siness Standa **BRAND WORLD P15 PURPOSE DRIVES THE** OREO BRAND WAGON

**Coronavirus pangs:** 

Sensex falls 807 pts

All Nifty stocks end in the red; Dow plunges over 1,000 points

**ADANI GROUP JOINS** RACE TO BUY AIR INDIA



A head constable was among four people killed, and at least 50 others - including several paramilitary and Delhi Police personnel – injured as violence spiralled over the amended citizenship law in northeast Delhi on Monday, with protesters torching houses, shops, vehicles, and a petrol pump, and also hurling stones. Police fired tear gas shells and also resorted to lathicharge.

#### **COMPANIES P2**

## GAIL, non-telcos in talks for AGR legal recourse

GAIL India is in talks with non-telecom public sector undertakings to take a common legal recourse in the adjusted gross revenue (AGR) issue. It is in discussion with Oil India and Power Grid Corporation, among others. Earlier this month, the Supreme Court had directed the transmission major to approach the appropriate forum.

#### **BACK PAGE P16**

### **Misappropriation worth** ₹25K cr in DHFL case: ED

The Enforcement Directorate's preliminary enquiry has indicated misappropriation of funds worth ₹25,000 crore by the promoters of Dewan Housing Finance Corp (DHFL), in the alleged financial fraud. Earlier, the ED had suspected the financier of diverting about ₹12,773 crore of loans to 79 "shadowy" firms.

#### **COMPANIES P3**

### **HUL to establish new** manufacturing unit

Hindustan Unilever (HUL) on Monday said its board had approved the formation of a new wholly-owned subsidiary with an authorised share capital of ₹2,000 crore. HUL's Chief Financial Officer Srinivas Phatak told Business Standard that the subsidiary was set up for manufacturing purposes.

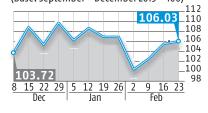
## **ECONOMY & PUBLIC AFFAIRS P6**

#### RBI gets ₹1.23 trillion of bids for ₹25,000-cr LTRO The Reserve Bank of India (RBI) on Monday

received bids worth ₹1.23 trillion for ₹25,000 crore on offer, for its one-year long-term repo operations. In the auction for three-year maturity liquidity operations made last week, it had received bids worth ₹1.94 trillion for the ₹25,000 crore on offer.

## THE CMIE TRACKER





## **UNEMPLOYMENT RATE**

THE EXITING WOMEN



(%)

8

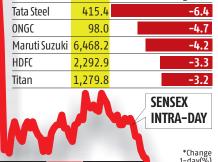
Nadella talked about India's burgeoning digital potential, given its 560 million

Internet users, 450 million mobile users

#### CORONA FLU he benchmark indices logged their **TOP SENSEX LOSERS** largest single-day drop since the Union Budget, amid fears that the outbreak of Chg (%)\* coronavirus has now become a global Tata Steel -6.4 pandemic. With an increase in the number of 98.0 ONGC cases outside China, market players said investors were worried over a prolonged eco-

41,170.1 CATCHING THE

www.business-standard.com



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

**VIRUS RISKS NOT** 'PRICED IN FULLY

easing, there were concerns 40,363 of a much longer-term Feb 24 impact on the global economy, with a number of companies having warned about their bottom line.

P10

In the Sensex pack, Tata Steel dropped the most at 6.4 per cent. ONGC and Maruti Suzuki were other laggards, declining 4.72 per cent and 4.24 per cent. Turn to Page 15

## **MAURITIUS PUT ON 'GREY LIST' BY FATF**

Mauritius has been put on the 'grey list' — same as Pakistan – by the Financial Action Task Force (FATF), an inter-governmental body that sets anti-money laundering standards. The development is a body blow to the country that has been trying hard to shed its image as a quasi-tax haven of late. The move also put a question mark over existing as well as new investments flowing into India from the country. Mauritius is the second-highest source of foreign portfolio investor (FPI) flows into India after the US. **ASHLEY COUTINHO** reports

### IN THE LAND OF THE MAHATMA



US President Donald Trump and first lady Melania with Prime Minister Narendra Modi, during a tour of Gandhi Ashram in Ahmedabad, on Monday

## US Prez looks for trump card in 'tough negotiator' Modi

VINAY UMARJI Ahmedabad, 24 February

Pageantry and political speech marked the opening of US President Donald Trump's 36hour India visit. From roadshows and 'Namaste Trump' in Ahmedabad to sunset at the Taj Mahal in Agra, the American President, due to contest for a second term later this year, virtually addressed the Indian diaspora in the US on Monday. Amid massive bonhomie displayed by Trump and Prime Minister (PM) Narendra Modi during the 'Namaste Trump' event at Motera, a \$3-billion defence deal, to be signed on Tuesday, was announced.

Trump and Modi heaped praise on each other as the audience watched, at the stadium and on TV sets around the globe.

Trump told the over-100,000 gathering that he looked forward to closer ties with India, especially in defence and space exploration. Calling Modi a "tough negotiator", Trump said the two would be discussing ways to expand economic ties, besides the "major trade deals".

"We are in the early stages of discussion for a trade agreement to reduce barriers of investment between the US and India. I am optimistic that the PM and I can reach a fantastic deal that is good, and even great, for our countries. Except that he is a very tough negotiator," Trump said, adding that the two nations conducted the first-ever air, land, and sea military exercises called 'Tiger Triumph'. On his part, Modi welcoming his "dear friend" termed Indo-US relations as "nat-Turn to Page 15

**NAMASTE TRUMP** 

## TRUMP SET TO SIGN **ARMS DEAL WORTH** \$3 BILLION TODAY

**Visiting US president Donald Trump** talked up US-India defence cooperation and pitched to sell India "some of the best, most feared, military equipment on the planet." "I am pleased to announce that tomorrow (Tuesday) our representatives will sign deals to sell over \$3 billion in ... state-of-the-art helicopters and other equipment to the Indian armed forces," said the US president. AJAI SHUKLA reports

DRIFTWOOD PROJECT ON INDIA-US AGENDA, BUT PRICING REMAINS A CONCERN

## Voda Idea, Bharti spar over tower stake

SURAJEET DAS GUPTA New Delhi, 24 February

SUNDAR SETHURAMAN

nomic damage to the global economy.

The Sensex closed 807 points or 1.96 per cent

lower at 40,363, while the Nifty dropped 242

points or 2 per cent to close at 11.829. All the

BSE sectoral indices, as well as components of

the Sensex and Nifty, ended the session in the

red. The last time all Nifty components had ended with losses was in November 2013.

South Korea issued a high alert, given the num-

ber of cases has now risen to 833. In Italy, reports

suggested the number of cases has jumped to

over 150 in just three weeks. The outbreak in

Europe has prompted the Italian government to

impose a lockdown in an area of 50,000 people

near Milan. Authorities have also cancelled the

remaining days of the Venice carnival, while

FTSE closing down 3.6 per cent, and France's

CAC losing 3.9 per cent. Investors fled to safe

assets such as gold. Gold prices in India rose

₹1,840 or 4.4 per cent per 10 grams to ₹43,415,

The Dow was also trading down 1,073 points,

"People are worried about the virus spread-

ing, which will lead to further slowdown glob-

ally," said Jyotivardhan Jaipuria, founder of

Valentis Advisors. Metal and automobile stocks

lost the most, with their sectoral indices drop-

ping 5.71 per cent and 3.4 per cent, respectively.

tled investors who, till now, had seen it as a sit-

from China, is worrying. If this prolongs for

another three months, supply chains across the

world will suffer, impacting India too. The auto-

mobile, electrical and pharma industries could

suffer," said Saurabh Mukherjea, founder of

Securities, said with little signs of the situation

Deepak Jasani, head (retail research), HDFC

Analysts said outbreak in Europe had rat-

"The fact it has spread to Italy, which is far

recording the highest ever single-day gain.

