

# Business Standard

**How markets performed last week**

	Index on Feb 21, '20	*One-week	% chg over Dec 31, '19
		Local currency	in US \$
Sensex (Feb 20)	41,170	-0.2	-0.2
Nifty (Feb 20)	12,081	-0.3	-0.7
Dow Jones	28,992	-1.4	1.6
Nasdaq	9,577	-1.6	6.7
Hang Seng	27,309	-1.8	-3.1
Nikkei	23,387	-1.3	-1.1
FTSE	7,404	-0.1	-1.8
DAX	13,579	-1.2	2.5

\*Change (%) over previous week Source: Bloomberg



**COMPANIES P2**  
**REAL ESTATE FIRMS PAYING UP TO 15% INTEREST RATE ON LOANS**

**COMPANIES P2**  
**WEAK TRIGGERS: FMCG FIRMS SEE SLOW REVIVAL**



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

## I HEAR IT IS GOING TO BE A BIG EVENT: TRUMP

US President Donald Trump on Sunday left for his maiden visit to India for talks with the Indian leadership. The nearly 36-hour-long visit is also set to send across a clear message of growing congruence of interests on major geopolitical developments in the region and beyond. "I hear it's going to be a big event... the biggest event they ever had in India," he told reporters outside the White House. **18 ▶**

**US SURPASSES CHINA TO BECOME INDIA'S TOP TRADING PARTNER** **P18**

**BS SPECIALS** ON MONDAY

**BANKER'S TRUST After Aditya Puri, who?** **8 ▶**  
This is a ₹6.67-trillion question in Indian banking today. **TAMAL BANDYOPADHYAY** writes

**BUSINESS LAW Non-performers in the dock** **13 ▶**  
Madhya Pradesh proposes to punish officials for delay in industrial approvals, but experts say this should be backed by transparency. **SUDIPTO DEY** writes

**PERSONAL FINANCE Run the numbers before changing tax regime** **10 ▶**  
Those who can cross certain levels of deduction will be better off sticking to the old regime. **SANJAY KUMAR SINGH & BINDISHA SARANG** write

**POLITICS & PUBLIC AFFAIRS A difficult balancing act** **14 ▶**  
The BJP in West Bengal is looking for a perfect blend of ideology and credible governance agenda. **RADHIKA RAMAESHAN** writes

## Firms to be allowed direct foreign listing

Enabling changes in Companies Act being considered

**RUCHIKA CHITRAVANSHI**  
New Delhi, 23 February

The government is considering an amendment to the Companies Act to allow unlisted Indian companies to list abroad, a senior government official told *Business Standard*.

The Companies Amendment Bill is expected to be tabled in the ongoing Parliament session, with changes including decriminalisation and a reduced compliance burden.

"We will specify the jurisdictions where Indian firms can list... They will be mature and compliant with the Financial Action Task Force," the official said. Currently, Indian companies tap foreign capital mostly through American depository receipts (ADRs) or global depository receipts.

Infosys was the first Indian company to list its ADR on Nasdaq, one of the two major stock exchanges in the US.

"Many companies, especially in the technology space, choose to incorporate abroad, so that they can list directly on foreign bourses... We want to encourage them to register in India instead," the official added. Online travel company MakeMyTrip, listed on Nasdaq, took this route.

"Companies prefer foreign listing since investors are more credible on these platforms. It gives them more liquidity to their stock," a senior analyst said.

He gave the example of Oyo Hotels & Homes, which is "externalising its structure", creating a separate entity in the US and moving its revenues there.

"This is a long-awaited reform. At the end of the day, it will bring in foreign capital," said Shriram Subramanian, managing director of advisory firm InGovern Research Services.

In 2018, a panel of the Securities and Exchange Board of India had recommended



- Proposed law won't require them to list in India first
- Companies can list through fresh issue of shares or existing shareholding
- Currently, listing is done through American depository receipts or global depository receipts

### EASING COMPLIANCE BURDEN: KEY RECOMMENDATION FOR OFFENCES

- 23** Provisions to be shifted to in-house adjudication
- 11** To be limited to fine only
- 7** To be omitted from Companies Law
- 6** To have rationalisation of penalties
- 5** To be dealt within an alternative framework

allowing domestic firms to list only in jurisdictions that were treaty-bound to share information with India, and would cooperate if there was an investigation. **Turn to Page 6 ▶**

## BSNL, MTNL users put on hold as VRS hits service

**MEGHA MANCHANDA**  
New Delhi, 23 February

Vinod Desai, an Ahmedabad-based retired bank official, has been visiting the local Bharat Sanchar Nigam (BSNL) office every week for the last two months to complain about his landline connection going dead.

"Officials say the recent voluntary retirement scheme (VRS) has reduced the workforce and that is hampering the service quality," points out Desai, who's planning to shift to a private service provider for landline connection. Geo Verghese, a businessman from the same city, has found the internet speed of the BSNL broadband connection "unsatisfactory". Desai, a BSNL loyalist, is not alone to have felt let down by the state-run telecom behemoth, which saw around 55 per cent of its staff leave after accepting a VRS package.

In Hyderabad, a harassed Suresh Kumar, another BSNL landline user, points out that the company is taking much longer than before to respond to service complaints. The blame is on the VRS. Several others across the country contacted by *Business Standard* narrated similar customer experience for BSNL connection — both landline and mobile.

If BSNL is a pan-Indian story of increasingly indifferent service, Mahanagar Telephone Nigam (MTNL), the other state-owned telco that operates only in Delhi and Mumbai, is no better.

"The residence landline has been off for some weeks now and complaints haven't helped. Calls made to top MTNL executives, too, didn't yield result. It seems the company does not have the manpower to attend to complaints," said an angry Mumbaikar, who's clearly given up.

Landlines down for four to six weeks is commonplace in Mumbai now, and so is the grievance about erratic broadband connection in the city. And, it doesn't help when a customer lands up at the almost-deserted MTNL offices, whether in Mumbai or Delhi.

Around 75 per cent of the MTNL staff took the VRS offer and left recently. And, it doesn't help when a customer lands up at the almost-deserted MTNL offices, whether in Mumbai or Delhi. Around 75 per cent of the MTNL staff took the VRS offer and left recently.

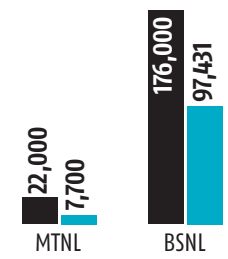


### BUDGET PROVISIONS (2020-21)

Capital infusion for 4G spectrum  
**₹14,115 cr** BSNL  
**₹6,295 cr** MTNL

### ON SPEED DIAL

■ Before VRS ■ After VRS  
(No. of employees)



Debt (₹ crore)  
**20,000** MTNL  
**14,000** BSNL

Ex-gratia for VRS to BSNL/MTNL staff

**₹9,889.65 cr**

Implementation of VRS

**₹3,294.77 cr**

Grant for GST payment

**₹2,541 cr** BSNL  
**₹1,133 cr** MTNL

**BSNL unions call nationwide hunger strike** **P2**

**Top officials discuss relief measures for AGR-hit telcos** **P6**

Source: Industry numbers

### The official stand

But, the plush BSNL headquarters at downtown Janpath in New Delhi doesn't quite capture the air of all-round despondency. P K Purwar, chairman & managing director, BSNL, said on Saturday that the existing employees have responded well to the challenges. The numbers are big: BSNL and MTNL have shed 92,869 on one go through the VRS. While BSNL let go of 78,569, MTNL's offer was taken by 14,300. **Turn to Page 6 ▶**

**With inputs from Vinay Umarji in Ahmedabad, Avishek Rakshit in Kolkata, Gireesh Babu in Chennai, Dasarath Reddy in Hyderabad, and Virendra Singh Rawat in Lucknow**



# TCG plans investment of ₹1.3 trillion in Odisha, TN

AVISHEK RAKSHIT  
Kolkata, 23 February

The Chatterjee Group (TCG) is in talks with global energy firms to enlist them as equity partners for its upcoming petrochemicals project in Odisha, and is also on the lookout for partners and strategic investors for its project in Tamil Nadu.

TCG, which is looking at a 2:1 debt-equity ratio to fund these projects, is also planning to approach investors and banks to raise capital in the next six months, a person aware of the development told *Business Standard*.

TCG, owned by Purnendu Chatterjee, is planning to invest around ₹78,000 crore in Odisha and ₹50,000 in Tamil Nadu.

“The estimated investments will take place over a five-year time period, and as projects keep coming up, funds will be needed. TCG is in talks with global companies both for equity partners as well as strategic investors,” the person said.

The project in Cuddalore in Tamil Nadu, which has port access, is expected to come up first. TCG’s flagship company, Haldia Petrochemicals (HPL), after getting a go ahead from the National Company Law Tribunal (NCLT), is poised to take over 2,100 acres of land hitherto with Nagarjuna Oil Corp (NOCL).



## IN THE PIPELINE

**TCG IN TALKS** with global energy firms for equity partnership in Odisha project

**THE GROUP HAS** also started talks with investors for equity and strategic investment in Tamil Nadu project

**TCG WILL MAINTAIN** status quo on West Bengal project **TAMIL NADU** project to start in 6 months, Odisha project may take around 2 years

NOCL is facing liquidation. Besides HPL, Accord Distillers & Brewers and Adani Ports & SEZ had also submitted bids during the liquidation process.

NOCL went into insolvency soon after it started constructing a refinery, thus, most of the land is vacant. HPL will be coming up with a new project on the land. “While the land with NOCL is readily available, the same needs to be acquired first in Odisha, which will take some time. Thus, it is expected that the petrochemicals project in Tamil Nadu will start first rather than Odisha,” the person added.

The Odisha government has started the process of acquiring around 3,320 acres of land in Balasore, which is near the upcoming Submarekha port. This project is expected to have a 1.08-mtpa (million tonnes per annum) polyethylene unit, a 1.6-mtpa unit of paraxylene, and another 1.25-mtpa unit of purified terephthalic acid, besides a light crude oil refinery. Aromatics complex and ethylene complexes would be set up.

According to the person, while work can be started in Tamil Nadu within six months

after clearances from the NCLT, the project in Odisha may take around two years to start as land acquisition process has to be completed first, and the necessary environment and forest clearances have to be obtained.

In Odisha, of the total land to be acquired, 900 acres is held privately, while 700 acres is forest land. The state government has around 800 acres, and the rest is a mix of Bhoodan land and others.

Industry officials are of the view that the land acquisition of this proportion is a sensitive matter in the state, given its past when South Korean firm Posco backed out owing to land issues.

When asked about these developments, the TCG official declined to comment.

While TCG has decided to invest heavily in Tamil Nadu and Odisha, it has decided to maintain status quo on its operations in Haldia in West Bengal.

The person said the decision had been taken considering the congestion around Haldia port, which the group feels is unable to handle more loads.

“Unless Haldia port is able to handle more cargo, and the congestion is addressed, it is unlikely that the existing TCG facility in Haldia will be scaled up,” the person said.

TCG had marked its foray in the petrochemicals business in India back in 1994 by setting up this project in Haldia.

## Essar signals resuming investment-led growth

PRESS TRUST OF INDIA  
New Delhi, 23 February

The \$10-billion energy-technology conglomerate Essar is looking to embark on a new phase of investment-led growth on the strength of a substantially lighter balance sheet arising from repayment of ₹1.4 trillion loans over the last three years, the promoter

Ruia family has said.

Despite losing Essar Steel in insolvency proceedings, cash flows remain strong, with ₹1,00,000 crore of revenues from existing businesses.

The group has kickstarted its 50th-anniversary celebrations with an aggressive influencer outreach.

In a mailer sent to Union ministers, chief ministers and

top bureaucrats, the Essar Group has indicated that it is “poised to embark on a new phase of growth while driving growth in its existing portfolio.” Essar did not specify what the new growth areas could be, but said it is “armed with a substantially lighter balance sheet” after it took “a conscious call of reducing its debt in response to evolving domes-

tic and evolving economic scenario.” The letter was jointly signed by Ravi Ruia and Prashant Ruia.

“In the largest debt reduction exercise in the history of corporate India, we have paid about ₹140,000 crore (\$20 billion) of debt to the banking system over the last three years,” the promoter Ruia family wrote in the letter.







## Postpone data surveys

CAA protests can undermine credibility of statistics

India faces data-quality issues at various levels and, often, numbers come with a significant lag. This delays policy interventions. The problem of reliable economic statistics is likely to get more acute now. The issue, which was till now limited to acceptance and release of survey results by the government, has reached a stage where data collection itself is becoming a problem. As a report in this newspaper showed last week, the government might have to postpone socio-economic surveys because people are not cooperating with surveyors. The fear is that the government might use the information to determine citizenship.

Consequently, an expert committee has decided to recommend postponing the survey on “domestic tourism expenditure” and “multiple indicators”, conducted by the National Statistical Office. The government, of course, has the option of not accepting the recommendation. But this could lead to at least two big problems. First, the quality of the survey will not be as desired because of the non-participation of households, which would defeat the purpose. Second, it could put the life of surveyors in danger in an environment where a large section of the population is worried about citizenship. Field officers have been attacked in various states. In West Bengal, for instance, surveys such as the economic census and periodic labour force survey are reported to have been stopped. What is worse is that the prevailing political situation is not only affecting the ongoing surveys but could also put the upcoming census exercise in danger, which will have longer-term implications. Protests against the Citizenship Amendment Act (CAA) continue in various parts of the country, including Delhi.

Several state governments have declared that they will not implement the CAA and are not in favour of updating the National Population Register. The mistrust in the general public and the differences between the Central and state governments could affect the census. As former chief statistician Pronab Sen told *The Indian Express* recently, if the census exercise is not done properly, then all household surveys conducted over the next 10 years would not be reliable because they are based on the census frame. Differently put, the reliability of Indian data will be further questioned. This would not only affect policymaking but will also hurt the overall credibility of the Indian statistical system, which is already under a cloud. The data on gross domestic product, for example, has been questioned by a number of economists. The government decisions to delay the employment data and junk the consumer expenditure survey have not helped the case. The current problem, however, is even bigger and the government would do well to acknowledge its magnitude and take necessary action.

To be sure, the onus of building confidence is on the Central government because the problem started with amendments to the citizenship law. India will not be able to move ahead with a broken statistical system. If the air is not cleared soon, it won't be long before India is counted among the countries that dress up data to make their economies look better than the reality. There is no denying that there are major problems with the statistical system that are regime-agnostic and need to be addressed. Therefore, it's time for the government to put policy before politics.

## An avoidable move

Linking Aadhaar with electoral rolls might create problems

The government is planning to pass legislation that would link the Aadhaar unique ID with the voter ID card. The government's motivation for such a decision is easy to understand. The Aadhaar database has been used for de-duplicating beneficiaries across a wide variety of government programmes and it is easy to see how bureaucrats would see the linking of Aadhaar and the voter ID card as just the next step in an ongoing process of creating a complete list of Indians eligible for government programmes and, indeed, to vote. But there are many consequences of a linkage between Aadhaar and the voter ID that need to be taken into account. Certainly the use of Aadhaar could aid the relocation of voters from one constituency to another. This would allow individuals who have for some reason, perhaps economic, moved from their home town to nevertheless retain their ability to exercise their franchise.

Once again, the question that must be asked is this: Why is the government seeking to make mandatory something that was originally supposed to be supplementary? If Aadhaar is imagined as a method by which those who have no other form of identification prove their identity to the electoral machinery, then it cannot be faulted. But if it is seen instead as an additional hoop a prospective voter must jump through, then it is quite another matter. In that case the purpose of widening the franchise is not served. The question of how and why the government can access citizen data occupies centre stage here. If there is proper legislation controlling how the government accesses and uses citizen data, then voters will not feel disempowered or threatened. The use of blockchain technology has been discussed in this context. Indeed, whatever form of technology is used, if citizen data is retained in encrypted form, then objections will certainly be fewer. Further, any use of Aadhaar in such a sensitive arena should be carefully piloted. It should not be rolled out across the entire country or even an entire state without having been tested in advance on a more limited scale. It should be clear by now that the adoption of Aadhaar authentication at scale is not an uncomplicated endeavour. Sensitive matters like the electoral roll revision should not be subordinated to the errors of the Aadhaar process without a sense of who is being excluded — such as is provided by a gradual rollout or pilot programmes.

