior advocate Gopal Subramanium, argued that it is just a marketplace entity and has no preferred sellers while it does not have exclusivity deals with brands. Arguing that the probe is a complete abuse of the process of law, he said the CCI's informant Delhi Vyapar Mahasangh (DVM) is an affiliate of the Confederation of All India Traders (CAIT) that had previously levelled similar accusations against Amazon. But it did not stand in the court of law.

Last month, the CCI had ordered an investigation against e-commmerce firms, including Amazon and Flipkart, based on a complaint filed by DVM. It alleged that these players are giving deep discounts on online sales of smartphones, and cherry-picking sellers.

Amazon on Monday had filed a writ petition in the high court pleading for an interim stay on the probe. While Flipkart has not yet taken any legal recourse on the probe, Amazon has made the homegrown e-commerce company one of the respondents, apart from CCI and DVM, in its petition.

According to legal experts, this could be a move to strengthen its case given that Flipkart is the only other large e-commerce player in the country.

CAIT on Wednesday said it has moved an application for impleadment in the case. The traders' body also alleged that Amazon's legal counsel is trying to mislead the court by saying that the company does not have any preferred sellers. "Not only did Amazon make frivolous claims of not engaging in business malpractices and FDI (foreign direct investment) violations by stating that they do not enter into any preferential seller agreements and do not control any inventory, they also tried their best to misdirect the court by saying that it is a witch-hunt led by CAIT to malign Amazon," said Praveen Khandelwal, Secretary General, CAIT.

Khandelwal said it's quite evident and clear that Amazon has violated and flouted India's FDI and anti-competitive laws openly by indulging in predatory pricing and deep discounting. "When they have openly been saying that they are fully compliant with all laws, let there be an investigation. The very effort to stop the investigation is a testimony to their unethical practices," alleged Khandelwal.

The investigation ordered by the CCI covers Amazon and rival Flipkart which is now owned by Walmart. Amazon had 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". In its petition, the company stated that 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 company decided to file the petition in the high court since Amazon India's registered office is located in Bengaluru. In the past, the CCI, after studying deep discounts in e-commerce, said it was not a matter of competition.

CCI rejects complaint of unfair business practices against Voda, Jio & Airtel

The Competition Commission (CCI) has dismissed a complaint against Vodafone Idea, Reliance Jio, Airtel and Sify Technologies, which alleged that they were charging higher rates for overseas inbound calls as compared to the ceiling fixed by telecom regulator Trai. The order came on a complaint filed by Teleclub, which is an international telecom carrier. The complainant alleged that the Indian telecom operators together decided to charge standard rate of $0.0053 for inbound calls terminating on their network in India, instead of the rates fixed by the Trai. **PTI**

Q3 RESULTS

Hindalco Q3 PBT at ₹1,481 cr, down 23%

Hindalco Industries — an Aditya Birla group firm — posted a consolidated profit before tax (PBT) of ₹1,481 crore in the December quarter (third quarter, or Q3), down 23 per cent from the same period last year on the back of weak revenue. In the period under review, revenue of the company stood at ₹29,197 crore, down 12 per cent from the same period last year as realisations took a hit, mainly because of a weak demand scenario across segments. "Demand in Q3 was down 13 per cent sequentially, while year-to-date (YTD), it fell 5 per cent. Both aluminium and copper witnessed a fall in demand in Q3," said Satish Pai, managing director, Hindalco Industries. According to Bloomberg estimates, the company's top line was expected to be at ₹30,073 crore in the quarter gone by. Despite a lowered cost of production, mainly in aluminium, the company's Ebitda declined 10 per cent on a year-on-year (YoY) basis to ₹3,676 crore in Q3. **ADITI DIVEKAR**

Rattan India turns profitable

Rattan India Power reported a pre-tax profit of ₹2,106 crore in the December quarter. It had a loss of ₹188 crore in the year-ago period. This comes after the conclusion of debt resolution for its 1,350 Mw Amravati power project.

The company, however, has decided to not construct the envisaged second phase of this project, owing to lack of long-term power purchase agreements (PPAs) in the market. Aman Singh, chief executive officer of Rattan India Power, said the turnaround was because of the one-time settlement of debt. The project, he said, had everything in place but power procurement was not happening. "We are shelving the second phase because of this. No long-term PPAs are being issued by any state," he explained.. **SHREYA JAI**

Ashok Leyland PBT drops by 89% in Q3

Ashok Leyland has reported a 89 per cent in PBT at ₹54.17 crore during the quarter ended December 31, as against ₹483.57 crore a year ago. Total income of the firm dropped to ₹4,037.98 crore from ₹6,346.04 crore on the backdrop of slowdown in overall sales. **BS REPORTER**

Power Finance sees profit dip

Power Finance Corporation (PFC) reported a 13.6 per cent slide in profit before tax at ₹2,395 crore in the December quarter, from the same period a year before. Total income rose to ₹15,878 crore, from ₹14,051 crore. **BS REPORTER**

P&G Hygiene PBT slips 4%

Procter & Gamble Hygiene and Healthcare posted a 4.2 per cent YoY decline in PBT to ₹182 crore for the October–December period. The drop in PBT came as total expenses increased 7.28 per cent from a year ago to ₹686.29 crore. **BS REPORTER**

Asia's biggest motor show comes to a close, draws 608,526 visitors

SHALLY SETH MOHILE & ARINDAM MAJUMDER
Mumbai/Delhi, 12 February

Asia's biggest motor show drew to a close on Wednesday bringing the curtains down on the six-day extravaganza. Even though it fell short of the overall number of participation, it was one of the biggest in terms of partaking by new entrants.

Beating the slowdown that has sapped buyer's sentiments and hit volumes at auto companies for the past year-and-a-half, a total of 608,526 people visited the show at the Great Noida Expo Mart between February 7 and 12, according to Society of Indian Automobile Manufacturers (Siam).

With a peek into the future of mobility via green technologies, the exposition included 352 product displays from 108 exhibitors.

This included eight global premiers and over 70 launches and unveils. It also comprised introduction of 35 electric vehicles and 15 concepts.

Though many manufacturers gave the show a miss, those who participated believed in it as a platform to rekindle interest in a slowing market.

Rajan Wadhera, president of Siam, said this was the highest footfall at the Motor Show held in Greater Noida, "a testimonial of customer's aspiration and affection for the automobile Industry." Rajesh Menon, Siam director general, added the "show will help to revive consumer sentiment which is crucial for the auto industry."

The expo included 352 product displays from 108 exhibitors. This included eight global premiers and over 70 launches

Though smaller, as compared to last year in terms of participation, there was enough to catch buyers' fancy from the stables of new entrants — MG Motors, Kia Motors, Great Wall Motors and FAW. Incumbents such as Maruti, Hyundai, Tata Motors, the Volkswagen Group, Renault, Mahindra and Mahindra, among others, also did their bit to draw the crowd.

Manohar Bhat, vice president and head of sales and marketing at Kia Motors, said it got an "overwhelming response," at the expo. Among other models, Kia launched the Carnival at the show. It has garnered over 4,000 bookings for the premium model and drew huge interest from visitors. It also showed the Sonet Concept at show.

Adding to the glamour quotient, like in previous editions, were many celebrities including Shah Rukh Khan, Huma Qureshi, Gul Panag, Narain Karthikeyan, Daler Mehndi, among others.

"Our biggest takeaway from this expo has been that we have been able to convince the public that we are a British brand," said Gaurav Gupta, chief commercial officer at MG Motors, which designed its pavilion with a London theme.

Gupta's suggestion to the organisers was that the expo should be spread out across cities in India and should showcase future technologies.

The expo also appeared to have made many visitors considering purchasing new cars. One such buyer, Sanket Gupta, a Bengaluru-based IT professional who had delayed buying a second car, said: "I read and heard about all the new cars and SUVs on display at the show on social media and am now considering test drives."

Vikram Malhotra, 32, IT professional who visited the show and owns a Maruti Vittara Brezza, said he liked the new SUV concept showcased by Maruti. "I will wait for when Maruti brings in a car based on that," he said.

Some like Shawn Milton, a New Delhi-based freelance filmmaker, had a suggestion as well. "Being there is a fantastic experience. But I lose out on lot of money that I can earn. I think now time has come to show the fair to us in Delhi through virtual presentation. May be we could sit at home or on the move and yet enjoy it."

The organisers took the first step in that direction. This year's show had Facebook India as its partner for wider reach. It also boasted of various virtual reality and augmented reality booths present across the venue.

Take some risk in a soft interest-rate scenario

The other option is to go for instruments with a higher lock-in period, which give better returns

BEST BANK FD RATES Interest rate

Bank Name	1-year tenure (%)	3-year tenure (%)
Small Finance Banks		
Fincare Small Finance Bank	7.75	9.00
Suryoday Small Finance Bank	8.25	8.50
Jana Small Finance Bank	8.00	8.40
Private Sector Banks		
DCB Bank	6.95	7.60
Lakshmi Vilas Bank	7.50	7.50
Yes Bank	7.25	7.25
Public Sector Banks		
Punjab & Sind Bank	6.45	6.45
Union Bank of India	6.30	6.30
United Bank of India	6.50	6.25

Source: Paisabazaar.com. Rates as on February 12, 2020

ATTRACTIVE GOVERNMENT SCHEMES

Product	Return-annual (%)
Senior Citizen Savings Scheme	8.60
Pradhan Mantri Vaya Vandana Yojana	8.00
Public Provident Fund	7.90
RBI Bonds	7.75
Five-year monthly income account	7.60

DEBT FUNDS YOU MAY CONSIDER

Fund	Category average return (%) 1-year	3-year
Corporate bond	9.21	7.00
Fixed Maturity Plans	5.55	6.47
Ultra short duration	6.57	6.22
Short-duration fund	5.55	5.74

Source: Indiapost, Valueresearch

BINDISHA SARANG AND SANJAY KUMAR SINGH

Last week, the country's largest bank – State Bank of India (SBI) – cut the marginal cost of lending rate by five basis points, which is good news for borrowers. But it slashed deposit rates by 10-50 basis points. Clearly, fixed deposit (FD) investors would take a bigger knock. Others like Bank of Baroda have also revised their rates downwards. And there are expectations that with banks moving to repo-based lending rates for retail and micro small and medium-scale enterprises, based on the Reserve Bank of India's diktat, deposit rates will come under further pressure. In such a scenario, investors need to take some calculated risks. Here are some of the options they should consider.

Experts say this is still a good time to get locked into good rates before other banks also start cutting them aggressively (*see table of banks offering FD high rates*). While hunting for good rates, however, you should also bear in mind the stability of the bank, and hence take limited exposure to FDs of small finance banks.

As a strategy to deal with reinvestment risk, investors should ladder their fixed deposit portfolios. They should invest in products of different tenures because that will help average out the rate at which he reinvests his deposits (since interest rates tend to move in cycles). There are other options, of course. But they would come with some amount of risk.

The alternatives: Depending on your investment horizon, look at other debt instruments. Soustahv Chakrabarty, co-founder and chief executive officer, Capital Quotient says: "Investors will have to look at higher-yielding corporate deposits and corporate bonds. They may have to go into AA-rated papers and even A-rated papers, depending on their risk appetite."

In case you are a conservative investor, Renu Maheshwari, Sebi-registered investment advisor, advises sticking to short-to-medium-term debt funds and corporate bond funds. For those who are willing to take higher risk, Maheshwari recommends credit risk funds, which can potentially give good returns. But given that these funds have been under the cloud due to the failure or delay by many companies to repay, it would better if you restrict your exposure. Nisreen Mamaji, Mumbai-based certified financial planner, Moneyworks Financial Advisors suggests matching the average maturity of the debt fund with one's investment horizon.

Fixed maturity plans (FMPs): A lot of fund houses launch FMPs during this period because of the tax advantage that they give. That is, there will be 14-month, 26-month or other kinds of plans that will lock in your money for slightly more than two or three years so that there is a double indexation benefit. Says Mamaji: "By launching FMPs towards the fag end of the financial year, fund houses help investors claim inflation indexation benefit for one extra year." For instance, if FMP has a duration of 1,159 days in March 2020. Investors can claim inflation indexation benefit for four years – 2019-20, 2020-21, 2021-22 and 2022-23 even though the investments would be held for only a little more than three years between March 2020 and April 2022.

Adds Chakrabarty: "At the time of investing, you know the indicative yield on the portfolio. It is suited for those kinds of investors who do not want any volatility in returns. Through FMPs, they can know on day one the kind of returns that they can hope to achieve. The actual return they earn will be very close to the indicative yield on the FMP."

Tenure versus returns: There are many small savings scheme products that are offering over 7 per cent: five-year time deposit (7.7 per cent), Senior Citizen Savings scheme (8.6 per cent), National Savings Certificate (7.9 per cent), Kisan Vikas Patra (7.9 per cent) and Sukanya Samridhi Account Scheme (8.4 per cent). But all of them have a lock-in period.

For senior or risk-averse citizens, an appropriate asset allocation mix, with even some amount of equity for long-term money, may help. Maheshwari says, "The right asset allocation is the only way senior citizens will be able to live in comfort during retirement." Chakrabarty has a strategy: "Suppose that most of their money is in a certain bank. They may buy the bonds issued by that bank. Buying a bond is a better way of investing. Bonds are secured. If a bank is wound up, bondholders will have priority access to money over deposit holders. Bonds typically have a higher coupon than fixed deposits."

Compensate if insured hasn't been negligent

CONSUMER PROTECTION

JEHANGIR B GAI

A sugar factory, Dr Babasaheb Ambedkar Sahkari Sakhar Karkhana, was covered under the Government Insurance Fund for risk to plant and machinery as well as stocks kept in its factory premises. The insurance policy was valid from November 29, 2007 to November 29, 2008.

On April 25, 2008, a truck was taken inside one of the godowns to load the sugar. Suddenly, a spark emanated from the truck's exhaust silencer, which ignited one of the sugar bags, and the fire began to spread quickly. The fire brigade was summoned, which sprayed water to extinguish the fire. The resultant loss was estimated by the insured at ₹45,95,794.

> **The National Commission did not accept the contention of the insured that the assessment of damage had been done incorrectly by the surveyor**

Upon lodging of a claim, the insurer appointed a surveyor who assessed the loss at ₹7,60,000 but recommended repudiation on the ground that loss had occurred due to the negligence of the insured in allowing a truck to be driven inside the godown.

The insured then filed a consumer complaint, but the Maharashtra State Commission upheld the insurer's contention and dismissed the complaint. The insured appealed against the order.

The National Commission observed that the quantity of 10,815 quintals of sugar stored in the godown made it evident that it was quite large, making it impractical to park the truck outside and carry the stacks of sugar bags for loading. More importantly, it was the customary practice to drive the truck into the godown, and there was no reason for the insured to anticipate that this time a spark would emanate from the truck's silencer. So the Commission concluded that it would be incorrect to hold the insured to be negligent as contended by the insurance company on the basis of the survey report.

On the question of quantum, the National Commission observed that the insured had claimed for a loss of 350 quintals of sugar while the surveyor had assessed it to be 250 quintals. Since no evidence had been produced by the insured to show that the assessment was not correct, the Commission held that the loss quantified by the surveyor would have to be accepted.

The insured contended that the damaged sugar had not been segregated when the surveyor had visited the premises to assess the loss and that the surveyor should have come for a fresh assessment after segregation to verify the quantity of the damaged sugar. The Commission did not accept this argument as the insured had failed to request for a reinspection for reassessment after segregation.

The cost for reprocessing the damaged sugar was estimated by the insured to be ₹400/quintal while the surveyor had computed it at ₹160/quintal. The Commission pointed out that there was no evidence to prove the cost to be higher than what was assessed, so it held that the assessed rate would be applicable.

Accordingly, by its order of January 31, 2020, delivered by Justice V K Jain, the National Commission set aside the order of the State Commission and directed the insurer to settle the claim by paying ₹7,60,000. Since six months was considered a reasonable time to settle the claim from the time it was lodged, the Commission awarded 9 per cent interest for the period of delay in making payment.

The writer is a consumer activist

BUDGET: ₹1 CRORE –₹1.5 CRORE

REALTY CHECK

Business Standard brings you a snapshot of average current rates and unit sizes in localities that offer property in the price range of ₹1 crore and ₹1.5 crore. If you are looking at buying real estate, an idea about prevailing rates would come in handy

	Avg price (₹/sq ft)	Avg unit size (sq ft)
AHMEDABAD		
Naranpura	5,548	2,048
Chandkheda	3,484	3,133
Science City Road	4,985	2,516
Vastrapur	5,835	1,992
Paldi	5,759	2,087
Motera	3,747	3,351
Thaltej	5,768	2,200
Jodhpur Village	6,185	2,039
KOLKATA		
New Town	6,238	2,007
Tangra	5,736	1,996
Mukundapur	7,624	1,750
Kankurgachi	8,469	1,337
Beleghata (Beliaghata)	6,734	1,830
New Alipore	7,238	1,860
Sealdah	7,364	1,667
JM Avenue	7,000	1,889
KOCHI		
Kadavanthra	6,208	1,940
Maradu	6,189	1,821
Kakkanad	4,951	2,426
Palarivattom	6,763	1,926
Kaloor	5,942	1,934
Vyttila	7,139	1,859
Edapally	6,060	1,912
Vennala	5,292	2,171
NAGPUR		
Gandhi Sagar Lake	8,534	1,519
Narendra Nagar	6,425	1,770
New Colony	6,000	2,300
Dharampeth	7,500	1,465
Raj Nagar	7,500	1,896
Rambagh	7,176	1,762
Pratap Nagar	6,250	2,002
Wardha Road	6,825	1,543
VISAKHAPATNAM		
Yendada	4,859	2,571
Murali Nagar	6,000	1,741
MVP Colony	6,400	1,897
Seethammadhara	6,000	2,170
Peda Waltair	5,600	2,000
Madhurawada	3,700	2,820
China Waltair	7,000	1,563
JAIPUR		
Vaishali Nagar	4,844	2,455
Mansarovar Extension	5,178	2,207
Jawahar Circle Garden	8,287	1,348
Vidhyadhar Nagar	5,572	1,976

Note
- The ticket price range considered for the above data points is between ₹1 crore and ₹1.5 crore
- All the data points discussed in the above table refer to primary market only
- Above residential data set comprises of residential apartments only
- Above residential data is representative of organised real estate developers only
- The top performing micromarkets based on sales during last year (December-2018 to November-2019) is represented on the above table
- Data points are updated till November 2019

Source: PropEquity

New guidelines will not impact premiums

General insurers would wait to see whether claims rise sharply after the removal of the three-month clause

SANJAY KUMAR SINGH

DISCLOSURE IS THE BEST POLICY

- **If you are less than 45,** insurers are not likely to ask you to undergo medical tests. Nonetheless, reveal all pre-existing diseases
- **If a claim arises** soon after buying the policy, insurers turn suspicious and tend to investigate it more
- **In case of any new condition** that develops after buying a policy, it is not essential to reveal it to the insurer, but it is better to do so
- **Changes in lifestyle,** like smoking, that could impact your health should also be voluntarily revealed

The Insurance Regulatory and Development Authority of India's (IRDAI) February 10, 2020 circular is likely to cause more than a flutter in the general insurance industry. The amendment in the definition of pre-existing disease (PED) allowing claims to be made within three months of buying a policy may result in a higher number of claims. But experts say insurers are unlikely to hike their premium rates immediately and will in all probability absorb the impact, for now.