Hong Kong's Hang Seng fell 1.8 per cent, with Germany's DAX shedding 3.8 per cent, the UK's

universities were shut.

as of 11:50pm (IST).

uation confined to Asia.

Marcellus Investments.

Investors' risk appetite took a beating after

Mumbai, 24 February

Differences seem to have cropped up in negotiations between cashstrapped Vodafone Idea and the Bharti group, regarding the sale of Vodafone Idea's 11.15 per cent stake in Indus Towers. The all-cash deal could take place after the merger between Bharti Infratel and Indus Towers gets all clearances.

Last week, the deal received clearance from the Department of Telecommunications.

Sources close to Bharti said that though talks were on, no agreement had been signed. However, those close to Vodafone Idea said that an

2018, and an National Company Law Tribunal (NCLT) clearance had also been obtained in May 2019. Therefore, they added, fresh clearance was not needed.

Bharti's view is that it would have to go to the NCLT once again, with a modified agreement for the merger, said people privy to the negotiations. They also pointed out that the tower business had seen erosion in value, with tenancy reducing to 1.8 from 2.3. This was on the back of consolidation in the industry between the date of the merger agreement being signed (in April 2018) and today.

Spokespersons for both Bharti BHARTI INFRATEL POSTPONES MERGER WITH INDUS TOWERS TO APRIL 24

group and Vodafone Idea declined to comment. The Vodafone Idea stock shed 11.82 per cent to close at ₹3.88 on Monday. In an exchange filing after Bharti Infratel's board meeting on Monday, the firm decided to extend the long-stop date for the merger to April 24 from February 24, subject to each party having the right to terminate and withdraw the scheme.

Bharti and Vodafone plc own 42 per cent each in Indus Towers, while Vodafone Idea owns 11.15 per cent and Providence owns 4.85 per cent. The deal will give Voda Idea the cash to pay its AGR dues of over ₹57,000 crore.

Turn to Page 15

42% 11.15 % 4.85% Bharti Vodafone Providence Infratel

## INDUS SHAREHOLDING

# 42%

# 72% software jobs outside tech industry: Nadella Microsoft CEO, Mukesh Ambani talk changing landscapes of digital India PAVAN LALL Mumbai, 24 February Microsoft CEO, Mukesh Ambani talk changing landscapes of digital India He said 72 per cent of jobs for software engineers were outside the technology industry thereby excited about the partnership that Jio and Microsoft will have. And I think as we look at this decade it will



Reliance Industries Chairman Mukesh Ambani and Microsoft Chief Executive Officer (CEO) Satya Nadella engaged in a fireside chat on Monday at the St Regis Hotel in

Mumbai The chat was attended by 150 CEOs at the Future Decoded CEO Summit, and talked about the nuances of overhauling a business landscape, the progress telecom had made over the years, and the potential of India as a digital nation.

Nadella, who had earlier made a solo presentation to the audience, talked about India's burgeoning digital potential and growing appetite for technology, given its 560 million Internet users, 450 million mobile users, and a start-up ecosystem that is the third-largest in

technology industry, thereby indicating that the defining capability for companies would hinge on how they built their own technology.

India, Nadella pointed out, has a youth population with 650 million residents under the age of 25, and an information technology industry valued at \$180 billion, before getting Ambani on stage for a discussion.

Ambani lauded Nadella's leadership style, built on trust, empathy, partnerships, and the philosophy that it wasn't just about product or profit but about people and their continuous reinvention of capability which was the strength of an organisation.

 $\hbox{``I'm very privileged you have}\\$ committed to India on a scale that I never anticipated that a multinational will, and we're very

think, as we look at this decade, it will be a defining partnership. So, thank you for your commitment to India," Ambani said. "I think as we are speaking

President Trump has arrived in Ahmedabad and the India he will see  $in \, 2020 \, is \, very \, different \, from \, the \, one \,$ that President Carter or President Clinton or even President Obama saw when they came. We have millions of people on the street and each one having their own personal experience with their phones with a network strong enough and I can say that mobile networks in India are better or on a par with anywhere else in the world and that's a big change."

"The infrastructure in the stadium in (Gujarat) is better than anywhere in the world, and that's the India as we start 2020," he said.

Turn to Page 15

## Pay more for the fizz: Cola majors set to hike prices after 6-year gap

New Delhi, 24 February

If your daily diet includes a glass of sparkling cola, then you should get ready to shell out more. After keeping prices in check for years, the American cola giants are set to make their fizzy drinks portfolio costlier. Coca-Cola and PepsiCo — the two beverage majors

REVISED

Unchanged

600ML PET

₹38-40

8.6-14.3%

1.25L PET

₹65 8.3%

₹90 5.9%

PRICE LIST

that control over 80 per cent of the country's organised cola market — are likely to raise prices by 6-14 per cent ahead of the summer season. While minor changes to prices of specific shelf keeping units (SKUs) have been effected earlier, it is for the first time since 2014 that prices will be revised across portfolios.

People in the know said the price of the 600-ml PET (polyethylene terephthalate) bottle of Coca-Cola, ThumsUp, Sprite, Pepsi, and 7UP would be raised by 8.6 per cent in Delhi. The revised price of the SKU is set at ₹38 for the National Capital Territory — up from ₹35. For certain brands like Mountain Dew, the hike could be steeper 14.3 per cent — to ₹40.

The price of a 2-litre PET bottle has been set at ₹90 for popular brands — 5.9 per cent higher than the current ₹85. For 1.25 litres, it is ₹65, an 8.3 per cent increase.

However, the prices of their glass bottle SKUs — both 200ml and 300ml -remains unchanged at ₹12 and ₹15, respectively. Glass bottles are targeted

towards price-conscious consumers, who are yet to shift to larger packs. The upcoming hike will, however, cover a larger part of their portfolio as PETs and cans now constitute over 60 per cent of the industry's volume uptake.



Top loser among Nifty Metal index ₹175.10 CLOSE

**▼9.44%** DOWN\*

▶ GMR Infrastructure

<sup>26.5</sup> In strategic partnership with French airports operator Groupe ADP

Ambuja Cements

December quarter profit before tax up 43 per cent; YoY ₹209.90 CLOSE

▶ Hero MotoCorp 2,183.85 2,150 2020 Feb Feb Feb 20 24 ₹2,183.85 CLOSE ▼ 2.51% DOWN\*

-2,450 Production loss, if any, due to Coronavirus issue will depend on China

IN BRIEF

\*OVER PREVIOUS CLOSE

## Facebook looks to ramp up investment in the country



Facebook is looking to ramp up its investment programme in India after its two fundings in Meesho and Unacademy, its Vice-President and Managing Director Ajit Mohan (pictured) said on Monday. "These two investments have given us the conviction that we are on to

something good. Therefore, the idea will be to ramp up this programme and accelerate it over the next few weeks and months," said Mohan. Last year, Facebook invested in Meesho which provides resellers, who largely comprise housewives and small businesses, with a platform to sell their products across social networks like WhatsApp and Facebook.

#### **Indian Hotels to** open more than one hotel a month

Indian Hotels Company (IHCL), the Tata Group hospitality arm plans to open more than one hotel every month even as it will remain sharply focused on asset monetisation and exiting from the non-core segments, Puneet Chhatwal, managing director and chief executive. BS REPORTER IHCL, said.

### Realme launches 1st 5G smartphone in India at ₹37,999

Realme launched first 5G smartphone models in India at a price starting ₹37,999 onwards. Industry analysts see it of no value for customers in India in the absence of the 5G network.

### **Ola-backed scooter** sharing start-up Vogo raises \$19 mn



Vogo, a bike- and scootersharing start-up, has raised \$19 million (around ₹136 crore) in a funding round led by LGT Lightstone, an investment fund managed by the Princely House of BS REPORTER Liechtenstein

### **Tech Mahindra to** acquire Zen3 Infosolutions

IT company Tech Mahindra said on Monday it had signed an agreement to acquire 100 per cent stake in US-based an3 Infosolutions for \$64 million (₹460 crore) in an allcash deal. Headquartered in Seattle, Zen 3 has over 1,300 employees spread across a number of offices.