More broadly, such uses of Aadhaar will continue to be suggested by bureaucrats unless there is a clear law governing the use of citizens' private data that has been collected by government. A comprehensive data privacy law would do the trick. But this appears to be a futile hope. So it is highly unlikely that another piece of legislation to limit state powers when it comes to the use of citizen data is on the agenda. But, even so, the government and the Election Commission must recognise the dangers of too swiftly expanding reliance on Aadhaar as a form of sole authentication.



## Happy birthday, inflation targeting

The Ministry of Finance and the Reserve Bank of India signed a Monetary Policy Framework Agreement on February 20, 2015

The story of inflation targeting in India starts in November 2005, when CPI inflation jumped to 5.3 per cent. As the graph shows, the decade leading up to inflation targeting was one long inflation crisis. This raised new questions about monetary policy strategy, and also about the principal-agent relationship between the Parliament/Ministry of Finance on the one hand and the Reserve Bank of India (RBI) on the other.

The economy had become more integrated into the world, and greater financial deepening had come about. As a consequence, the intuition of monetary policy in a closed economy had stopped working. That old intuition is what got us into this prolonged inflation crisis. There was a need for new knowledge in open-economy macroeconomics.

This long inflation crisis also raised questions about the nature of the RBI as an agent. Every government agency must have a clear objective. In return for wielding coercive power (or spending public money), it must deliver on a measurable outcome. The authority to print money comes to the RBI through a Parliamentary law. The 1934 Act, through which the RBI had come into existence, had correctly positioned the design of the RBI as a “temporary” measure. It was time to find a better and more permanent arrangement. When Parliament gives the RBI the power to print money, what does the RBI give the Parliament in return, in the form of accountability?

Inflation crises are harmful. In India, inflation harms the poor the most. Through this, inflation is directly salient for politicians. No politician wants to go into elections holding a poor performance on inflation.

It is the job of monetary policy to deliver low and stable inflation. When the RBI fails, there is

tremendous political pressure to find other tools — any tools! — to bring down inflation. When I joined the Ministry of Finance in 2001, Bimal Jalan gave me a piece of advice, and one of the things that he talked about was inflation. He said “when inflation is under control, you can think about economic policy, but when inflation reaches 8 per cent, you have to stop doing everything else, and only do inflation control.”

Inflation crises thus degenerate into a litany of woes, with real sector interventions like banning and unbanning of exports or imports, changing duties, etc. These interventions damage the working of the market economy. When the RBI fails to deliver on low and stable inflation, we slip into muscular real sector interventions, which damage the foundations of the market economy. It is much better to not have an inflation crisis in the first place.

None of these questions are new, on the international scale. All the countries face these same problems. How to hold a central bank accountable? How to achieve low and stable inflation? The dominant solution that has come about, worldwide, is to create a formal system where the central bank is held accountable to deliver on an inflation target.

This is what led to the “Monetary Policy Framework Agreement”, on February 20, 2015, which set up the inflation-targeting framework as a contract between the Ministry of Finance and the RBI. One year later, the RBI Act was amended, and inflation targeting was placed inside the RBI Act as the objective of the RBI. It is fitting that, alongside this amendment, the text from 1934 which portrayed the RBI as a temporary measure was removed. For the first time, the RBI had the clarity of purpose, it was no longer a temporary arrangement.

How well has the new framework worked?



### SNAKES & LADDERS

AJAY SHAH

## Building resilience against climate change

Climate change, it would seem, could not happen at a worse time in human history. It is clear that things are now spiralling out of control. Every year we are told is the hottest year, till the next year comes around. Then a new record is broken. It is getting worse — from forest fires, to the increasing frequency and intensity of storms, to blistering cold waves, and spiralling heat.

The fact is climate change is real; it is happening and it is making the poor in our world more marginalised. The farmers, pastoralists and all the others who work the land, use the water, and make a livelihood are the worst impacted. They are the victims of climate change. The poor in the world have not contributed to the making of the problem. But let's be clear, their pain will make our world more insecure. And this is only going to get worse. This is why we need to act and act now.

Each of these *not so natural* calamities takes away the development dividend that governments work so hard to secure. Houses and other personal belongings are washed away, roads and infrastructure are destroyed, and all then has to be rebuilt. It is also clear that the flood or the drought is not just about climate change or changing weather patterns. The fact is drought is about mismanagement of water resources, where not enough rain is being recharged or water is used inefficiently and inequitably. Flood is about the sheer inability to plan for drainage; for our lack of concern to protect the forests on watersheds or the near criminal act of building and destroying the

flood plains. The weird weather comes on top of the already mismanaged land and impoverished polity. It is like the last straw on the camel's back.

I call this the double-whammy. High temperatures are only adding to the already heat- and water-stressed lands. Lack of green cover increases desertification conditions; over-withdrawal of groundwater and poor irrigation practices degrade land. Then there is the over-intensification of land, largely because of the way we are doing agriculture — what we are eating. And how we are growing, indeed manufacturing what we eat.

The 2019 IPCC report on climate change and land rightly indicts modern agricultural practices for being over-chemicalised and over-industrialised and so adding to greenhouse gas emissions. The report has also called for changes in diets, which will make us tread lightly on earth. Our food and our climate change footprint are now connected.

It is also clear that increasing numbers of disasters because of the growing intensity and frequency of weird and abnormal weather will make the poor poorer. Their impoverishment and marginalisation will add to their desperation to move away from their lands and seek alternative livelihoods. Their only choice will be to migrate — move to the city or move to another country. The double-whammy, as I have called it, in the interconnected world is the push — lack of option — to the pull — bright lights that suggest a choice to better futures. Our globalised world is inter-connected and inter-dependent. It is something we must recognise.



### DOWN TO EARTH

SUNITA NARAIN

## Diversity doctrines



### BOOK REVIEW

PARUL SEHGAL

Just when the world seems poised to boil over with political rancour and outrage, along comes Charles Murray — right on time — with a new book titled *Human Diversity*.

Yes, that Mr Murray, who in 1994 co-authored *The Bell Curve*, with Richard J Herrnstein, arguing in two notorious chapters that IQ differences between the races were mostly innate and mostly intractable. Social programmes like welfare or early education intervention ought to be scrapped not only because they were fruitless but because they encouraged women with low IQ (“the wrong women”) to have more children. These “findings” were presented as *good*

news. Why should intellectual achievement be considered the hallmark of success? Why should black people interpret this neutral data as a statement of their inferiority? No, the authors maintained, with breathtaking condescension: They will develop their own alternative sources of esteem; they might, for example, console themselves with their athletic “dominance”.

The book has been roundly discredited on moral, political, and scientific grounds. With *Human Diversity*, Mr Murray tries to stoke some of the same controversy that powered *The Bell Curve* although more cautiously. “I’m discussing some of the most incendiary topics in academia,” he writes, hastening to add that “the subtext of the chapters to come is that everyone should calm down”.

We are on the cusp of a revolution, Mr Murray argues. Advances in genetics and neuroscience promise to liberate the social sciences from a stifling orthodoxy that denies the differences between people by insisting that we are blank

slates, our potential impeded only by our environments. He identifies three key tenets of this orthodoxy: Gender is a construct; race is a construct; and class is a function of privilege.

*Human Diversity* has all the bulk of authority. A synthesis of research on the putative differences between the sexes and races, it's rich with statistical analysis. It's a curious fact, however, that Mr Murray — who lambastes the unwillingness of politically correct social scientists to look dispassionately at the data — publishes his books under such carefully controlled circumstances. Early readers were handpicked and, on one occasion, flown to Washington by the American Enterprise Institute and briefed by Mr Murray himself.

As with *The Bell Curve*, we will have to wait for peer reviews to carefully sift through the science. Yet several claims are plainly contentious, even to the lay

reader. Take Mr Murray's description of male brains as “systemisers” and female brains as “empathisers”, drawing on the work of the psychologist Simon Baron-Cohen. What Mr Murray avoids discussing are the profound questions surrounding one of the studies that scaffold his thinking.

In 2000, Dr Baron-Cohen and colleagues published a study of day-old babies, which found that boys looked at mobiles longer (hence “systemisers”) and girls at faces (“empathisers”). This study has never been replicated, not even by Dr Baron-Cohen. Not to mention the core question, as posed by the psychologist Cordelia Fine, who

has written extensively about bias in research on sex differences in the brain: “Why think that what a newborn prefers to look at provides any kind of window, however grimy, into their future abilities and interests?”

Or consider Mr Murray's

interpretation of why women haven't branched into more male-dominated fields over the last 30 years. Sexism cannot be the culprit, he claims. Now that the outright prohibition of women entering male-dominated fields has ended, any vestigial opposition ought to have abated in “a matter of years”. Never mind the wealth of research showing the very real persisting impediments that Mr Murray dismisses. To name just one well-known example: In a study at Yale University, over 100 scientists reviewed a résumé submitted for an open position. The résumés were identical, although half were submitted under men's names and half women's names. The women's résumés were ranked significantly lower than the men's — by both female and male faculty.

Stranger still are the inconsistencies. “Race is a construct” is among the tenets Mr Murray seeks to dismantle. Yet tucked midway through the book is the bland assertion that his evidence does not “deny the many ways in which race is a social construct”. “Ancestral populations” might be more apt, he concedes. Not 40 pages later, however, he's back to huffing at the “elite wisdom”

that “race is a social construct”.

The main question is: Why am I asking these questions of Charles Murray? True, the burden of proof is on him to make a case for this “exciting” scientific revolution (whose discoveries just happen to regurgitate some of humanity's most pernicious, wearying, and stubborn stereotypes). But proof is not Mr Murray's concern. Despite its blizzard of statistics, the book's most astonishing declaration is on the first page. If “you have reached this page” — the first page, I remind you — “convinced that gender, race and class are all social constructs, and that any claims to the contrary are pseudoscience, you won't get past the first few pages before you can't stand it anymore. This book isn't for you.” He continues smoothly: “Now that we're alone...”

This book is for the believers. Rigorous readers, sceptics, the unindoctrinated — you won't be persuaded by *Human Diversity*, but why should that matter? You're not even invited. How's that for a safe space. How's that for an orthodoxy.

The writer is a professor at National Institute of Public Finance and Policy, New Delhi

The writer is at the Centre for Science and Environment [sunita@cseindia.org](mailto:sunita@cseindia.org) [Twitter: @sunitanar](https://twitter.com/sunitanar)



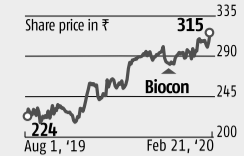


BSE 200: TOP 5 GAINERS OF LAST WEEK

BSE price in ₹	Feb 14, '20	Feb 20, '20	% chg
Vodafone Idea	3.4	4.4	27.9
Muthoot Finance	746.6	913.3	22.3
Aurobindo Pharma	514.5	599.6	16.5
Max Financial Services	487.0	565.1	16.0
Adani Gas	165.0	185.5	12.5

QUICK TAKE: HEALTHY GROWTH PROSPECTS FOR BIOCON

Biocon is up 46% since August. Ramp up and new launches of biosimilars in regulated and emerging markets, rebound in small molecule growth and strong prospects of research services add to Street's optimism. While recent observations by US FDA, though not severe, may cap stock's near-term gains, analysts expect 28% growth in earnings going ahead.



"HISTORY HAS SHOWN THAT SAFE-HAVEN DEMAND ONLY PROVIDES A TEMPORARY BOOST TO PRICES. THE KEY DRIVER OF PRICES IS THE NEGATIVE RELATIONSHIP BETWEEN LONG-TERM US REAL YIELDS AND GOLD PRICES"



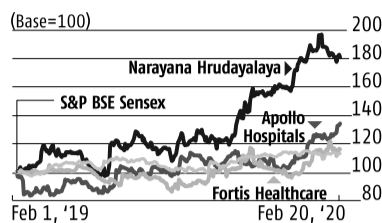
VIVEK DHAR, Commodity Analyst, Commonwealth Bank of Australia

# Hospital stocks are safe bets

The Street expects earnings jump as growth levers and cost controls start to kick in

UJJVAL JAUHARI

Hospitals stood out, even as other segments in the health care space have had a sketchy run on the bourses. Apollo Hospitals, Fortis Healthcare, Narayana Hrudayalaya, and Aster DM have seen robust gains over the past few months and are trading at their near-term highs.



In the current environment of volatility because of the risk of a global slowdown triggered by the coronavirus outbreak, hospital stocks remain a safer bet, with growth momentum expected to sustain and profits likely to improve. Analysts at Axis Securities believe hospitals now are better prepared to alleviate negative impact than seen in the past (price caps on stents and knee implants in February 2018) on improved operating metrics. This is led by a better product- or case-mix and cost controls. For larger peers, there is a limited impact from the implementation of Ayushman Bharat, say analysts; for smaller players, it will improve their penetration.

major expansion, is now reaping the benefits with margin expansions from established operations and faster break-evens from new hospitals.

The consolidated operating profit during the December quarter had come in better than analyst expectations, up 27 per cent year-on-year (adjusted for IND AS 116 accounting norms). This was primarily led by strong growth in new hospitals, along with healthy performance in other segments, say analysts. The Navi Mumbai hospital is ramping-up well and is expected to contribute meaningfully from next year. Analysts at ICICI Securities expect health care sales to grow 12 per cent annually over FY19-22.

The largest listed player in this space, Apollo Hospitals, has been a standout performer with growth being led by both hospitals and pharmacy businesses. What has helped the stock is the phased reduction of promoter pledges, improving sentiment for the stock. The company, which had been in the midst of

The pharmacy business (40 per cent of FY19 revenues) has grown at 22 per cent annually in the last five years on the back of consistent addition of new pharmacies and timely closure of non-performing pharmacies. The segment, too, has seen revenues grow 20.7 per cent in the first nine months, with margin expansion of 800 basis points. With a



### STRONG OPERATIONAL IMPROVEMENT

In ₹ crore	Apollo Hospitals		Fortis Healthcare		Narayana	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Net sales	11,197	2,815	4,665	5,280	3,223	3,606
% change y-o-y	16.4	14.5	8.0	13.2	12.6	11.9
Ebitda	1,635	1,908	669	821	438	518
% change y-o-y	53.7	16.7	51.7	22.8	52.2	18.2
Net profit*	310	506	181	264	146	206
% change y-o-y	41.6	56.4	-237.0	45.6	140.2	41.5

\*Estimate. \*\*Adjusted for one-offs/exceptional items, Ebitda: earnings before interest, tax, depreciation and amortisation Source: Analysts reports

continued uptick led by both segments, analysts at Elara Capital expect overall operating profit growth of 16 per cent annually over FY20-22.

Though Fortis Hospital witnessed a soft December quarter, with most concerns plaguing it being resolved, there is a sustainable growth trend — both for its hospitals and diagnostics segments. With scope for further cost controls,

things should improve.

The company reported a 200-basis point year-on-year operating profit margin expansion to 13 per cent in the December quarter, led in part by sustained focus on cost optimisation.

It continues to expand and has incurred substantial capex (about ₹180 crore) during the first nine months of the financial year. The key triggers for

the company include improved occupancy of 73-75 per cent as it added specialties, such as interventional radiology and oncology, say analysts. It is expected to achieve substantial cost savings in FY20; further growth should be led by the planned addition of 1,200-1,300 beds over the next four years. Analysts at Goldman Sachs had recently raised their 12-month sum-of-the-parts based target price to ₹176 as compared to the previous target of ₹150.

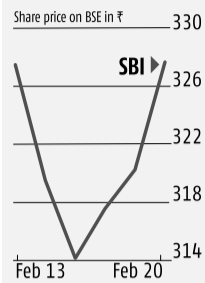
Narayana Hrudayalaya has reported a strong operating performance over the past four-five quarters, which is likely to sustain, feel analysts. The December quarter, too, had seen 32 per cent growth in its operating profit, even though inflow of foreign patients was a tad slow because of the anti-Citizenship Amendment Act protests. Its Dharamshila hospital has achieved break-even; the company expects break-even at its Gurugram and Mumbai hospitals by FY21 and FY22. It has cut operating costs at centres with lower profits (closure of Whitefield, Bengaluru Hospital and the one in Durgapur). However, it is adding 150-200 beds at the existing centres over FY20-22. Analysts at Elara Capital expect operating profit to grow 20 per cent annually over FY20-22.