In insurance parlance, claims made soon after the purchase of a policy are referred to as 'early claims. And such claims tend to be prone to frauds. The three-month barrier served as a safeguard against fraudulent claims. "If you remove this barrier, there is the possibility of a rise in the number of fraudulent claims. That could, in turn, result in insurers raising their premiums, which would not be in the interest of good customers. To prevent harassment of genuine customers, may be specific steps can be prescribed for these first three months, but a blanket removal may not be advisable," says Joydeep K Roy, Partner & Leader India Insurance Practice & Global Leader for Insurance Digital Assets, PwC.

YOUR MONEY

While the number of claims may rise, experts do not expect an immediate change in premium rates. "First, insurers have the ability to detect fraudulent claims. Second, of the ₹100 that insurers collect as premium, they pay out about ₹60-75 as claims. So, they have room to absorb the impact of rising claims. Most insurers are likely to absorb the cost initially, as the regulator frowns upon frequent revisions in premium rates," says Kapil Mehta, co-founder and managing director, Secure Now Insurance Broker.

In the guidelines on exclusions in health insurance that had appeared in September 2019, IRDAI had provided a definition for PEDs, which it has modified now. A PED is a health condition that the insured already has at the time of buying a health policy. Insurers either turn down such a proposal, or they accept it with a loading. They also impose a waiting period of two-four years on PEDs.

In the earlier circular, the regulator had stipulated that if a customer is diagnosed with a condition within the first three months of buying the policy, such a condition would be treated as a PED and insurers could apply a waiting period to it. This clause had created a grey area. Many customers felt cheated about not being covered for an ailment they had contracted after buying the policy. "It would have led to claim rejections, and each case such case would have created customer dissonance," says Amit Chhabra, business head, health insurance, Policybazaar.com.

The regulator has removed this clause. Now, any condition that gets diagnosed after the issuance of the policy will not be treated as a PED and will be covered. Things are more black-and-white now—if a customer had a condition before buying the policy, it would be classified as a PED. Any ailment he contracts after buying the policy will be covered.

Slow-growing ailments like cataract, hernia, knee replacement and others are not covered for the first couple of years. That provision remains.

Another change that has happened is that if a customer goes for treatment to a blacklisted hospital in case of an accident or a life-threatening situation, he will receive payout from insurer.

TIPPING POINT

Are banking and PSU funds for you?

Banking and PSU funds have given a return of 10.92 per cent over the past year. They invest mostly in bank certificates of deposit and bonds of public sector companies. These funds are much in demand currently because investors have been worried about credit risk for the past year or so. These funds do a good job of minimising credit risk. However, they do carry some degree of interest rate risk. In an environment where rates are rising, these funds could give negative returns. Hence, investors should not make the mistake of thinking that these funds are completely without risk.

HIGH ONE-YR RETURN

Time horizon	Return (%)
1-month	1.54
3-month	2.70
1-year	10.92
3-year	7.88
5-year	8.19

Source: Valueresearchonline.com

READER'S CORNER

LIFE INSURANCE

TARUN CHUGH

I want to invest my savings in an insurance plan but am afraid of mis-selling. How can I identify and avoid this?
To ensure that customers' interests are well protected, the regulator has laid out stringent guidelines and processes regarding how insurance products are sold. Here are some quick checks you can run. One, ask for the Benefit Illustration of the product. Check for discrepancies in the policy information provided—premium amount, policy term, premium payment term, the sum assured, applicable charges (if any), and other benefits under the policy. Two, review the product's sales literature and policy document that are available on the insurer's website. Three, respond to the verification call that your insurer makes when it receives your premium. This enables the company and you to be on the same page. And finally, there is a 15-day (30 days in the case of distance marketing) policy cancellation window, which you can use if you feel the policy does not match your life goals.

I am not pleased with my existing life insurance company. Is there a way I can transfer to another?
Currently, there aren't any provisions for migrating a life insurance policy from one insurer to another. If you wish to discontinue a policy before its maturity period, you can surrender it. However, do read and understand your current policy features and the benefits available to you before surrendering. For instance, if you have a unit-linked insurance plan (Ulip) and you feel that the returns are low, you have the option to switch between Ulip funds based on your investment needs and risk appetite. This feature allows you to move your investments from one fund to another within the same Ulip plan.

I am a 33-year-old single mother with a three-year-old daughter. I save up to ₹25,000 every month. I don't have an insurance plan and want to buy one. What is the ideal coverage I should buy? Is there anything in particular that I should be mindful of?
I will not be able to suggest an exact sum assured. Use any of the calculators available online to come up with the ideal life cover based on your current financial strength and future goals. Keep in mind all your future needs, especially those of your daughter, inflation, health costs, and so on. Be true while making these calculations. Your insurance policy can not only be a pure term plan. You can even think of investing in Ulips that help build a corpus for any significant life goal you may have in mind, such as your child's education. Don't buy in haste. Do all the necessary checks before investing in a plan.

I am a 48-year-old professor at a private university. I bought a term insurance plan. I am unable to pay the premium now because of some unexpected expenses. What option do I have other than to surrender the policy?
We have had instances where people were unable to pay insurance premiums due to unforeseen expenses. Check if in your policy there are other premium payment modes. If an annual payout seems like a burden on your finances, opt for a monthly payment mode (if available in your product), where the premium amounts will be smaller. In case your cash crunch will last for just a few days, you may pay the premium during the grace period, which is usually 15 or 30 days (depending on your current premium payment mode) from the premium date. If you fail to pay the premiums within the grace period, your policy will lapse, but you can revive it subject to the terms and conditions for revival.

The writer is MD & CEO, Bajaj Allianz Life Insurance. The views expressed are the expert's own. Send your queries to yourmoney@bsmail.in

A change for the better

Tensions from stewardship code will aid corporate governance

WITHOUT CONTEMPT

SOMASEKHAR SUNDARESAN

The Securities and Exchange Board of India (Sebi) has made a significant and interesting inroad into improving corporate governance by stipulating a stewardship code for the mutual fund industry and alternative investment funds. Essentially, a principles-based law (not a prescriptive set of rules), the code takes effect from April 1.

The framework is the first statutory recognition that a space exists for interaction between institutional investors and those involved in corporate governance — a space that has been increasingly shrinking because of fear of insider trading allegations. This is a truthful approach and an important departure from pretending that there is no need for such an interaction at all. Put differently, this space for interaction, now recognised under the stewardship code, would enable institutional investors to engage with corporate boards, without diluting the requirement of corporates to handle their communications with the external world in a fair, transparent and a need-to-know basis.

One of the principles for stewardship stipulated by the Sebi is that institutional investors must "monitor" the investee companies. Indeed, listed companies and their insiders would need to comply with regulations prohibiting insider trading. They are required to have communication policies and materiality policies so that the world at large is aware of their approach to what is considered material by them and how they would handle communication of information to the world at large.

The clash of the approach between the two — institutional investors on the one hand and corporate management on the other — would lead to the requisite tension that would make directors on corporate boards conscious of their need to be mindful of the seriousness of their role in governance of the companies they preside over.

Another principle provides that institutional investors must have a policy on their "interventions", their approach to voting, and must collaborate with other institutional investors. The voting policy of institutional investors would bring in transparency about the approach of the institutional investors. It may be perfectly alright for a mutual fund, for example, to adopt a policy that if it is dissatisfied with a proposal from an investee company, it would not spend time voting for or against, but may well consider a sale of the investment — in other words, vote with its feet. This would, in turn, give a signal to those involved in governance of the investee companies that they might be faced with a situation of an investor selling off shares or an investor voting against — now the size of the investor and its approach to how aggressive it would be, would be a pointer to the corporate on how to handle the risk of the intervention by the investor.

While a regulatory stipulation for doing the right thing is not a good approach, given the sheer lack of efficacy of rule-based law in India for achieving the objective of good governance, the attempt with a principles-based stewardship code must be given a chance to see how it delivers on the objective of good governance. Most matters of corporate governance are handled rather lightly with a heavy burden of form and light burden of substance.

The sense of entitlement of the promoter-shareholder is so deeply entrenched socially that it seeps into judicial attitude as well. The absence of a robust tort regime, crippled as it is by an under-resourced judiciary, has led to jurisprudence too having stagnated. Efforts by successive governments of all political colour to undermine the judiciary without proper support in terms of infrastructure, manpower and systems to that the executive arm of the state is not lightly interfered with, has had the same effect for the executive branch of corporate India too. Even today, when one speaks of institutional intervention in a corporate, lawyers would hark back to a discussion of the Supreme Court in LIC v/s Escorts, delivered in the 1980s, a totally different era with far less complexity of stakeholder interests in listed companies.

Of course, the stewardship code is not a panacea at all. One can already see how it is enforced against institutional investors, who breach the principles, would pose problems. The Sebi would do well to let the code run its course and use its oversight to have discussions with the industry on how the code fares instead of treating it as another rule-based law to be enforced with penal sanctions. It would be easy to game this code into another checklist to be ticked off without letting its objectives being achieved. An approach of being more circumspect than is the norm, would lead to better prospects for its objectives.

The author is an advocate and an independent counsel. Tweets@SomasekharS

CHINESE WHISPERS

Blame game

A blame game has started within the Congress party a day after it was decimated in the Delhi Assembly polls. After senior Congress leader P Chidambaram lauded the Aam Aadmi Party for its win, the party's Delhi unit leader, Sharmistha Mukherjee, tweeted: "With due respect, Sir, just want to know, has the Congress outsourced the task of defeating BJP to state parties? If not, then why are we gloating over AAP victory rather than being concerned about our drubbing? And if 'yes', then we (Pradesh Congress Committees) might as well close shop!" Delhi Congress in-charge PC Chacko quit his post, but also said the Congress lost ground during Sheila Dikshit's tenure in 2013 to AAP and failed to recover since. Congress leaders said it was intriguing that neither Mukherjee, daughter of former president Pranab Mukherjee, nor Chacko, referred to the internal sabotage that both the Manmohan Singh government at the Centre and the Dikshit government in the state had faced.

Convenient amendments!

After Delhi, the political scene in Bihar has warmed up with the Assembly polls due by October. Speculation on whether Bihar Chief Minister Nitish Kumar would continue to stay in an alliance with the Bharatiya Janata Party (BJP)-led National Democratic Alliance or walk out are rife. However, any eventuality of Kumar joining opposition forces would need the assent of former Bihar chief minister and Rashtriya Janata Dal (RJD) chief Lalu Prasad Yadav who is currently serving a jail term on corruption charges in neighbouring Jharkhand. Opposition leaders are keen to meet Yadav, but the jail manual has made this difficult. The current manual allows only three visitors per week to a jail inmate, and that too for barely an hour. Since law and order is a state subject, these leaders are hopeful the Hemant Soren-led Jharkhand Mukti Morcha-Congress-RJD coalition government would soon amend the jail manual.

Exam fever

Not just kids, even India Inc boardrooms are wary of exams. An independent director of a small-sized pharma company quit this week saying she doesn't want to appear for a "proficiency test" made mandatory by the Ministry of Corporate Affairs (MCA) for all independent directors. "I am finding it difficult to comply with the new norms laid down by the MCA. In view thereof, I would like to vacate my seat in favour of another director who could satisfy the norms laid down by the MCA," said Anjali Dalvi, a chartered accountant, who served as an independent director on BSE-listed Jenburkt Pharmaceuticals.

In space age, India awaits a lift-off

The lack of an enabling regulatory environment for private players to thrive in the industry keeps India's share of the global space business grounded

T E NARASIMHAN

India's frugal pitch in the global space sector can be gauged by the fact that how the missions cost less than the budget to make Hollywood films. The classic example was of the Mars Orbiter Mission (MOM), which cost $74 million, less than Hollywood movie *Gravity*'s $100 million bill. Launching a satellite from India typically costs a third of what it would in Western markets.

Still, India's share in the estimated $360 billion global space industry is less than two per cent. Currently, the market is dominated by the US followed by Europe.

TAKE TWO

The reasons include not much emphasis on enhancing commercial activities, which has resulted in minimal participation of private sector, being closely regulated and controlled by the Department of Space (DOS).

Although several companies, including Godrej and L&T among others, have engaged with the Indian Space Research Organisation (Isro) as suppliers and component manufacturers, they have never been vested with the responsibility of end-to-end manufacturing of space systems, despite private sector engagement going back to the 1970s.

Today, the need of the hour is for the industry to graduate from vendor to partner and provide end-to-end solutions, says Ratan Shrivastava, an independent aerospace and defence consultant at FICCI's space division.

This has not yet seen the light of day despite the intent and a wide gap in the capacity available and the requirements for services such as direct-to-home (DTH), where India is filling the gap by hiring capacity from Luxembourg-based satellite operator SES. "Even to meet the needs of Doordarshan, we are at less than half the capacity to have a pan-Indian DTH footprint," says Shrivastava.

Ambitious schemes such as BharatNet and Digital India need more satellites and launches. This gap can be filled by investment and participation of the industry, for both the launch vehicles and later manufacturing of communication, earth observation and navigation satellites, if there is a level playing field and a legal and regulatory framework.

The legal and regulatory framework is a must to cater for aspects of liability, insurance, safety, launch risks, debris and protection of intellectual property rights. Currently, launches by private players are not covered by insurance companies. The framework for how to conceive, adopt and implement a space project is also missing.

Rakesh Sasibhushan, CMD of Isro's commercial arm Antrix Corporation, says though the space-based service requirements of India have been met by Isro, the burgeoning demand from various stakeholders is far beyond the current capacity. This necessitates greater inclusion of the private sector in all areas of the space domain, including end-to-end design and manufacture of space systems. This will not only improve capacity, but also result in increased economic activity, contributing to the state exchequer.

The absence of an enabling regulatory framework is perhaps the biggest challenge that needs to be ironed out.

"I feel that the time is ripe for an overhaul of space regulations, considering the potential of Indian companies to step up and gain a sizeable share of the space business," says Sasibhushan.

Private players can bring in the necessary capital, technical know-how and business acumen, and will free precious Isro resources for it to concentrate on R&D, inter-planetary missions and cooperation with other agencies for space exploration, he says.

Neel Ratan, regional managing partner-north and government leader, PwC India, says the private industry could bring multiple benefits for India, including development of a self-sufficient industry contributing significantly to national income and foreign exchange reserves. What is required, he says, is an ecosystem of numerous small manufacturers and expansion of existing ones so as to ensure a greater share of the global space economy for India.

Space projects currently in pipeline in the country are estimated to be worth $1.5-1.6 billion, and nearly 70 per cent of it will go to the private sector. Currently, 80 per cent of Isro's workhorse Polar Satellite Launch Vehicle production is outsourced to private industries. This could get a fillip once the Space Activities Bill is cleared by Parliament as it would pave the path for private participation by clearly enunciating the laws related to intellectual property rights.

Although Isro is doing its bit in roping in private players for its production vehicles, it is not enough. It is keen to partner with component suppliers for manufacturing of vehicles as such a move will free up Isro's time and resources into more research-related work. In this regard, two steering committees have been set up by the Isro to create a comprehensive strategy for collaboration with the industry. The committees are engaged in discussions with private players on helping them transition from being vendors to integrators of launch vehicles and satellites. The launch of the first such vehicle, a PSLV completely built by industries, is planned for 2021.

A consortium led by L&T and HAL will be the prime contractors for this project. The vehicle will be fully assembled by them with the help of other ecosystem partners, which will play under them. The space agency has also formed a consortium of private players for assembly, integration and testing of 30-35 satellites and set up a new facility, spread over 24 acres in Bengaluru where the amenities can be used by the industry.

The government too is pitching in by setting up a separate arm for commercial operations of Isro. The New Space India Ltd, which was set up in March 2019, has entered into a licensing arrangement with Isro to build Small Satellite Launch Vehicle, which will lift satellites up to 500 kg into the earth's low orbits.

Given the scale of opportunity, there is enough room for both private and public sector companies to co-exist. A PwC report pegs the industry could be worth $50 billion by 2024 if it plays to its strength. What is required is an enabling regulatory environment for private players to thrive.

