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**I'M NO. 1 ON FACEBOOK,
PM MODI NO. 2: TRUMP**

COMPANIES P2
**AIRBUS REGRETS US TARIFF HIKE
ON ITS EUROPE IMPORTED PLANES**



AMAZON, FLIPKART FOR ROLLBACK OF NEW TAX ON ONLINE SELLERS

Amazon and Flipkart are among online retailers demanding that the government scale back a proposed tax on third-party sellers on their platforms, saying the burden of compliance will hurt the fledgling industry. The online retail industry is braced for a possible 1 per cent tax on each sale made by sellers on their platforms from April. **REUTERS**

COMPANIES P3 Govt firms' related-party transactions hit 5-yr high

Related-party transactions (RPTs) of government firms have risen from 8.8 per cent of net sales in financial year 2014-15 (FY15) to 31.5 per cent in FY19, the highest in at least five years. **SACHIN P MAMPATTA & SAMEER MULGAONKAR** write

COMPANIES P2 Britannia, Nestlé line up divergent plans

Two of the country's top food companies — Nestlé and Britannia — have taken contrasting positions. While the Bengaluru-based Britannia Industries is scaling down launches, Nestlé India has no plans to do so, saying it will continue to maintain its pace on that front. **VIVEAT SUSAN PINTO** reports

ECONOMY & PUBLIC AFFAIRS P6 Peer-to-peer lending grows 10 times in a year

Peer-to-peer lending in 2019 grew 10 times on a year-on-year basis. The recognition from the Reserve Bank of India helped, which now regulates the sector under a separate category called P2P NBFC (non-banking financial company).

IN DEPTH Why trucks kill so many on Indian roads



A truck's speed rarely goes beyond 50-60 km per hour, but they still account for a high number of accident deaths annually. **PRACHI SALVE** writes

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 2,856 companies (results available of 3,589)

| SALES | Dec 31, '18 | 18.5% | ₹21.21 trillion |
|-------------------|-------------|--------|-----------------|
| | Dec 31, '19 | -0.9% | ₹21.03 trillion |
| PROFIT BEFORE TAX | Dec 31, '18 | -11.8% | ₹1.60 trillion |
| | Dec 31, '19 | 29.2% | ₹2.07 trillion |
| NET PROFIT | Dec 31, '18 | -20.5% | ₹99,255 cr |
| | Dec 31, '19 | 38.6% | ₹1.38 trillion |

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

RBI's accounting year to sync with govt's fiscal year

Move will come into effect from 2020-21



Finance Minister Nirmala Sitharaman and RBI Governor Shaktikanta Das at a meeting on Saturday. Das refused to comment on the AGR ruling and its implications **PHOTO: SANJAY K SHARMA**

SOMESH JHA
New Delhi, 15 February

The Reserve Bank of India (RBI) will align its financial accounting year with that of the central government with effect from 2020-21 — a move that may put an end to the practice of the exchequer getting interim dividend from the central bank. The decision was taken at a meeting of the RBI's central board held in the national capital on Saturday.

"The board recommended aligning the financial year of the RBI, currently July-June, with the government's fiscal year (April-March) from the year 2020-21 and approved forwarding a proposal to the government

for its consideration," a statement from the RBI said.

With this move, the central bank will do away with nearly eight decades of practice. The RBI, which was established in April 1935, used to follow January-December as its accounting year before it was changed to July-June in March 1940.

Taking advantage of the RBI's different accounting year, the Centre had started demanding an interim dividend till the time the latter's final balance sheet is prepared (usually in August).

To address this anomaly, an expert committee led by former RBI governor Bimal Jalan had recommended aligning the RBI's financial year with that of the government. **Turn to Page 4**

DAS-SPEAK

ON CREDIT
The momentum is gathering pace and credit flow is reviving. The flow of credit from all sources — banks, domestic markets and ECBs — has improved

ON IMPACT OF BUDGET ON INFLATION
I don't see any impact of the Budget on inflation in March. The direct inflationary impact is the fiscal deficit number when the borrowings go up, but the government has adhered to fiscal prudence

Voda Idea to pay, but raises going concern issue again

Telco provides no clarity on amount, says assessment in next few days

DEV CHATTERJEE
Mumbai, 15 February

Breaking hours of silence after the Supreme Court refused to offer any relief to the financially stressed telecom industry, loss-making firm Vodafone Idea announced on Saturday evening that it would pay its dues linked to adjusted gross revenue (AGR) in the next few days after assessing the amount.

While not specifying how much it would pay out of its total dues estimated at ₹54,000 crore, the company reiterated that there was uncertainty in continuing as a going concern. The statement came after a board meeting, which discussed the road ahead for the company.