Aster DM, too, is expected to see healthy sales growth of 15 per cent, while its operating profit is likely to be even better at 27 per cent over the next couple years. Growth will be led by strong volume growth in GCC hospitals (West Asia operations) and scale-up in its India hospital business, as well as capacity expansions in both markets.



### Traders take SBI route for Card IPO

Savvy traders plan to apply for SBI Cards and Payment Services shares in the "shareholder" quota of the IPO. Brokers say many wanting get to their hands on the country's second-largest credit card company have bought shares of parent State Bank of India (SBI) from the secondary market in recent weeks. About 13 million shares (worth over ₹900 crore) are reserved for SBI shareholders in the IPO. Typically, the retail book sees higher subscription than the shareholder book and, therefore, the chances of getting allotment through the latter are higher. The last date to be eligible to apply in the shareholder category ended last week. Grey market operators say shares of SBI Cards are commanding a premium of more than 30 per cent.



### ESG funds get stewardship push

The stewardship code laid down by the Securities and Exchange Board of India (Sebi) can give a fillip to ESG funds, which invest in companies based on their environmental, social and governance (ESG) standards. "The stewardship code has made it mandatory for mutual funds (MF) to assess ESG risks in investee companies," said the chief investment officer of a fund house. Fund houses need to put a framework in place to track ESG standards followed by companies. "Gradually, fund houses will be able to build more robust skill-sets to manage ESG funds," he added. While Axis MF has already launched an ESG fund, Birla Sun Life MF has filed for one with Sebi.

### Reining in Nifty volatility

The frontline Nifty index is expected to shed some volatility after the latest reshuffle. In September, Nestle India replaced Indiabulls Housing Finance in the 50-share index and next month, Shree Cement will come in place of YES Bank. Shares of both Indiabulls Housing and YES Bank have been volatile on the bourses, while Nestle India and Shree Cement aren't. This is not just because of their stable businesses but also on account of high-denomination of their stock price. Shares of Nestle India currently quote around ₹16,500, while those of Shree Cement are at ₹24,400. In absolute terms, the two stocks are the most expensive on a per share basis in the Nifty index, which is widely tracked by exchange traded funds.

### Broader market earnings beat ratio worse than Nifty

SAMIE MODAK

The mid- and small-cap indices are racing ahead of the benchmarks this year. However, their earnings scorecard for the December quarter has been much worse than the Nifty's. According to an analysis by ICICI Securities, nearly half the Nifty50 companies' net profit has exceeded consensus estimates. On the other hand, only about a third of the companies in the mid- and small-cap universe have managed to beat expectations. This is despite the cut in corporation tax rate by the government and softness in raw material prices during the quarter. Most companies, irrespective of which universe they belong to, have missed their sales estimates, reflecting the weakness in the economy. So far in 2020, the Nifty Midcap 100 and Nifty Smallcap 100 have gained 6 per cent each, even as the Nifty is down about a per cent.



report card of the broader universe for the last quarter was disappointing, investors are trying to factor in a revival in earnings. Analysts say, the Reserve Bank of India's move to ease liquidity coupled with the government's measures to shore up new investments could help corporates over the next few quarters.

### SMALL'S NOT BEAUTIFUL YET

	Net profit			Sales		
	Beat	Miss	Neutral	Beat	Miss	Neutral
Nifty	16	17	1	47	5	5
Mid	31	40	18	35	9	22
Small	34	49	29	30	21	30
Total	90	122	78	31	37	66

Note: 'Beat' is results exceeding estimates by over 5% and 'Miss' is results falling over 5% short of estimates; Source: ICICI Securities

Market players say while the earnings

### [FUND PICK] AXIS BLUECHIP FUND

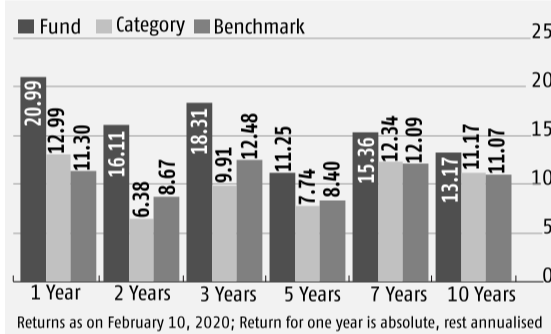
## Consistent large-cap outperformer

Launched in January 2010, Axis Bluechip Fund featured among the top 30 percentile of the large-cap category in CRISIL Mutual Fund Ranking (CMFR) during the past three quarters ended December 2019. Shreyash Devalkar has been managing the fund since November 2016. He has over 18 years of industry experience. During the past three years, assets under management (AUM) of the scheme increased over five times from ₹1,943 crore in January 2017 to ₹10,212 crore in December 2019.

The investment objective of the scheme is to achieve long-term capital appreciation by investing in a diversified portfolio predominantly consisting of equity and equity-related securities of large-cap companies.

#### Trailing returns

The fund has consistently outperformed the benchmark (Nifty 50 TRI) and its peers (funds ranked under the large-cap funds category



Returns as on February 10, 2020; Return for one year is absolute, rest annualised

in December 2019 CMFR) in all the trailing periods under analysis. An investment of ₹10,000 in the fund on January 5, 2010 (inception of the fund), would have grown to ₹33,150 on February 10, 2020, at an annualised rate of 12.59 per cent, compared with the category and the benchmark, which would have grown to ₹26,083 (9.95 per cent per annum) and ₹25,774 (9.82 per cent per annum), respectively.

#### Portfolio analysis

Axis Bluechip Fund is a large-cap equity fund with the mandate to invest predominantly in large-cap stocks. Being true to its

name, the fund has maintained an average 83.05 per cent exposure to large-cap stocks during the past three years. It maintained an average of 10.66 per cent of the portfolio in cash and equivalents during this period. The portfolio was diversified across 25 sectors in the past three years. Banks had the highest average allocation of 25.14 per cent, followed by finance (14.13 per cent), consumer non-durables (10.07 per cent), software (7.76 per cent), and auto (6.91 per cent).

In the past three years, the fund took exposure to 72 stocks, of which it held five stocks consistently. HDFC Bank, Kotak Mahindra Bank, and Bajaj Finserv were the major contributors to fund performance during this period and also consistently held. Other key contributors included Bajaj Finance and Avenue Supermarkets.

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CRISIL RESEARCH

# 'Foreigners' interest in India remains intact for now

It has been an eventful 2020 for the markets thus far. Provided there are no further shocks — like bankruptcy of Vodafone Idea — the equity markets should again deliver reasonable performance, SAMIR ARORA, founder and fund manager, Helios Capital, tells Puneet Wadhwa. Edited excerpts:

#### How do you see the markets play out over the next six months?

The markets, on an overall basis, look reasonable right now. The broader markets have not done well for the past two years, but it seems that the markets are expanding in terms of stocks that are now doing well as compared to very few movers in recent years. Decisions taken by the government to improve the business landscape and make it robust and sustainable had the side-effect of hurting the unorganised and the small. Demonetisation may have hit small companies more, as part of their sales/costs/working capital funding may have been in cash. Similarly, goods and services tax (GST) would have made it difficult for smaller companies to evade taxes assuming that bigger companies were already tax compliant. The Real Estate (Regulation and Development) Act, or RERA, hurt small developers as people lost confidence in their ability to deliver projects in time. Also, there was a massive rally in mid- and small-cap stocks in 2017, driven not by better prospects but by local money coming into mutual funds.

of Vodafone Idea), the equity markets should again deliver reasonable performance.

#### Is the coronavirus fear abating, or will there be one more round of selling?

As of now, it seems that the markets are seeing through the coronavirus issue and playing for the phase when the virus is contained and does not create any uncertainty or risk. Normally, one would expect a fall in the markets around this time and perhaps a recovery when the problem is contained. However, in today's environment, the markets move directly to a positive scenario without caring for the interim negative situation. This analysis of the situation by the markets essentially means that they are betting on an early containment of coronavirus.

#### Do you expect India to gain in any measure because of the outbreak?

India may be a small beneficiary of this if investors and corporates decide that they should not put all (or most) of their eggs in the China market and have more investments or part of their supply chain in India as a hedge. The government had taken a start, by cutting corporation taxes for new companies, for attracting global companies in view of the US-China trade tensions.



LIC IS VERY BIG AND COMPLICATED AND I DON'T THINK THAT WE WILL SEE ITS IPO IN THE FIRST OR THE SECOND QUARTER. THESE THINGS TAKE TIME, AS WE HAVE SEEN IN THE PAST

The coronavirus outbreak may help accelerate those decisions.

#### How are foreign investors looking at India as an investment destination?

Last year was good for India in terms of foreign equity inflows, even though the market significantly underperformed peers. At one level, India is part of global, emerging and Asian market flows and will get its due share. But we need to attract disproportionate flows and have to work harder for that. Foreigners' interest in India remains

intact for now, and as the economy improves, we hope that foreign institutional investor (FII) flows will become stronger.

#### Has India squandered the advantage that it had by not giving enough boost to the economy in the Budget after the corporation tax cuts in 2019?

The tax cut was a significant boost to the confidence of the corporate sector and signalled that the government cared for corporate health and confidence. I expected that the government

would follow that up with tax concessions to consumers but slow gross domestic product (GDP) growth and little fiscal room led to limited scope for the government to do much more. All in all, if Indian corporates have got away with a 10 per cent permanent tax cut in return for a cyclical slowdown, it is not a bad deal.

#### Can 2020 be the year of mid-and small-caps?

Mid- and small-caps have done poorly for the past two years. Therefore, there is some logic to the argument that their time will come soon. On the other hand, rally in these stocks in 2017 may have been totally unjustified, as it emanated from the huge inflows into domestic mutual funds, post demonetisation, and not because of any fundamental reason. There is no need to follow 'all or none' strategies in the stock market. Diversify your investments into all-cap funds and hope for the best.

#### Does the stake sale in Life Insurance Corporation of India (LIC) show the government's desperation to make ends meet?

I think that the amount expected from the divestment of LIC is too high, but as a potential buyer, I say that for every initial public offering (IPO) that hits the market. The company is very big and complicated and I don't think that we will see its IPO in the first or the second quarter. These things take time, as we have seen in the past.

Full interview on: [www.business-standard.com](http://www.business-standard.com)

## BRIEF CASE ● M J ANTONY

A weekly selection of key court orders

## Rap for 'speculative litigation' in arbitration



While dismissing two foreign arbitration appeals, the Supreme Court made severely critical comments on the course of litigation and imposed ₹50 lakh as costs on a group of shareholders of a joint venture. The appeals were filed against the judgment of the Bombay High Court, which had ruled that the final four awards made by a sole arbitrator in London were enforceable in India. In the judgment, Vijay Karia vs Prysman Sistemi, the Supreme Court observed: "We cannot help but be left with a feeling that the appellants are indulging in speculative litigation with the fond hope that by flinging mud on a foreign arbitral award, some of the mud so flung would stick. We have no doubt whatsoever that all the pleas taken by the appellants are, in reality, pleas going to the unfairness of the conclusions reached by the award, which is plainly a foray into the merits of the matter, and which is plainly proscribed by Section 48 of the Arbitration Act read with the New York Convention."

## The burden of proof in bounced cheques



The Supreme Court has reiterated that once the issuance of a cheque and the signature on it have been admitted, there's always a presumption that it was issued to satisfy a legally enforceable debt or liability. This presumption can be rebutted by the drawer by leading evidence, as

prescribed under Section 139 of the Negotiable Instruments Act. The court stated so while allowing the appeal case, Aps Forex Services vs Shakti International Fashion Linkers. The trial court and the Delhi High Court had acquitted the partners in a firm but on appeal, they were convicted and sentenced to three months' jail and fine. The accused argued that they had issued the cheque as security in their business dealings and there was no debt. It was accepted by the courts below. But the Supreme Court stated that repeated issuance of the cheque showed that there was a liability and the onus on them was not discharged in this case.

## Only voluntary bodies are 'consumers'



Only a voluntary consumer association registered under the Companies Act or other laws is eligible to move a consumer forum, the Supreme Court ruled in its judgment in Sobha Hibiscus Condominium vs Sobha Developers. In this case, the condominium was a statutory body under the provisions of the Karnataka Apartment Ownership Act. It was built on a

mandatory basis under that law. When it moved the National Consumer Commission against the developers, its complaint was rejected as it was held to be neither a consumer nor a registered voluntary association as defined in the Consumer Protection Act. The condominium appealed to the Supreme Court. It dismissed the appeal stating a "voluntary consumer association will be a body formed by a group of persons coming together, of their own will and without any pressure or influence from anyone and without being mandated by any other provisions of law. The association which consists of members of flat owners in a building, which has come into existence pursuant to a declaration required to be made compulsorily under the provisions of state law, cannot be said to be a voluntary association".

## Appeals in gas supply bids rejected



The Supreme Court last week dismissed the appeals of Adani Gas and IMC against the decision of the Petroleum and Natural Gas Regulatory Board in the bidding for distribution of natural gas in four south Indian districts. The appeals arose over the grant of

authorisation for laying, building, and operating or expanding the distribution networks in Chennai, Puducherry, Kanchipuram, and Tiruvallur districts. The challenge was taken to the Appellate Tribunal for Electricity, but the panel gave a divided verdict, the chairman and the technical member giving reaching opposite conclusions. The matter was referred to the judicial member but he recused and there was no replacement for him. Therefore, the Supreme Court had to decide the dispute under its extraordinary powers. The board has to give authorisation to any entity which undertakes to operate natural gas distribution work. The rules were amended in 2018 to introduce new criteria, leading to the current dispute. Rejecting the contentions of the gas companies, the court observed that the assessment of the reasonability of the bid was a matter solely between the highest bidder and the board. The sole question, the judgment said, was whether the highest bidder's quote was reasonable. The power to determine such reasonability resided solely with the board. The presence and hearing of other bidders are not necessary. The assessment of the board would not alter the scores of the highest bidder vis-à-vis the scores of the other bidders.

## Presumption in worker's claims



While calculating the compensation for the death of an employee on duty, the Employees' Compensation Act assumes that his monthly pay is ₹8,000. Before 2010, it was ₹4,000. In the Supreme Court judgment came in the case K Sivaraman vs P Sathishkumar, which revolved

around the death of a 26-year-old employee in 2008 when the ceiling was ₹4,000 per month. However, the Madras High Court calculated the compensation on the basis of the amended rule and granted the dependents ₹8.86 lakh. On appeal by the employer, the court ruled that the compensation payable on the date of the accident is relevant; not the amount after the amendment. In this case, the monthly salary of the deceased employee was ₹32,000. But that was not considered relevant because according to the government notification, "whatever be the pay" the ceiling will prevail. The rate of inflation has not been taken into account by lawmakers.

## Delay bars I-T file reopening



The income tax authorities cannot revive proceedings four years after the assessment on the basis that the Supreme Court has reversed its view in a later judgment. Moreover, the revenue authorities must show that the assessee had failed to fully disclose material facts. The Calcutta High Court stated so

while allowing the writ petition, Calcutta Club vs ITO, challenging the notice for reassessment. According to the law prevailing when the assessment was accepted in 2007-08, the income earned by way of interest from corporate members of a club was not taxable. But in 2013, the Supreme Court took the opposite view in the Bangalore Club case and also asserted that the income did not come under the ambit of the mutuality principle. The reversal of the apex court's view later could not be called "omission or failure" on the part of the club, the high court ruled.

## Non-performers in the dock

MP proposes to punish officials for delay in industrial approvals, but experts say this should be backed by transparency

SUDIPTO DEY

A law imposing penal provisions on government officers for delaying industrial approvals beyond a statutory timeline is touted as a novel concept to woo investors. While there are several laws and rules framed by states for time-bound approval processes, experts say results of these measures have been mixed. How well the latest initiative — mooted through The Madhya Pradesh Time-Bound Clearance Bill 2020 — works will depend on how well the new law is implemented, they add.

"The permits process has long been the bane of the Indian industry," says Rajat Sethi, partner, S&R Associates. Any such initiative by a state government will help bring about a change in the existing permits process in which systemic problems are well entrenched, he argues.