SPACE STATS

Global space economy: $360 bn

- Commercial satellite market, launch market and institutional budgets: **$100 bn**
- Operators revenues, ground infrastructure and operations: **$33 bn**
- Space services and consumer equipment **$219 bn**

Indian space economy

- Estimated to be around $7 bn, expects to touch $50 bn by 2024
- 2% of global space economy

Source: PwC analysis

INSIGHT

The determinants of household savings in India

SOUMYA KANTI GHOSH & PULAK GHOSH

The Union Budget aims to usher in a major reform in the personal income tax structure in India. It has made a beginning by introducing two tax slabs, one with exemptions and the other without. The government has also made it clear it aspires to eventually move towards a clutter-free simplified tax regime. While such a move is appreciated, it comes against declining household financial savings. Household financial liabilities have jumped ₹3 trillion for the two-year period ended FY19 with net financial savings declining by ₹80,000 crore in FY19 and it might have declined further in FY20. Against this background, it is important to understand the determinants of household savings in India in terms of macroeconomic and qualitative factors/incentivisation. That is because we require an estimated ₹568 trillion in domestic investment during FY20-25, of which ₹102 trillion must go into infrastructure alone. The mobilisation of household savings is a prerequisite to enable that.

The Budget postulates a revenue foregone of ₹40,000 crore if all taxpayers shift to the new tax regime. Assuming a marginal propensity to consume of 0.7, this should result in a consumption boost of ₹1.33 trillion. However, this is based on the assumption that everyone will migrate to the new regime.

To understand this in greater detail, based on the income tax calculator provided by the government post the announcement of the Budget, we estimated the tax liabilities by just considering ₹1.5 lakh and standard deduction, but assuming no housing loan exemptions whatsoever for any taxpayer. The results show that people with income over ₹10 lakh stand to gain in the new tax regime. Now juxtapose the tax savings with the distribution of people having taxable income up to ₹10 lakh — at ₹74.9 lakh. Thus, the total consumption boost will be ₹15,600 X 74.9 lakh = ₹11,700 crore. This implies around 8 per cent could shift to the new tax regime. (₹3,510 crore revenue loss to the government against ₹40,000 crore budgeted)

Interestingly, people in the lower income slabs are unable to take incentives (different from not taking incentives) like housing loan exemptions as they might be in the unorganised sector with low compensation. For the record, the prices of low-end house in India are at least 29 times higher than the per capita income (in the US the figure is 10 per cent).

We also need to understand the typical determinants of household savings in India as this can give a complete picture of the impact of the proposed tax structure on such savings. As discussed earlier, household savings in India are a function of macroeconomic as well as qualitative factors. An analysis of over five decades of data (Ghosh & Nath, forthcoming paper) indicate that per capita real income, dependency ratio, inflation, real interest rate and access to banking are the most important of household saving rates in India. As people earn more in real terms, they tend to save more. Similarly, as the number of bank branches increases, households tend to save more.

As the rate of inflation increases, households in India insisting on maintaining a certain standard of living dissave in order to bear the additional nominal expenses. Results also show that in the long run a higher dependency rate increase savings. It is possible that as parents care more about the quality of life for children, they save more in anticipation of increased future expenses on children. Also, a heavier burden of older family members may make the working age population aware of their future needs and requirements. People nowadays tend to have longer retired lives. So they may save more. With respect to the real interest rate, as it increases, the prospect of higher lifetime income persuades them to increase their current consumption and to reduce saving.

However, these are macroeconomic factors. In a 2015 study (Ghosh and Ghosh, Business Standard, December 28, 2015) had found that soon after the ₹50,000 increase in PPF was notified in August 2014, the incremental deposit amount had nearly tripled over the August 2014 deposit level for a sample of accounts. State-wise data had shown that Bihar, Uttar Pradesh, West Bengal etc each had a sizeable rural population that were, on an average, investing a significant amount in PPF.

Interestingly, when we had looked at age-wise distribution in PPF investments before and after 2014, we found that investors in the 56-plus age group increased after 2014, with some investors among them being 75-plus. It was further observed that those who were at the lowest quantile of income distribution were craving to invest more by stretching the number of PPF payments in a year. For people with higher income, the objective was more towards saving tax. Clearly, the incentive to invest is a crucial factor impacting household savings in India.

In the end, while the proposed changes in tax laws are applauded it is not clear how household savings will move in India in the future. It is also true that Indian middle-class investors, accounting for at least 30 per cent of our population, are smart enough to take decisions on their own, as India is the only country to score more than 7.3 against the global average of 5.9 in the Aegon Retirement Readiness Index. However, incentives do matter in our society as we don't have a social security system or retirement benefits for our citizens.

To conclude, if the tax proposals are any indication, the Budget seems to have a clear imprint of the nudge theory in behavioural economics propounded by Nobel Laureate Richard Thaler in 2008. The nudge theory propounds a relatively subtle policy shift to encourage people to make decisions in their broad self-interest — and it is not about penalising them financially. The use of the nudge theory also does not eliminate the need for vigorous democratic debate. For example, studies in the US, Chile, Mexico, Denmark, and Sweden show that enrolling individuals automatically onto retirement plans and allowing them to opt out (rather than expecting them to opt in to existing systems) is a highly-effective way of increasing pension savings. Let us now set up a "Behavioural Insights Team" within the Ministry of Finance to have a permanent imprint of "nudge" in policy making.

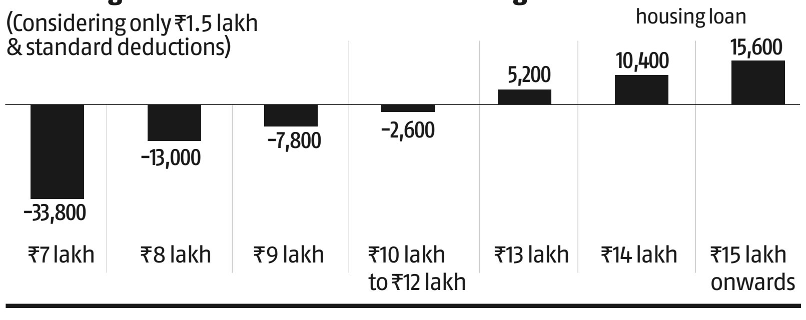
Soumya Kanti Ghosh is group chief economic advisor, SBI; Pulak Ghosh is professor, IIM Bangalore

GROSS TAXABLE INCOME

Individual income	Total number of taxpayers in million	share in %	Total gross taxable income in ₹ trillion	share in %
Upto ₹10 lakh	67.05	90.0	28.5	61.9
Above ₹10 lakh	7.49	10.0	17.5	38.1
Total	**74.54**	**-**	**46.1**	**-**

Tax saving for salaried class under new tax regime

(Considering only ₹1.5 lakh & standard deductions)



LETTERS

Lessons from Delhi polls

Apropos the editorial "AAP's hat-trick" (February 12). There is a adage, "It is easy to reach the top but it is difficult to maintain it". Winning the Delhi Assembly elections the third time in a row was difficult indeed, but the Aam Aadmi Party (AAP) did manage to leave the two major political parties far behind. A relatively small party like the AAP taking on the might of the BJP in the national capital and notching up a victory is no mean achievement. Kejriwal is a well read man — he maintained a steady silence and refrained from loose talk. The result is for all to see. Indeed, he is now a much-transformed politician and a shrewd tactician. The BJP has reason to worry with Assembly elections round the corner in a few states. It has to work seriously to ascertain the causes for the losses it suffered and reverse the trend. The Congress has perished and is nowhere in the picture. Candidates losing their deposits indicates it has little credibility and the chances of a revival appear bleak.

Srinivasan Umashankar Nagpur

Wrong move

This refers to the article "Remittances abroad could face double tax" (February 12). It is irrational to tax remittances sent out under the Liberalised Remittance Scheme. It's a backward step. Many people send out remittances to their family members and children abroad as gifts on birthdays/anniversaries and other occasions. To impose tax on these remittances is absurd as the source of these funds are already subject to taxation. To say that after paying tax on remittances the tax payer can seek a refund makes no sense. If that is so, why double tax them in the first place? On the one hand, the government wants to simplify tax rules, while on the other, it has introduced a measure that will complicate it. It's true that there is a huge shortfall in revenues because of the slowdown in the economy, but that is no reason for the government to introduce absurd measures and make taxpayers' life more difficult. This proposal needs to be revisited.

Arun Pasricha New Delhi

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HAMBONE

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Power populism

States should resist the temptation to hand out free electricity

In India, the ultimate accolade for any policy is to be seen as being instrumental to an electoral success. The re-election of Delhi's Aam Aadmi Party would have highlighted to politicians around the country, particularly at the state level, the usefulness of the party's signature policy of subsidised power. In Delhi, power up to 200 units every month is free for households and up to 400 units is subsidised by 50 per cent. Already some other states have jumped on to the power subsidy bandwagon. After taking control of the Maharashtra power ministry in December, state Energy Minister Nitin Raut said he had launched a feasibility study into free electricity for consumers who use up to 100 units, though he was at pains to say that there might "not be too many consumers". Meanwhile, in West Bengal — where tightly contested Assembly elections are due next year — this year's state Budget was replete with giveaways. Headlining these was a plan budgeted at ₹200 crore to hand out subsidies for power consumption up to 75 units every quarter for households.

These schemes even at the proposed level are less ambitious than Delhi's, but they are nevertheless a harbinger of trouble. One of the achievements of the past decade has been the understanding that consumers are willing to pay for electricity in return for reliable supply. The troubles of the power sector are now an intermediation problem — consumers are willing to pay, and there is enough power being generated, policy-makers just need to connect one to the other. The drift back towards the day of politically motivated power subsidies threatens to undermine these hard won gains, and further delay — if not make impossible — reform of the power transmission sector. State electricity boards owe over ₹80,000 crore to power producers.

In addition, there are multiple other calls on state government purses that should be given priority by responsible governments. Healthcare and primary schooling lead that list. Power subsidy promises are eye-catching and might make for good campaign slogans. But there is no real political uniqueness to such subsidies — if one party promises free power up to 100 units, its opposition can always promise free power up to 200 units. Thus, populism of this sort always becomes a competitive race to the bottom, with no party retaining an advantage for long. When compared to the harder work of building a productive workforce and checking the spilling state populations, giveaways of this sort are a waste of public money.

It is also relevant to note that even in Delhi there could be better uses found for the money that goes into free power. Increasing pressure on public transport and infrastructure in the capital means that the government needs to spend a lot in these areas. One reason Delhi is able to offer free power is that the national capital's privatised power distribution network has largely reduced transmission and distribution losses, so there is very little leakage. The city-state's finances are also more stable than those of debt-ridden West Bengal, for example. Thus, the giveaways which have not burdened Delhi to a large extent might have severe fiscal consequences elsewhere — alongside being more inefficient. This slide towards power populism must be corrected.

Imperfect law

Changes in food security Act imperative

The counsel by a committee of secretaries to restrict the application of the National Food Security Act (NFSA) chiefly to the deserving sections of the population seems sound and logical. This legislation, though meant to ensure the poor an easy access to basic food, has some ill-advised provisions that make its implementation an economic burden. The most imprudent of these is the arbitrarily determined norm of covering about two-thirds of the entire population (75 per cent rural and 50 per cent urban) under this law. This seems too high considering that the poverty level is now much lower. Equally questionable is the stipulation of supplying foodgrains to the beneficiaries at just ₹3 per kg for rice, ₹2 for wheat and ₹1 for coarse cereals and putting down these rates in the law itself. That virtually precludes any revision in prices in sync with an increase in the cost of grain acquisition without altering the law. This apart, the categorisation of the beneficiaries under this statute is also not indisputable. The NFSA classifies all beneficiaries in just two groups — Antyodaya Anna Yojana Households, representing the poorest of the poor, and the Priority Households, where people living below poverty line (BPL) are clubbed, quite inexplicably, with those living above poverty line (APL). The prices of the grains have also, unjustifiably, been kept the same for all classes of beneficiaries irrespective of their income.

This is, indeed, not the first time that a cogent plea has come from a credible source for the amendment of the food law and rationalisation of the prices of grains distributed under it. The recently released Economic Survey 2019-20 has also suggested such a move, acknowledging the shortcomings of the food security law and its adverse impact on the food economy. It wants the law to be confined to the bottom 20 per cent of the population. The others could be supplied grains under the normal public distribution system (PDS) at the prices linked to the cost of procurement. Another high-level committee, headed by former food minister Shanta Kumar, appointed in 2014 by the Narendra Modi government, had also gone into this issue. Its report had categorically stated that a 67 per cent population coverage under the NFSA was on the higher side and should be trimmed to around 40 per cent. That would suffice to cover all the BPL families and, perhaps, some non-poor as well, it had maintained.

One of the significant observations made by this panel that did not get due attention was that the NFSA had actually proved disadvantageous for the BPL families. For it entitled them only to 5 kg of subsidised cereals per head per month, against 7 kg per person they were getting earlier under the targeted PDS. They, therefore, need to supplement the supplies by purchasing food from the market at higher prices. The committee also suggested keeping the grain prices for the priority sector households under the NFSA at 50 per cent of the minimum support prices. Now that the government has at least three sensible reports to fall back upon, it should not lose more time in taking the final call on amending the NFSA. This is vital to tame the ever-burgeoning food subsidy.

ILLUSTRATION: BINAY SINHA

Signals from the market

The narrower stock market indices may stay disconnected from prospects of the Indian economy

TESSELLATUM

NEELKANTH MISHRA

The stock market is widely believed to be a forward-looking indicator of the economy. While one may struggle to find an individual who has perfect foresight, the market, some believe, is a "neural network" of many individuals who through their collective buying and selling of stocks, end up reflecting economic trends months, and at times years before they happen. This learning machine, people assume, can be smarter than the individuals participating in it.

This is a tempting proposition, and for those of us who have spent a long time in the markets, several examples come to mind of stock prices moving well in advance of fundamental changes that no one saw coming. At the same time, long timers also remember irrational pricing (both on the higher and the lower side), and of the mania and the panic of crowds, to not buy into this fully. So where does one put the current disconnect between weak economic momentum and soaring stock markets? Are the markets forecasting an economic recovery, or will they soon start reflecting the weakness in the economy and correct meaningfully?

At this juncture, it is worth remembering that the constitution of the stock market differs widely from that of the economy. To demonstrate this we split the top 500 stocks into four categories: Global, Macro, Penetration and Market Share. For global stocks, fundamentals are driven by global trends, like metals, oil refiners, pharmaceutical exporters, global auto majors listed in India, etc. The stocks in Macro category are the ones most impacted by domestic economic growth, including industrials, public sector banks, cement and utilities. The Penetration category has companies that can grow faster than the economy due to factors like formalisation and improved distribution. Demand for insurance and air-conditioners, for example, has held up well despite the economic slowdown. In the Market Share category we place the private banks, which continue to grow at a double-digit pace despite a slowdown in bank credit growth, as they are taking away market share from public sector banks.

What this reveals is that less than a fifth of the market capitalisation is in the Macro category, under-scoring the disconnect between the stock market and the economy.

Stock prices are also affected by capital flows. In theory this should not be for long, and forward earnings should have a role to play. Market participants' decision to deploy funds should also be affected by their expectations from the market. On this count, in addition to the steady inflows into domestic mutual funds, which has been well flagged, one must note that foreign portfolio investors (FPIs) have also net bought more than $16 billion in the last 12 months, a four-year high. This is despite sharp downgrades to India's economic growth expectations by forecasters, and foreign investors that one talks to being wary of several unresolved risks, including in the financial system. It does not appear likely that flows would reverse meaningfully.

To understand this, let us look at the nature of ownership of the stock market: About half of it is owned by "promoters", which includes the government and private promoters. Foreign ownership of the top 500 stocks rose to 21.2 per cent at the end of December 2019, a 30-month high. About a fifth of this is owned by sovereign wealth funds, foreign central banks and pension funds: These funds have a standard India allocation, and they also keep seeing inflows. Another fifth is owned by "broad-based funds" (such as hedge funds), and of the half that is owned by mutual funds, a significant part is the India allocation from emerging markets, Asia or global funds. These are benchmarked to equity indices, and most necessarily have some India positions. As these benchmarked funds get inflows, a reflection of strength in global equity markets, at least some flows end up in India. India's weight can be lower than the benchmark if the fund manager does not like India's prospects, but is rarely zero. India dedicated funds, by anecdotal evidence, have struggled to raise money. Over the past year a large part of FPI purchases have been financials — these still have reasonable earnings growth, and strong medium-term prospects.

Domestic institutional ownership of the stock market is at a record high, courtesy the steady inflows into mutual funds. This gain in share has occurred at the expense of the government, whose share is now at a record low of 8 per cent, down from 28 per cent a decade ago, mostly due to poor performance of government-owned stocks, and partly due to continuous sales of stake. Remarkably, retail ownership of stocks is also at a record low of 14.2 per cent, though the decline here is less steep. Our analysis suggests that this could be due to savers moving assets from managed portfolios (i.e. PMS or portfolio management services) to mutual funds. This is because the assets under management (AUM) of the small and mid-cap funds is at an all-time high, and 29 per cent higher than the lows seen 15 months ago, despite the weakness in small and mid-cap indices, whereas PMS assets have declined. One reason could be lower fees charged by mutual funds compared to PMS.

FPIs remain focused on the larger and liquid stocks. Remarkably, even for domestic mutual funds, passive funds now account for 15 per cent of AUM: Four years back this was nearly zero. Investors choose these funds to save on management fees, and to place a longer-term bet on the market; these flows have also been boosted by the Employees' Provident Fund Organisation. Such flows create a strong bias towards the narrower 30 or 50 stock indices as against the broader 200 or 500 stock indices. Small and mid-caps have been underperforming the narrower indices for two years now. They bounced back strongly on a relative basis in January, as they have in seven out of the last eight Januaries. But, like in most Februaries, they have again begun to lag, and may continue doing so.

Among the small and mid-cap stocks the exposure to the domestic economy is higher than in the large-cap stocks. Their ownership too is more domestic, and thus less affected by foreign fund-flows. For those looking at forward-looking signals for the economy from the stock markets, the relative performance of small and mid-caps may be a better indicator of the future than the index levels of the narrower and more popular indices.