## TVS Motor says Feb production affected due to COVID-19



TVS Motor Company said the coronavirus outbreak has impacted the supply of certain parts, affecting about 10 per cent of its planned production for February. "Some tier-II suppliers have been impacted adversely which will lead to 10 per cent drop in the planned production in February 2020," it said.

### **USFDA** inspection of Unichem Lab's Roha facility completed

Unichem Laboratories said the US health regulator had completed inspection of its Roha facility in Maharashtra without any observation. The United States Food and Drug Administration (USFDA) conducted inspection at the company's active pharmaceutical ingredients manufacturing unit at Roha from February 17 to 21, 2020, Unichem Laboratories said.PTI

#### **CCI approves NTPC's** stake buy in **NEEPCO, THDC India**



Fair trade regulator the Competition Commission of India (CCI) said it has given nod to acquisition of Centre's

entire stake in THDC India and North Eastern Electric Power Corporation (NEEPCO) by stateowned NTPC. As part of 100 per cent of the issued and paid-up share capital of the NEEPCO and 74.5 per cent stake in THDC India, CCI noted in separate releases.

## RCom committee of creditors to meet again on March 2



representatives in the committee of creditors (CoC) informing that their respective boards had not met to consider the Reliance Communications (RCom) sale, the meeting was shifted to March 2. The

decision was taken in a COC meeting on Monday. The representatives included State Bank of India, which, too, has not cleared the resolution plan, sources said. The resolution professional together with a law firm is working with banks to clarify pending points. The voting results on the various resolutions to sell RCom, Reliance Telecom and Reliance

Infratel is expected to be declared on March 4.

TALE OF TELCOS

# Non-telecom PSUs may put up a joint legal front on AGR issue

**GAIL lines up** ₹1 trn capex for next five years

SHINE JACOB New Delhi, 24 February

AIL India is in talks with non-telecom public sector undertakings (PSUs) to take a common legal recourse in the controversial adjusted gross revenue (AGR) issue. Among the companies it is in discussions with are Oil India (OIL) and Power Grid Corporation (PGCIL).

Earlier this month, the Supreme Court had directed the transmission major to approach the appropriate forum regarding the issue.

The department of telecommunications (DoT) had raised a demand of ₹1.83 trillion from the company towards annual licensing fee, including interest and penalty of AGR. If the amount has to be paid, it will significantly affect the ₹1 trillion capital expenditure plan the company has lined up for the next five years. "We are hoping that we

will not have to pay the money," said Manoj Jain, chairman and managing director of GAIL. The firms are yet to decide on the legal options, includ-

ing approaching the Telecom

Disputes Settlement and Appellate Tribunal (TDSAT). Around 50 per cent of the capacity expansion that the firm has lined up will be on the transmission business. For this, the government is already working on a propos-

al to come up with a separate "We have lined up invest-



■Turnover ■ Profit after tax

**HEALTH CARD** 

₹ 36,882 crore

FY17

Reserves & surplus (2018-19)

FY18

## DoT not pressing for fast payment of ₹1.83 trn

The Department of Telecommunications has sought₹7,608 crore in dues from GAIL India for 2017-18 as the department appeared to be not pressing for immediate payment of ₹1.83 trillion in past dues it had previously assessed from the state-owned gas utility. For GAIL, the DoT assessed an

outstanding of ₹1,83,076 crore towards annual licence fee in respect of IP-II Licence. This included interests and penalty, sources said. The DoT sent a notice to GAIL soon after the February 14 hearing in the Supreme Court on dues owned by telecom companies such as Bharti Airtel, Vodafone Idea, sources privy to the development said.

The dues now being sought from GAIL include a penalty for late payment, they said.

ment is working on a proposal

to have a 100 per cent subsid-

iary for transmission and the

new entity will be in place

GAIL, which owns and

Cabinet nod is in place.

The SC's original ruling in October last year led the DoT to demand ₹1.47 trillion in unpaid dues on licence fees and spectrum usage charges from telecom companies such as Airtel and

Vodafone Idea. Its demand related to a 14year-old dispute regarding the definition of adjusted gross revenue (AGR), which the SC agreed should include all kinds of income generated by the telcos. Alongside, the DoT also raised a demand of over ₹3 trillion from non-telecom PSUs such as GAIL, Oil India and PowerGrid for telecom

licences these firms had primarily acquired for internal communication purposes. GAIL and other non-telcos felt the October 2019 ruling of the SC did not apply to them and filed petitions seeking clarification from the apex court.

operates 5 mt LNG import the next two-and-a-half

facility in Dhabol, has already years," he said. The country has already struction of breakwater in lined up an additional within a year "once the Dhabol to Larsen & Toubro LNG capacity of 18 mt from the current 39 mt in the next

## **Bharti Infratel** postpones merger with **Indus Towers** to April 24

PRESS TRUST OF INDIA New Delhi, 24 February

Bharti Infratel on Monday extended the deadline for its merger with Indus Towers by two more months to April 24, but cautioned that final call on scheme implementation will be taken by the board based on assessment of the ongoing AGR-crisis and its impact on customers.

The delay in completion of the deal, would come as a blow to Vodafone Idea which has to cough up ₹53,000 crore in statutory dues to the government and was eyeing about ₹5,500 crore from stake sale in Indus Towers.

Vodafone Idea has so far paid ₹3,500 crore towards statutory dues, and any monetisation exercise would allow it to get closer to at least the principle AGR amount, it owes to the government.

The final decision to implement the scheme will be taken by the board keeping in mind the best interest of the company and its stakeholders including the assessment of the current crisis facing the telecom industry and the extent of its impact on the company's major customers," Bharti Infratel said in a regulatory filing.

It said that although the foreign direct investment approval for the merger with Indus Towers had been received, the deadline had been extended as other actions and conditions precedent to be fulfilled for the scheme to become effective cannot be completed by the previously stated deadline of February 24.

## Telcos to submit self-assessment papers on AGR maths

MEGHA MANCHANDA

New Delhi, 24February

o eubmit documente eunporting their self-assessment claims of adjusted gross revenue (AGR) dues. The department of telecommunications (DoT) issued letters to Bharti Airtel, Vodafone Idea and Tata Teleservices for submitting supporting documents for their statutory dues calculation.

However, no deadline has been given to companies to submit the supporting documents

Once substantiating documents are filed by the companies, the telecom department will initiate random 'test checks' on the AGR calculation in a time-bound manner.

The 'test checks' will be done for any one year (of telcos' dues) to examine the deviation between telecom companies' assessment and the government calculation of AGR

to verify the AGR maths done through self-assessment, a source equated the exercise to filing of The Centre on Monday asked telecom income tax returns where the assessing authority evamines the calculations or claims made.

ments to the tune of around

₹1 trillion for the next five

vears. Of this, around ₹50.000

crore will be for the transmis-

sion business, ₹10,000 crore

will go towards petrochemi-

cals and ₹40,000 crore for its

joint venture infrastructure

of 7,000 km of pipeline net-

work to its existing capacity.

GAIL is looking to double its

revenue and increase profits

part of the overall \$5 trillion

lined up by the government

and the strategy is to increase

the share of gas to 15 per cent

in the overall energy basket.

the transmission business to

have a larger share in the next

five years as the demand for

natural gas is expected to

increase by 6-8 per cent per

Jain said that the govern-

The company expects

The investment plans are

This includes an addition

expansion," he said.

by 1.5 times by 2025.

Moreover, the DoT wants to ensure that the court-mandated criteria is followed by companies in computing their AGR dues, the source added.

While the three operators are first off the block, the DoT will also follow the same procedure for all other AGRhit companies, including internet service providers.

"For those who are saying we are giving dues by self-assessment, we will seek supporting documents. If some companies say they are going by DoT's calculation, then we don't need to do it," the source added.

In all, 15 entities owe the government ₹1.47 trillion in unpaid statutory dues – ₹92,642 crore in unpaid licence fee and another ₹55,054 crore in outstanding spectrum usage charges.