The Bill, recently cleared by the Cabinet and to be taken up in the Assembly in its forthcoming Budget session, provides for time-bound clearance of applications for industrial investment. It spells out 25 types of clearances and licences for industries to be issued in one day, 10 other clearances to be granted in seven days, and 5 others within 15 days through an online platform.

Moreover, if the designated official fails to act in a time-bound manner, appropriate action will be initiated under the provisions of the Madhya Pradesh Service Guarantee Act, 2010.

Sandeep Grover, partner, Oris Law Office, points out that there are several states which provide time-bound clearances and deemed approvals by government departments. For instance, Andhra Pradesh has set up the District Industries Promotion Committee for providing time-bound approvals and clearances for setting up industrial units in the micro, small and medium enterprises sector. Similarly, the Kerala Investment Promotion and

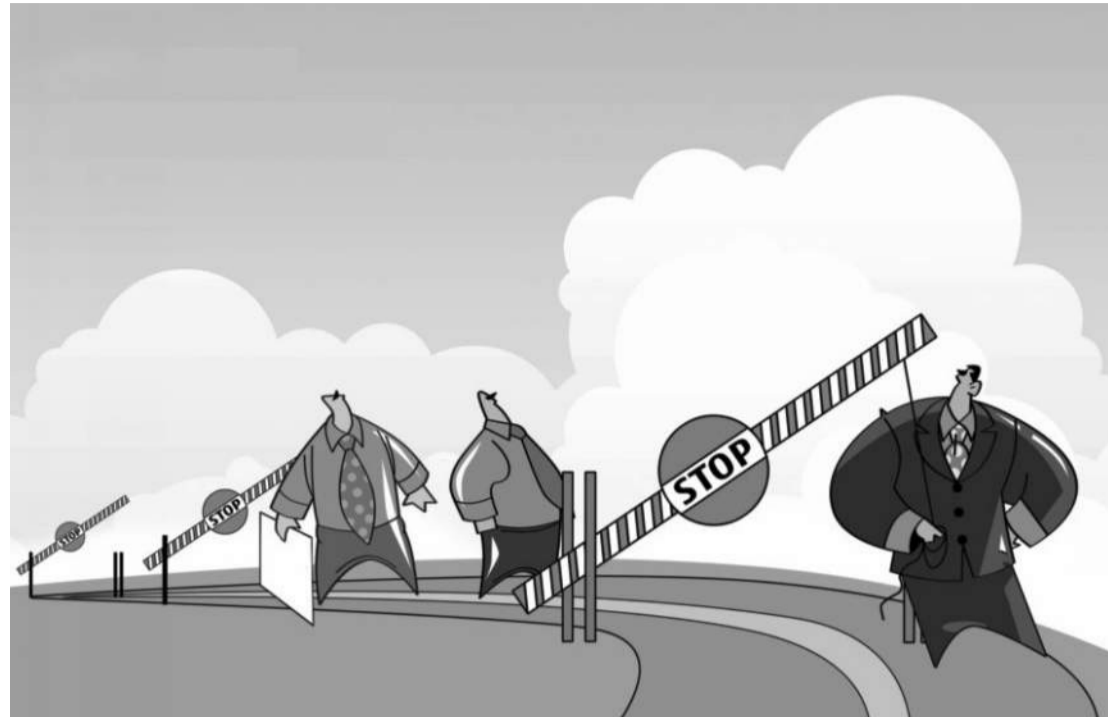


ILLUSTRATION: BINAY SINHA

## AN IDEA TO WOO INVESTORS

The draft Madhya Pradesh Time-bound Clearance Bill entails

- Time-bound online clearance of applications for investment in the industrial, MSME, IT, and tourism sectors
- Under the proposed law, 25 types of clearances and licences for industries will be issued in a day, 10 other clearances will be granted in seven days,

and five in 15 days through an online platform

- If the designated official fails to act in a time-bound manner, appropriate action may be initiated against him/her under the provisions of the Madhya Pradesh Service Guarantee Act, 2010

Facilitation Act was passed in 2018. Under the Rajasthan Enterprises Single Window Enabling and Clearance Act, 2011, if a department fails to decide on an application within a specified period, the appli-

cation is deemed "allowed".

While experts agree that the proposed law intends to reform the licensing regime and facilitate ease of doing business in the state, some fear the result could be counter-pro-

## IN OTHER STATES

■ In Andhra Pradesh, the District Industries Promotion Committee provides time-bound approvals and clearances for setting up new industrial units and for expansion of existing ones in the MSME sector

■ Kerala passed the Kerala Investment Promotion and Facilitation Act in 2018

■ Under Rajasthan's Enterprises Single Window Enabling and Clearance Act, 2011, any application to start a venture has to be processed within a specific period, failing which the application is deemed 'allowed'

ductive, if not implemented well.

"It may lead to officers raising unnecessary queries or rejecting applications on frivolous grounds," says Ramesh Vaidyanathan, managing partner, Advaya Legal.

## CCI VS AMAZON AND FLIPKART

## A test case for Indian e-commerce platforms

AKANSHHA AGRAWAL

The Competition Commission of India's (CCI's) investigation against Amazon and Flipkart and the legal challenge to this move by the two companies are likely to set a precedent for the competition watchdog's approach towards business models of e-commerce platforms. The decision is also likely to affect other markets based on similar models, such as radio taxi services and food service aggregators, said competition law experts.

In its January 13 order, the Competition Commission argued that the business models of the e-commerce platforms under investigation threaten to cause "appreciable" adverse impact on competition.

The order said that "exclusive launch, coupled with preferential treatment to a few sellers, and the discounting practices create an ecosystem that may lead to an appreciable adverse effect on competition." The CCI, in the past, had taken a contrary stance against practices, such as exclusive agreements and deep discounting,



## LEGAL JOURNEY

**JANUARY 13:** The CCI ordered investigation against Amazon and Flipkart

**FEBRUARY 10:** Amazon filed a writ petition before the Karnataka High Court for quashing the CCI's order

**FEBRUARY 14:**

The high court did not find merit in the CCI's order and granted an interim stay on the investigation

**FEBRUARY 21:** Flipkart filed a writ petition before the high court challenging the CCI order

creating confusion regarding the required compliance for e-commerce platforms.

In its petition in the Karnataka High Court challenging the CCI order, Amazon argued the investigation would cause "irreparable loss or injury". The company's lawyers said the CCI order came without any application of mind and dubbed it an "open-ended fishing expedition".

Senior Counsel Harish Narasappa, appearing for the CCI, argued that Amazon's claim of right to notice or hearing was not maintainable. It was merely a prima

facie order and the parties cannot claim a right to notice or hearing.

However, in a much-needed relief for the e-commerce giant, the Karnataka High Court recently granted an interim stay on the investigation.

Lawyers have pointed out that the CCI placed reliance on text messages sent by mobile operators to their customers to establish exclusive agreements between e-commerce platforms and sellers. Lawyers representing the e-commerce majors argued that the CCI had the burden of establishing the existence of an agreement and

analyse if this agreement caused an appreciable adverse impact on competition. For this, reliance cannot be on text messages by mobile operators, they said.

Though the high court has granted an interim stay on the investigation, experts are unsure if this will reflect in the stance taken post hearing of arguments. "In theory, the grounds are the tests of prima facie case, the balance of convenience, and irreparable injury. In practice, much depends on the arguments by counsel," said Rahul Singh, professor of competition law at National Law School of India University, Bengaluru.

Referring to the present proceedings, Payel Chatterjee, Leader of International Disputes at Nishith Desai Associates, points out that the High Court granted the stay on three grounds. "First, the CCI failed to stand the test of establishing a prima facie case as laid down under the Star India ruling by the Bombay High Court. In the absence of the CCI establishing prima facie finding, the mandatory jurisdictional prerequisite is not fulfilled," she said. Chatterjee said the CCI failed to

Sethi points out for speedy decisions, government officers require a conducive environment and ecosystem, which encourages fair decision-making. "If they are required to constantly look over their shoulder to assess potential risk of prosecution, it will impede quick and efficient decision-making," he adds.

Vaidyanathan prefers an approval structure founded on accountability, where the status of the application is shared online, senior officers monitor on a real-time basis, and deviant officers bear the brunt in their annual performance evaluation.

"All departments must also be asked to share on their website statistics on approvals granted, time taken, etc. In essence, greater transparency and accountability is more efficacious than penal action," Vaidyanathan says.

If government officials are to be made accountable for non-performance, should businesses not be held responsible for meeting the conditions to get a licence or permit?

According to Grover, Section 6(2)(a) of the Bill, though a loosely worded clause, endeavours to make the applicant accountable for meeting the conditions to get the licence. "However, it would be interesting to see if the government comes up with specific rules and regulations enumerating how information is to be provided by the applicant and specific consequences/implications which will follow in case of non-compliance," he says.

Most experts are of the view that the latest measures to bring more accountability in the licence system will have to be combined with steps that provide greater access to information and resources to government officers to assist in decision-making, and better insulate them from the pulls and pressures, which tend to afflict the decision-making machinery.

The implementation of this law in Madhya Pradesh will be closely watched by other states, too.

## Has limited liability partnership lost its charm?

HIREN BHATT &amp; AMIT REVANKAR

Limited liability partnership (LLP) is the preferred legal vehicle for a lot of Indian promoters and multinational companies for setting up their business in the country. Among many advantages that LLP offered was the better income-tax regime for it.

However, with sweeping changes to the tax rates applicable to Indian companies in the recent past and the amendments proposed in the recent Budget, the debate taking place among tax professionals and businesses is whether LLP has lost its charm and has it become inferior to the company structure. While there is no straight answer to this as the decision for setting up an LLP or a company needs to be looked into from business, legal, regulatory, and tax perspective, the company form of structure appears to have an edge over LLP in certain scenarios from an income-tax perspective.

The income-tax rate for companies and LLPs on their income were almost similar, i.e. 34.94 per cent (including maximum surcharge and cess) until September 20, 2019, when the tax rates for companies were reduced to 17.16 per cent and 25.17 per

cent (including maximum surcharge and cess), and even minimum alternate tax (MAT) was abolished. With such reductions, the company structure gained some ground. However, DDT (dividend distribution tax) at 20.56 per cent (including maximum surcharge and cess) applied by companies while distributing profits in the form of dividend to their shareholders continued to give LLPs an edge over the company structure. This is because there was no tax on the distribution of profits by LLPs.

As far as multinational companies (MNCs) were concerned, dividend from their Indian subsidiary was exempt from tax in India. For Indian promoters, dividend above ₹10 lakh was subject to dividend tax at the rate of 10 per cent (exclusive of maximum surcharge and cess). The share of profit from an LLP is exempt for the partners of the LLP from the Indian income-tax perspective.

While the recent Budget has proposed to do away with DDT for companies in India, it has announced to tax such dividend income in the hands of shareholders at the applicable rate. With these dividend-related tax proposals, while super-rich Indian shareholders might suffer tax up to

42.74 per cent on their dividend income, foreign shareholders, including MNCs, may be able to avail the rate of tax under respective treaties and reduce tax on dividend income to a large extent. Applying the tax treaty rate, if the foreign shareholder is based in the Netherlands or Mauritius, dividend tax in India could be as low as 5 per cent, and for jurisdictions like Singapore, the United



IF AN MNC WANTS TO INVEST IN INDIA, THE COMPANY STRUCTURE SEEMS ATTRACTIVE. FOR INDIAN PROMOTERS, LLPs STILL APPEAR TO BE A BETTER OPTION

Kingdom and the United States, dividend tax in India could vary from 10 per cent to 15 per cent. Of course, these rates are subject to fulfilment of certain conditions.

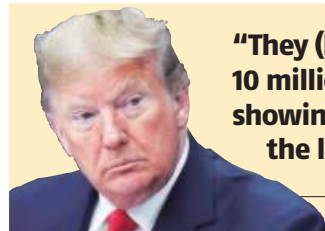
In nutshell, in a scenario where an MNC wants to invest in India from certain overseas jurisdictions, the company structure seems relatively attractive than the LLP structure with the effective tax rate for an Indian

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In nutshell, in a scenario where an MNC wants to invest in India from certain overseas jurisdictions, the company structure seems relatively attractive than the LLP structure with the effective tax rate for an Indian

One needs to do a specific analysis based on the facts of each case, and the effective tax rate could vary depending on the jurisdiction of foreign shareholders, tax profile of promoter, and tax regime applicable to such Indian entity. But the recent Budget proposal, if accepted, will certainly make investors think twice before selecting a legal structure for doing business in India.

Bhatt is partner, M&A and private equity, tax, while Revankar is associate director at KPMG in India



**"They (India) say anywhere from six to 10 million people are going to be showing up along the route to one of the largest stadiums in the world"**

**DONALD TRUMP**  
US president



**"Someone better tell @realDonaldTrump that the entire population of Ahmedabad – every man, woman & child, including those too old & sick to greet him – doesn't add up to 6 million"**

**SHASHI THAROOR**  
Congress leader



**"He (Trump) will directly come to Ahmedabad from Washington. After that a grand roadshow will be organised"**

**VIJAY RUPANI**  
Gujarat chief minister

# A difficult balancing act

The BJP in West Bengal is looking for a perfect blend of ideology and credible governance agenda

RADHIKA RAMASESHAN

With a little over a year before West Bengal votes to elect its next government, the Bharatiya Janata Party (BJP) is in the throes of a debate framed on three aspects: Core ideology contra governance, national issues as opposed to regional/local matters, and whether to project a chief ministerial candidate.

These deliberations assumed significance after the BJP's debacle in the Delhi Assembly polls. The rout was ascribed by some national strategists and thinkers, also involved with West Bengal, to the lack of an optimum blend between ideology and credible governance agenda, the need for local units to be alive and kicking on the streets, and the absence of a CM face.

While a dominant section of the BJP's West Bengal unit, swayed by its state president Dilip Ghosh, a former Rashtriya Swayamsevak Sangh (RSS) "pracharak", demanded to accord precedence to ideology over governance, Delhi influencers advocated giving equal priority to "positive governance" without undermining the centrality of the citizenship package in the discourse. Detailing the thread running through the ongoing discussions, a source said: "As far as the CAA (Citizenship Amendment Act) is concerned, it is a local issue in West Bengal and not an abstruse ideological intervention. The larger issue, which I feel is relevant, is that when you're trying to upstage a sitting government, you have to go a little beyond negativism, into positive governance."

The source cited the examples of Narendra Modi's campaigns in the run-up to the 2007 and the 2012 Gujarat elections, which he led as chief minister. "In both cases, the last phases were marked by vitriol but the main reason for Modi's victories was he could sell his ideas and a good record of governance."

Adducing a comparable argument for West Bengal, the source

## PROBLEM OF PLENTY

BJP's chief ministerial aspirants range from film stars and playback singers to organisational hands and thinkers reaching out to the *bhadralok*



**Babul Supriyo**

The playback singer was brought into the BJP by yoga guru and businessman Ramdev. He is a second-time MP from Asansol and also MoS, environment



**Locket Chatterjee**

An actor and classical dancer, Chatterjee made her Lok Sabha debut from Hooghly in 2019. She often raises Hindutva issues in Parliament



**Roopa Ganguly**

Best known for her portrayal of Draupadi in B R Chopra's *Mahabharat*, she is a Rajya Sabha MP and raises issues transcending West Bengal



**Dilip Ghosh**

The West Bengal BJP president is also an MP from Medinipur. A former RSS "pracharak" who adheres to the core ideology, but finds few takers for his views outside of the RSS-BJP faithful



**Swapan Dasgupta**

Noted columnist and nominated Rajya Sabha MP, he was among the first to espouse the BJP's world-view in the media. He is also active campaigner among the Bengali *bhadralok*



**Anirban Ganguly**

Director of Syama Prasad Mookerjee Foundation, a BJP-backed think tank; he has a PhD in education from Jadavpur University. He is part of the "Save Bengal" campaign with Dasgupta

said: "The BJP has done Mamata Banerjee's (the chief minister) critique up to a point. Her law and order management or the lack of it, her partiality towards Muslims, and so on. But where are the attacks on health and education? A well-rounded poll campaign must take into account these sectors."