The writer is co-head of Asia Pacific Strategy and India Strategist for Credit Suisse

Missing fiscal deficit target is in Budget DNA

FINGER ON THE PULSE

T T RAM MOHAN

Now that the din over the Union Budget has died down, it's worth asking: Does the fiscal deficit target of 3 per cent of gross domestic product (GDP) make any sense at all?

The finance minister told us in her Budget speech that we will miss the targets for 2019-20 and 2020-21 by 0.5 per cent. Nirmala Sitharaman sounded prim and proper on the subject. The deviations, she said, were in accordance with the "trigger mechanism" provided by section 4(2) in the Fiscal Responsibility and Budget Management (FRBM) Act.

The section allows the government to deviate from the FRBM target for any number of reasons: National security, act of war, national calamity, collapse of agriculture severely affecting farm output and incomes, structural reforms in the economy with unanticipated fiscal implications, and decline in real output growth of a quarter by at least 3 per cent points below its average of the previous four quarters.

From the above list, Ms Sitharaman invoked "structural reforms in the economy with unanticipated fiscal implications" to justify the present deviations. Now, structural reforms will be work-in-progress in the foreseeable future. Any finance minister could fall back on structural reforms to justify deviations.

There's no escaping the reality: Deviations from fiscal deficit targets have become the norm. The ultimate target of 3 per cent of GDP now appears to be something of a mirage.Here's the story in brief.

Under the FRBM Act of 2003, the target of 3 per cent of GDP for the fiscal deficit was to have been met by March 31, 2008. In 2004, the target was moved to March 31, 2009. In 2008, came the global financial crisis. In 2009, the fiscal deficit targets were suspended.

In 2011-12, the government announced a return to the targets of the FRBM Act. The Finance Bill of 2012 introduced the concept of "effective revenue deficit" and proposed that this deficit be eliminated by March 31, 2015. The FRBM Act was amended accordingly in May 2013. The Act was amended again through the Finance Bill of 2015 and the deadline of March 31, 2015, was moved to March 31, 2018. The same Bill set 2017-18 as the year for reducing the fiscal deficit to 3 per cent of GDP.

The story doesn't end there. In May 2016, the government constituted a committee headed by N K Singh to review the FRBM Act. It submitted its report in January 2017. The Singh committee proposed that the fiscal deficit target be reduced to 3 per cent by 2017-18 and further to 2.5 per cent by 2022-23.

It was the Singh committee that proposed the "escape clause", whereby a deviation of 0.5 per cent from the specified target was permitted. The committee had attached an important proviso to the escape clause: There must be a clear commitment to return to the original fiscal deficit target in the ensuing year. This proviso has fallen by the wayside.

In his Budget for 2017-18, Arun Jaitley referred to the recommendations of the Singh committee but chose to move the target date for the fiscal deficit of 3 per cent of GDP to 2018-19. In his Budget for 2018-19, Jaitley proposed a "glide path" under which the target of 3 per cent was now pushed out further to 2020-21. The Budget for 2020-21 envisages a target of 3.5 per cent of GDP for 2020-21 and 3.1 per cent of 2022-23. The target of 3 per cent is not even on the horizon!

The picture should be clear enough. The government can propose a path towards the target of 3 per cent. It may deviate by up to 0.5 per cent from intermediate targets along the path. It may even propose a fresh path when it appears that the target date for 3 per cent will not be met. Missing the fiscal deficit target is now built into the Budget's DNA.

What is the way out? How do we make fiscal deficit targets more credible?

One possibility is to accept the reality of our fiscal position and simply set the target higher than 3 per cent. The danger in this approach should be obvious. Instead of fudging around deficits of 3 per cent or thereabouts, governments will end up fudging around higher targets. Getting governments to work notionally towards a 3 per cent target is better.

Some have proposed that the government aim at a target of 3 per cent over the entire business cycle. The deficit will be higher in years in which growth is weaker and lower when growth is stronger. The problem is that we don't have a handle on the length of a business cycle in India, unlike in the advanced economies. So it's hard to specify the period over which the fiscal deficit must average 3 per cent.

Moreover, tenures of governments tend to be shorter than the business cycle. The government of the day won't be able to resist the temptation to err on the side of expansion and leave it to its successors to pay for its excesses.

A third suggestion is to allow for a deviation that is larger than 0.5 per cent in a given year, say up to 1.5 per cent, so that the stimulus is truly meaningful. The date for returning to the committed targets can be specified. Again, governments will be tempted to avail of the large deviation when it suits them—and then fail to return to committed targets. The real check on the government, it seems, is not the FRBM Act but the fear of being downgraded by the rating agencies.

There seems to be no way out. Managing revenues and expenditure to get the numerator in the fiscal deficit-to-GDP ratio down seems a Herculean task. The best we can hope for is that the denominator, the GDP, gets a boost, either from a global recovery or a greatly improved export performance.

The writer is a professor at IIM Ahmedabad

The pangs of transition

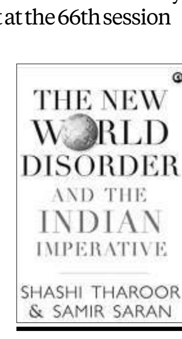
BOOK REVIEW

RUP NARAYAN DAS

The title of the book is not only provocative but also suggestive of its contents and insights. Transitions in society or politics are not new nor abnormal. This is an inexorable law of nature; but the problem arises when the established order refuses to adjust with the emerging order or when the rising power becomes hegemonic; there lie the pangs of transition. The irony of the contemporary "new world disorder" is that a multi-polar world order is yet to be firmly established, ending American unilateralism.

Ever since the Peace of Westphalia (1648), the industrialised countries of the West have not only dominated the world economy and set its agenda but have also directed the political narrative and the discourse in favour of western liberalism, leading to what is known as the "Washington Consensus". Today, however, it is an irony of history that it is the United States, the world's sole superpower, that seeks to overhaul the global governance structure that the West created — the United Nations (UN) and especially the World Trade Organization (WTO) — because the East, China in particular, has benefited from them and emerged as the world's fastest growing region. The narrative of the book revolves round the trajectory of current geo-politics, geo-economics and the emerging information order.

The way technology has impacted the global order ever since the invention of the wheel is no less significant. It is in this context that the chapter on "Making space in cyber space" is a compelling one, although the other chapters are equally insightful. This chapter comprehensively covers the evolution of information communication technology including the all-pervasive internet in the US and China. The disruptive potential of the internet, particularly Twitter and the Facebook, was demonstrated in ample measure during the Arab Spring of 2010. For many in the West, the authors observe, it was an affirmation of the democratic potential of the internet. The western media glorified the role that their technology companies had to play in bringing democracy to West Asia. The Arab Spring and the disruptive potential of the internet, however, also sounded a warning alarm to some authoritarian regimes. The authors say it is unsurprising, then, that in 2011, almost immediately after the spread of discontent, China, Russia, and a few Central Asian states asked then UN Secretary- General Ban Ki-moon to circulate their proposed International Code of Conduct for Information Security as a formal document at the 66th session of the UN General Assembly. This code of conduct was really the first step in what was to become China's assault on the idea of internet freedom. The authors also observe that if the Arab Spring exemplified the democratic potential of the internet … the Snowden revelations ultimately shed light on this hypocrisy, and irreparably damaged the ideal of "internet freedom" as espoused by the US and its allies.



THE NEW WORLD DISORDER AND THE INDIAN IMPERATIVE
Author: Shashi Tharoor & Samir Saran
Publisher: Aleph
Price: ₹700

As for the Indian imperative, the authors opine that if Asia is going to be the defining region of our times then it must be intuitively evident that India, which has successfully combined economic growth with its own distinct and unique liberal traditions, will be the heir to and guarantor of the international liberal system. Although India's economic reforms have paled in comparison to China, the fact remains that with a near $3 trillion economy, India has surpassed several G7 states in economic heft.

Three world developments after the publication of the book add additional evidence to its central arguments. The first is the outbreak of the coronavirus epidemic in China. The heavy toll of human life and its impact on the Chinese economy in particular attests to the authors' observation that global governance rests on the realisation that security is not just about threats from enemy states or hostile powers; there are common phenomena that really cut across borders and affect us all. As with the earlier SARS epidemic, the Chinese authorities initially tried to suppress information only to discover that it was very easy for the virus to hop a plane and arrive in Toronto and suddenly become a global threat. The second development was the assassination of Iranian general Qassem Soleimani by the US as an act of reprisal. The third is President Donald Trump's recent reiteration that the WTO needed reform.

The book, authored along with academic Samir Saran, is yet another *opus* from writer-politician and parliamentarian Shashi Tharoor, who won this year's Sahitya Akademi award for his non- fictional work *An Era of Darkness* in English literature. As with some of his other bestselling books such as *Why I am a Hindu*, this book is certainly poised to receive wide acclaim as a critique of the contemporary world order.

The reviewer is a senior fellow of the Indian Council of Social Science Research (ICSSR) at the Indian Institute of Public Administration

Opec cuts demand forecast by a third amid virus worries

BLOOMBERG
12 February

Opec slashed forecasts for global oil demand as coronavirus hits fuel use in China, leaving the group facing a renewed glut despite its recent production cuts.

The cartel reduced projections for demand growth in the first quarter by 440,000 barrels a day, or about a third, in its monthly report. Oil prices sank to a one-year low on Monday as the infection leaves businesses idle and millions quarantined in the world's biggest crude importer.

Oil's slump has spurred the Organization of Petroleum Exporting Countries' (Opec's) biggest exporter, Saudi Arabia, to press fellow members and allies to hold an emergency meeting and consider new output cutbacks. Yet the proposal has so far met resistance from Russia, the group's most important ally, which is able to weather lower prices more easily.

The report showed that, even though many Opec members made a strong start with fresh output curbs that took effect last month, the virus' impact on consumption will leave them with a new overhang. The group collectively pumped 28.86 million barrels a day in January, and if it maintains that rate there will be a surplus of 570,000 barrels a day during the second quarter, when consumption slows down seasonally. The monthly report is compiled by Opec's Vienna-based research department.

Opec doesn't see the effects of the disease confined to the start of the year, bringing down its growth estimate for global oil demand in 2020 as a whole by about 230,000 barrels a day to just under 1 million a day. Still, the increase remains slightly higher than last year's.

Though crude futures have recovered on speculation the spread of the disease could be nearing its peak, prices of about $55 a barrel in London remain well below the levels most Opec members need to cover government spending.

Toll soars past 1,100

The coronavirus outbreak in China has led to rare open calls for freedom of speech in the Communist nation amid growing public discontent over the handling of the epidemic, as the death toll continued to climb which prompted the government on Wednesday to announce fresh restrictions in top cities.

So far, the virus outbreak has claimed 1,115 lives with 97 new fatalities reported mostly in the worst-affected Hubei province on Tuesday while the confirmed cases of infection jumped to 44,763, the state-run *CGTN TV* reported. The number of confirmed cases abroad rose to 440 with one death so far in the Philippines. Japan reported the highest number of 203 cases with a majority of them from a cruise ship. PTI

China situation an opportunity for India: CEA

AVISHEK RAKSHIT
Kolkata, 12 February

Amid concerns of a supply slump of raw materials and goods from China owing to the coronavirus outbreak there, Chief Economic Advisor Krishnamurthy Subramanian (*pictured*) on Wednesday said the situation presents an opportunity for India to boost its exports and emerge as a hub for assembling.

On the sidelines of an event organised by Indian Institute of Management-Calcutta, Subramanian said, "India can follow an export-driven model, especially integrating the assembly in India. In this context it's a good opportunity. Because of the uncertainties being faced by China, it is a good opportunity for india to utilise that". He said that during the Severe Acute Respiratory Syndrome outbreak in 2002, India wasn't much impacted.

According to Subramanian, China itself imports components from rest of the world, assembles them in China and exports them.

"If we look at what happened in mobile manufacturing in China, India has been following the same pattern. So if you look at in terms of the components in some of these network products, its actually an opportunity for us", he said.

DBS evacuates 300 employees after virus case

Singapore's largest bank DBS on Wednesday evacuated 300 staff from its head office and told them to work from home after an employee was found to be infected with coronavirus.

The infected employee was tested on Tuesday and the bank was informed of the confirmation on Wednesday morning, the DBS bank said in a statement. PTI

2 Indian crew on cruise off Japan coast test positive

Two Indian crew on board a cruise ship off the Japanese coast have tested positive for the novel coronavirus, the Indian Embassy in Japan said on Wednesday.

The cruise ship Diamond Princess with 3,711 people on board arrived at the Japanese coast early last week and was quarantined. A total of 138 Indians, including passengers and crew, were on board the ship. PTI

Ola builds a safety pitch for its London ride

The SoftBank-backed firm keeps the name, hones its tech features and driver management skills for a global roadshow

T E NARASIMHAN
Chennai, 12 Febuary

How does a brand, built for India's uniquely chaotic roads and discount-seeking riders, break into the fragmented ride-hailing market in London? Especially, since this is a market where its flashier counterpart, Uber, has struggled to keep its wheels on.

At Ola, the Bengaluru-headquartered ride-hailing firm, the answer has been to stick to the knitting. Launched in London this week, it has retained the brand name and, in advertising campaigns, Ola is highlighting the safety features it developed for Indian roads. For instance, the two-step identification for Indian passengers whereby they share an OTP code with the driver to ensure that the cab they booked is the cab they are riding in, makes its way to the ride's London experience.

Arun Srinivas, COO and Global CMO, Ola, says, "Three key things a customer looks for in this market are safety and comfort, clean cars, and a good- quality driver." These are universal desires that Ola hopes to fulfil.

Safety is high on its mind and Ola is bringing in an AI enabled safety feature, 'Guardian'. The tool automatically detects irregular vehicle activity. Another feature that the app is flaunting is a 'Start Code' that ensures customers and drivers are correctly matched. The app also has a 'panic button,' a 24/7 voice support for riders and drivers and a cap of six penalty points for drivers on its platform. Besides, Uber the closest rivals for Ola include Bolt and Kapten in London.

Harish Bijoor, founder Harish Bijoor Consults said, "Ola fulfils a need gap in London. Uber has had a bumpy ride there. To that extent, Ola has a lot to learn from Uber's hits and misses." Both companies are backed by SoftBank and are going head to head on Indian roads too; Uber is present in a fraction of the cities that Ola is present in currently but is expected to ramp up its reach in coming months.

Bijoor believes that Ola must infuse courtesy into its driver training programmes, he sees it as an intangible loyalty factor that most ride-hailing app cabs lack in London. Reinventing customer service is the task at hand, and that calls for training. It is equally a function of getting in younger driver partners. "However, there is nothing to leverage in its Indian roots and in fact, it must leave its Indian roots here while going to other countries," he added.

"Three key things a customer looks for in this market are safety and comfort, clean cars, and a good-quality driver"
ARUN SRINIVAS
COO and Global CMO, Ola

London will be the twenty-eighth city in UK that Ola operates in, where Srinivas claims, the app download numbers have already breached the six-figure-mark. While promising riders safety, Ola is also luring them with £25 of ride credit for signing up in the first week. It is also going all out to woo its driver-partners, a community that could potentially (and literally) halt the brand in its tracks, if their demands are ignored. As an inaugural offer, Ola drivers will retain 100 per cent of their earnings for the first six weeks.

"Ola will be the market leader in a year," says Srinivas. The company, which is expanding as a global brand, says its differentiated focus on drivers, safety and a collaborative approach with local authorities and regulators will help crack the London market open.

Ola claims it has over 25,000 drivers registered on the platform, close to half the total drivers with 'private hire vehicle license', a ticket that allows them to drive cabs in London. To woo drivers, the company is offering them six weeks of zero commission and market-leading commission rates thereafter, enabling them to keep more of their earnings.

To ensure safety and quality of service, Ola has partnered with DriveTech (the UK-based fleet risk, safety management and driver training company) to create an additional training platform for their drivers. Additionally, through a tie-up with Pearson, Ola is making sure its drivers learn to communicate clearly and politely with passengers.

The London foray is part of the company's expansion plan in the international market. Ola launched in February 2018 from Australia, followed by the UK in August 2018 and New Zealand in November 2018. The company says that over 85,000 driver-partners have registered on the Ola platform across 33 cities. In the UK, over 30,000 drivers have signed up on the platform, Ola said.

FROM PAGE 1

Tax resolution...

On the inclusion of small-value search cases, he said, "This will unlock stuck tax revenues and help in reducing the pending litigation. A lot of search cases end up in litigation and this is a welcome step."

While the scheme is open till June 30, those availing of it will be given a complete waiver of interest and penalty if they pay the entire amount by March 31. In the case of tax arrears pertaining to only disputed interest or penalty, 25 per cent of the disputed penalty/interest will need to be paid while settling appeals till March 31, and 30 per cent if payment is made after that.

Rajat Mohan of AMRG Associates said that after the debacle of the dispute resolution scheme of indirect taxes, the government was leaving no stone unturned to make the Vivad se Vishwas scheme a success and collect enough taxes to justify the time and energy spent on the scheme advocacy and bridge the current revenue deficit.

The scheme will apply to cases irrespective of whether demand in such cases is pending or has been paid. The pending appeal may be against disputed tax, interest or penalty in relation to an assessment or reassessment order or against disputed interest or fee where there is no disputed tax. Appeal may even be against tax determined on defaults in respect of tax deducted or collected at source.

However, it appears that cases related to undisclosed foreign income/assets and assessment or reassessment made on the basis of information received under the double taxation avoidance agreement are still out of the purview of the scheme. Also, a person facing prosecution under the Indian Penal Code, Prevention of Money Laundering Act, or Prohibition of Benami Property Transactions Act cannot avail of the scheme.

The Budget scaled down the direct tax collection target to ₹11.7 trillion from ₹13.35 trillion, achieving which will require 2.9 per cent growth. However, even that seems challenging, considering that the growth in the first 10 months stands at a negative 6 per cent.

Retail inflation...

Madan Sabnavis, chief economist at CARE Ratings, said this is a reflection of low investment activity due to low capacity utilisation (70 per cent in the second quarter of 2019-20, according to the Reserve Bank of India, or RBI) and banks' reluctance to lend.