Nick Read, group CEO of UK-headquartered Vodafone, had in November 2019 told reporters in a post-earnings conference, "if you're not a going concern, you're moving into a liquidation scenario — can't get any clearer than that". Read had issued a statement subsequently, saying he was quoted out of context. Within a month, joint venture partner Aditya Birla Group Chairman Kumar Mangalam Birla said at an event that Vodafone Idea would be forced to shut shop if there was no relief from the government on AGR. Both partners have refused to infuse any fresh funds into the telco.

The Supreme Court had on Friday dismissed the petitions of Bharti Airtel and Vodafone Idea seeking a staggered option to pay their AGR-related dues. Even as Bharti had announced its payment strategy soon after the SC rap on Friday (₹10,000 crore by

TELECOM TANGLE

Oct 24, 2019
SC rules in favour of govt on the AGR issue, asks telecom companies to pay dues within 3 months

Nov 2019
Vodafone PLC CEO warns Vodafone Idea could be headed for collapse due to huge financial liability

Jan 2020
SC rejects telcos' petition to review decision on AGR payment

Feb 15, 2020:
SC seeks answers from telcos, govt on why AGR dues were not paid; DoT seeks immediate payment



VODA IDEA'S SAGGING FINANCIALS*

| | |
|--|-------------------------|
| ₹1.15 trn | ₹12,530 cr |
| Gross debt (excluding lease liabilities) | Cash & cash equivalents |
| ₹1.03 trn | ₹1,700 cr |
| Net debt | Market cap |

*As of end-December 2019

Source: BSE filings

February 20 and the remaining dues before the next hearing on March 17), the most-watched telco Vodafone Idea remained quiet.

Vodafone Idea, which reported a loss of ₹6,439 crore in the December quarter, said it had received letters from the Department of Telecommunications (DoT) directing immediate payment of dues after the SC judgment.

"The company is currently assessing the amount that it will be able to pay to DoT towards the dues calculated based on AGR, as interpreted by the Supreme Court in its order dated

October 24, 2019. The company proposes to pay the amount so assessed in the next few days," it stated.

The statement added that as disclosed in the financial statements for the December-ended quarter, the company's ability to continue as a going concern was essentially dependent on a positive outcome of the application for modification of the supplementary order.

The company is left with ₹15,390-crore cash as of September 30, 2019, and that's insufficient to pay the additional liabilities, according to analysts. **Turn to Page 4**

Lenders will suffer if any enterprise shuts down: SBI chairman

INDIVJAL DHASMANA
New Delhi, 15 February

State Bank of India (SBI) Chairman Rajnish Kumar on Saturday said neither Vodafone Idea nor Bharti Airtel was a non-performing account with the bank, but stressed that the entire economy, including lenders, would have to pay the price if any enterprise shut down or filed for bankruptcy.

His comments came a day after the Supreme Court made it clear that telecom companies would have to pay ₹1.47 trillion of past dues to the government.

"If there is a negative impact on any enterprise, it impacts the larger ecosystem. Whether it is banks, whether it is employees, vendors or consumers, everyone gets impacted. Whenever it comes, we will have to pay the price," Kumar told reporters in response to a query as to what would happen if telcos failed to pay the dues and filed for bankruptcy. He said only two telecom accounts with SBI — Airtel and Reliance Communications — were NPAs. "All other accounts are performing accounts. Not even a single account has any overdue," Kumar said.

The SBI chairman said the bank was in the wait-and-watch mode. **Rajnish Kumar** chairman, SBI **Turn to Page 4**

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VAST POWERS WITH GOVT TO ADDRESS ISSUES: COAI

The Cellular Operators Association of India said the government had "vast powers and options" to address the sector's issues, even in the light of the top court's order on payment of dues.

DO NOT TAKE PENAL ACTION FOR DELAY IN PAYMENT

The telecom department is mulling penal action against telecom operators for failing to pay the dues in time. With Saturday being a holiday in various offices, it is likely to wait till Monday evening for the payment before sending out the next set of notices. **2**

PSUs ASKED TO MAKE IMMEDIATE PAYMENT

While the road for public sector companies that hold telecom licences for their own network use is unclear, the telecom department letter, issued following the Supreme Court's order, has been sent to them as well. **2**

No reason for delay on bank mergers: FM

SOMESH JHA
New Delhi, 15 February

Finance Minister Nirmala Sitharaman said on Saturday that she saw no reason to go back on the government's mega merger plan for state-owned banks.

"I don't see any reason to go back or any reason (which is) particularly causing any delay in the notification. You will hear on it as and when a decision is made," Sitharaman told the media here. She was responding to a question on the reasons behind a delay in the process of amalgamating 10 public sector banks (PSBs) into four.

She added that there was no discussion on the amalgamation of banks in the RBI's central board meeting held on Saturday.

Business Standard reported on Saturday that the Union government was treading

cautiously with the merger of PSBs even though the deadline to merge the balance sheets of these lenders was just one and a half months away.