Mukul Roy, a former political aide of Banerjee and now BJP mover-and-shaker, articulated a slightly different view. "The BJP is a national party, so naturally national

issues will be punched together with local ones. We have to think of what alternative model we will offer if we come to power." Ghosh, the Medinipur MP who is regarded as an inflexible ideologue, indicated he could be pragmatic when it came to fighting a poll. He said: "The BJP rests on an ideology that inspires and motivates our workers. But we also need different strategies, one for winning an election and the other for governance."

However, a West Bengal BJP

watcher emphasised that in advocating Hindutva and nationalism, the party's approach would have to be nuanced. "The Shaheen Bagh model of bullets and biryani won't work. The RSS looked at a template that would play to Bengali pride and harp on the state's development. Mamata's slogan to defeat the Left Front was Bengal awake and arise. She promised to check the flight of capital from Bengal to far-flung states and usher in a renaissance. The RSS wants the BJP to pitch this

line because it feels Mamata hasn't delivered on her promises."

But another school of thought roots for the eye-for-an-eye attitude. West Bengal is politically violent, the Trinamool Congress' goons have attacked and killed the BJP cadre. So many in the local BJP unit believe Gandhigiri is not the answer. The language and reprisals will have to be equally aggressive, they said.

The problem is the BJP's "*bhadralok* (the urban elite)", small as the following is but nonetheless persuasive, squirmed at the brutish brand of politics. In the 2019 elections, the BJP won its 18 (of 42) parliamentary seats in the rural and quasi rural belt, but could not penetrate the city swath. A state leader said: "We have not been able to communicate with the thinking Bengali Hindu. The BJP has the image of a Hindi bhashi (speaking) party. Some leaders speak Bangla with a Hindi accent as though they are *probashi* (expats). Bengalis are sensitive about these things."

Chandra Kumar Bose, the great-nephew of Subhas Chandra Bose, said: "The BJP should talk of governance and corruption instead of the Ram temple and the abrogation of Article 370." Bose, who in 2019 lost the South Calcutta seat to the Trinamool Congress by a big margin, pushed for a CAA "without the religious tag". "If you're following Mahatma Gandhi, remember he said all persecuted persons from the neighbouring country (then East and West Pakistan) should be considered for citizenship."

As for projecting a CM candidate, opinions were just as partite. "When you're taking on a powerful person like Mamata, it will help to have a prominent face like Uma Bharti, who was pitted against Digvijaya Singh (in Madhya Pradesh in 2003), or Vasundhara Raje, who took on Ashok Gehlot (in Rajasthan). It's a question of who's the best," he said.

Ghosh rejected the idea, saying: "It's a national policy that wherever we are fighting to win, there will be no CM nominee."

## NEWSMAKER/BABUL MARANDI



# Homecoming, after 14 years

SHIKHA SHALINI

Former Jharkhand chief minister Babul Marandi's political career, so to speak, started in the 1970s, when tribal leader and Jharkhand Mukti Morcha (JMM) chief Shibhu Soren's movement against landlords and moneylenders was in full swing.

Marandi, who recently returned to the BJP after a separation of 14 years, was inspired by Soren's speeches. He had reasons to be because he, like Soren, belonged to a poor Santhal family and was trapped in debt.

Once Soren told him that whenever moneylenders intimidated his (Marandi's) family, he should run after them with a hatchet. Such advice blends into the modes of feeling and operation in tribal areas, and it worked well with Marandi.

But their relationship navigated twists and turns when Marandi associated himself with the Rashtriya Swayamsevak Sangh (RSS), which had no toehold among tribals at that time. The Bharatiya Janata Party (BJP) gave him the ticket to contest election against Soren thrice till 1998. In 1991 and 1996 he lost, on the second occasion by just 5,000-odd votes. But the party recognised his abilities and made him president of the BJP's Jharkhand unit. The BJP won 12 of the 14 Lok Sabha seats in the Jharkhand region in the 1998 election (Jharkhand hadn't become a state then) under his leadership and this time he defeated Soren. Marandi joined the Union government and in 2000 became the first chief minister of Jharkhand.

Marandi has a strong influence among tribal communities in Jharkhand, especially in the Santal Pargana area. RSS Ideologue Govindacharya says because of his simplicity and the ability to reach out to them, Marandi was the most suitable candidate for the office of organising secretary when the "Vananchal Movement" was going on and he served as organising secretary of the Jharkhand region of the Vishva Hindu Parishad. He joined the BJP later.

He was not happy in the BJP in one sense. He even regretted that when he moved to

Jharkhand as chief minister after relinquishing his position in the Union ministry he had to give up his bungalow in New Delhi. But another BJP chief minister on a similar trajectory was allowed to retain his.

However, he had a happy stint as chief minister because there was nobody he could be compared with as he had no predecessor. The most visible improvement under him was that of the road network in the new state. He also initiated the idea of developing Greater Ranchi and, though it had failed, senior BJP leader L K Advani inaugurated the project online.

The proposal of an All India Institute of Medical Sciences also came a cropper and he only improved the infrastructure of the Rajendra Institute of Medical Sciences (RIMS).

However, Marandi had to resign in 2003 due to an internal conflict in the BJP, with pressure from coalition allies, primarily the

Janata Dal (United). He made way for Arjun Munda, who was close to Rajnath Singh. Political observers say had he been astute, he could have saved his position. His bureaucrats misguided him.

Marandi's party, Jharkhand Vikas Morcha (Prajatantrik), merged itself with the BJP recently in the presence of Union Home Minister Amit Shah. On this occasion he acknowledged his debt to the BJP. Shah had been working on his return to the party since 2014, when he (Shah) became BJP president. It was in 2014 that Marandi lost the Lok Sabha and Assembly elections. The BJP offered him a Rajya Sabha seat but he refused.

The BJP felt the need for a strong tribal face in Jharkhand after the defeat in the Assembly elections last year. Is Marandi strong enough? The vote percentage of his Jharkhand Vikas Morcha in reserved seats for the scheduled tribes was lower than in those unreserved. Political analysts of Jharkhand say Marandi has acceptability only among tribals but a comparatively young leader like Munda has a great reach among tribals as well as non-tribals.

It is to be seen whether he will be Leader of the Opposition or president of the BJP's Jharkhand unit.

**Marandi, the first CM of Jharkhand, has a strong influence among tribal communities, especially in the Santal Pargana area**

## STORY IN NUMBER

# THE FOLLOWING PROBLEM

It was over a decade ago, but Isha Arora clearly remembers the days she was first stalked. She was 13 then and a Class VII student. She was going to a foreign language class close to her home in Ghaziabad. A man stopped her and told her he had been following her for months and that he was "in love" with her.

"He told me that he knew where I stayed, the school I went to and when I left home for tuition," Arora said. "He even knew that I usually went out with my brother, but I was alone that day. I started shivering."

The man gave her his number and threatened to pester her over her home landline if she did not call. "I informed my father

and he told him he would complain to police if he didn't leave me alone." The man heeded the warning and stopped harassing Arora.

This kind of harassment is rampant across India, showed the government data. In 2018, 9,438 cases of stalking — one every 55 minutes, on average — were reported in India, according to the National Crime Records Bureau (NCRB) report released in January 2020. This is more than double the cases (4,699) reported in 2014.

In January 2020, a 19-year-old was killed by her stalker at her home in Karakonam in Kerala, 30 km from Thiruvananthapuram. The same day, a 17-year-old was

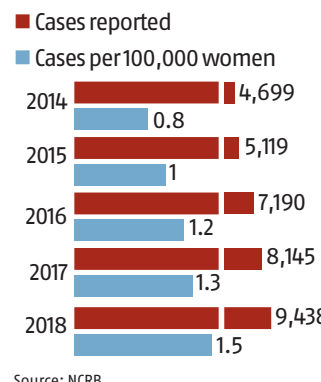


repeatedly stabbed on her way home from work in Kakkannad, in eastern Kochi by a man whose advances she had spurned, reported *The NewsMinute*.

In 2016, a 15-year-old was

allegedly raped and set on fire on the terrace of her house by a 20-year-old stalker in Gautam Buddha Nagar in Uttar Pradesh. The class X student had dropped out of school a year before the incident because she could not deal with the harassment.

## STALKING CASES DOUBLE IN FOUR YEARS



Source: NCRB

"There are certain perceptions about stalking cases — they are not taken seriously by society or police," said Ranjana Kumari, director at the Centre for Social Research.

DATA AND TEXT: INDIASPEND

# Congress in a spot as Scindia drifts away

SANDEEP KUMAR

The Congress leadership is trying hard to downplay the power struggle between Madhya Pradesh Chief Minister Kamal Nath and former MP Jyotiraditya Scindia, but the rift is there for anyone to see. Scindia is not only upset with the chief minister but also the party brass, which had sided with Nath, who also heads the Congress' state unit, in the race to the top post.

In the run-up to the 2018 Assembly polls, Scindia was named the head of the MP Congress campaign committee. He faced intense attack from the Bharatiya Janata Party (BJP). Undeterred, Scindia campaigned aggressively and played a key role in the Congress' return to power in the state after 15 years.

After the win, a tussle for the chief minister's post broke out between Nath and Scindia, but the former prevailed. Dejected, Scindia was hoping that the

party brass would at least anoint him or his nominee Madhya Pradesh Congress chief, but the top leadership kept delaying the decision. Following this, Scindia started targeting Nath's government over one issue or another.

First, he demanded strict action against illegal sand mining, then he removed the Congress' reference from his Twitter bio, and recently he said if the party reneged on its manifesto, he would take to the streets, to which Nath replied: "Let him do that." Scindia had also endorsed the Centre's decision to abrogate Sections of Article 370, against the party's stand on the matter.

The state Congress unit, too, appears to be divided on the rift between the two heavyweights — some call it "pressure politics", while others feel Scindia is being

sidelined. State's Minister for General Administration Govind Singh said taking to the streets was the job of the

Opposition, and if Scindia had any complaint, he should discuss it with the party and the government.

On the other hand, Minister for Women and Child Development Imarti Devi said if Scindia took the path of demonstration, state Congress workers would follow him. Six ministers in Nath's Cabinet belong to the Scindia camp. They are Imarti Devi, Govind Singh Rajput, Pradumnya Singh Tomar, Tulsiram Silawat, Prabhuram Choudhary, and Mahendra Singh Sisodia. Also, at least 22 MLAs from Gwalior, Chambal, and Malwa are with Scindia.

Not long ago, Scindia loyalist and first-time Congress MLA Suresh Rathkheda said: "Let's make it crystal clear that *Maharaj* (Scindia) is not leaving the Congress. But the day *Maharaj* wants, he can form a new party and tell how powerful he is in the entire state. The day *Shrimant* (Scindia) launches a new party, I'll be the first to join him."

Scindia is also miffed at the news of the party planning to send its General Secretary Priyanka Gandhi Vadra to the Upper House from Madhya Pradesh. In April, three seats from the state are falling



Jyotiraditya Scindia is not only upset with Kamal Nath but also the party brass, which had sided with Nath in the race to the chief minister's post

vacant, and two of them will go to the Congress. Former CM Digvijaya Singh is set to be re-elected and Scindia was eyeing the second seat for himself.

## Power equations

A close aide of Scindia said: "As many as 25-30 MLAs are directly in touch with *Maharaj* (Scindia). He is under a lot of pressure, especially from his supporters."

Sources said Scindia was waiting for the party's decision on the MPCC president and the selection of candidates for the Rajya Sabha elections before taking a call. Scindia joining the BJP remains only a vague possibility. He may float a party.

The BJP, after losing many of its strongholds in the recent past, is keen on putting together its government in Madhya Pradesh. BJP MP Ganesh Singh

not long ago said: "Scindia was neither appointed president of the Madhya Pradesh Congress nor chief minister. All is not well in the Congress."

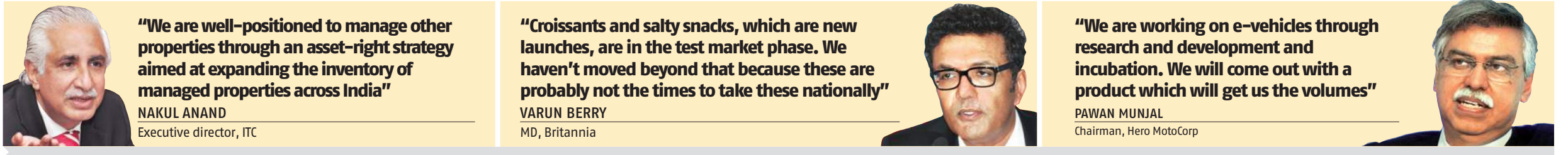
Political analyst Arvind Tiwari said: "Bitterness between Scindia and Nath is no secret. Scindia never hid his ambition of becoming chief minister. He also made it clear to the party leadership. But the party used him in the run-up to the Assembly polls, only to discard him after the victory. Scindia is considered to be close to Rahul Gandhi, but he lost his grip after losing the Lok Sabha election."

On the other hand, Congress spokesperson Syed Jafar said: "The BJP is trying to destabilise our government in the state and spreading rumours. Scindia has repeatedly said he can't even dream of leaving the party. I think this is enough to put an end to these rumours."

The party is currently in damage-control mode. State Public Relations Minister P C Sharma said that "all is well in the Madhya Pradesh Congress". After challenging Scindia to do whatever he desired, Nath sarcastically said: "How could I be angry with Scindia, if I couldn't be angry with Shivraj Singh Chouhan!"

Sources close to Scindia said he was in no mood to take a step back. "If things don't go right for him, he may surprise everyone, including his party," a source said.





**"We are well-positioned to manage other properties through an asset-right strategy aimed at expanding the inventory of managed properties across India"**

NAKUL ANAND  
Executive director, ITC

**"Croissants and salty snacks, which are new launches, are in the test market phase. We haven't moved beyond that because these are probably not the times to take these nationally"**

VARUN BERRY  
MD, Britannia

**"We are working on e-vehicles through research and development and incubation. We will come out with a product which will get us the volumes"**

PAWAN MUNJAL  
Chairman, Hero MotoCorp

# New players on the furniture trail

Flipkart, Pantaloons and Pidilite are emerging names in furniture retail, keen on making headway in a fragmented market

VIVEAT SUSAN PINTO

A new bunch of firms are getting into the organised furniture retail market in India at a time when older players are either reorganising operations or simply scaling down their presence. The Kishore-Biyani-led Future group, for instance, has opted to keep its focus on categories such as food, apparels and fast moving consumer goods, hiving off its home furnishings business into a separate company. Department store chains Shoppers Stop and Lifestyle, on the other hand, are revamping their home furnishing chains Home Stop and Home Centre respectively in a bid to improve sales. Reliance Retail, the country's largest organised retailer, hasn't tapped the full potential of the furniture market yet, despite a presence across formats such as grocery, fashion, lifestyle and electronics with over 11,000 stores in 6,700 cities. The sense of cautiousness notwithstanding, there are still new names that are emerging within the organised furniture retail market in India. These players are keen to make headway in a fragmented space, tap the growing base of millennials and avoid pitfalls of some of the early entrants in the category. E-tailer Flipkart, now owned by Walmart, the world's largest retail-

er, has just launched a new private label Perfect Homes Studio, the move coming as Flipkart increases its array of furniture products, improves home delivery and free installation services across pin codes and drives affordable payment options to consumers. Pantaloons, the apparel retail chain from Aditya Birla Fashion and Retail, plans to enter the home furnishings segment in the coming months, the company said in an investor call last week, in an effort at diversifying its product portfolio. Pidilite, maker of popular adhesive brands Fevicol and Fevikwik, has recently invested in online furniture retailer Pepperfry, aimed at backing firms that complement its product portfolio. This was the second investment by Pidilite after it picked up a 5 per cent stake in online home décor company Homelane in December. Bharat Puri, managing director, Pidilite Industries, said the strategy was to put its might behind categories of the future and identify segments where growth potential existed. According to industry estimates, India's furniture market is pegged at around \$17 billion (Rs 1.1 trillion). Of this, the organised market is around 3-5 per cent only, while the balance 95-97 per cent constitutes the unorganised market, which includes standalone stores and



## THE MARKET

Current size	In five years	Break-up	In five years
\$16 billion (or ₹1.1 trillion)	\$25 billion (or ₹1.7 trillion)	Organised 3-5% Unorganised 95-97%	Organised 8-10% Unorganised 90-92%

Source: Industry

neighbourhood carpenters. The impediments to growth for organised players included managing the supply chain of products and the tendency of furniture items, especially, large pieces to move slowly off the shelf. While Swedish furniture retailer Ikea, the largest in the world, has big plans for the India market including

setting up large and small-format stores in major cities (it has one big store in Hyderabad) and getting into the online space like it has in Mumbai and Pune, experts say that the market will take time to evolve. "The next phase of growth in furniture retail will come from having hybrid models, where you have a presence online as well as offline and

cater to a largely millennial and urban audience," says Anil Talreja, partner, Deloitte India. The new set of retailers appear to be taking cues from these emerging trends. Adarsh Menon, senior vice-president, private brands, electronics and furniture, Flipkart, says that the e-tailer is targeting a new segment of consumers with its latest initiative. "The new range under Perfect Homes Studio targets those consumers who aspire to own the latest décor and aesthetics, but may have budgetary concerns," he says. Experts say that affordability and easy-to-install-and-use products will be at the heart of the strategy for new home furniture retailers in the

future. Growing urbanisation and people continuing to move from place to place in search of work and better quality of life will fuel this trend. Carrying heavy furniture around, says Talreja, becomes difficult, giving organised players a chance to address this audience with durable products that are both conveniently available as well as easy on the pocket. Lifestyle, which is looking to give its furniture business a new lease of life, is introducing a new segment that will cater to mainly small furniture items that are easy to pick up from the store and are affordable at the same time. The retailer hopes to improve inventory turns as a result of this and boost sales. Pantaloons also proposes to keep price points competitive and designs classy as it eyes a foray into home furnishings. Pepperfry is pushing an omnichannel strategy, pushing its presence both online and offline. Experts say that an online presence will play a bigger role for the new crop of retailers, much more than it did with early entrants. "More than ever before, the rise of e-shopping is a key reason for the furniture market to propel in the last few years," says Anuj Kejriwal, managing director and chief executive officer, Anarock Retail. Biyani, for instance, has switched his attention online as far as his home furnishings business goes, taking his offline brand Home Town into the digital world and also tying up with Amazon to push its products on its platform. Godrej Interio, part of Godrej & Boyce, recently launched its e-store even as it pushes its presence offline with exclusive stores and over 800 dealer outlets. Industry officials say that more retailers could step into the category in the future as e-commerce grows.