Consumer goods — both fast-moving and durables — contracted. Sabnavis said this reflects low demand due to stagnant incomes and torpid job creation, further activated by high food inflation.

On Tuesday, Sitharaman had said 'green shoots' were visible in some sectors, including industrial production.

Sunil Kumar Sinha, principal economist at India Ratings and Research, said the turnaround in industrial production is still not visible and the wait for green shoots is getting longer.

The inflation rate in vegetables came down from 60 per cent in December, but it still stood at 50 per cent in January.

Pulses saw the inflation rate rising to 16.71 per cent in January, from 15.44 per cent in December. In its monetary policy statement, the RBI had pointed to rising pressure on inflation rate of pulses.

The core inflation, which is non-food and non-fuel one, rose to 4.1 per cent in January from 3.7% in December.

"Core inflation, driven by various services, is a cause for concern," said Aditi Nayar, principal economist at ICRA. She said regardless of the level of CPI inflation, the stance of the monetary policy is likely to be retained as 'accommodative', for as long as the monetary policy committee (MPC) considers the output gap to be negative.

"The timing and magnitude of the next rate cut will depend on how quickly inflation appears to be reverting towards 4 per cent," said Nayar.

The MPC has pegged average CPI inflation in the fourth quarter at 6.5 per cent. For this to fructify, inflation must decline in the next two months.

BS SUDOKU # 2972

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Very easy: ★★

Solution tomorrow

HOW TO PLAY

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DoT may...

DoT doesn't want the telcos' payments to get delayed any further.

In fact, the Budget has estimated revenues of ₹1.33 trillion from telecommunications for the financial year 2020-21, while not specifying the source.

While a finance ministry official, in a post-Budget interaction, had clarified that the expected revenue from telecom had not factored in the AGR dues, it may be challenging for the Centre to meet the telecom revenue target just from spectrum auction.

The AGR-linked dues of ₹1.47 trillion, as ordered by Supreme Court, have to be paid by 15 telecom companies, though many of them have sold out their business or shut down operations. Reliance Jio is the only telco to have paid up.

In an interim relief to telcos, DoT had in a circular said on January 23 that it would not take any "coercive" action against Bharti Airtel and Vodafone Idea when they failed to comply with the SC order on repayment of AGR dues. The circular from the Licensing Finance Policy Wing (LFPW) of the DoT was sent out to the Controller of Communications Accounts (CCA) in different circles that no "coercive action" must be taken against telecom operators.

The telecom operators had filed the modification plea in the Supreme Court in January, seeking an extension of the January 23 deadline to pay the dues.

Bharti Airtel and Vodafone Idea had informed the Union government that they would comply with the Supreme Court order on AGR dues, while stating that they would make the payment after their "modification" petition is heard by the court.

Earlier on January 16, a Bench headed by Justice Arun Mishra had rejected telcos' review petitions in the AGR case.

India's IT...

Reflection of this trend is already visible globally, said Gopinathan. "If you see the top three banking platforms globally, they belong to Indian IT services players," he said. Echoing similar views, Infosys' Parekh said there were different ways in which product business would grow in the coming years. "(For instance) platform-led service offerings in insurance and mortgage (segment) or automation are some of the channels," he said.

Infosys' Finacle and TCS' BaNCS are the two most popular core banking platforms used by the majority of banks globally.

Once seen as pure-play services players, Indian IT firms are slowly building up their own product and platforms in order to better serve their clients. This approach not only provides better pricing power to them, but also gives an opportunity to monetise these assets separately in the future.

While this strategy would result in a bit of cannibalisation to traditional revenues in the near term, it should not be a matter of concern for investors, they said.

Noting the changes in Indian tech in the past one decade, these leaders also said India was no longer a destination of global firms for saving costs. "India sits at the forefront of global tech innovation. If you look at the cloud ecosystem, Indian IT firms are leading the race," said Parekh.

SHUBHOMOY SIKDAR

Second time lucky?

Bisleri is banking on a new recipe for growth of its soft drinks business but low initial offtake, intense competition and gaps in distribution may make the going tough

Bisleri is looking to double its core business of mineral water during the coming summer by sprucing up distribution and it is just as bullish about its fizzy drinks. Uniquely developed "healthier" products with natural ingredients in the mix, a focus on general trade channels and scaling up a small bouquet instead of going for multiple offerings are what would help it grow, says the company.

The assertion of Anjana Ghosh, director, marketing and business development, Bisleri International, that the company eventually aims to lead the ₹16,000 soft drink market (source: Bisleri, Euromonitor International pegged it at a much higher ₹92, 419 crore in 2019) in India, is too futuristic at this time even if it comes from the category leader in packaged water. The immediate goals remain two-fold: To double the sales of its carbonated drinks — the spiced Spyci, the mango juice-based Fonzo and the minty lemon drink Limonata — by this summer and in three years, take the cumulative share of these three in sales to 20 per cent (up from 5-7 per cent last year) of what the flagship mineral water business both in terms of volume and value.

This sounds challenging because the current share is 5-6 per cent and the company has aggressive plans for water too which means the drinks sales will have to not just keep pace but show a much higher momentum.

And recent history is not very flattering to say the least. In 2016, the company first launched four drinks as variants of the umbrella brand name Pop only to see them fizzle out soon after. It returned with Fonzo in 2018 and then the others were relaunched.

So what gives the company hope that it will be second time lucky? Ghosh says that their products do not compare with any existing brands. "We have ensured that Fonzo is much thicker than any existing brands, the fizz is rightly combined to give the uplift and body to the drink. Spyci has distinctive *masalas* which are not commonly found in any existing spiced flavour drink that are either boringly *jeera* or lemony. I can challenge there is nothing similar in the market. It not only has the Indian green lemon and lime juice, it has fresh *pudina* oil extract which leaves a very refreshing taste in the mouth. The mint flavour drinks available in the market taste like toothpaste, chewing gums," she doesn't hold back while discussing competitors' offerings.

But the real challenge is that the company is pitted against two giants — Coca Cola and Pepsi that have diversified their portfolios and are even launching hyper local drinks. Asked if that approach will make life tougher for Bisleri, Ghosh says: "...In India each state has different palate, within the state there different food habits. So up to what level does one hyper-localise? We are confident we have brands with flavours and taste that are appreciated across the country. National brands like us should concentrate on unifying taste."

Yet the opportunity is immense in beverages, say Devangshu Dutta, chief executive, Third Eyesight and Harish Bijoor, founder of Harish Bijoor Consults Inc. Dutta says that given per capita consumption in India is low and soft drinks are seen as aspirational products, people tend to consume more as income grows. Bijoor, on the other hand, cites his research to say that there are at least 11 new options for a new soft drink consumer. And those are exclusive of the three offerings from Bisleri. That said, the scope for growth is still high. The per capita consumption in India is low when compared to developed markets.

Ghosh identifies general trade or GT as the preferred vehicle for sales for the sheer volumes they bring. This will be followed by bakeries, fast food and eating joints, she adds. The sales team is also in talks with many quick-service restaurants (QSRs), she says. Dutta of Third Eyesight says these tie-ups are a good proposition for any brand as they ensure captive sales and improved brand visibility.

An area sales manager or ASM associated with one of the two cola giants — who has recently made a transition to GT from modern trade (MT) for the company in one of the biggest urban territories in the country — has some advice based on field insights. Having witnessed the brand entering the said market, she found that while the shelf occupancy at MT was good, in GT channels it hasn't been as aggressive so far. "Also, a new player has to incentivise sellers through distribution of branded refrigerators. These can be game changers in some low-income areas. Then again merely entering distribution channels is not enough. For example, a Thums Up or a Pepsi are far more popular in bars as drink mixers whereas a parent at a shopping mall would hesitate buying her kid a strong drink and go for a milder one. So you have to distribute accordingly," she adds.

The ASM says that deep down in the distribution channels, the colour and appearance of the beverage plays a part and this is the case at the customer end too. So when the company launched a red coloured energy drink recently, the bottles attracted children and translated into those being picked up from the sales counter instantly while its blue can failed to have the same impact. And these field insights came from an area where the company itself did not have much hope.

Bisleri soft drinks have some way to go as far as sampling is concerned, she points out. Perhaps the company itself has sensed this and is running a buy 1-get 1 offer as part of its sampling drive, apart from associating with youth events and shows, as some recent reports suggest.

Was that the case when Bisleri's products re-entered the market as standalone brands but the pina-colada flavour was dropped? Or was it because the consumer is shy in trying out unfamiliar names? Ghosh says that this was done despite a positive response because the company thought there would be too many brands to handle — each new offering needs nurturing and time to flourish. In fact, she adds, a pinacolada drink may be added in the near future.

More on www.business-standard.com

GUEST COLUMN

Fine tune the opportunity

In part one of a two-part series, the author talks about how startups can identify a need gap

Entrepreneurship is fascinating and is increasingly becoming a career option for many people. Success of firms such as OYO and Uber have given confidence to young people to set up their startups. With lowering entry barriers for enterprise startups, there is renewed confidence in students to be entrepreneurs.

What is not often discussed is that most startups fail! The failure rate has gone up from about 50 per cent in the first five years to close to 90 per cent in recent years, thanks to the growth in online venturing options. It will be interesting to discuss what makes the few survive and succeed and become brand ambassadors of entrepreneurship. Insights from such analysis help entrepreneurs fine tune their ideas and build commercially viable ventures.

Customer dissatisfaction as the source of an attractive opportunity

KAVIL RAMACHANDRAN

Zomato has become successful, thanks to major changes in lifestyles in urban living. The demand for food from restaurants delivered home grew suddenly due to rapid rise in youth employment, traffic jams and growing interest in trying out variety of foods. Consumers suddenly found it easy to analyse online eating options thanks to a spurt in availability of bandwidth for internet users. Creation of multiple payment options gave customers additional convenience in ordering. In essence, what Zomato did was to identify a growing segment of dissatisfied customers and eliminate multiple sources of the dissatisfaction. Zomato worked on the entire chain of processes from selection of food to ordering and delivering at the choice location of the customer. Since the criticality of the need to have such bought out food is very high for a large number of customers, the intensity of dissatisfaction is high. In other words, where the customer discontent and need criticality are high, their dissatisfaction will also be very high. Such situations lead to a pull from the market. The intensity of pull will be greater if the entrepreneur is able to identify all possible sources of dissatisfaction and offer a bundle of solutions.

Disruptions in various technologies and their inter linkages have created variety of possibilities to create a feeling of dissatisfaction among existing customers or creation of new customers. Startups should identify opportunities to eliminate customer dissatisfaction by applying appropriate technologies.

How to fine tune an idea?

The starting point for an entrepreneur is to begin thinking like possible customers and determine segments where customer dissatisfaction is high and maximum potential lies for the proposed product or service. Entrepreneurs who define their target groups too early may miss other more attractive segments. Focus group discussion that involves free wheeling exploration of possibilities including potential target groups is a very effective method to identify attractive customer groups. This is especially so for novel ideas that are significant improvement on existing alternatives or completely new solutions.

Entrepreneurs should go beyond intuitive assessment of opportunities to looking more objectively from customer (and consumer) angles; that should also cover assessment of the potential size of the market, possibilities countering any imitators. Many of these may not be obvious and needs further examination. Simultaneously, the entrepreneur should find answers to the variety of challenges of accessing and managing the supply chain. The principle of customer dissatisfaction applies to the entire supply chain. A good entrepreneur defines oneself in the business of eliminating customer dissatisfaction across one or more links on the supply chain. All these constitute not only a good understanding of operations and technology and clarity about deciding how much and what of marketing and operations. The third leg of this tripod (besides marketing and operations) is availability of funds in adequate measure. A smart entrepreneur knows that even conservative estimates of funds go astray often.

It is the entrepreneur who converts the tripod into a diamond and iteratively sharpens and shines the four corners and edges of the diamond. In the process, the entrepreneur keeps a balance among market, operations, finance and team that will involve a constant process of fine tuning. All these processes help identify and eliminate existing and emerging customer dissatisfaction and create customer pull for a startup.

The author is professor and executive director, Thomas Schmidheiny Centre for Family Enterprise, Indian School of Business

SNIPPETS

Love *aaj kal*

With Valentine's Day upon us, international dating service OkCupid has come up with a report after having surveyed millennials in India about love, romance and relationships in the 21st century. Despite the technological advancements, face to face interactions are still very popular. An overwhelming 85 per cent of OkCupid's millennial users across India are unanimously in love with the idea of a quaint coffee date when they meet someone for the first time. Some findings conform to the prevailing views on how men and women perceive love and marriage. A high percentage, 71 to be precise, of women say they will only get hitched if they are in love with their partner, whereas 61 per cent of men do not consider marriage out of love a sacrilege! But some trends based on gender are also changing. An interesting finding in the survey is that as 35 per cent of men love the concept of falling in love and really want it to happen to them compared to only 25 per cent of women, a departure from the previous surveys.

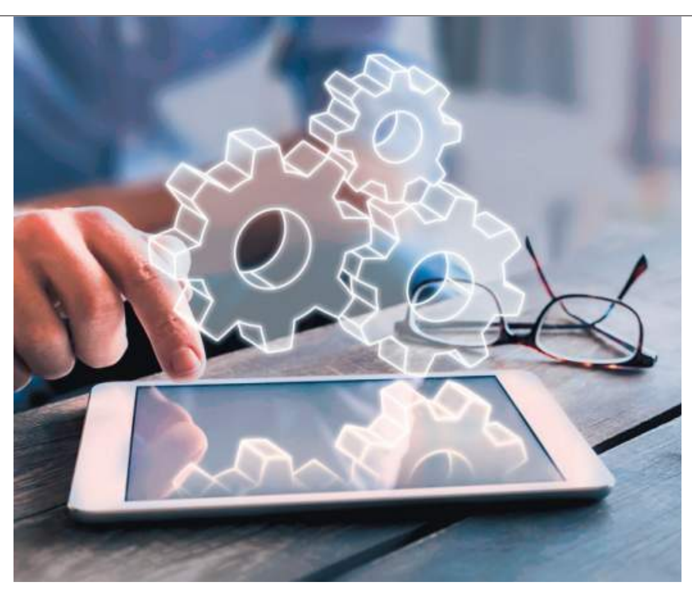
High growth

The speech and voice recognition industry is set to grow by 41 per cent in the ongoing year. This is among the many findings of the report titled "Voice Technology in India: Now and Future – Consumer and business perspective" and compiled by digital agency WATConsult. The main objective of this report is to share deep insights on voice-tech usage patterns, to consult brands and to help businesses make better decisions. The report focuses on the market of voice technology in India, the perception of voice assistants, home management with use of voice and data security concerns. "Speech and voice recognition technology market stands at ₹149.95 crore as of December 2019 and it is expected to grow at 40.47 per cent to reach ₹210.63 Cr by the end of 2020," says the report.

STATSPEAK

POSITIVE OUTLOOK

The *WEF-Ipsos Social Mobility Survey* prepared by the World Economic Forum (WEF) and market research company Ipsos throws up an interesting dichotomy. This is about the approach of the Indian workforce towards automation. Whereas nearly two-third believes that their current jobs will be replaced by automation, they are the most confident in the world when it comes to the prospects of retaining their jobs riding on the skills they possess or will possess.



Expect their jobs to be automated

TOP THREE	
INDIA	71
SAUDI ARABIA	56
CHINA	55

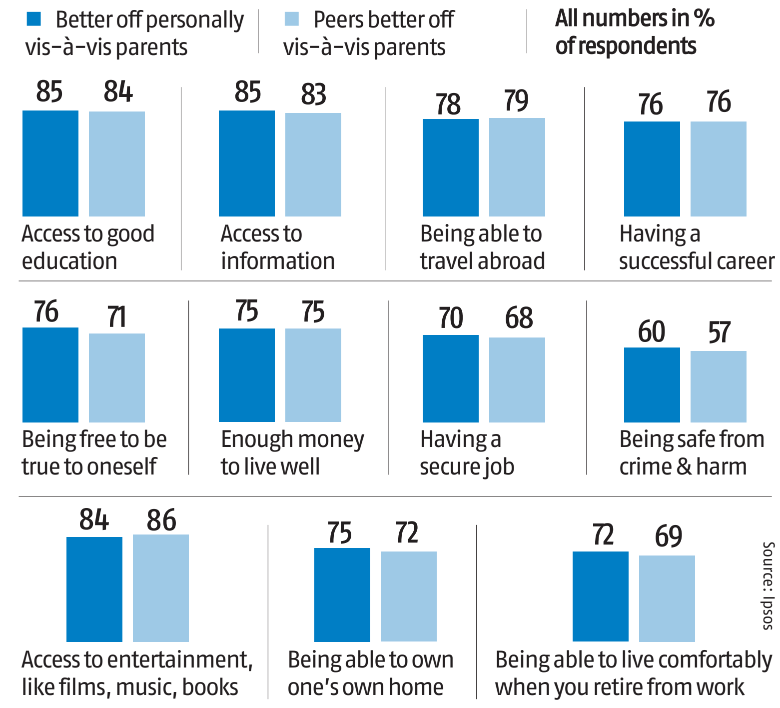
BOTTOM THREE	
HUNGARY	14
GERMANY	14
THE NETHERLANDS	16

Confident about retaining their jobs in the future

TOP THREE	
INDIA	84
THE NETHERLANDS	83
US	82

BOTTOM THREE	
JAPAN	23
SOUTH KOREA	33
RUSSIA	50

Indian urban youth is enthused about the future and feels a lot more privileged than parents in terms of opportunities



'Discounting is easy but a bad idea'

With standardisation of service and convenience, more customers have started considering buses as an intercity travel option, **Rathi** tells **Shubhomoy Sikdar**

Q&A

MANISH RATHI
CEO & co-founder
RailYatri

Has the travel app industry reached a certain threshold where deep discounting is no longer a prerequisite for expansion? So what are the new drivers of loyalty?
We believe that the deeper quest is to understand your customer and create solutions which address a strong need of a customer segment. Discounts are always an easy tool available to achieve conversions however it will always be short lived since someone else will outnumber you soon. Hence we need to look at what is the bigger moat that my product or service has for which the consumer today is more than happy to pay a little more. We follow three primary pivots to generate customer loyalty — offer great product and service, ensure easy digital interaction to consume the product and communicate regularly post the first experience of the traveller. The customer is looking for more than just reaching their destination, it is the experience during their journey that makes a difference. We make sure that our passengers have the best experience when they travel with us. All our buses come equipped with tracking systems, on-board washroom, WiFi and infotainment besides the personalised service by trained staff. We ensure that most of our customers repeat their travel with us by providing three promises consistently — on-time performance, safety assured and personalised assistance.