Of the estimated dues, which Asked what prompted the depart- include interest and penalty for late ment to seek supporting documents payments, Airtel and Vodafone Idea



awarded contracts for con-

(L&T). "The terminal will start

The DoT has issued letters to Bharti Airtel, Vodafone Idea and Tata Teleservices for submitting supporting documents

account for about 60 per cent.

These dues arose after the Supreme Court, in October last year, upheld the government's position on including revenue from non-core businesses in calculating the annual AGR of telecom companies.

The Supreme Court, earlier this month, rejected a plea by mobile com- of its DoT estimated liability of over have been deemed insecure."

panies such as Bharti Airtel and Vodafone Idea for extension of the payment schedule.

Vodafone Idea, which is confronted with ₹53,000 crore in statutory dues as per DoT's calculation, has so far paid only seven per cent of dues in being used by telecom carriages in the two tranches. Airtel paid ₹10,000 crore US on equipment and services that

Airtel, on February 17, had said that the company "is in the process of completing the self-assessment exercise itiously and will make the bal ance payment upon completion, before the next date of hearing in the Supreme Court."

. Tata Teleservices has paid ₹2,197 crore, the entire outstanding it believes to have arisen after the October ruling of the apex court for calculating dues.

DOT secretary Anshu Prakash on Monday met Ajit Pai, chairman of the US Federal Communications Commission (FCC) to discuss a

slew of issues. When asked about Huawei's participation for 5G in the US, Pai said, "I would refer you to the comments l made previously that the US government embraces risk-based framework domestically and that is part of the reason why FCC has prohibited the use of funding that we oversee from

## ITC, Godfrey Phillips bet on flavours to burn illicit trade

**AVISHEK RAKSHIT** Kolkata, 24 February

Coming up with new flavours was not exactly how cigarette firms thought they would be expanding

exactly what ITC and Godfrey Phillips India are doing. The firms, hit by the increase in the National Calamity Contingent Duty in this year's Union Budget, had to raise prices of their offerings. This, analysts say, is helping illicit cigarette trade. ITC increased cigarette prices between 10 per cent and 20 per cent — the steepest hike by the

firm in the past three years.

per cent for the company.

Analysts say the hikes would

result in a volume decline of 3-4

"It (price hikes) will affect the industry and give a fillip to illicit trade, but we are trying our best to see consumption is not affected," Bhisham Wadhera, CEO, Godfrey



Phillips, told Business Standard. An ITC spokesperson, too, said the company was relying on innovative products across different price points to maintain its market dominance.

In the recent past, ITC has introduced differentiated cigarettes like Gold Flake Indie Mint, Gold Flake Neo and Classic Rich & Smooth in the premium

end. It also came up with flavoured cigarettes for the Flake brand in the mid-tier segment, and introduced Wave, another exclusive flavoured cigarette. Godfrey, too, introduced

flavoured variants like Four Square Clove Crush in the midtier segment and has seven variants of the Marlboro brand for India.

Distributors said while earlier these companies were more focussed on regular and light variants, the same has now shifted to furthering innovation after it was noticed that differentiated brands were doing well. Imported brands — such as Gudang Garam from Indonesia, which offers clove flavoured cigarettes, and black toned Baba Khalif - have been becoming popular.

llegal trade

of cigarette

total market

accounts

for 11% of

Trade sources say that while habitual smokers have been loval to their brands, which are mostly not flavoured, new smokers are more prone to using flavoured cigarettes

- a new section of buyers the companies are eager to acquire. Driven by new launches. Godfrey, in the recent past, has gained 13.1 per cent in terms of

volume growth. Although, the market share gain was only 1 per cent. "The gain (in sales volume and market share) is more by our new launches that have gained

from rivals," Wadhera said. Interestingly, while budget cigarettes are priced ₹45-60 for a pack of 10, illicit cigarettes are also sold at a near similar price range. "High rates of tax on cigarettes provide attractive arbitrage

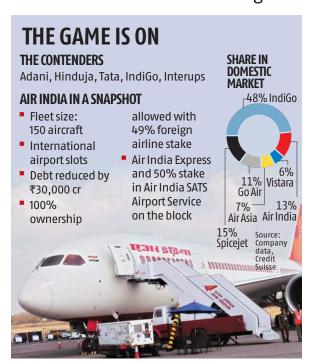
opportunities for illicit trade, allowing sale of these cigarettes to consumers at prices much lower than those of duty-paid domestic cigarettes. The sharp increase in taxes on cigarettes announced in the Budget 2020 will

exacerbate the situation," the ITC spokesperson said. Industry officials said besides innovation, cigarette companies

were focussing on increasing their market reach by collaborating with local law enforcement authorities to curb illicit cigarette trade.

## Adanis join race to buy Air India

Will take a final call after due diligence



## Govt extends time till March 6 for bidders to pose queries on AI sale

The government has extended the time till March 6 for bidders to pose additional queries regarding sale of its 100 per cent stake in Air India. The government has issued the first set of clarification on Air India disinvestment answering queries of interested bidders on the 'confidentiality undertaking' listed out in the Preliminary Information Memorandum (PIM) issued on January 27. The last date for submission of written queries on PIM and Share Purchase Agreement was originally set at February 11, following which the Department of Investment and Public Asset Management on February 21 issued a set of 20 clarifications on the queries raised.

#### ANEESH PHADNIS & DEV CHATTERJEE Mumbai, 24 February

he Adani group will join the race to acquire Air India, and plans to submit an expression of interest (EoI) by next month, said a source close to the development.

The final decision of Adani will, however, depend on the outcome of the due diligence after submission of the EoI. After the EoI process, prospective bidders will get access to data of the airline.

Apart from the Adani group, the Tata group, the Hinduja group, IndiGo and a New York-based fund, Interups, are expected to submit

The Adani group has ambitions to become India's largest three airports already in its kit- 120 aircraft at FY18-end and

Ahmedabad and Sale of Air India to a September last Mangaluru. It has **private player is** also won the race **important for the** for three more air- **central government** aircraft ports — Thiruvan- as it had to pump in anthapuram, Ah- ₹30,000 crore of tax medabad and payer's money into Guwahati — but is **the airline since 2012** simpler for an awaiting government clearance.

A spokesperson of the Adani group declined to comment. Analysts, however, feel that the group's bid for Air India could face legal challenges given its ownership of airports. While there are no restrictions on an airport developer to bid for Air India, bid conditions for six Airports Authority of India (AAI) airports won by the Adani group place ownership caps. According to the bid crite-

ria, an airline or a group owning an airline cannot own more than 27 per cent in these six airports. This could complicate matters for the Adani

A similar clause restricting airlines or group owning airlines from owning more than 10 per cent in Delhi airport recently resulted in collapse direct investment.

of the Tata-GIC group's investment in GMR.

A banker, close to the sale process of Air India, said the present rules will not bar the Adani group from bidding for the airline. "We want as many companies to bid for the airline as it is a good asset after ₹30,000 crore of debt was removed from the airline along with the government's offer for 100 per cent stake," said the source. This is the second attempt made by the Centre to sell the airline after it failed to receive buyers in the first round last year. Since then, the govern-

ment offered to sell 100 per cent of the airline's stake instead of 76 per cent offered in the first round. Air India and its subsidiary,

private airport operator with Air India Express have about

126 aircraft vear. Its fleet has both narrow-body from Airbus and widebody planes from Boeing, making it

incoming bidder. While the wide-body fleet is being used for international operations, the airline is using the narrow-body planes for domestic operations.

Sale of Air India to a private player is important for the central government as it had to pump in ₹30,000 crore of tax payer's money into the airline since 2012. The airline, however, has not made money since the merger of Air India and Indian Airlines in 2007.

Apart from Air India, the government has also offered to sell Air India Express and its 50 per cent stake in Air India SATS Airport Services.