# Technology flavours the click and bait game at Zomato, Swiggy

From delivery-only restaurants to mapping every minute of the delivery process, brands lean in on tech and not just discounts, to woo users

NEHA ALAWADHI

Among the many changes in customer behaviour brought upon by internet-led businesses, few have been as radical and rapid as in the country's collective food habits. Food delivery apps have transformed the way many households cook and eat, offering convenience, variety and affordability to drive a change in behaviour. And now, the two brands that have marked the territory out between themselves, Zomato and Swiggy, are building a box of tools to deepen the engagement and keep customers hooked and loyal to their fare. The \$4-billion online food delivery space in the country is a two-horse race today with Zomato and Swiggy both going after the same customer base with similar offerings and promises. And both have over the past few months drilled down on technology as the key driver of a

differentiated experience for customers, hoping thereby to keep the flock loyal and more frequent in their usage. Consider for instance, a new Swiggy initiative called BrandWorks, where it has partnered with some of its existing restaurants to create delivery-only brands with a separate identity from the parent eatery. A different menu, images, packaging and pricing from the restaurant's usual fare helps create a completely different experience when ordering via the app. The new features have emerged out of tech-led initiatives that were set in motion over the past few years the company said. According to a recent report by Google and Boston Consulting Group, the reach of food tech aggregators has grown six times from 2017 to 2019, and food tech is one of the fastest growing e-commerce segments or internet-led businesses, both in terms of reach and engagement. Food delivery apps account



## KEY GROWTH DRIVERS SHAPING THE FOOD TECH SPACE

- Increase in internet and online buyer base
- Higher order frequency though offset by lower average order value
- Expanding reach within India, large food tech players are now present in 500+ cities in India and aggressively expanding operations in all present cities

Source: Demystifying the online food consumer, BCG, Google India

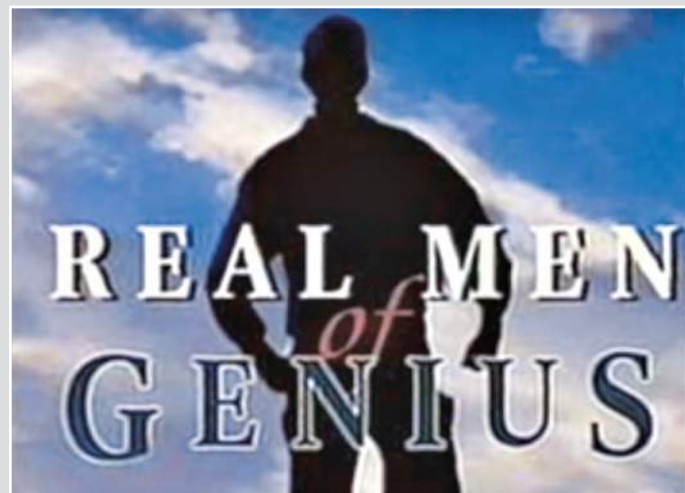
for close to 83 per cent of the total funding in the food tech space. The report also found that the food tech business has the most mature set of consumers in the digital

universe. We see that consumers are deeply engaged and have high expectations from food tech players. There is an opportunity to bolster the growth factor with five key value

propositions, deep personalisation, focused marketing, increased quality assurance, constant value for money and advanced convenience features, the report noted. Both Swiggy and Zomato have been operating by the same playbook. The focus on tech is so high that Swiggy even maintains an "official tech blog" and Zomato's official blog has a separate "technology" tab. The two also offer detailed explanations over the use of tech in crafting a smooth and engaging experience for their users. "For Zomato, from the moment a customer opens the app and until their food arrives at their doorstep, it is important for us to provide accurate information on when their food will be delivered. Giving a higher than actual time estimate can deter customers from ordering as does estimating lower than actual delivery time, which can then increase inflow to our customer support," the company said in a blog post (February 4). Based on everyday insights and experiences the apps are building their tech capabilities with an eye on creating loyal user bases. At the end of the day, the in a market where the winner takes all, the one who is able to handle human-level desires and complaints better with the technology whirring silently at the back-end will be the warhorse that goes the distance.

## MY FAVOURITE CAMPAIGN

### Making heroes of everyday people



**MY TAKE**  
It sold the idea without hard sell

BRAND: Bud Light  
YEAR OF LAUNCH: 1998  
AGENCY: DDB Chicago

ANCHITA GHOSH

**Which is your favourite campaign and why?**  
My most favourite ad campaign is the "Real men of genius" by Bud Light beer. That was a legendary, long-running campaign. They might have made some 20 films and 30 radio spots. And they have all won international awards. The campaign is in a template, in a world of humour, gratifying the ordinary man, the aam aadmi, with a little tongue-in-cheek sarcasm and pinch of salt. It's basically a satire — showing real men like a really bad dancer, the guy who invented the foot-long (sandwich) and so on.

**On what parameters did you base your decision?**  
First of all, the whole idea is very honest. I think people expect good-looking men on air, but when you take real-looking men with paunches, the brand doesn't intimidate or repel. You naturally welcome in your heart and mind someone who is a simpleton and real... just like you. The campaign was the definition of long-running and set in template ad. You can do a million "Real men of genius". The brand needs to speak the same line for the longest time possible. That apart, the humour also came into play beautifully.

**What do you think was the key idea the campaign was trying to drive home?**  
That let's just do ads for real guys (common men). I also presume a "sale" was on the mind as women would have been among its smaller pool of consumers.  
**Did anyone ever say the ad promoted gender-biased stereotypes?**  
See the ads were targeting men. There's more consciousness about this issue today. You can say in those days there was a certain lack of sensitivity. Those days were simplistic and one-dimensional. Today, we will be conscious. Also, when a brand goes light, say, like when Coke goes diet, it doesn't want to be carved into a soft niche or deemed feminine. There's a perception that lights are only for females. I assume they (ad makers) took a conscious decision to go male to not let Bud Light go soft.  
**What are your takeaways from the campaign?**  
The power of a story. The heart and the thumb are connected. The idea and the story are the heroes. If we like them, we tend to click and see the ad. Indian



KEEGAN PINTO  
National Creative Director, FCB Ulka

advertising has a few things to learn. We are enamoured of celebrities who are not part of our lives. So Bud Light showed real (common) men. Also, here in India, we overdo the product and forget the brand. Clients forget one very big thing — that brands sell, products don't. They ("Real men..." markers) haven't spoken about the light ingredients that just made the brand cool, assuming you know what it is.  
**Would you have changed anything in the campaign?**  
I would have launched a beer brand with a baseline of equality. Imagine a beer brand that has women in it... being themselves, who don't need to be like men. You can be in a bar with a pint of beer and look pretty, that's like breakthrough. I personally like to make something that shakes up, that is scandalous. I would deliberately do a beer ad on women and ask can you (men) match up to them.  
**Do you remember any names who worked on the campaign?**  
Yes. The ad jingle was sung by the "Eye of the tiger" singer Dave Bickler of the American rock band Survivor.

## QUIZ

653

- 1 Connect Vermont Avenue, Kentucky Avenue, Reading Railroad, Boardwalk and a controversial product marketing strategy that was scammed and is now a popular docuseries and what do you arrive at?
- 2 What are SWAS, STAR and SAFAL called together? Also name the industry they had an impact on when these were released a couple of years ago.
- 3 Which Indian business group has ready to eat foods sold as "Quick Cuisine" that can be heated to eat in 60 secs?
- 4 When translated in English it means "Left over treasure", it was once the world's largest. What is it and who owns it?
- 5 Connect the ancient history of the invention of automatic doors and coin operated slot machines and what do you arrive at?
- 6 Connect Amazon's phone and tablet devices branded as Fire and Captains of Ships & Aircrafts and what do you arrive at?
- 7 Which Industry in India follows this local time which is one hour ahead of the IST and what is it called?
- 8 Akshay Kumar is now the brand ambassador of this brand that saw the likes of Juhi Chawla, Boman Irani also play a similar role. Name it.
- 9 Name the brand whose global brand ambassador is the Mixed Martial Arts (MMA) superstar Conor McGregor.
- 10 From the images of two royals below establish the name of a listed company anda brand named after one of them.



COMPILLED BY GAURAV SRI KRISHNA, www.facebook.com/gaurav.s.krishna

## ANSWERS TO THE STRATEGIST QUIZ 652

1. Perfetti Van Melle's Chupa Chups brand has rolled out 'Do You Love Me?' campaign for its limited edition specially-stamped lollipops range
2. WorldCom founded by Bernie Ebbers was not just the biggest accounting scandal in the history of the US, but it was also one of the biggest bankruptcies of all time. In 2002 the Sarbanes-Oxley Act was introduced to curb malpractices in corporations
3. Riksbank of Sweden
4. Westerdam is suspected to have people suffering from coronavirus
5. To describe a recent hire who looked good on paper but has proved to be somewhat lacking once on the job. It stands for previously undetected recruiting error
6. Pepsi. Its 1.53 carat diamond was made in a lab by boiling down crystal Pepsi to its most basic carbon form
7. Laudanum
8. LIC
9. Turkish Airlines. It flies to the most number of countries (121)
10. ITC's Fabelle Exquisite Chocolates introduced Trinity - Truffles Extraordinaire in Oct 2019, which entered into Guinness World Records to become the world's most expensive chocolate at Rs 4.3 lakh per kg

One lucky winner will receive a cheque for ₹2,000. Send your entries to strategist@bsmail.in. All entries must carry the postal address of the contestant. Last date for receiving entries is February 25 till 8 pm. Previous winners and employees of Business Standard and their families are not eligible to participate. The winner is chosen on the basis of the first correct entry received.

There were four correct entries to Quiz number 652. The winner is Mohit Jagetiya from New Delhi



# Berkshire embraces idea of life after Buffett

‘Shareholders will be hearing more from top lieutenants Ajit Jain and Greg Abel’

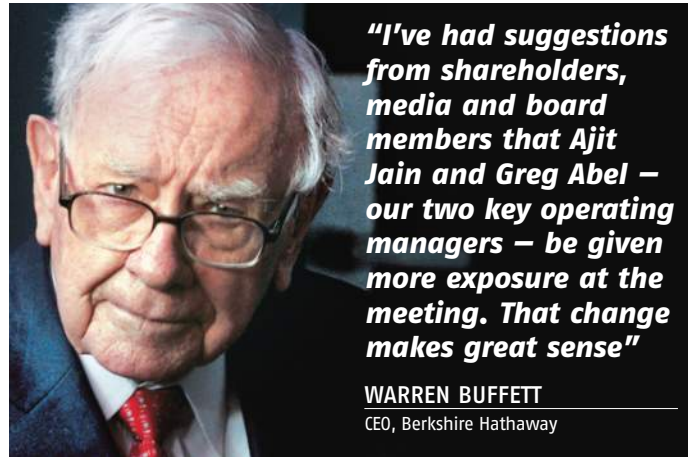
BLOOMBERG  
New York, 23 February

Warren Buffett waited until the very last page of his annual shareholder letter to reveal a big change: Shareholders will be hearing more from top lieutenants Ajit Jain and Greg Abel.

The pair, seen as the top contenders to eventually replace Berkshire Hathaway's 89-year-old chief executive officer, have often remained behind the scenes, tending to Buffett's collection of insurers and its array of businesses that span from energy companies to the Dairy Queen fast-food chain. But a quirk of last year's annual Berkshire meeting, during which Jain and Abel both answered some shareholder questions, will become more formalised at the 2020 event.

“I’ve had suggestions from shareholders, media and board members that Ajit Jain and Greg Abel — our two key operating managers — be given more exposure at the meeting. That change makes great sense,” Buffett said in the letter late on Saturday, adding that investors can direct questions to the pair. “They are outstanding individuals, both as managers and as human beings, and you should hear more from them.”

The billionaire investor’s annual letter — scoured by investors for clues on succession and Buffett’s outlook for the \$560 billion conglomerate — gave no further clues on his eventual replacement, and no indication he’d step away soon after more than five decades at the helm. But the next CEO will need to figure out how to deploy the cash Berkshire rakes in



**“I’ve had suggestions from shareholders, media and board members that Ajit Jain and Greg Abel — our two key operating managers — be given more exposure at the meeting. That change makes great sense”**

**WARREN BUFFETT**  
CEO, Berkshire Hathaway

every quarter, a responsibility Buffett finds increasingly challenging because of Berkshire’s “huge and ever-growing sums of money.”

Last year, Buffett failed to find a major deal to deploy all that cash — a \$128 billion pile by the end of 2019 — and help supercharge Berkshire’s growth.

panies that meet our standards.”

Both Jain and Abel have proven themselves as dealmakers before. Buffett praised Jain in this year’s letter for striking the 2012 deal for Guard Insurance Group, run by Sy Foguel, with the company’s premium volume having climbed 379 per cent since the purchase. Abel, meanwhile, built the empire that now has footholds in states including Nevada, Oregon and California, and operations in the UK.

Giving the pair more speaking time is “very revealing and important,” James Armstrong, who manages about \$825 million, including Berkshire shares, as president of Henry H. Armstrong Associates. “Greg and Ajit are now formally running these giant groups, which are the heart of the company, and I think it’s important that the stockholder base as well as the general public and the media become familiar with them.”

Buffett is struggling to maintain the stock performance that’s made him famous. Last year, Berkshire shares notched their worst under-performance versus the S&P 500 in a decade, and the stock is lagging behind the index this year too. That’s partly due to a dearth of major deals, leaving his cash hoard at close to a record level.

Berkshire took a more cautious approach to the broader stock market in the fourth quarter, being a net seller of equities such as Wells Fargo & Co and Goldman Sachs Group Still, the company ramped up its appetite for its own stock, spending a record \$2.2 billion buying back Berkshire shares. Buffett even asked investors to contact Berkshire if they want to sell their stock.

The letter was also notable for what it lacked: He steered clear of political commentary, a marked shift from his letter that came out in 2016, another election year, when he chided politicians for their gloomy outlook on the US.