How has the integration with IRCTC affected the margins and consequently, revenue?
We have a profitable train ticketing business even with existing margins provided by IRCTC. However, train ticketing and train information also help us acquire customers upstream and then be relevant to them even at later stages when they need repeat bookings or wish to take another mode of travel. The integration with IRCTC has helped us provide multi-modal mobility options for intercity travellers.

The railways are still used by many who are not well versed with or are sceptical of using online transactions. Is that segment also in your scheme of things?
You have rightly stated that while there is a large base of travellers who use digital booking platforms, there is still a sizeable segment that prefers to avail of services offered offline. We have been in discussion with IRCTC officials to create a service that allows travelers to book through call centres. In order to make it easy for them to book our IntrCitySmartBus, we have tied up with offline resellers across the country. Our bus lounges also help such customers walk-in to the lounges and book the services. The approach to outreach and awareness should be thought of in the offline mode. Our offline partners have signages, hoardings, brochures in their outlets so that intercity travelers can understand our services and book them conveniently. Our lounges exist in high traveler footfall zones and hence they can find us easily and meet at the lounge.

Travel ticket bookings is an area where a host of players compete. Where do you stand?
The RailYatri app is a complete solution for a train traveller and not just a train ticket booking platform. Our understanding of the domain and the predictive algorithms we have built help a traveller make an informed decision when they travel intercity. The problems we solve for travellers are wide. A long-distance traveller is worried about historical performance of the same train, the availability of a pantry car, confirmation probability, just to name a few. The post booking needs are another set in itself and that is where our live train status tool comes handy for both travellers and their family or friends who need to pick them up at the destination.

Second, we have always taken a multi-modal approach. In the event that a user cannot find a train that fits her schedule, we provide alternative ways for her to travel and that is where InterCity buses come in. We believe that this integration of multiple modes of travel sets us apart from of our competitors. We are still in our primary growth phase, yet we have witnessed a 500 per cent year on year growth with over 4 million transactions taking place on our platform in a year.

More on www.business-standard.com

Registering a firm online to be easier

Companies may soon be able to fill info online directly

RUCHIKA CHITRAVANSHI
New Delhi, 12 February

Company incorporation is about to become easier with the corporate affairs ministry planning to introduce online forms submission. Moving away from e-forms that had to be downloaded and then filled, in the new format companies will be able to directly fill their information online, a senior government official told *Business Standard*.

The initiative is one among many aimed at improving the MCA21 portal, which is in dire need of an upgrade.

The Ministry of Corporate Affairs has shortlisted L&T Infotech to launch version 3 of the portal, according to people in the know. The first and second were spearheaded by Tata Consultancy Services and Infosys, respectively.

The new incorporation method, part of version 2, is being implemented by Infosys and is likely to be launched on February 15. The new web form would facilitate on-screen filing and real time data validation for seamless incorporation.

"Incorporation will become quick... It will take less time to start a business. Some e-forms are not approved by the MCA within a period of two-three weeks. It takes considerable time for approval," said Gaurav Pingle, company secretary.

Approvals are linked to the next activity: increasing share capital followed by further issue and allotment of shares. At present, an e-form with a size of 6MB can be uploaded on the MCA21 portal. However, companies find it difficult to upload forms with legible attachments.

"In my experience, there are frequent issues while making public search of documents... In a single login system, the documents take considerable time to open. The time limit of three hours for one login needs to be extended," Pingle added.

Work on the third version is likely to begin soon. While the long-term plan is to rollout a mobile app, holding registrar office proceedings through video conferencing, a data analytics feature, the government will first get down to urgent business.

The government is also trying to fix the problem of the considerable amount of time it takes to reply to queries. "We want to use artificial intelligence and bring in chatbots to address queries in real time. This will take time, but we will do it as it will improve the ease of doing business," the senior government official said.

India improved marginally by one rank in the World Bank's Doing Business ranks and stands in the 136th spot among 180 countries on the starting business parameter. India's overall rank improved from 77 to 63 last year. An important step being planned is also to make the process of name registration AI based and remove all discretion from the exercise.

Besides, MCA will work closely with other government departments to create what it calls "a single source of truth". "Through application programming interface we want that when one fills the company incorporation number all other information should get auto-populated. People need not file the same details everywhere," the government official added.

The MCA21 portal, where a company makes all its filings, is also a minefield of data that the government wants to use for early detection of fraud in version 3. It will also make the data accessible to users for research purposes.

MCA is also planning to provide a company with a bank account number at the time of registration along with a director identification number, name, incorporation certificate, PAN, TAN, GST registration number among other things.

BUSINESS STANDARD BEST B-SCHOOL PROJECT AWARD 2019

Solving real world problems at India Inc

Management students save cost and drive revenue in manufacturing, retail and finance sectors

BS REPORTER
Mumbai, 12 February

PHOTOS: KAMLESH PEDNEKAR

(*Left to right*) Jury members Sunil Panjwani, global head (internal audit), CG Power; Rajat Gupta, senior partner, McKinsey; Nishi Vasudeva, former CMD, Hindustan Petroleum Corporation; Rajkamal Vempati, HR head, Axis Bank; Ajit Balakrishnan, jury chairman and founder and chairman, Rediff.com; Ambi Parameswaran, founder, Brand-building.com; and Ashish Chauhan, MD and CEO, BSE, at the *Business Standard* Best B-School Project Award 2019 in Mumbai on Wednesday

Projects tackling real world challenges in the corporate world, including those on efficient hyperlocal delivery, sales technique for perfumes in malls, data analytics in microfinance, and improvements in automotive manufacturing were among the winners of the *Business Standard* Best B-school Project Award 2019 in Mumbai.

The top prize went to Kapil Gavali of National Institute of Industrial Engineering, Mumbai, for his project on the ideal picking, routing and storage policy for hyperlocal warehouse.

Using algorithms, Gavali developed a capability model for Flipkart for efficient and time-bound delivery to customers by reducing search and picking time in the warehouse, and also providing solutions of how the process can be improved further. "In a hyperlocal delivery model, timing is crucial. A business could lose a customer if it is unable to deliver on time. My project addressed this challenge," Gavali said.

G Teja of Vinod Gupta School of Management, at the Indian Institute of Technology-Kharagpur, was the first runner-up for his project on sales and marketing techniques for Titan Skinn perfumes in large format stores. Teja used a novel approach of distributing perfume sprayed blotter cards to mall visitors to increase footfalls and drive sales and also took steps to attract and retain counter staff.

The second runner-up prize was shared by Vivek Sathiamoorthy of Xavier Institute of Management and Entrepreneurship, Chennai, and Ayush Trivedi of Symbiosis Centre of Management and Human Resource Development. Sathiamoorthy developed an efficient model for transport of parts at BMW's plant in Chennai as a part of his route train project and it led to better allocation of workforce, improved stock availability, reduced downtime and increased production.

Trivedi was recognised for his project on credit risk assessment and loan default prediction model that he developed for Samunnati Financial Intermediation, which provides financial and non-financial solutions in agri value chain. Trivedi used machine learning algorithms for business expansion and credit risk by gauging the propensity of default and reasons for default.

In his keynote address, Sujeet Kumar, co-founder of Udaan, shared the secret of his success which is hunger for knowledge, hiring individuals more capable than himself and giving space to them to grow

Rediff.com founder and chairman Ajit Balakrishnan said it was refreshing to see students tackling real world issues of Indian management referring to challenges in manufacturing and retail sector. "Historically management students tend to focus on financial analysis, financial forecasting or market research but today we saw students analysing manufacturing work flow, method of scheduling stock arrivals, and a hyperlocal warehousing and logistics project in retail," he said. India has a crisis in manufacturing because the sector is unable to attract enough talent to tackle these problems, he added. "Typically, management students have turned their face away from these sectors and prefer consulting or Wall Street jobs. I am so glad their eyes are turning to these issues," he said.

In his keynote address, Sujeet Kumar, co-founder of B2B e-commerce unicorn Udaan, shared the secret of his success, which is a hunger for knowledge, hiring individuals more capable than himself and giving space to them to grow. Kumar headed operations in Flipkart and left the e-commerce company in 2015 to set up Udaan with an aim to connect wholesalers with retailers. Kumar said in his Flipkart days he would look up to study the Amazon or Alibaba models but now companies in South East Asia want to study the Udaan model. "This is a validation of our idea," he said.

Business Standard instituted the awards in 2007 to honour excellence among students from India's best business schools. The event's 13th edition saw participation of 174 entries for top honour, which were narrowed down to 15 projects first, and further shortlisted to five finalists. A seven-member jury chose the awardees based on individual presentations and question and answer session at a power-packed event attended by deans and faculties of management schools and students across the city.

Looking forward to first India visit, says US Prez

PRESS TRUST OF INDIA
Washington, 12 February

"Modi said we will have millions of people. My only problem is that last night we probably had 40-50,000 people... I'm not going to feel so good... There will be five to seven million people just from the airport to the new stadium (in Ahmedabad)"

Donald Trump,
US President

US President Donald Trump has said he is looking forward to his first visit to India this month, and signalled his willingness to sign a trade agreement with New Delhi "if we can make the right deal." Trump will pay a state visit to India on February 24 and 25 at the invitation of Prime Minister Narendra Modi, who on Wednesday said the US president's visit will be a "very special one" and will go a long way in further cementing India-USA friendship.

"He (Modi) is a great gentleman and I look forward to going to India. So, we'll be going at the end of the month," Trump told reporters in his Oval Office on Tuesday, a day after the White House announced dates of his much-anticipated India trip.

Responding to a question, the president indicated that he is willing to sign a trade deal with India if it is the right one.

"They (Indians) want to do something and we'll see... if we can make the right deal, (we) will do it," said Trump, a fortnight ahead of his first visit to India as the 45th US president.

The two countries are negotiating a trade package to iron out differences and promote the two-way commerce.

In New Delhi, an official said India and the US were engaged in hectic parleys for a proposed trade deal between the countries, ahead of the visit of President Trump.

However, the official said that as of now, there is no clarity if the trade pact will be signed during Trump's visit.

India is demanding exemption from high duties imposed by the US on certain steel and aluminium products, resumption of export benefits to certain domestic products under their Generalized System of Preferences, greater market access for its products from sectors including agriculture, automobile, auto components and engineering.

On the other hand, the US wants greater market access for its farm and manufacturing products, dairy items and medical devices, and cut on import duties on some ICT products. The US has also raised concerns over high trade deficit with India which was $16.9 billion in 2018-19.

"Just spoke with Prime Minister Modi," Trump told reporters on Tuesday in response to a question on his India visit.

"He (Modi) said we will have millions and millions of people. My only problem is that last night we probably had 40 or 50,000 people... I'm not going to feel so good... There will be five to seven million people just from the airport to the new stadium (in Ahmedabad)," Trump said. "And you know (it) is the largest stadium in the world. He's (Modi) building it now, It's almost complete and it's the largest in the world," he added.

Officials rushing to create trade pact

SUBHAYAN CHAKRABORTY
New Delhi, 12 February

Both sides are working on a "comprehensive trade package", US trade officials have expressed their displeasure with New Delhi's decision to saddle medical device imports with an additional health cess

Officials are scrambling to create a trade pact, to be signed with US President Donald Trump, before his visit.

On Tuesday, Trump said he would sign a trade agreement with India during his visit only if it was the "right deal". However, with the US demanding broad trade concessions across multiple sectors such as agriculture, information technology, and automobiles, talks have reached a stalemate, multiple officials said on Wednesday.

A visit by Trump's right hand man for trade negotiations — United States Trade Representative Robert Lighthizer — also remains uncertain. Lighthizer was set to attend a crucial meeting in New Delhi this week to iron out trade issues, but no official confirmation was put out, as of Wednesday. People in the know say the government is now betting on a compromise on agri trade, which may see India systematically revoking high import duties on key agricultural produce such as almonds, walnut, apples, and wine, on which New Delhi had raised duties by up to 50 per cent last year. Farm lobbies have pressurised the government to restrict market access for these products. "Discussions on other American demands — lower duties for industrial components, engineering products, and tech goods like smartwatches and iPhones — are lengthy and not expected to be completed by the time of Trump's visit," an official said.

While both sides are working on a "comprehensive trade package", US trade officials have expressed their displeasure with New Delhi's decision to saddle medical device imports with an additional health cess.

India has refused to roll it back, but people in the know say the government may allow a trade margin policy for specific high-value items like coronary stents. Further, the US on Tuesday classified India as a developed economy, making it ineligible for trade benefits to developing nations. As a result, chances of India reclaiming trade benefits under the US' Generalized System of Preferences (GSP) that it has hitherto received has been quashed.

15 CEOs in US delegation, biz talks likely on February 25

NIVEDITA MOOKERJI
New Delhi, 12 February

A trade deal is not the only part of US President Donald Trump's visit that is shrouded in mystery. With just about 10 days to go before Air Force One lands at Ahmedabad airport for a Howdy Modi-like show that had wowed Houston and then flies Trump and his team to New Delhi for a round of hard talk, even the list of business delegation accompanying Trump has been kept under wraps.

An official dealing with the arrangements said "there's complete silence in the US". In fact, an American team will reach India in the next two days for the next level of checks, it is learnt. With both sides expected to keep their respective interests in mind, hard-nosed negotiation on all critical issues, including on US-India trade, is likely a day or two ahead of Trump's arrival.

The last-moment talks on trade will have a bearing on the business delegation as well as on the discussions at the chief executive officers' (CEOs') meet scheduled for February 25. While a list has been prepared and itineraries of the business guests are being fine-tuned, changes are possible later, an official pointed out cautiously. The plan now is that invites would be sent this weekend once there's a go-ahead from the White House. Stay tuned, is all that officials want to commit at this point.

An American team will reach India in the next two days for the next level of checks, it is learnt. With both sides expected to keep their respective interests in mind, hard-nosed negotiation on all critical issues

But sources in the know said Trump's business delegation with around 15 CEOs would represent sectors ranging from finance and banking to information technology and retail. The top names doing the rounds include Mastercard President & CEO Ajay Banga, WaterHealth International President & CEO Sanjay Bhatnagar, AECOM Chairman & CEO Michael S Burke, Cisco Chairman Emeritus John Chambers, OSI Systems CEO Deepak Chopra, Amway Co-Chairman Douglas DeVos, AES Corporation President & CEO Andrés Gluski, MoneyGram Chairman & CEO Alexander Holmes, Encore Capital CEO & President Ashish Masih, Qualcomm CEO Steve Mollenkopf, Hewlett Packard Enterprise President & CEO Antonio Neri, S&P Gobal CEO Douglas L Peterson, Varex Imaging CEO Sunny Sanyal, Aquatech Chairman & CEO Venkee Sharma, American Tower Corporation CEO James Taiclet, and PayPal President & CEO Dan Schulman, among others. When asked about leading names of India origin such as Sundar Pichai and Satya Nadella, officials refused to confirm if they too would be part of the delegation. On the India side, leading businesses likely to be invited to the CEOs' round table during Trump's visit include Mukesh Ambani, Ratan Tata, N Chandrasekaran, Anand Mahindra, A M Naik, and Sunil Mittal, among others.

The caveat is there's nothing official about it as yet, except that Trump will be in India on February 24 and 25.

YES Bank to delay Dec quarter results

Ind-Ra cuts issuer rating to 'A-'

ABHIJIT LELE
Mumbai, 12 February

YES Bank will delay the announcement of its December quarter (Q3) results as it is in talks with potential investors, including J.C. Flowers and Silver Point Capital, for raising equity capital.

In a filing to the BSE, the lender said it had received non-binding expressions of interest (EoIs) from several investors including J.C. Flowers & Co, Tilden Park Capital Management, OHA (UK) LLP (part of Oak Hill Advisors), and Silver Point Capital.

The bank and its financial advisors are in discussions with these investors on commercial terms. The investments, including pricing and size of the stake to be acquired, are all subject to regulatory approval.

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The current capital raising process is engaging the bank's attention and hence it will publish its results for Q3 and the nine months ended December 31, on or before March 14, 2020. The bank added that this exceeds the 45-day period from the end of the relevant quarter to announce results, as stipulated by the Securities and Exchange Board of India. YES Bank shares closed 4.5 per cent lower at ₹35.2 per share on the BSE. India Ratings has downgraded YES Bank's long-term issuer rating to 'A-' from 'A', on account of the continued delay and inconclusive quantum of the anticipated equity infusion. It remains on Rating Watch Negative (RWN). This could adversely impact the bank's franchise and potentially create challenges on asset and liability maturities side, the rating agency said in a statement.

It has sizable foreign currency liabilities and institutional deposits. The required capital infusion is critical for providing sufficient cushion from the possible credit cost impact due to the stressed asset pool on regulatory capital requirement, in the short- and medium-term. The capital is also crucial for serving its customers adequately, said India Ratings.

YES Bank's liquidity position seemed adequate as of September 2019 (liquidity coverage ratio of 114 per cent).

However, in the absence of any swift capital raise, the bank's ability to manage its asset and liability maturities could get tested further. The lender continues to remain in discussions with potential investors. However, raising sizeable capital in the near term could be challenging and could require various approvals.