According to present aviation sector norms, foreign airlines can bid but acquire a maximum of 49 per cent stake due to sectoral caps on foireign

## HUL to set up subsidiary for manufacturing

**VIVEAT SUSAN PINTO** Mumbai, 24 February

Hindustan Unilever (HUL) on Monday said its board had approved the formation of a new wholly-owned subsidiary with an authorised share capital of ₹2,000 crore.

er Srinivas Phatak told *Business* was being set up for manufacturing purposes, with an aim cent for new manufacturing at capitalising on the 15 per cent firms incorporated after October corporation tax available to new manufacturing firms. Finance before March 31, 2023. Minister Nirmala Sitharaman

tion tax for existing companies Standard that the subsidiary to 22 per cent from 30 per cent, and to 15 per cent from 25 per 1, 2019, and starting operations

Phatak said HUL was setting

ment in new plants. "We are yet to evaluate which categories will be manufactured by the subsidiary and where the new plants will be located. But we are working towards it," he said. The new ing one or more HUL brands unit would be set up in the next and 45 billion units manufacfew months, he added, after

HUL's Chief Financial Offic- had reduced the base corpora- aside ₹500-800 crore for invest- which work on the new plants

tured annually by the company

would start. India is among the largest markets in terms of volume for Unilever, with 98 per cent of households in the country us-

at its factories, which are over 80 in number.

HUL has already begun implementing an end-to-end digtransformation programme, which includes leveraging data and technology as well as artificial intelligence across the value chain.

# FRIENDSHIP ON THE FRONT LINE

# Trump to sign arms deal worth \$3 billion today

New Delhi, 24 February

isiting US President Donald Trump, addressing a cheering throng of over 100,000 people in Ahmedabad's Motera Stadium soon after landing in India on Monday, talked up US-India defence of the best, most feared, military equipment on the planet'

We make the greatest weapons ever made - aeroplanes, rockets, ships, missiles. We make the best and we are dealing now with India," said Trump.

"I am pleased to announce that tomorrow (Tuesday) our representatives will sign deals to sell over \$3 billion in the absolute, finest, state-of-the-art helicopters and other equipment to the Indian armed forces," said the US President on Monday.

Washington has already logged \$15-18 billion in defence sales to India over the preceding decade, including C-130J Super Hercules and C-17 Globemaster III transport aircraft, P-8I Poseidon long-range maritime aircraft, M777 ultralight howitzers and CH-47F Chinook and AH-64E Apache helicopters. With equipment worth billions more in the pipeline, Trump stated confidently: "I believe the United States should be India's premier defence partner and that's the way it's working out."

On the agenda on Tuesday, say US and Indian official sources, is the signature of a \$2.6 billion contract for the supply to India of 24 Sikorsky NH-60R (popularly called Romeo) naval multi-role helicopters, worth an estimated \$2.6 billion.

The Romeo is badly needed, say naval planners, to operate off Indian frigates, destroyers, and aircraft carriers. The Navy's dozen-odd Sea King helicopters are

**SIDELIGHTS** 

**'MAN OF THE MATCH' TRUMP** 

STRIKES CHORD WITH CROWD

became the site of a public spectacle where US President

Minister Narendra Modi amid a rather delirious crowd.

president to the home state of Modi. Trump's praise for

India, his denouncing of the menace of terrorism, and

his try at Hindi during his over 25-minute-long speech

was well received by people and punctuated by constant

The renovated Motera Stadium is yet to host its first

cricket match, but on Monday the sprawling facility

Donald Trump showered encomiums on Prime

The jam-packed arena, also known as Sardar Patel

Stadium, frequently broke into applause as people

displayed enthusiasm for the first visit by any US

clapping by the over 100,000-strong crowd.

well past their retirement dates.

The Romeo provides its parent warship with greatly enhanced anti-submarine warfare capability. Its dunking sonar detects enemy submarines, which are then sunk with its formidable on-board torpedoes. Also, the chopper can patrol a vast expanse of ocean and destroy enemy ships with air-to-surface cooperation and pitched to sell India "some missiles. The Romeo can also fly naval commandos to enemy shores, landing them there with covering fire from

its on-board machine guns. The Romeo's versatility, large weapons payload, and sophisticated avionics have earned it the nicknames of 'flying frigate' and 'Swiss army knife of naval choppers'.

While Tuesday will witness the signing of a contract for just 24 helicopters - insufficient to equip even the Navy's current warships - the requirement is actually for 123 such helicopters. After buying the current 24 off the shelf, the

(TUESDAY) OUR REPRESENTATIVES WILL SIGN DEALS TO SELL OVER \$3 BILLION IN THE ABSOLUTE, FINEST, STATE-OF-THE-ART HELICOPTERS AND OTHER **EQUIPMENT TO THE** 

"I AM PLEASED TO

**ANNOUNCE THAT** 

**TOMORROW** 

**DONALD TRUMP** 

INDIAN ARMED

FORCES"

Navy will initiate another procurement to build 99 more in India under the strategic partner (SP) programme. This will involve selecting a private Indian company as SP, which would then partner a foreign vendor to manufacture the equipment in India. With 24 Romeos already in the fleet, Sikorsky would be in pole position in any competitive procurement to build more naval helicopters in India.

However, Make In India would cost some 50 per cent more than buying off the shelf, since it would involve setting up a new factory after obtaining a manufacturing licence from the original vendor, creating an ecosystem of Tier-1, Tier-2, and Tier-3 sub-vendors, training workers, and creating a testing and licensing ecosystem.

New Delhi and Washington are also keen to complete the signing of a contract for six AH-64E Apache attack helicopters, for an estimated \$930 million. The Indian Air Force (IAF) has already contracted for 22 Apaches, delivery of which will be completed this year. Now all further Apaches contracted will equip the Army's mechanised strike corps.

Also in the pipeline, but unlikely to be signed on Tuesday, is an Indian procurement of about 30 high-altitude

long-endurance, remotely piloted vehicles, of the Sea Guardian category. This tri-services procurement is likely to cost about

The biggest and most lucrative tender, however, is the IAF's ongoing tender for 114 medium fighters, which would cost \$15-20 billion. Two American firms are in the running for that contract: Boeing, with its F/A-18E/F Super Hornet, and Lockheed

Martin which has offered the F-21 fighter - a renamed version of the F-16 Block 70.

## PRESIDENT'S DAY OUT



1. Folk artistes perform

as Prime Minister Narendra Modi welcomes US President **Donald Trump and** First Lady Melania Trump on their arrival at Sardar Vallabhbhai Patel **International Airport** 

2. Modi greets Trump 3. Sabarmati Ashram's visitor's book signed by Trump and Melania

4. Trump, with First Lady Melania, and PM Modi at Gandhi Ashram

5. Modi, Trump, and Melania arrive for Namaste Trump event at Sardar **Patel Stadium** 

6. Trump and Melania tour the Taj Mahal

7. Air Force One carrying Trump and Ahmedabad to Agra





#### Tata Steel major supplier of has not invited Congress rebars to Motera stadium interim president Sonia Gandhi to the banquet, Tata Steel said three-fourths of the steel rebars supplied Congress sources said. to Sardar Vallabhbhai Patel Stadium in Motera came Singh had earlier accepted the invite but on Monday expressed his inability to attend it. He has

from the steel producer. The world's largest cricket stadium was built with Tata Tiscon rebars. Of the 11,000 tonnes of rebars provided, 8,400 tonnes was supplied in the cut and bend form, besides supply of 41,000 pieces of couplers and 84,000 threads.

## Pradhan, US energy secretary discuss strategic partnership

US Energy Secretary Dan Brouillette and Union Petroleum and Steel Minister Dharmendra Pradhan cochaired the US-India Energy Cooperation Roundtable to review strategic partnership in the energy sector. It was attended by the US and Indian energy firms. "Had a productive engagement with players from the US and India to advance energy security with the objective of achieving energy justice," said Pradhan.