“Tonally, this letter felt more business-like,” Jim Shanahan, an analyst at Edward Jones, said in an interview. “There just wasn’t quite as much of the folksy wisdom and the humor that we’ve come to expect.”

One order of business Buffett discussed was how his enormous Berkshire stake will be apportioned after he’s gone. He estimates it’ll take between 12 to 15 years for his Berkshire shares to move into the market after his death, but wanted to reassure investors about the future of the company once it’s no longer run by the billionaire investor and business partner Charlie Munger, who turned 96 this year. His confidence, he said, stems from Berkshire’s top managers, the directors who will serve as “guardians” of the culture and the structure of his sprawling conglomerate.

“Berkshire shareholders need not worry: Your company is 100 per cent prepared for our departure,” Buffett said.

## US to deny Green Cards to immigrants for availing public benefits

PRESS TRUST OF INDIA  
Washington, 23 February

The United States on Monday will begin enforcing a regulation that could deny green cards or legal permanent residency to legal immigrants who seek public benefits like food stamps.

The move might affect a number of Indians who are on H-1B visas and are in long queues to get permanent legal residency. The decision follows the Supreme Court’s ruling on Friday which lifted the final remaining injunction on the ‘public charge’ regulation.

“As a result, the Department of Homeland Security will be able to implement its regulation on Monday,” said White House Press Secretary Stephanie Grisham.

“This final rule will protect hardworking American taxpayers, safeguard welfare programs for truly needy Americans, reduce the Federal deficit, and re-establish the fundamental legal principle that newcomers to our society should be financially self-reliant and not dependent on the largesse of United States taxpayers,” Grisham said. The final rule published on August 14, 2019 was originally scheduled to come into effect on October 15, 2019, but could not be implemented due to various court rulings. The ruling prescribes how the Department of Homeland Security will determine whether an alien is inadmissible, and ineligible to adjust status to that of a lawful permanent resident in the United States because the alien is likely at any time in the future to become a public charge.

According to US Citizenship and Immigration Services, the new rule includes a requirement that individuals seeking an extension, stay or change of status demonstrate that they have not received public benefits over the allowed amount since obtaining the non-immigrant status that they are seeking to extend or change.

According to a 2018 Migration Policy Institute Report, 61 per cent of non-citizen Bangladeshi families, 48 per



According to a 2018 Migration Policy Institute Report, 61 per cent of non-citizen Bangladeshi families, 48 per cent of non-citizen Pakistani and 11 per cent of non-citizen Indian families receive public benefits that would be scrutinised under the rule

cent of non-citizen Pakistani and 11 per cent of non-citizen Indian families receive public benefits that would be scrutinised under the rule.

As per SAALT (Strengthening South Asian Communities in America) organisation, the impact of the rule would be felt across the South Asian American community, as over 10 per cent of green card recipients in financial year 2016 were from South Asian countries.

Nearly 472,000 or 1 per cent of the approximately 5 million South Asians in the United States live in poverty, according to a Pew Research Center study. In 2015, eight of 19 Asian American groups had poverty rates higher than the US average. Among those, Pakistani Americans (15.8 per cent), Nepali Americans (23.9 per cent), Bangladeshi Americans (24.2 per cent), and Bhutanese Americans (33.3 per cent) had the highest poverty rates among South Asian American groups, the SAALT said.

The White House had said last year that this action will help ensure that if aliens want to enter or remain in the United States they must support themselves, and not rely on public benefits. An alien who receives public benefits above a certain

threshold is known as a “public charge.” Foreign nationals will be barred from entering the United States if they are found likely to become public charges.

Those migrants in the United States who are found likely to become public charges will also be barred from adjusting their immigration status, the White House said.

“President Trump is enforcing this longstanding law to prevent aliens from depending on public benefit programs,” the White House said, adding that the Immigration and Nationality Act makes clear that those seeking to come to the United States cannot be a public charge. For many years, this clear legal requirement went largely unenforced, imposing vast burdens on American taxpayers. The new rule would “have the long-term benefit of protecting taxpayers by ensuring people who are immigrating to this country don’t become public burdens, that they can stand on their own two feet, as immigrants in years past have done,” Ken Cuccinelli, Acting Director of US Citizenship and Immigration Services, had then told Fox News.

In a fact sheet last year, the White House said the Congress passed and President Bill Clinton signed two bipartisan

bills in 1996 to help stop aliens from exploiting public benefits. This included the Personal Responsibility and Work Opportunity Reconciliation Act and the Illegal Immigration Reform and Immigrant Responsibility Act.

As Congress made clear at the time, it is our national policy that aliens should “not depend on public resources to meet their needs.” Americans widely agree that individuals coming to our country should be self-sufficient, with 73 per cent in favour of requiring immigrants to be able to support themselves financially, it said. “We must ensure that non-citizens do not abuse our public benefit programs and jeopardise the social safety net needed by vulnerable Americans,” the White House said. Large numbers of non-citizens and their families have taken advantage of its generous public benefits, limited resources that could otherwise go to vulnerable Americans, it said.

As many as 78 per cent of households headed by a non-citizen with no more than a high school education use at least one welfare program.

Fifty eight per cent of all households headed by a non-citizen use at least one welfare program.

## Nine dead in Turkey as quake hits rural Iran border region

REUTERS  
Istanbul, 23 February

Nine people were killed and buildings collapsed across southeastern Turkey on Sunday when a magnitude 5.7 earthquake struck near the border with Iran, injuring more than a hundred in villages and towns in both countries, government officials said.

In Turkey, three of the dead were children, and 50 people were injured, including nine critically, the health ministry said.

The shallow tremor caused more than 1,000 buildings to collapse in Turkey, prompting a brief rescue effort to find those trapped under rubble.

The quake damaged buildings some 90 km (56 miles) to the west in the Turkish city of Van, and to the east in dozens of villages in Iran, where state

TV said 75 people were injured including six in hospital.

There were several aftershocks including a larger tremor measuring 6.0 magnitude that struck nearby 10 hours later. There were no immediate reports of damage or casualties from that quake, which was also fairly shallow and potentially dangerous.

Crisscrossed by major fault lines, Iran and Turkey are among the most earthquake-prone countries in the world.

After the initial tremor, Turkish TV footage showed people digging with shovels and their hands in the rubble, as well as furniture and belongings strewn on cracked and snowy roads.

In one village the ground cratered under several buildings, while in others residents were wrapped in blankets outside homes with crumbled and cracked exterior walls, fallen

metal roofs and twisted wiring.

“The damage caused loss of life,” the governor of Van, Mehmet Bilmez, told reporters standing in front of a pile of cinder blocks and sheet metal. “There is destruction in all four villages” he visited on Sunday morning, he added.

The European Mediterranean Seismological Centre (EMSC) said the quake, which hit at 8:53 a.m. (05:53 GMT), had a depth of 5 km (3.1 miles). The second big quake struck at 7:00 p.m.

Broadcasters and government officials said dozens of villages were rattled in Turkey. Nearly 150 tents were sent to shelter families in the region, where several schools in the districts of Baskale, Saray and Gurgupin sustained minor damage.

Turkey’s Disaster and Emergency Management Authority (AFAD) has begun

rescue work in villages including in Ozpinar, about 25 km south of the epicentre, said Interior Minister Suleyman Soylu. AFAD measured the initial tremor at 5.9 magnitude.

The U.S. Geological Survey put the epicentre 47 km west of the Iranian city of Khoy, where people felt the effects, according to state TV.

An earthquake last month in eastern Turkey killed more than 40 people while another in Iran did structural damage to homes without causing any fatalities.

An Iranian official told state TV that rescue teams had been dispatched to the area in Iran’s West Azarbaijan province.

Another local official said the earthquake was felt in several towns including Urmiyah and Salmas, and many villages including some that suffered “100 per cent damage”, state TV reported.

## Merkel’s party drops to record low in Hamburg voting, Greens make gains

Chancellor Angela Merkel’s party plunged to a record low in a state election in Hamburg as voters gave their first verdict on political turmoil in Germany that has upended her succession plans. Merkel’s Christian Democratic Union took 11.5 per cent of the vote on Sunday, a drop of about 4 percentage points, according to projections for ARD public television. The city-state’s governing Social Democrats were also diminished, winning the election with a projected 37.5 per cent, compared with 45.6 per cent five years ago.

The big winner was the Green party, which more than doubled its support to a projected 25.5 per cent, a surge that parallels its rise in national polls. The far-right Alternative for Germany party was at risk of dropping out of the Hamburg legislature with a slight drop in support. Merkel’s party has been hobbled after her heir-apparent, CDU national leader Annegret Kramp-Karrenbauer, announced her resignation on February 10. That followed a crisis in Germany’s political establishment after CDU lawmakers in the eastern state of Thuringia cast their lot with the AfD to install a regional premier, who quit within days amid an outcry.

## G-20 finance chiefs see downside risks to global economy

BLOOMBERG  
23 February

Finance chiefs and central bankers from the world’s 20 largest economies say they see downside risks to global economic growth persisting and have agreed on a “menu of policy options” amid a viral outbreak that’s disrupted supply chains worldwide.

Delegates at the G-20 meeting in Riyadh, Saudi Arabia, spent much of their time talking about a response to the coronavirus outbreak that originated in China and has so far killed more than 2,300 people and infected about 80,000. Countries such as Japan, and institutions including the OECD, have been pushing for nations with surpluses to spend more to help avert a deeper economic slump.

The countries “agreed to be ready to intervene with the necessary policies related to these risks,” Saudi Finance Minister Mohammad Al Jadaan said Sunday in remarks concluding the meetings at the Ritz Carlton Hotel in the Saudi capital.

“Global economic growth is continuing but remains slow and downside risk persists, including those arising from geopolitical, remaining trade tensions, as well as policy uncertainty.”

One of the main addressees of the calls for more spending is Germany. So far, the export-driven country has showed little interest in significantly boosting expenditures, arguing fiscal stimulus can’t bolster foreign demand.

The delegates managed to extract a key concession from the U.S. by including a focus on climate change in the final communique. Jadaan called it a “very important issue” on the Saudi agenda.

The concession came after several days of heated debate, including France finance chief Bruno Le Maire cornering Treasury Secretary Steven Mnuchin late Saturday as the G-20 economic leaders dined, according to two people familiar with the matter.

A Treasury spokeswoman didn’t reply to a request for comment.

## Time to revisit rate playbook in Israel with price declines near

BLOOMBERG  
23 February

An interest-rate cut may be back in play for the Bank of Israel as its policies appear increasingly in flux.

With the country’s first bout of falling consumer prices in almost three years on the horizon, the central bank might be forced to adjust a policy blend that’s failed to nudge Israel’s inflation higher over the past year. Goldman Sachs Group Inc. predicts Israel’s first rate cut since 2015 could come already on Monday.

To hold the line against an appreciating shekel, the central bank has preferred to intervene in the currency market over cutting borrowing costs. But despite its biggest spate of foreign-exchange purchases in a decade, the shekel’s rally has been such a drag on inflation that declines in consumer prices are possible from next month.

“Inflation in Israel is crashing and expected to fall during one of the coming months into negative territory,” said Amir Kahanovich, chief economist for Phoenix-Excellence investment house, in a note. “The Bank of Israel’s foreign-currency purchase tool is near exhaustion.”



While a rate cut could soon be on the table, most economists surveyed by Bloomberg still predict the Bank of Israel will hold its benchmark at 0.25 per cent on Monday. Policy makers may also have to pick from a menu of less orthodox options, from bond purchases to an unsterilized intervention, in which the central bank doesn’t insulate its domestic money supply from foreign-exchange trans-

actions.

Chances of a rate cut, particularly during the next quarter, have risen largely due to a decline in inflation, according to Modi Shafir, chief strategist for Mizrahi Tefahot’s finance division.

The deadly outbreak of the coronavirus, which has hammered the global economy for the past month, could also prompt new measures

from the Bank of Israel — particularly if major central banks ease policy.

New Balance

After voting narrowly in favor of a hold in October, the balance on the monetary committee has shifted in favor of buying foreign currency as a way to loosen policy.

The pendulum could swing again because this week, the monetary committee will be at its full complement of six members for the first time since 2018, after Governor Amir Yaron appointed a new deputy in Andrew Abir and made another internal promotion.

Previously in charge of foreign-currency purchases, Abir told the Globes financial newspaper this month that there’s been “no change” in the central bank’s approach and interventions remain its preferred tool.

January’s inflation rose less than forecast to an annual 0.3 per cent, well below the target range of 1 per cent to 3 per cent.

The central bank blames the appreciating shekel for capping prices. In early February, it strengthened through the key 3.4-per-dollar level for just the fourth time in the last decade.

Given the inflation slowdown and limited success of the intensifying currency campaign, Leader Capital Markets Ltd. economist Jonathan Katz sees potential for “lower rates and/or an announcement on unsterilized foreign-exchange purchases.”

Further complicating the outlook is an acceleration in economic growth last quarter, leaving the central bank in a tricky position of considering easier policy at a time when gross domestic product is expanding at the fastest rate in two years.

Another factor is housing, one of the few sectors in Israel where prices are on the upswing. An even looser approach from the central bank could further heat up a market already strained by a supply shortfall, rising demand tied to the uncertain future of a government housing lottery program and low mortgage rates.

The Bank of Israel “keeps interest rates very low, intervenes in the currency market and does all kinds of things to increase inflation,” said Alex Zabezshinsky, chief economist for Meitav Dash Investments Ltd. “The low interest rate influences the decreasing of mortgage rates and it pushes the housing market up, and it’s very unpopular.”

## Australia says climate change targets can’t risk economy, jobs

BLOOMBERG  
Melbourne, 23 February

Australia’s government will work to set new long-term plans on reducing greenhouse gas emissions ahead of a key global summit this year, though signaled it won’t pursue policies that pose risks to jobs or growth. Prime Minister Scott Morrison, who has faced pressure over his climate and energy strategy in the wake of Australia’s deadly wildfires, has criticized opponents for pledging to target net zero emissions by 2050 without detailing how they’ll safeguard economic expansion.

“If we make the wrong decisions, not only would we be harming the Australian economy, harming Australian workers, we would also be harming the global environment,” Finance Minister Mathias Cormann said in an interview on Sky News.

Australia’s plans will need

to account for the production of materials including liquefied natural gas, which is exported to markets like China or Japan and typically displaces more polluting energy sources, Cormann said. “We know that that helps reduce global emissions by more,” he said.

Following the fires, Morrison, who won a national election in May and won’t face a new poll until late 2022, has appeared to signal he’ll resist any quick shift to more extensive cuts to carbon emissions. His Liberal-National coalition government also remains cautious over the impact on a coal sector that employs about 50,000 workers, according to the Minerals Council of Australia, an industry group.

Morrison’s government will finalize long-term emissions reduction proposals ahead of the United Nations climate summit in Glasgow in November, Cormann said.

# 4 more Indians on ship test positive

▶ DEATH TOLL FROM THE DEADLY VIRUS CLIMBS TO OVER 2,400

▶ INDIA TO SCREEN PASSENGERS FROM FOUR MORE COUNTRIES

▶ INDUSTRY, TRADE DO NOT NEED TO PANIC: ASSOCHAM



PRESS TRUST OF INDIA 23 February

Four Indian crew members who underwent tests for coronavirus on board the Diamond Princess moored off the Japan coast, have tested positive, taking the number of Indians infected with the virus on the vessel to 12, the Indian embassy said on Sunday. "Unfortunately, the results received include four Indian crew members having tested positive," the Indian embassy tweeted. "All 12 Indians are responding well to treatment."

Passengers showing no signs of the deadly disease started debarking the ship after the quarantine period ended last week.

The death toll from China's coronavirus epidemic has shot to 2,442, while confirmed cases rose to 76,936, officials said on Sunday. Aviation regulator DGCA has ordered screening of passengers from four more countries — Nepal, Vietnam, Indonesia and Malaysia — as part of efforts to prevent spreading of coronavirus. Now, fliers from as many as 10 countries would be screened.

Maharashtra on Sunday said 81 out of 83 people admitted in isolation wards for suspected exposure to the novel coronavirus have tested negative. While 80 of them have been discharged, three others continue to be hospitalised.