On August 30 last year, Sitharaman had announced the biggest merger exercise of PSBs. Punjab National Bank, Oriental Bank of Commerce, and United Bank of India were supposed to combine to form the nation's second-largest lender. Canara Bank was to take over Syndicate Bank; Union Bank of India is planned to be amalgamated with Andhra Bank and Corporation Bank; and Indian Bank was to be merged with Allahabad Bank. According to a senior government official, Prime Minister Narendra Modi wanted to see the "outcome of the amalgamation of Bank of Baroda (BoB)" before taking a final call on the merger of the 10 PSBs. **Turn to Page 4**

Shuttered stores, fewer tourists: Luxury feels coronavirus effects

Luxury retail is dependent on Chinese buyers at home and abroad, and it is now facing a crisis

ELIZABETH PATON
London, 15 February

Chinese tourists normally flock to Bond Street, home to some of the most expensive retail space in the world. They gather behind the velvet ropes outside the Gucci store or emerge from the flagship boutiques of Chanel and Louis Vuitton with stuffed shopping bags.

This week, however, there were next to none. The scene was replicated on the shopping boulevards of Paris, in the malls of Dubai and on the streets of Hong Kong. The coronavirus has caused the quarantine of more than 50 million people in China, and travel and visa restrictions to more than 70 countries. Alongside widespread shutdowns of stores and malls in China, it has taken a heavy toll on the global luxury goods sector, long dependent on the spending of Chinese shoppers at home and abroad.

Some fear that the sector could be facing its worst crisis since the global financial meltdown of 2008.

The investment bank Jefferies



The outbreak coincided with the most commercially significant weeks on the global trading calendar **PHOTO: BLOOMBERG**

RELATED REPORTS

BACK PAGE Zyduz Cadila vaccine research on fast-track

Zyduz Cadila has announced an accelerated research programme for developing a vaccine for the novel coronavirus with multiple teams in India and Europe.

estimates that Chinese buyers accounted for 40 per cent of the 281 billion euros, or \$305 billion, spent on luxury goods globally last year, and drove 80 per cent of the past year's sales growth in the sector, making them the fastest-growing luxury shopper demographic in the world.

Now, with the latest season of fashion weeks well underway — and

several runway show cancellations in New York, London, Milan and Paris — some of the biggest names in the industry are publicly counting the cost of coronavirus-related disruption on bottom lines.

"Our environment has changed significantly with the coronavirus outbreak," Kering's chief executive, François-Henri Pinault, said on an

earnings call Wednesday, adding that half of the company's China stores were closed, while those still open had limited hours.

"Due to the evolving nature of the situation, it is impossible at this time to fully evaluate the impact on business and how fast it will recover," he said.

Despite posting robust quarterly results, Kering, owner of names like

OUTSIZE IMPACT

Chinese consumers are the world's biggest buyers of global luxury goods

| Personal luxury goods sales by consumer nationality in 2019 (%) | (%) |
|---|-----|
| Chinese | 35 |
| American | 22 |
| European | 17 |
| Other Asian | 11 |
| Japanese | 10 |
| Others | 6 |

Source: Bain & Co, Alttagamma

TOURISM TO TAKE HIT

Asian, US and European luxury centres would suffer from Chinese shoppers staying away

| Top destinations of Chinese outbound tourists (%) | (%) |
|---|------|
| Hong Kong | 21.0 |
| Macau | 16.0 |
| Japan | 6.4 |
| Thailand | 6.4 |
| South Korea | 3.7 |
| Vietnam | 3.4 |
| Singapore | 2.3 |
| Italy | 2.1 |
| Malaysia | 2.1 |
| US | 2.0 |
| France | 1.6 |
| Indonesia | 1.3 |
| Germany | 1.2 |

Note: Data for Q3 2019 Source: Bloomberg Intelligence

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Europe suffers 1st virus death

WORLD PAGE 8

Coronavirus will hit oil hard

Gucci, Saint Laurent and Alexander McQueen, had seen "a serious drop in traffic in mainland China," Pinault said, and a "strong drop" in global sales in recent days because of the virus.

Burberry, which derives about two-fifths of its sales from Chinese consumers, has said the effect of the virus is worse than the disruption caused by the Hong Kong protests,

which halved sales for the British luxury brand in its last fiscal quarter. Roughly a third of Burberry stores in mainland China have been shut, the company said in a statement, while foot traffic had plunged 80 per cent at the stores that remained open, prompting the company to scrap its full-year guidance.

Several leading American fashion groups have also cut their profit forecasts this month. Last week, Capri, the owner of Michael Kors, Versace and Jimmy Choo, said it was reducing its sales outlook for the quarter by \$100 million after closing 150 of its 225 mainland China stores. And Tapestry, which owns Coach, Kate Spade and Stuart Weitzman, said it was expecting sales to drop as much as \$250 million after closing most of its stores across mainland China.

"Luxury spending has hit a sudden stop in China, with sales either at zero for most brands or down by at least 80 per cent," said Luca Solca, a global luxury goods market analyst at Bernstein.

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