## Manmohan and Azad not to attend banquet for Trump

Former prime minister Manmohan Singh and leader of Opposition in the Rajya Sabha Ghulam Nabi Azad. both senior Congress leaders, will not attend the official banquet being hosted by President Ram Nath Kovind in honour of US President Donald Trump in the national Capital on Tuesday. Singh and Azad will not

attend as Rashtrapati Bhavan

conveyed his regret to the President's office for not being able to attend the banquet, sources close to Singh said. Azad had earlier declined the invite as Sonia Gandhi has not been invited.

It has been customary for Rashtrapati Bhavan to invite former prime ministers, leaders of the two Houses of Parliament and leaders of the Opposition to the banquet hosted in honour of a visiting head of state or government. **ARCHIS MOHAN** 



FRIENDSHIP OF MODI AND TRUMP" NIKKI HALEY

Former US Ambassador to the UN



"TO USE PRESIDENT TRUMP'S FAVOURED ADJECTIVE, THIS IS A HUGE OPPORTUNITY. WE ALL KNOW TOURISM CAN BE A MAJOR ENGINE FOR SPURRING GROWTH, EMPLOYMENT, AND FOREX"

ANAND MAHINDRA Chairman, Mahindra Group

# Driftwood project on India-US agenda, but pricing remains a concern

New Delhi, 24 February

The \$12 billion worth of annual crude oil imports to India, along with a possible LNG deal, are set to take the energy relations of India and the US to a new high. The energy ties between the two nations had picked up after Donald Trump took over as President of the United States in 2017.

Under the deal, India is to get a share in natural gas from the proposed Driftwood project

Petronet LNG had signed a deal with US' Tellurian for the project last September. The over-\$2 billion deal is likely to get final shape during the current visit of Trump.

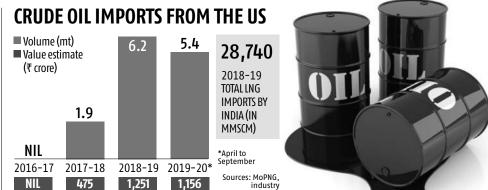
With a rise in imports over the past few years, India has become the fifth-largest buyer of LNG from the US. However, with LNG prices dropping to record lows, GAIL and Petronet are likely to push for realigning long-term contracts.

"The gap between the spot and long-term deals are widening, which is a cause for concern. We will take a call on this at an appropriate time," said Manoj Jain, chairman and managing director of GAIL. Currently, the spot prices of LNG are hovering around \$3-4 million standard cubic metres per day (MSCMD).

GAIL has a 20-year contract with Dominion Energy Inc's Cove Point plant and Cheniere Energy Inc's Sabine Pass facility in Louisiana to buy 5.8 million tonne per annum (MTPA) of US LNG. The cumulative import of 27,433 million metric standard cubic metre (MMSCM) for the current financial year (till January 2020) was higher by 12.9 per cent, compared with the corresponding period of the previous year.

US LNG is primarily swapped by Indian companies since the shipping cost works out to be high.

'In general, most of the LNG contracts in the past were indexed to oil and since oil prices were



high, LNG rates were also high. When the US LNG contracts started linking price to the Henry Hub gas price, it seemed like an attractive alternative. However, since then, oil prices have come down, and some have been re-negotiated,

reducing the delta between oil-linked and gas-linked LNG contracts," said Aditya Gandhi, vice-president (technology, energy and

commodities) Publicis Sapient. This made some of the old contracts, like the

one signed by GAIL with Cheniere Energy and Dominion Energy Cove Point LNG, less attractive. It is important to negotiate the terms more aggressively with the US counterparts, so that the landed cost of LNG in India is not significantly higher than other sources, he said.

Crude oil imports have increased over the last few years, from 1.9 million tonne (mt) in 2017-18 to 6.2 mt in 2018-19. The US became a part of India's energy basket again in January 2017, after about 42 years. During the first six months of the current financial year, India imported 5.4 mt crude oil from the US. The shortfall in imports from Iran

and Venezuela was made up by the US supply. "Over the past six months, there have been sources like the US, Russia, and Australia,"

multiple instances of unrest in West Asia. This created fear of gas and oil supply disruption in the region. Therefore, it is important that India diversifies its energy supply chains to include

## Vivad se Vishwas: MNCs will have to bring all disputed amount to India

Else, the entire money will be considered as loan from subsidiaries on which interest will have to be paid

New Delhi, 24 February

subsidiaries multinational companies (MNCs) can settle their transfer pricing disputes under the proposed Vivad se Vishwas scheme, but they will have to bring the entire disputed money to India.

Or else, the money not brought into India will be considered as loan from subsidiaries on which interest has to be paid.

According to the amendments would not have any effect on secondary adjustment. Secondary adjustment is repatriation of an excess amount MNCs keep after tax officers make adjustments.

If an Indian subsidiary of an pay tax on ₹110 crore. Now, this

EYEING A PIE OF ₹9.32 TRN AS... (₹ trillion) ■ Corporation tax ■ Personal income tax | Total Projection for 2019-20 11.7 (Revised Estimates) Actual collections 3.7 6.9 till December 3.2

three months 2.4 Sources: Budget papers, Controller General of Accounts, finance ministr



to the Direct Tax Vivad se Vishwas MNC provides some technical Bill, the settling of disputes regard-service to global headquarters, it ing transfer pricing adjustment shows in its books that ₹100 crore is given by headquarters to it and pays tax on it. However, transfer pricing officers arrive at a conclusion that the service rendered is to the tune of ₹110 crore and the subsidiary has to

Gap to be filled in 2.4

difference of opinion may be pending in some court or tribunal.

4.8

This can be settled by paying tax on ₹110 crore, but this entire amount will have to be brought to India. Otherwise, ₹110 crore will be taken as loan to the MNC by the subsidiary and interest will have to be paid on it at the rate of 6 per cent a year. required to repatriate the funds to

Alternatively, an all-time interest of 18 per cent, besides surcharge of 12 per cent, or a total of 20.16 per cent of ₹110 crore, can be paid and the case settled.

Amit Maheshwari, partner at Ashok Maheshwary & Associates, said: "Thus, the declarant shall be India even if he goes for settlement." The intention seems to offer relief only for litigation and not from repatriating the funds, said Maheshwari. The scheme offers interest waiver, penalty, and prosecution for settlement of these disputes pending before the commissioner (appeals), income tax appellate tribunal, high courts or the Supreme Court as of January 31, 2020.

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

In case of tax arrears pertaining to only disputed interest or penalty, 25 per cent of the disputed penalty or interest will need to be paid while settling appeals up to March 31, 2020, and 30 per cent if payment is made after that.

## 'Export incentives on rupee payment via Vostro account'



T N C RAJAGOPALAN

We have made a shipment denominated in Indian rupees to the UK and the US. We have received payment through banking channels and our bank has informed us that the payment has been received through Vostro account. Can we claim MEIS benefits on this shipment against such receipts?

Yes. According to Para 2.52(b) of FTP, "export proceeds against specific exports may also be realised in rupees, provided it is through a freely convertible Vostro account of a nonresident bank situated in any country other than a member country of Asian Clearing Union (ACU) or Nepal or Bhutan. Additionally, rupee payment through Vostro account must be against payment in free foreign currency by buyer in his non-resident bank account. Free foreign exchange remitted by buyer to his non-resident bank (after deducting bank service charges) on account of this transaction would be taken as export realisation under export promotion schemes of FTP.

RBI Master Direction 16/2015-16 dated January 1, 2016 (as amended), also quotes this Para and says that there is no restriction on invoicing of export contracts in Indian rupees in terms of the Rules, Regulations, Notifications and Directions framed under the Foreign Exchange Management Act, 1999.

While affording us pre-shipment and post-shipment export credit

charging us an interest rate of 10.5 per cent. This is based on their understanding that preferential export credit is available only to manufacturing exports and not merchant exports. Is it correct? According to the RBI circular 2018-19/17 dated January 11, 2019, bearing reference No.22/04.02.001/2018-19, "it has been decided by the Government of India to include merchant exporters also. w.e.f. January 2, 2019, under the ongoing Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit and allow them interest equalisation at the rate of 3 per cent on credit for export of products covered under 416 tariff lines identified under the Scheme".