The industry body Assocham said the industry and trade, including pharmaceuticals, are ready to manage the "evolving" coronavirus situation without causing any major impact on the supply

## 24x7 Customs clearance till May

To facilitate faster clearance of consignments to and from China, a 24x7 Customs clearance facility will be available at all sea ports and airports till May. The Central Board of Indirect Taxes and Customs (CBIC) has written to all Chief Commissioners (Customs and Central Tax) asking them to work out the arrangement and deploy sufficient number of officers on 24x7 basis at sea ports, air cargo stations, inland container depot, container freight station, etc, falling in their jurisdiction. PTI

chain and no major challenge is foreseen in the near term. Stating that there is no need for panic, Assocham Secretary General Deepak Sood said the government and industry have been reacting in a pro-active manner in close coordination with each other. Meanwhile, the IMF warned that the deadly coronavirus epidemic could put an already fragile global economy recovery at risk. Global growth was poised for a modest rebound to 3.3 per cent this year, up from 2.9 per cent last year, IMF chief Kristalina Georgieva said after a two-day meeting of G20 finance ministers and central bank governors in Riyadh. "The projected recovery... is fragile," she said. "The COVID-19 virus has disrupted economic activity in China and could put the recovery at risk."

# Freebies, discounts to woo tourists

ANEESH PHADNIS Mumbai, 23 February

Meal and shopping coupons, 10 kilogram (kg) of extra baggage allowance and alternative cruise trips in the Persian Gulf are among the incentives proposed by Thailand's tourism authority and cruise companies to arrest the fall in the number of visitors following the outbreak of coronavirus.

Indonesia is also planning to offer discounts to attract tourists, while Singapore has announced tax rebates to hotels and bridge loans for its travel firms to minimise the pain. Revival measures are being planned by Southeast Asian governments even as India advised its citizens on Saturday to avoid non-essential travel to Singapore.

Tourism in East and Southeast Asia has suffered a jolt following the spread of the virus. Thailand received over 10 million Chinese visitors in 2019, about a third of all its foreign tourists. Arrivals from China and Russia to Thailand have declined but traffic from the US and Europe remains steady.

Thailand is taking steps to generate confidence among tourists and make it attractive enough to visit with special offers. "We are working with hotels, departmental stores and airlines and plan to roll out deals and promotions from April. But our idea is not just to offer discounts. We are building confidence. We are open for tourists. It is business as usual," said Chattan Kunjara Na Ayudhya, deputy governor of the Tourism Authority of Thailand.

One offer being proposed is 'Give me Ten', which will give tourists 10 kg of additional baggage allowance free on their return flights from Thailand. The authority will subsidise the charges, and is working out a plan with carriers. "It is a win-win for all — tourists, stores and airlines," he said. The scheme will be launched from April.

A report in *The Jakarta Post* newspaper said Indonesia was proposing discounts in tour packages and waiver of service fees for airlines at local airports. A decision to offer discounts was unveiled by President Joko Widodo,



according to the report.

"We have been in contact with partners in India to keep them updated on the latest situation in Singapore. Our tourism industry remains open for business, and we have provided advice on the precautions that visitors should take," said G B Srithar, regional director of Singapore Tourism Board. "We estimate that total international visitor arrivals for 2020 will decline by 25-30 per cent. It is also too early to determine the impact on cruise tourism, though we are confident our cruise sector is resilient and has good foundations for growth."

Royal Caribbean Cruises is giving credit to those postponing travel from Singapore till mid-March and offering alternative trips from Dubai for the same price.

"We are exploring deployment options outside of Asia. Like in Dubai where we typically have seven-night cruises. To cater to the Indian market, we are allowing Indians to cruise and pay for four-five nights depending on the itinerary and date, and we are price protecting these cruises to what they would have paid on a cruise, say from Singapore," said Ratna Chadha, co-founder and chairperson of Tirun, India representative of Royal Caribbean Cruises. "This is specifically for the Indian market since we prefer short

## SAVING TOURISM

- **Tourism hit in Southeast Asia** following coronavirus outbreak. Singapore expects 25-30 per cent fall in international arrivals
- **Thailand to offer 10 kg excess baggage free** on return flights. Plan worked out with local carriers
- **Indonesia to offer big discounts** on tours following cabinet decision
- **Cruise companies giving credits** for future bookings, alternative trips from Dubai

cruises closer to home. Plus, these itineraries only require one visa (multi-entry United Arab Emirates), adding to the convenience of cruises in this region."

Holland America Line has decided to cancel Westerdam cruise ship's March and April 2020 Asia cruises due to the uncertainty of ports accepting cruise ships. "All guests will receive a full refund. Each guest will also receive a future cruise credit of 25-50 per cent of fare paid depending on the departure date and reimbursement of any travel cancellation fees," it said.

# Xi: China's biggest health emergency

China will step up policy adjustments to help cushion the blow to the economy from a coronavirus outbreak that authorities are still trying to control, President Xi Jinping said on Sunday.

Chinese policymakers have rolled out a raft of measures to support an economy jolted by the virus, which is expected to have a devastating impact on first-quarter growth.

The situation is showing a positive trend after arduous efforts but there is no room for "weariness and relaxed mentality" among officials, state television quoted the president as saying.

"At present, the epidemic situation is still severe and complex, and prevention and control work is in the most difficult and critical stage," Xi said.

"The outbreak of novel coronavirus pneumonia will inevitably have a relatively big impact on the economy and society," Xi said, adding that the impact would be short-term and controllable.

The outbreak, which has infected nearly 77,000 people and killed more than 2,400 in



**"The outbreak will inevitably have a relatively big impact on the economy"**

China, is one of the most serious public health crises to confront Chinese leaders in decades. "For us, this is a crisis and is also a big test," Xi said.

China's economic growth may show a sharp slowdown in the first quarter, probably dipping to 3% or even lower from 6% in the previous quarter — which was the weakest pace in nearly 30 years, economists estimated.

Some forecasters also say there is a growing risk the economy could contract in the first quarter from the previous three months, as factories have been slower than expected to resume production. REUTERS

# Concern over spread grows as cases jump in S Korea, Italy

International concern about the spread of coronavirus outside China grew on Sunday with sharp rises in infections in South Korea, Italy and Iran.

The government in Seoul put the country on high alert after the number of infections surged over 600 with six deaths. A focal point was a church in the southeastern city of Daegu, where a 61-year-old member of the congregation with no recent record of overseas travel tested positive for the virus.

In Italy, the number of cases jumped to above 130 from just three before Friday. Authorities sealed off the worst affected towns and banned public gatherings in much of the north, including halting the carnival in Venice, where there were two cases, to try to contain the biggest outbreak in Europe.

Italian health authorities were struggling to find out how the virus started. "If we cannot find 'patient zero' then it means the virus is even more ubiquitous than we thought," said Luca Zaia, the regional governor of the wealthy Veneto region.

Iran, which announced its first two cases on Wednesday, said it had confirmed 43 cases and eight deaths, with most of the infections in the Shi'ite Muslim holy city of Qom.

China, which has seen the vast majority of cases, reported 648 new infections. But only 18 were outside of Hubei province, the lowest number outside the epicentre since authorities began publishing data a month ago and locked down large parts of the country. REUTERS

# Namaste, Trump



US President Donald Trump and First Lady Melania Trump prepare to board Air Force One as they depart Washington for India from Joint Base Andrews in Maryland

AGENCIES  
Washington/New Delhi, 23 February

US President Donald Trump on Sunday left for his maiden visit to India for talks with the top Indian leadership. Before taking the 17-hour flight to India, Trump called Prime Minister Narendra Modi his "friend".

## 'Biggest event'

"I look forward to being with the people of India... I get along very well with PM Modi. He is a friend of mine," Trump told reporters outside the White House. "I had committed to this trip long time ago. I hear it's going to be a big event... the biggest event they ever had in India. That's what the Prime Minister told me. It's going to be very exciting," Trump said.

Trump, who is seeking reelection in the US presidential elections in November, routinely gets the biggest crowds of any candidate in the US presidential race, ranging up to 20,000 or so, and he has been grudgingly admiring of Modi's ability to get a bigger crowd than him. "Here's my problem," Trump told a large crowd of supporters in Colorado last week. "We have a packed house. We have thousands of people who couldn't get in. It's going to look like peanuts from now on."

In India, hundreds of thousands of people are expected to greet Trump in a massive road show in Ahmedabad before he arrives at the newly-built Motera cricket stadium, which has a capacity of over 100,000 people, for the 'Namaste

**"India looks forward to welcoming @realDonaldTrump. It is an honour that he will be with us, starting with the historic programme in Ahmedabad!"**

NARENDRA MODI

Trump's event. The event will be a larger version of the Howdy Modi rally that they jointly appeared at in Houston to a crowd of 50,000 Indian Americans last year. Trump will arrive around noon in Ahmedabad for a nearly 36-hour-long visit.

## Trade deal

Modi is expected to receive him at the airport. In their talks on Tuesday, Trump and Modi are likely to focus on a wide variety of bilateral and regional issues including trade and investment, defence and security, counter-terrorism, energy security, religious freedom, proposed peace deal with Taliban in Afghanistan and situation in the Indo-Pacific, according to Indian and US officials.

After concluding trade deals with China and Canada and Mexico, Trump would like to reach a similar agreement with India to open more markets for American goods, but progress has been slow and Trump in recent days has said such a pact is more likely after the US election. India and the US have hit each other with

retaliatory tariffs. Over the past month they have engaged in intense negotiations to produce a mini-trade deal, but officials in both countries say it remains elusive. The two sides have been arguing over US demands for access to India's huge poultry and dairy markets, Indian price controls on medical devices such as stents and stringent local data storage rules that US technology firms say will raise the costs of doing business.

India has sought restoration of trade concessions that Trump withdrew in 2019 and greater access to US markets for its pharmaceutical and farm products. "We're going to India, and we may make a tremendous deal there, or maybe we'll slow it down. We'll do it after the election," Trump said at an event on Thursday in Las Vegas.

## Security arrangements

Traffic in some parts of the national capital will be affected on Monday due to security measures put in place, officials said. The US president will be accompanied by First Lady Melania, daughter Ivanka, son-in-law Jared Kushner and the top brass of his administration.

Agra DM Prabhu N Singh said Trump is scheduled to arrive at the Taj Mahal complex at 5:15 pm and will spend about an hour there. "People can visit the Taj in the morning but tickets will be issued till 11:30 am, and by noon or so the premises will be cleared of visitors in view of the high security arrangements for President Trump's visit," he said.



## DOWN MEMORY LANE

A look at the tours by previous American presidents

**BILL CLINTON**  
March 19-25, 2000



This was a US presidential visit after over two decades. Many regard it as a game-changing event during which Clinton and Prime Minister Atal Bihari Vajpayee set the tone for deepening of bilateral ties. The visit came at a tricky time against the backdrop of the US imposing sanctions on India following its 1999 nuclear test and Kargil War

**BARACK OBAMA**  
November 6-9, 2010

In a break from the past, the Obamas landed in Mumbai. The message was not just for trade but a show of solidarity with the victims of the Mumbai attacks two years prior to the visit. Obama expressed support for India's bid for a permanent seat in a reformed and expanded UN Security Council



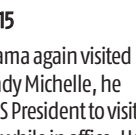
**GEORGE W BUSH**  
March 1-3, 2006

Bush and First Lady Laura visited during PM Manmohan Singh's first term in office. He delivered a speech at Delhi's Purana Qila. But the visit will be remembered for the finalisation of the nuclear deal which later allowed India to pursue nuclear commerce



**JIMMY CARTER**  
January 1-3, 1978

In 2015, when Obama again visited along with First Lady Michelle, he became the first US President to visit the country twice while in office. He was also the first US President to be the chief guest at India's Republic Day parade. Deepening of strategic ties in sectors such as trade, defence, and climate change were at the centre of deliberations during the visit



**DWIGHT D EISENHOWER**  
December 9-14, 1959

It was a landmark maiden visit by an American President. He met President Rajendra Prasad and Prime Minister Jawaharlal Nehru. He delivered a public speech at Delhi's Ramlika ground and addressed members of both Houses. He was also given a tour of the Taj Mahal

**RICHARD NIXON**  
July 31-August 1, 1969

Nixon's visit to India could not match the euphoria and excitement of Eisenhower's. He stayed for less than a day and it achieved little, with Nixon siding with Pakistan at the time of the 1971 Bangladesh War



**JIMMY CARTER**  
January 1-3, 1978

Carter's visit came just months after Janata Party's Morarji Desai succeeded Indira Gandhi as PM. During his 3-day visit, he addressed Parliament and visited a village near Delhi which was later named after him



## THE 36-HOUR TRIP

### MONDAY, FEBRUARY 24

**11:40 am** Trump arrives in Ahmedabad at Sardar Vallabhbhai Patel International Airport  
**3:30 pm** Leaves for Agra  
**5:15 pm** Visits Taj Mahal  
**12:15 pm** Visits Sabarmati Ashram  
**5:45 pm** Leaves for Delhi  
**7:30 pm** Arrives in Delhi at Palam Air Force Station  
**1:05 pm** Namaste Trump event at Motera Stadium

### TUESDAY, FEBRUARY 25

**10:00 am** Ceremonial reception at Rashtrapati Bhavan  
**12:40 pm** Lunch to be hosted by Modi after exchange of agreements at Hyderabad House; Trump to visit US embassy  
**10:30 am** Wreath-laying at Samadhi of Mahatma Gandhi at Rajghat  
**7:30 pm** Meeting with President Ram Nath Kovind at Rashtrapati Bhavan  
**11:00 am** Meeting with PM Narendra Modi at Hyderabad House  
**10:00 pm** Leaves for the US

## US pips China to become India's top trade partner

PRESS TRUST OF INDIA  
New Delhi, 23 February

The US has surpassed China to become India's top trading partner, showing greater economic ties between the two countries.

According to the data of the commerce ministry, in 2018-19, the bilateral trade between the US and India stood at \$87.95 billion.

During the period, India's two-way commerce with China aggregated at \$87.07 billion.

Similarly, during April-December 2019-20, the bilateral trade between the US and India stood at \$68 billion. It stood at \$64.96 billion with China in the same period.

Trade experts believe that the trend will continue in the coming years also as New Delhi and Washington are engaged in further deepening the economic ties.

An expert said that if the countries will finalise a free-trade agreement (FTA), then the bilateral trade would reach at different levels.

"FTA with US will be very beneficial for India as the US is the biggest market for domestic goods and services," Federation of Indian Export organisations Director General Ajay Sahai said. He said that India's exports as well as imports are increasing with the US, while with China both are declining.

America is one of the few countries with which India has a trade surplus. On the other hand, India has a huge trade deficit with China.

In 2018-19, India has a trade surplus of \$16.85 billion with America, while it has a deficit of \$53.56 billion with the neighbouring country.

The data showed that China was India's top trading partner since 2013-14 till 2017-18. Before China, UAE was the country's largest trading nation. A top American business advocacy group has said that a FTA between India and the US is a key to resolving their trade disputes as it will cover biggest irritants in ties, including tariffs and mobility of Indian professionals.

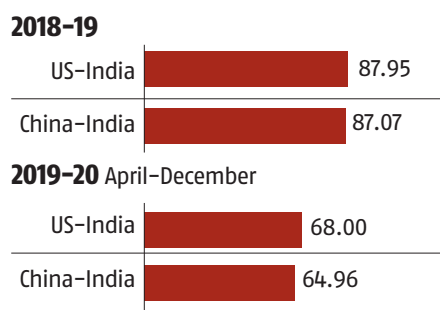
Professor at Indian Institute of Foreign Trade (IIFT) Rakesh Mohan Joshi said that India should be a bit cautious while negotiating a trade pact with the US in areas, including agriculture and food products, as America is the world's largest producer and exporter of certain commodities like maize and soybean.

"A trade deal between the US and India would further increase the trade between



## BILATERAL TRADE (Figures in \$ bn)

India has a trade surplus of \$16.85 billion with America, while it has a deficit of \$53.56 billion with China



the two countries easing tariff restriction and opening up of bigger market for products. India is a major exporter of steel, steel products and aluminium products with combined exports of \$22.7 billion last year. Steel exports to the US have continued to decline and it went down from \$372 million in 2017-18 to \$247 million last year. This is only 2.5 per cent of our overall \$9.74 billion steel export to the world," Pawan Gupta, the founder and CEO of online trade platform Connect2India observed.