Average salary offer at IIM-Calcutta at record ₹28 lakh

WHO OFFERED WHAT

- Consultancy sector made for 31% of all offers; BCG, McKinsey & Co, Bain & Co were top recruiters
- PE-VC firms made 17% of all offers, with BofA, Merrill Lynch, Barclays as top recruiters
- 30% of total offers were from general management and sales departments, with TAS, AB Group, M&M as top recruiters
- 22% of all offers were from product management, IT/analytics, and operations domains; with Microsoft, Google, Salesforce as top recruiters

AVISHEK RAKSHIT
Kolkata, 12 February

Indian Institute of Management-Calcutta (IIM-C) has seen an all-time high average salaries for the top 10 per cent and top quartile of the class for the outgoing batch of 2020. The figures stand at ₹54.5 lakh and ₹41.8 lakh (annual), respectively.

The annual average salary is also a record at ₹28 lakh, with the median figure at ₹25.5 lakh. In all, 439 students secured 492 offers from 136 firms.

Recruiters could also select from a larger pool and make offers to the most suitable candidates in accordance with their choice.

The institute adopted a platform termed 'Superset', enabling one to automate campus placements end-to-end and help employers hire from colleges across the country. Abhishek Goel, chairperson of the institute's career development and placement office, said its introduction "made our processes even more transparent and efficient".

439 students secured 492 offers from 136 firms

Continuing the trend witnessed in summer intern placements, held in October 2019, consultancy firms were the largest recruiters with 31 per cent of all offers. The Boston Consulting Group, McKinsey & Co, Bain & Co, Kearney, PricewaterhouseCoopers and Accenture were the top recruiters in the sector.

Marquee finance and private equity-venture capital (PE-VC) firms made 83 offers, comprising 17 per cent of the total offers.

Bank of America Merrill Lynch, Barclays, Goldman Sachs, Arga Investment Management, Gaja Capital and JP Morgan Chase also recruited from the campus.

General management and sales and marketing roles comprised 30 per cent of the total offers. Those recruiting for such roles included TAS, Aditya Birla Group, Mahindra & Mahindra, Reliance, Vedanta, TrueNorth, Hindustan Unilever, Colgate-Palmolive, ITC, Mondelez and FIIT-JEE.

The other 22 per cent of overall offers were in product management, IT/analytics and operations. Recruiters included Microsoft, Google, Salesforce, Amazon, Flipkart, Udaan, EXL Service, American Express, HCL, UnitedHealth Group (Optum) and Mastercard.

Anju Seth, director of IIM-C, said, "Such coveted employment offers demonstrate the high value of the education here and our students' skills and capabilities."

IIM-C was established as the first national institute for post-graduate studies and research in management by the Centre in November 1961, in collaboration with the Alfred P Sloan School of Management, MIT, the government of West Bengal, the Ford Foundation and Indian business.

Wendell Rodricks dies at 59

PRESS TRUST OF INDIA
Panaji, 12 February

Renowned fashion designer Wendell Rodricks (*pictured*) died at his residence in Colvale village in Goa on Wednesday, a police official said. Deputy Superintendent of Police, Mapusa, Gajanan Prabhudesai confirmed the death of Rodricks, who was 59.

Prabhudesai said Rodricks died after collapsing at his residence in North Goa. A Padma Shri awardee, Rodricks was also an author, environmentalist and gay rights activist.

Goa Health Minister Vishwajit Rane tweeted, "Deeply saddened to hear about the sudden demise of my very good friend and designer, Wendell Rodricks. His excellency in his work and skills are irreplaceable and shall always be cherished." "We will truly miss him. My heartfelt condolences to his family and dear ones," Rane added in the tweet.

Union minister Smriti Irani paid tributes to Rodricks and hailed him as one of Indias most renowned designers. Shocked to hear about the untimely demise of Wendell Rodricks, one of the Indias most renowned designers. My heartfelt condolence to his loved ones, May his soul rest in peace," she tweeted.

Vision Fund losses wipe out profit of SoftBank

SoftBank Group reported a near-total wipe out in quarterly profit on Wednesday, after the Japanese technology investor was whiplashed for a second consecutive quarter by losses at its $100 billion Vision Fund.

The dire result is likely to deepen concern about founder Masayoshi Son's ability to secure funding for a second Vision Fund, and give more ammunition to activist investor Elliott Management, which has recently emerged as a prominent shareholder.

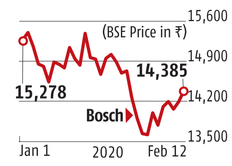
The numbers are also the latest reminder of the inherent risk in Son's strategy of betting big on untested startups. The Vision Fund posted an operating loss of 225 billion yen ($2.05 billion) for October-December compared to 176 billion yen profit in the same period a year earlier. But Son, who is known for his ebullience and charisma said his company was already turning the corner. REUTERS

Business Standard
MUMBAI | THURSDAY, 13 FEBRUARY 2020

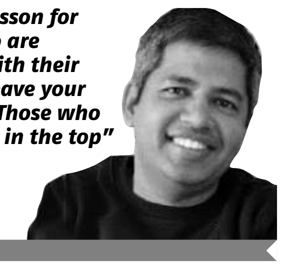
The Smart Investor

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: MORE PAIN AHEAD FOR BOSCH



The underperformance of the Bosch stock vis-a-vis the broader markets is expected to continue on account of muted December quarter results and a weak outlook. Higher competition and transition to the electric vehicle space will likely hamper growth and margins



"There is a lesson for the 50% who are struggling with their portfolios. Leave your losers early. Those who did likely are in the top"
ALOK JAIN,
Investment advisor

PMS firms knock on Sebi door

Seek clarity over the move to provide standardised returns

SACHIN P MAMPATTA
Mumbai, 12 February

The move to provide standardised returns across portfolio managers may be experiencing some teething troubles. Lack of granularity in the regulations has some portfolio management services (PMS) providers scrambling to figure out how they should showcase returns, said three people in the know. This included a portfolio manager, a distributor, and a service provider to the industry.

They are looking for clarity on how it should be approached and are in the process of seeking advice from the Securities and Exchange Board of India (Sebi) on the matter, said industry sources.

The move follows the publication of the revised portfolio manager regulations last month. It seeks to change how portfolio managers are governed, increasing the minimum investment size to ₹50 lakh, and warranting a minimum networth for PMS players from ₹2 crore to ₹5 crore. It also made changes to the way returns are shown.

"...the performance of a discretionary portfolio manager shall be calculated using time-weighted rate of return (TWRR) for the immediately preceding three years and in such cases, performance indicators shall also be disclosed," said Sebi (Portfolio Managers) Regulations, 2020.

A service provider said there was more than one way in which TWRR could be calculated. Clarity on the methodology can ensure marginal kinks are ironed out. "We want to make sure there is no decimal point difference. You want to compare apples to apples," said one person.

Another person said a working committee report on the matter had mentioned a uniform format. Sebi could operationalise it through a circular, so there is no scope for creative interpretation that may favour certain providers. "Sebi should come out with a template. That will ensure the confusion is taken care of," said a second person.

The report had noted the multiplicity of reporting standards that exist for PMS providers. "Currently, there are wide divergences across PMS providers with regard to the way performance is reported to existing clients, prospective clients, and to Sebi. Non-standard reporting formats make it difficult for prospective clients to compare the performance of PMS providers and make informed decisions with regard to the choice of their PMS provider," the report had said.

An email sent to the regulator did not elicit a reply.

Ashish Shanker, associate director and head (investments), Motilal Oswal Wealth Management, said most of the larger players have returns that are largely comparable. It is the smaller ones that may be more affected by the transition, he said. "I think it's good for customers because you'll get standardised data," said Shanker.

Virendra Jain, founder, Midas Touch Investors Association, said Sebi could help investors decide by collating the returns data better. It is not currently possible to easily obtain information which would point to the best performing fund managers, based on the data and the way it is being made available on the regulator's website, said Jain.

Improving the ease of comparison of this collated PMS returns data on the regulator's website can help the customer better, said Jain.

ROADBLOCKS

- Lack of granularity in regulations has left PMS providers wondering how to showcase returns
- Industry has approached Sebi, seeking clarity on norms
- Move to provide standardised returns follows revised PMS guidelines issued last month
- New regulation seeks to change how portfolio managers are governed, raising minimum investment size to ₹50 lakh and warranting minimum net worth of ₹2-5 crore
- Working committee report on the matter had noted the multiplicity of reporting standards that exist for PMS providers

Indices extend gains as virus fears recede

PRESS TRUST OF INDIA
Mumbai, 12 February

The Sensex soared 350 points while the Nifty reclaimed the 12,200-mark on Wednesday on widespread buying in FMCG, bank and IT counters amid a positive trend in global equities on hopes that new coronavirus cases have plateaued.

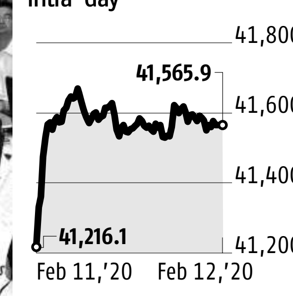
Extending its gains for the second session, the 30-share BSE Sensex soared 349.76 points, or 0.85 per cent, to close at 41,565.90. Similarly, the broader NSE Nifty jumped 93.30 points, or 0.77 per cent, to 12,201.20.

HUL was the top gainer in the Sensex pack, rallying 5 per cent, followed by Kotak Bank, Nestle India, ICICI Bank, Mahindra and Mahindra, Asian Paints and RIL.

On the other hand, State Bank of India, IndusInd Bank, Sun Pharma, Ultratech Cement, PowerGrid and NTPC fell up to 1.34 per cent.

Traders said domestic equities took positive cues from the global markets that climbed on optimism that spread of the coronavirus has been contained.

SENSEX
Intra-day



China on Wednesday reported its lowest number on new coronavirus cases since late January as authorities scrambled to contain its spread.

However, WHO head Tedros Adhanom Ghebreyesus had on Tuesday said that although 99 per cent of cases are in China, where it remains "very much an emergency," it also "holds a very grave threat for the rest of the world." Investors were also awaiting inflation and factory output data, scheduled for release later in the day.

"Investors' appetite for risk improved as coronavirus concerns receded for the second day in a row. The impact of coronavirus has already affected the supply chains and factory activities across the globe, but the ground reality is improving in China and we can expect improvement in the next quarter.

"The domestic market is awaiting the January inflation and consensus show a spike in inflation which is expected to impact rate-sensitive stocks," said Vinod Nair, head of research, Geojit Financial Services.

BSE FMCG, Bankex, Energy, IT, Metal, Teck and Auto sectors rose up to 1.90 per cent, while Power, Realty, Consumer Durables and Capital Goods fell up to 0.96 per cent.

Sebi may widen mid-cap basket for MFs

JASH KRIPLANI
Mumbai, 12 February

The Securities and Exchange Board of India (Sebi) is likely to expand the mid-cap investable universe for mutual funds (MFs) by 150 companies, according to people in the know. This decision, likely to be made in the upcoming board meeting on February 17, will effectively double the number of stocks available for mid-cap selection to 300.

Further, the large-cap universe could get expanded by 25 stocks, taking the total available to 125. MFs have, in the past, approached the markets regulator seeking more flexibility in stock picking.

"Within mid-caps, most of the MF flows were chasing the same set of stocks on account of the cap of 150. This was making it difficult for fund managers to generate alpha. Sebi could widen the mid-cap universe by 100-150 stocks," said a CEO of a fund house.

Alpha stands for the outperformance that fund managers generate against the benchmark returns.

An analysis of the BSE150 MidCap Index and the Sebi-mandated investable universe of mid-caps shows an overlap of 121 firms — an 81 per cent overlap. In the case of large-caps, the overlap stands at 79 per cent for the benchmark BSE100 index.

Mid-cap funds are required to invest at least 65 per cent of their corpus in mid-cap stocks, whereas large-cap funds are required to invest 80 per cent in large-cap stocks, according to the current framework.

The new framework would effectively mean the top 125 stocks (in m-cap terms) will be classified as large-caps, while those from 126-425 will be classified as mid-caps, according to the people. The remaining will form the small-cap pool.

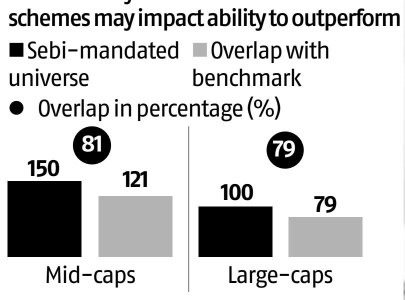
While allowing more stocks could provide flexibility, some fear that a realignment could lead to challenges. Some say a change in the categorisation framework will force fund managers to adjust their portfolios again, and the re-shuffling could take another year.

"While the move would give some leeway, money managers will yet again have to adjust their portfolios to account for the changes. Several changes had to be made after the framework was introduced a couple of years ago," said a senior executive of another fund house.

Experts say managing small-cap funds could become more difficult. "Including more top stocks in the large- and mid-cap universe would effectively mean small-cap funds will have to pick from stocks with even lower market cap," said a fund manager, requesting anonymity.

In October 2017, Sebi had laid down the scheme categorisation norms for MFs to make it easier for investors to select from the wide array of MF products. Sebi said the top 100 stocks would be classified as large-caps, those from 101-250 considered mid-cap, and the remaining as small-caps.

SEEKING MORE OPTIONS
Commonality between benchmark and MF schemes may impact ability to outperform



Source: Association of Mutual Funds in India, BSE 150, MidCap BSE 100

THE COMPASS

HUL's premium valuation to sustain on Street's thumbs up

Revised target price indicates upside of 7-10% from current level

SHREEPAD S AUTE

Hindustan Unilever (HUL) seems to have braved the slowdown storm that has impacted some consumption stocks.

The HUL stock, which hit its all-time high of ₹2,271 on Wednesday, has gained over 11 per cent since January-end, compared to a sub-1 per cent rise in the Nifty FMCG index. Its current market capitalisation is close to the ₹5-trillion mark.

What is making the stock tick is the expectation of healthy profitable growth despite a large base, and strong return ratios. This should support valuation, which, at 56x its FY21 estimated earnings, is at a 24 per cent premium to its long-term average. Analysts at JPMorgan believe premium multiples should sustain, given HUL's superior portfolio, execution, and the best-in-class return ratios.

Brokerages believe HUL's return on equity will improve substantially over the next two years. What makes it stand out in comparison to peers is its distribution reach, focus on innovation, and a strong product portfolio. In Q3, when consumption demand had worsened, HUL had maintained volume growth at 5 per cent.

This reflects the underlying strength of its products, and should help it grow faster when recovery gathers pace in FY21.

Besides volume growth, an improvement in realisation is also expected as HUL had hinted at a 5-6 per cent price hike in the soaps segment.

Further earnings strength also stems from a strong operating margin profile. HUL has shown sturdy earnings before interest, taxes, depreciation and amortisation (Ebitda) margin improvement (830 basis points) over the last 5 years.

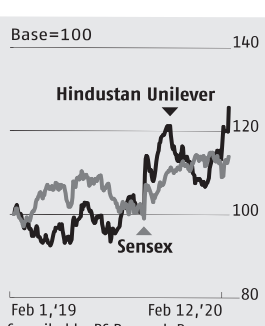
This was mainly on account of premiumisation and cost efficiency programs, which are expected to continue.

From 25.2 per cent in Q3, HUL's Ebitda margin is expected to improve to 26.6 per cent in FY22, according to Motilal Oswal Financial Services estimates.

HUL's strategies, such as introduction of small units and relatively higher marketing spends, has made its premium brands affordable. While HUL's share in premium products is 1.3x its overall market share, it targets close to 6 per cent savings every year from its cost saving program.

This apart, the acquisition of GSK Consumer and removal of dividend distribution tax should further support HUL's overall performance.

Brokerages have recently revised HUL's target price, which indicates 7-10 per cent upside in the stock from current levels.



Compiled by BS Research Bureau

Novelis continues to cushion Hindalco Industries

Analysts have maintained 'buy' rating on stock

UJJVAL JAUHARI

After a decent showing by US subsidiary Novelis on Tuesday, the Q3 show of Hindalco's India business, albeit weak compared to the year-ago period, beat expectations. The decline in revenue and profit was expected, given the weak base metal prices and demand.

Average global aluminium prices had dropped 11 per cent to $1,754 a tonne in Q3, while a slowdown also meant the Indian market for the metal contracted 14 per cent year-on-year (YoY) and 5 per cent during first nine months of FY20.

Hence, the aluminium business (including Utkal operations) reported 9 per cent decline in revenue. The segment's operating profit bore the brunt, declining 18 per cent YoY, on the back of lower realisations, which were partially offset by lower coal costs and restart of alumina production at the company's Muri plant (after maintenance).

While aluminium prices are likely to remain volatile, Hindalco's continued efforts on cost control and downstream expansion should sustain profitability. The set-up of the Dumri mine will further improve coal security, while ramp-up at Utkal Alumina (where costs are half, compared to the company's Renukoot or Muri plants), too, will help.

The performance of the copper segment continued to be muted, with subdued sale volumes due to operational issues, and Ebitda down 48 per cent YoY. Domestic copper market growth, too, was moderate at 2 per cent, highlighted Hindalco. Outlook remains subdued as the treatment and refinancing charges for calendar year 2020 have settled at 15.9 cents per pound — 23 per cent lower YoY. Though some support to profitability will come from lower input costs and rising sales of value-added products, the overall near-term outlook remains soft.

Overall, Hindalco's standalone Q3 revenues came in at ₹10,230 crore, and profit before tax profit at ₹318 crore, ahead of ₹10,207 crore and ₹291 crore, estimated by Motilal Oswal Securities.

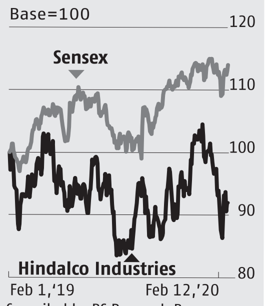
While challenges persist, Hindalco's low-cost integrated domestic operations make it less vulnerable, compared to peers. More importantly, Novelis, which is a converter of aluminium metal into value-added products, continues to clock strong performance, thereby supporting Hindalco.