We approach our bankers for grant of GR waiver for export of goods free of cost, say for sending goods as free replacement, or for testing abroad, or for repairs or as free samples. We are not clear what value we should declare for the goods. Should we declare commercial value of goods or declare notional value? Please clarify.

You should declare the value determined in accordance with Section 14 of the Customs Act, 1962. read with Customs Valuation (Determination of Value of Export Goods) Rules, 2007.

We refer to DGFT PN 55 dated January 3, 2010, extending the period for seeking extension of first block and final EO period of EPCG authorisations till end-March this year. What will be the treatment of export shipments made between date of expiry of the EPCG authorisation and date on which request was made for extension in time period for fulfillment of EO? That PN does not extend the first block or final EO period. It only relaxes the period within which you

can ask for extension of the first

block or final EO period.

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

# bid for ₹25K-cr LTRO

Mumbai, 24 February

The Reserve Bank of India (RBI) on Monday received bids worth ₹1.23 trillion for ₹25,000 crore on offer for its one-year longterm repo operations (LTRO). In the auction for three-

year maturity liquidity operations made last week, the RBI had received bids worth ₹1.94 trillion for ₹25,000 crore on offer. On Monday's auction, the RBI received 52 bids, which the RBI allotted on a pro-rata basis.

The idea behind the LTRO, and also relaxations on cash reserve ratio (CRR) for incremental lending to the retail and micro, small and medium enterprises, announced as a policy measure on the same day, is to bring down the cost of



In the auction for three-year maturity liquidity operations made last week, the RBI got bids worth ₹1.94 trillion

funds for banks without necessarily lowering the deposit rate. The banks can then lower the lending rate, and extend credit at a cheaper rate.

The central bank plans to go for ₹1 trillion worth of LTRO

## RBI receives ₹1.23-trn | CRISIL downgrades PNB Housing's deposits to AA+ on poor asset quality

**ABHIJIT LELE** Mumbai, 24 February

Rating agency CRISIL on Monday downgraded PNB Housing Finance's fixed deposits from AAA to AA+ due to weakening of asset quality, as several big-ticket developers have defaulted on payments. Also, the size of equity-raising plan is lower than envisaged.

PNB Housing stock months of 2019-20. These closed 2.7 per cent lower at ₹405.85 per share on the BSE.

According to analyst call after transcript the announcement of third finance company raised over ₹7,500 crore via December 2019. deposits during the nine



deposits are sticky in nature, with tenure ranging between 30 and 36 months and a healthy high doubledigit renewal rate. Deposits stood at ₹16,470 crore, which quarter results, the housing is 19 per cent of total financial resources at the end of

CRISIL in a statement

said the long-term rating slippages from some large was downgraded from AA+ to AA. It also revised the outlook on the longterm ratings to 'stable' from 'negative'.

In July 2019, CRISIL had revised the rating outlook to 'negative'.

In terms of asset quality, its gross non-performing asset (GNPA) ratio deteriorated to 1.75 per cent in December 31, 2019, up from 0.48 per cent in March 31, 2019.

The retail on-balance sheet loan book has witnessed a marginal uptick in delinquencies in early buckets, but remains in control. The increase in overall GNPA was mainly on account of developer accounts. fundraising ability has

remained intact over the

past six-nine months and it

is continuing to maintain high on-balance liquidity. Further, CRISIL notes that the management intends to recalibrate its growth strategy, keeping in mind the capital availability. The company will also increase the share of retail

the wholesale book. To further reduce leverage, the firm had planned to raise ₹2,000 crore of equity by March 2020. However, the equity raise is expected to be lower at ₹1,500 to ₹1,600 crore, CRISIL said.

book due to challenges in

## **TENDER CARE**

## S. S. Bose takes charge as Executive Director (Regional Services), Western Region, IndianOil



**5**. S. Bose has taken charge as Executive Director (Regional Services) Western Region, IndianOil, Mumbai which caters to the service needs of five states, viz. Maharashtra, Gujarat, Madhya Pradesh, Goa and Chhattisgarh, With more than three decades of rich and diverse experience across the key regions of the country including the North East in Supply logistics, International trade &

Commerce. He played a key role in guiding the decade old business relationship between NOC (Nepal Oil Corporation) and IOC to greater heights and construction and operationalisation of the first cross border oil pipeline in Asia between Motihari in India and Amlekhguni in Nepal.

## **UCO Bank, SREI Equipment Finance to co-lend** through iQuippo platform

UCO Bank, one of India's premier public sector banks, and SREI Equipment Finance Limited ("SREI Equipment"), a wholly-owned subsidiary of Srei Infrastructure Finance Limited ("SREI"), announced a strategic alliance to offer joint loans for purchase of construction and mining, farm and medical equipment under a co-lending arrangement.



iQuippo, a Kanoria Foundation initiative, will facilitate sourcing of loans under this programme. The partnership will allow UCO Bank and SREI Equipment to collaborate, co-operate and widen their respective markets and customer base. The strategic alliance will also allow both lenders to everage each other's customers and cross-sell their products.

## MD NRL honoured with PSU Leadership Award



Managing Director, Numaligarh Refinery Limited, Mr. S K Barua has been honoured with 'The PSU Leadership Award' at the 7th PSU Awards function of Governance Now held in New Delhi on 19-02-2020. The award was presented to him by Hon'ble Union Minister of State for Heavy Industries and Public Enterprises, ShriArjun Ram Meghwal. NRL also won the award for Environment and Sustainability, Investment in Start ups. Governance Now is a fortnightly publication on public policy and national affairs from SAB group. The PSU Awards instituted by them has been recognizing and honouring the efforts of PSUs that have been key to the country's economic growth and social development.

## **Commercial Feature**

Oriental Bank of Commence, Circle Office Vadodara celebrated its 78th Foundation day on Wednesday 19.02.2020. Bank celebrated the day in the august presence of customers & retired employees. Bank distributed necessary items to the needy children of Blind School, Orphanage

**OBC**, Vadodara celebrated its 78th Foundation Day



New born at Sayaji Hospital etc. Sh. Dilip Kedar, Circle Head was present during the celebration with esteemed customers, retired employees & other officials of the Bank.

## 18th Edition of NALCO Lecture

 $D^{\text{r.}}$  Subramanian Swamy, eminent economist and Hon'ble Member of Parliament has delivered the 18th Edition of NALCO Lecture Series on 'Relevance of PSUs in Shaping New India', here at Bhubaneswar on 22.02.20.In his speech, Dr. Subramanian Swamy stressed that the Public Sectors of India have crucial role to play in shaping New India. He said: "The Public Sectors are important for the development of India and these sectors need to be encouraged to prosper. The PSUs should be given freedom to take decisions and operate in sync with the market dynamics." He stressed that Public Sectors should move beyond profit making and should focus on the multi-dimensional objectives. He also appreciated NALCO's contribution, as an integrated business entity, towards Indian aluminium sector in particular and Indian Economy as a whole. While delivering the welcome address, Shri Sridhar Patra, CMD, said that as a Central Public Sector, NALCO has always given priority to boost the country's economy and serve the interest of the Nation through continuous improvement in production, productivity and profitability and also works beyond profitability for promoting social and economic development through its

## **5th edition of The Pulses Conclave**



India Pulses and Grains Association (IPGA), the nodal body for India's pulses trade and industry successfully hosted the 5th edition of THE PULSES CONCLAVE 2020, a three day mega event for the global pulses trade and industry during February 12th -14th, 2020 at Aamby Valley, Lonavala, Maharashtra. Over 500 delegates from India and across 10 countries including Australia, Canada, Myanmar, Ethiopia, Uganda, Tanzania, Mozambique, Malawi, Russia, Turkey to name a few participated in the Conclave. Key dignitaries present were Shri Sanjeev Chadha, MD - NAFED; Shri Sunil Kumar Singh, Addl. MD - NAFED; Mr. David Marit, Hon'ble Minister of Agriculture, Government of Saskatchewan, Canada; Mr. Rick Burton, Dy. Minister of Agriculture, Government of Saskatchewan, Canada; Shri Ashish Bahuguna, Former Secretary Agriculture and Former Chairperson - FSSAI, Ms. Cindy Brown, President Global Pulses Confederation