Novelis is now contributing more than half to Hindalco's consolidated Ebitda, and the management continues to guide for sustainable Ebitda per tonne of over $400 ($430 in Q3, absolute Ebitda was up 7 per cent YoY).

The acquisition of Aleris is in the final stages. Also, its new automotive finishing plant in Kentucky is in the commissioning process.

Analysts at Motilal Oswal have retained their 'buy' rating on the Hindalco stock trading at attractive valuations and maintaining forward estimates.

Reacting to the results, the stock closed 0.13 per cent up on Wednesday.



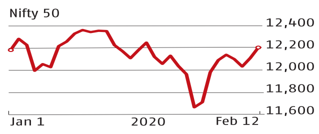
Compiled by BS Research Bureau

TODAY'S PICKS

BY DEVANGSHU DATTA

Nifty

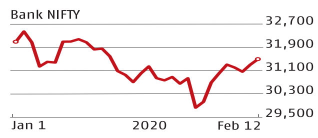
Current:
12,201 (Fut: 12,227)
Target: **NA**



Stop long positions at 12,125. Stop short positions at 12,325. Big moves could go till 12,400, 12,000. Some profit-booking likely today. A long Feb 20, 12,100p (38) versus a short 12,000p (20) could gain 10-15 if the index react to 12,100 level.

Bank Nifty

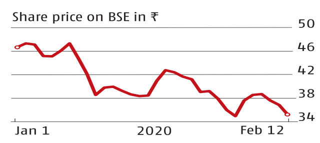
Current:
31,492 (Fut: 31,563)
Target: **NA**



Stop long positions at 31,400. Stop short positions at 31,700. Big moves could go till 31,900, 31,150. Trend could be biased down. A long Feb 20 31,200p (140), short 31,000p (94) could double in value if the index dips till 31,200.

YES Bank

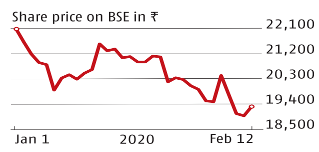
Current: **₹35.2**
Target: **₹33.5**



Keep a stop at 36 and go short. Add to the position between 33.75-34. Book profits at 33.5.

Eicher Motors

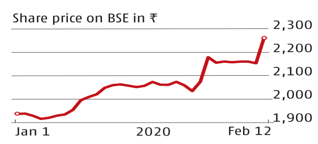
Current: **₹19,278**
Target: **₹19,500**



Keep a stop at 19,225 and go long. Add to the position between 19,400-19,475. Book profits at 19,500.

Hind Unilever

Current: **₹2,260**
Target: **₹2,300**

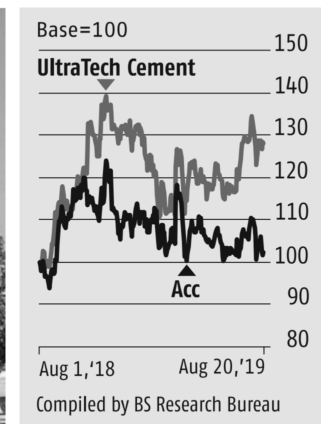


Keep a stop at 2,240 and go long. Add to the position between 2,285-2,290. Book profits at 2,300.

Target prices, projected movements in terms of next session, unless otherwise stated

UltraTech, ACC stocks remain a tale of contrasts in Dec qtr

UJJVAL JAUHARI
New Delhi, 12 February



ACC's lower-than-expected performance in the December quarter (Q3), led by a sharper-than-expected fall in realisations, has disappointed the Street. This has had a domino effect on the bourses. The company's share prices have shed over 3 per cent in the last three trading sessions after results.

ACC's results were announced after market hours on Friday. In contrast, over a fortnight ago, UltraTech's shares had gained 2.5 per cent after it posted relatively better numbers for the October-December period. Although UltraTech is far bigger in size, the two are comparable given their pan-Indian presence.

ACC's cement volumes grew 4 per cent year-on-year (YoY) to 7.8 million tonnes (mt) during the quarter, but realisations fell by more than 5 per cent sequentially and were flat YoY, thereby offsetting the volume gains.

Cement prices remained under pressure across the country with per 50 kg average price down from ₹351 in the September quarter to ₹341 in the December quarter. It was led by weakness in South, East and West India (by ₹10-17 a bag).

North and Central India saw lower pressure, with cement prices down ₹3-4/50 kg bag. For ACC, which has more capacities in South and East India, it meant a sharper decline in realisations. UltraTech, too, had seen pressure on realisations, but it was down 3.8 per cent (and up 3 per cent YoY) due to its more diversified geographical presence. Consequently, ACC's sales at ₹3,980 crore came lower than Bloomberg's consensus estimate of ₹4,089 crore. The company's per tonne profitability, too, declined 19 per cent sequentially to ₹697, according to analysts' calculations. Earnings before interest, tax, depreciation and amortisation (Ebitda) at ₹541 crore also missed estimates of ₹614 crore. And, net profit at ₹273 crore also came lower than ₹357 crore estimated by analysts.

In comparison, while UltraTech saw a relatively lesser pressure on realisations, it has also seen better cost reductions. The unitary cost for ACC declined by a per cent YoY and 2 per cent sequentially to ₹4,536 per tonne. This was due to source mix optimisation, logistics efficiency and better supply chain management. Power/fuel and freight expenses also declined sharply, but higher inventory costs were a key drag on profitability, say analysts. UltraTech saw higher reduction in operating expenditure, which was down 3 per cent YoY and 4.3 per cent sequentially. Thus, at ₹1,008 per tonne for the December quarter, UltraTech continues to report better profitability.

Moving forward, analysts expect the cement industry's outlook to improve on higher demand. It has been a drag for most of CY2019. Moreover, fall in costs of pet coke along with lower diesel prices (led by decline in crude prices) should benefit the logistics and energy expenses of all cement players. As a result, despite a weak show in the December quarter, many analysts maintain their positive outlook on ACC.

Also, concerns over slower pace of its capacity addition should resolve, starting end-2020, given that new plants worth 5.9 mt per annum (18 per cent of current capacity) will gradually come on stream over CY20-22.

However, analysts at Nomura say that there may not be much benefit from new capacity in CY20 and, in their view, ACC is not fully geared to benefit from potential demand pick-up.

According to HDFC Securities' analysts, ACC operated at 98 per cent capacity utilisation in the December quarter.

UltraTech, however, should benefit more, given its already expanded capacities. Moreover, it has more capacities in North and Central India, which is expected to see an improvement in utilisations compared to other regions.

Consequently, the ACC stock, which had seen some catch up in the last six months after years of underperforming UltraTech, may remain a laggard.

NCDEX files for ₹500-crore IPO

PRESS TRUST OF INDIA
Mumbai, 12 February

National Commodity and Derivatives Exchange Limited (NCDEX) has filed its offer document with markets regulator Sebi for an initial public offering to raise about ₹500 crore.

The IPO comprises a fresh issue aggregating up to ₹100 crore and an offer for sale of up to 1,44,53,774 equities by shareholders, according to the draft red herring prospectus (DRHP).

The issue is expected to raise about ₹500 crore, including fresh offering, merchant banking sources said. After BSE and MCX, this would be the third listing by an exchange.

Build India Capital Advisors, Canara Bank, Indian Farmers Fertiliser Cooperative, Investcorp Private Equity Fund I are among the selling shareholders. Jaypee Capital Services, National Bank for Agriculture and Rural Development, Oman India Joint Investment Fund and Punjab National Bank will also sell their stakes. Some of the key investors in NCDEX include National Stock Exchange of India, Life Insurance Corporation of India, National Bank for Agriculture and Rural Development.

Indian Farmers Fertiliser Cooperative, Oman India Joint Investment Fund, Punjab National Bank, Canara Bank, Build India Capital Advisors LLP, and Investcorp Private Equity Fund I also have stakes in the exchange.

NSE holds 15 per cent stake in the leading agricultural commodity exchange, while LIC and NABARD has 11.10 per cent each, IFFCO 10 per cent, OIJIF 10 per cent and Punjab National Bank 7.29 per cent among others, according to the DRHP. The exchange proposes to utilise the net proceeds towards contribution to the core settlement guarantee fund, towards net worth requirements of National Commodity Clearing Limited and general corporate purposes, as per the document.

The book running lead managers to the offer are ICICI Securities and SBI Capital Markets.

The exchange offers services across the entire post-harvest agricultural commodities value chain by utilising a varied presence, which has enabled it to create a wide network of stakeholders and market participants. It also engages in research, training and building awareness in agricultural commodities market through NCDEX Institute of Commodity Markets and Research.

The shares are proposed to be listed on the BSE and NSE.

OPEN TO PUBLIC

- Target to raise ₹500 crore includes fresh offering
- IPO comprises fresh issue aggregating to about ₹100 crore and an offer for sale of up to 14,453,774 equities by shareholders
- After the BSE and MCX, this would be the third listing by a stock exchange
- Some of the key investors of NCDEX include the National Stock Exchange, LIC, and NABARD

QIP-related stocks rule the roost, outperform markets

DEEPAK KORGAONKAR & PUNEET WADHWA
Mumbai/New Delhi, 12 February

HIGH RETURNS

Name	QIP size ₹crore	Price in ₹ QIP	Feb 12, 2020	% chg
Varun Beverages	900	612.0	814.1	33.0
Shree Cement	2,400	19,300.0	24,688.2	27.9
Bajaj Finance	8,500	3,900.0	4,769.6	22.3
Bharti Airtel	14,400	445.0	539.6	21.2
Avenue Supermarts	4,098	2,049.0	2,481.6	21.1
PVR	500	1,719.0	2,063.8	20.1
Axis Bank	12,500	629.0	755.2	20.1

Source: Exchange; Compiled by *BS* Research Bureau

Investors who subscribed to qualified institutional placement (QIP) issues have recorded handsome returns on account of a run-up in the market price of stocks.

A sharp recovery in equity markets has seen nine out of 12 firms that raised money via the QIP route in the past six months (since August) outperform the market, surging up to 33 per cent against their issue price.

YES Bank (down 58 per cent), RBL Bank (down 5 per cent) and Prestige Estates Projects (down 0.04 per cent) are the only three counters to trade below their respective QIP prices.

These 12 entities collectively raised close to ₹49,117 crore via the QIP route, with the amount now valued 17 per cent higher at ₹57,371 crore. In comparison, the Sensex recorded an average return of 3.8 per cent.

The BSE SmallCap index (up 23 per cent) and BSE MidCap (up 22 per cent) have rallied more than 20 per cent from their lows on August 23. In comparison, the Sensex rose 13 per cent during the same period.

In all, seven firms including Avenue Supermarts, Bajaj Finance, Shree Cement, PVR, Axis Bank, Varun Beverages, and Bharti Airtel were up in the range of 20-33 per cent to their QIP price.

"Some of these stocks are trading at a premium. The cost of servicing the funds raised via QIP is quite low when the going is good. In some cases, there is no other alternative for raising funds, given business operations may not be on a strong footing. Firms performing well, on the other hand, have done well by lapping up financial resources through QIPs at the peak of their valuations," explains G Chokkalingam, founder and CIO, Equinomics Research.

Some of these companies comprise the mid- and small-cap segments that have done well, say analysts. According to them, there is more headroom for stocks in these two segments. "The Nifty MidCap and SmallCap have been relatively outperforming the benchmark since the beginning of calendar year 2020 (CY20). We expect both to keep outperforming. At present, both indices have bounced back after retracing 61.8 per cent of their mid-January rise. The secondary corrective phase has helped indices undergo healthy consolidation," wrote analysts at ICICI Securities in a recent report.

New high

Fund raising via the QIP route is likely to touch an all-time high during FY20. So far in FY20, 13 firms have raised ₹51,216 crore via the QIP route. Fundraising via this route had hit a record high in FY18, with 51 entities raising ₹57,524 crore, according to PRIME Database.

YES Bank on Saturday said it has received shareholders' nod to raise capital up to ₹10,000 crore via issuance of equity shares or other convertible securities.

Torrent Pharmaceuticals, Piramal Enterprises, Adani Power, Adani Transmission, and Adani Enterprises are among those to have passed a board resolution to raise up to ₹7,000 crore each via QIP, shows data.

Chokkalingam expects more firms, especially from the top 250 stocks (in terms of market cap) to accumulate financial resources through QIPs.

COMMODITIES

PRICE CARD

As on Feb 12	International Price	%Chg#	Domestic Price	%Chg#
METALS ($/tonne)				
Aluminium	1,689.5	-4.3	1,976.5	3.1
Copper	5,696.0	-2.4	6,335.9	3.1
Zinc	2,145.0	-15.6	2,411.0	-13.4
Gold ($/ounce)	1,565.8*	7.5	1,762.3	6.6
Silver ($/ounce)	17.6*	4.7	19.9	3.3
ENERGY				
Crude Oil ($/bbl)	55.2*	-11.8	53.2	-15.0
Natural Gas ($/mmBtu)	1.8*	-30.5	1.8	-30.7
AGRI COMMODITIES ($/tonne)				
Wheat	195.2	5.9	290.9	-1.8
Maize	181.9*	0.9	256.0	-7.1
Sugar	447.0*	36.5	487.9	0.2
Palm oil	697.5	9.8	1,130.2	12.2
Cotton	1,504.4	5.4	1,574.9	0.4

* As on Feb 12, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 71.3& 1 Ounce = 31.1032316 grams.
Notes
1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no. 2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.
Source: Bloomberg — Compiled by BS Research Bureau

Jewellery exporters stare at prolonged slowdown

RAJESH BHAYANI
Mumbai, 12 February

LOSING SHEEN

- Exports in the gems and jewellery sector declined 9.17 per cent to $29.6 billion
- Exports in the first 10 months of this fiscal year fell 5.68 per cent, to $30.66 billion
- Key event to promote gems and jewellery in Hong Kong being postponed because of the coronavirus outbreak
- Many exporters are facing the issue of getting back receivables on account of the protests in Hong Kong
- Gold jewellery exports fell by 2.96 per cent in January

The festive cheer for the gems and jewellery sector came to an end in January, with exports declining 9.17 per cent to $29.6 billion.

Exports in the first 10 months of this fiscal year fell 5.68 per cent to $30.66 billion.

With the coronavirus outbreak, prospects for the sector look dim with a key event to promote gems and jewellery in Hong Kong being postponed.

While cut and polished diamond exports continued their downward journey, one of the best performing segments – gold jewellery exports – also fell in January by 2.96 per cent to $889.10 million.

It increased in the first 10 months of the fiscal by 4.17 per cent to $10.21 billion.

Cut and polished diamond exports fell 5.67 per cent in January 2020 to $1.65 billion.

In the first 10 months of this fiscal year, it was down 16.8 per cent to $16.32 billion.

Import of rough diamonds in the first 10 months also declined 15.54 per cent to $10.92 billion.

Colin Shah, vice-chairman, Gem & Jewellery Export Promotion Council (GJEPC), said, "The export industry's downward trend continues. We hope that the policy respite we expect in customs duty happens. We also expect that an e-commerce policy, comprehensive gold policy and amendments to the special economic zone (SEZ) Act are considered as it will make the industry globally competitive."

The GJEPC has asked the government to relax norms for SEZs that have a huge potential to attract jewellery companies in China to India.

Earlier, the slowdown was due to the US-China trade war and now it's due to the virus.

The council has also requested duty relaxation in rough diamonds.

Silver jewellery exports during April 2019-January 2020 went up 78.14 per cent to $1.22 billion and coloured gemstone exports in the same period was down 9.53 per cent to $289.90 million.

The scene for coloured gemstones may get worse with the Budget proposal increasing import duty.

The council has requested the finance ministry to reconsider this proposal.

The coronavirus outbreak has prompted Hong Kong to postpone the exports show from March to May.

This was one of the significant events to promote exports. Many exporters are facing the issue of getting back receivables due to the Hong Kong protests.

Now, China's health epidemic has further added to their woes. Besides the Centre, the industry has also sought several concessions from the Reserve Bank of India.

Showing love costlier this Valentine's Day

Roses to become pricier by 20–25% as demand rises

DILIP KUMAR JHA
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Offering roses is among the cheapest ways to 'express love' on Valentine's Day. This time, however, doing so would mean paying 20-25 per cent more.

The reason given is sharp increase in demand on the occasion (it is this Friday) and reduced supply from major growing centres.

"There was huge damage of plants in last year's flood across major growing regions, including Pune and Kolhapur in Maharashtra and Bengaluru in Karnataka. We are selling rose between ₹12-15 a piece (per stem) ex-farm this year as compared to ₹9-10 a piece around the same time last year," said Idrees Saifee, director, Vibrant Fresh Farms, a Pune-based rose farmer, wholesaler and exporter.

Retailers, he adds, are selling at ₹20-22 a piece, as compared to ₹15-16 at the same time last year.

Demand has also jumped from abroad, including the European Union and America. While exporters completed their shipment deliveries well in time, they are unhappy at the inability to push business aggressively abroad.

"With the Mahatma Gandhi National Rural Employment Guarantee Act (the scheme ensuring employment for a minimum number of days), labour availability has become scarce. Even after promising higher wages, field workers are not adequately available. Therefore, we could not dispatch consignments as per requirement from overseas; we booked less orders this year," said Bipul Jain, director of Fauna International, a Kolkata-based exporter.

The central government also reduced the subsidy granted under the Merchandise Exports from India Scheme to five per cent, from seven per cent earlier.

"Unfortunately, the realisation from flowers has not increased significantly due to competition in overseas markets. Hence, the profitability of rose exporters has declined significantly this year, due to a sharp increase in cost of procurement and steady realisation. Rose export is not a good business as it used to be until a few years ago," regretted Jain.

India's rose export is estimated to have declined by 10-15 per cent this financial year for these reasons.