## The year of deals

Initial trends in the new year will likely prove forecasters wrong on deal activity in 2020



ACROSS THE BOARD

SHAILESH DOBHAL

rivate equity (PE) deals accel-\$37 billion compared to \$36 billion in 2018, says sector watcher Venture Intelligence. Add venand 2019 hit an all-time high of \$48 bil-

(M&As) reverted to "near normal" levels — a shade over \$52 billion — in 2019 after a record 2018, according to leading law firm Baker McKenzie. The Insolvency and Bankruptcy Board of India (IBBI) reported an average recovery rate at over 43 per cent against claims of ₹3.52 trillion till 2019 end. And funding of startups at \$7.9 billion was at a five-year high in 2019, according to the Indian Private Equity and Venture Capital Association (IVCA)

Going by predictions, the pace of deal making is likely to slow down this year. IBBI data shows resolution erated a bit in 2019 touching under the Insolvency and Bankruptcy Code or IBC witnessed a big fall in the quarter ending December 2019 as financial creditors realised just 12 per ture capital investments to PE funding cent of their claims, against 34 per cent in the preceding quarter, with lion, according to management con- expectation of this trend to continue,

few takers left for assets of smaller firms. Though McKenzie expects M&As to be resilient in 2020, it predip below 600 this year (589), from IBC again there is Cerberus and SSG 665 in 2019 as per man-

agement consultants Bain Going by predictions, the pace of deal & Company. making is likely to One can throw more slow down this year. data, but you get the drift. All are predicting IBBI data shows that 2020 will be a slow resolution under year as far as deal makers the IBC witnessed are concerned. But a big fall in the

reading the tea leaves

gives one a somewhat dif-

ferent picture. Just witness the spate of deal activity in the first month or so of this year, within and without the IBC. Over a dozen players — from some Indian conglomerates not present in financial groups to PE firms such as Warburg, KKR and Oaktree — are bidding to buy

quarter ending

December 2019

going bankruptcy process in Dewan Housing Finance Ltd. (DHFL). DHFL has over ₹85,000 crore of debt, and dicts deals at just around \$44 billion, creditors' preference is to sell the firm with the rev up coming only next year. as a whole, going concern rather than Number of M&As, too, is expected to hawking the assets piecemeal. Then at

> Capital racing to pick Altico Capital India and US-based Deccan Value Investors making ₹2,700 crore reported bid for Amtek Auto.

Outside the IBC, there is again a flurry of deal activity. The Hinduja Group and PE firm Cerberus Capital Manage-ment are reported to be close to placing a joint from 2006 to 2017. bid for the Yes Bank stake.

49 per cent in GMR Airports for ₹10,780 crore. Axis Bank is reportedly set to pick up 20 per cent stake in Max services like the Adani and Welspun Life Insurance. JSW Energy just bought GMR Energy's Odisha power plant for ₹5,321 crore. Canadian invessultant EY. Mergers and acquisitions as major cases get resolved, there are the country's first financial firm under-tor CPPIB is looking at buying an attractive valuations.

additional 24 per cent stake in renewable energy company ReNew Power from Goldman Sachs. Dr Reddy's has snapped up Wockhardt's India formulations business for ₹1,850 crore. And all of government-owned Air India is up for sale, besides a chunk of oil retailer Bharat Petroleum Corporation and Container Corpo-ration of India.

Notice that most of the deals mentioned above are buyouts, nearbuyouts or rescue deals where the buyer will increasingly play a major role going forward. The IVCA and EY report also brought out the fact that buyouts have emerged as the largest PE and VC deal category for the first time in 2019 — ahead of growth capital

accounting for over a third of deal value. In fact, buyout value in 2019 and 2018 combined outstrips the cumulative value for the preceding 12 years,

And 2020 is as good a time for France's Groupe ADP has bought buyouts as any, what with government out to hawk family silver, India Inc. in spring cleaning mood, the IBC extended to financial firms. What may also help is steady improvement in Indian firms' health — from return on equity to interest coverage ratio — and

duty-free benefits. Today, most of

India's competitors —Bangladesh,

duty-free status against the 9.6 per cent

duty that India-made products face in

western markets. Add in high interest

and labour costs and the average dif-

ferential between a Made in India T-

shirt and one made in Bangladesh is

The fact is that India has been

unable to benefit even earlier when

rising costs saw China steadily lost

about 5 per cent of its market share.

Chinese manufacturers, however,

diverted their operations to Vietnam,

Sri Lanka and other low-cost East

about 50 cents (\$1.70 against \$1.20).

ietnam, Sri Lanka, Cambodia — enjoy

#### **CHINESE WHISPERS**

#### Trump the entertainer



US President Donald Trump (pictured) on Monday struck a chord with the crowd that gathered to listen to him by turning to popular culture, including praising the "genius" of the Hindi film industry. He recalled blockbuster movies Sholay and Dilwale Dulhania Le Javenae (DDL). His pronunciation bloopers had the crowd laughing. He pronounced Sholay "Shojay", Swami Vivekananda "Vivekamanaman", Sachin Tendulkar "Suchin", and chaiwala, a reference to Prime Minister Narendra Modi, as "cheewala". Yash Raj Films, the makers of DDLJ, later posted on Twitter: "DDLJ trumps!" A marble replica of Mahatma Gandhi's "three wise monkeys", a copy of his "talisman", a special edition of his autobiography were among the items gifted to Trump during his visit to the Sabarmati Ashram. Trump left a message in the visitors' book at the Ashram without any mention of the Mahatma. In the book, Trump wrote, "To my great friend Prime Minister Narendra Modi, thank you for this wonderful visit."

### Buttermilk, not Trump

While the "Namaste Trump" event held at the Motera Stadium on Monday grabbed a fair share of eyeballs from across the country, those closest to action were up against two adversaries: The language barrier and the scorching Ahmedabad sun. Unsurprisingly, by the time the US president started addressing the gathering, many in the 100,000-strong crowd were not present on their seats. Most of them, or at least the ones who were bothered by the heat, lapped up the one relief available: Refreshments, mainly packets of buttermilk. Now the rush at the counters serving those was only because of fatigue or was it simply a pretext to leave the venue, one can only guess.

### **US presidents & Sensex**

Since 2000, US presidents have been visiting India every five years. Donald Trump's visit is exactly five years after the second visit of his predecessor, Barack Obama (January 2015). His first visit was in November 2010. Interestingly, during both the visits, the benchmark Sensex was near its record high. Monday's fall of 800 points notwithstanding, the Indian market is again close to its all-time high that it touched in January. "The Sensex was at 20K when Obama first visited. It was near 30K during his second visit. Currently, it is around 40K. Let's hope when Trump or any other US president visits India next, the index crosses 50k," quipped a broker. Given that the base has gone up, meeting such targets may not have to wait another five years.

# Missing the coronavirus bus

The virus in China and withdrawal of EU concessions to Cambodia offer two major opportunities for Indian garment exporters - but none of them are in a position to gain

he troubled Indian garment industry is at the crossroads to two crises in core producer markets of Asia. First, the Coronavirus outbreak in China has western markets eveing alternative sources. According to rating agency Crisil, this could lead to \$2-3 billion worth of incremental orders for Indian exporters in FY2021. In another development in August last year, European Commission partially suspended the "Everything But Arms (EBA)" trade programme for Cambodia for human rights violations. The programme gave that country duty-free exports to the EU and the withdrawal amounts to about one-fifth, or about \$1.1 billion, of Cambodia's annual exports to the EU. Even if one per cent of these busi-

nesses were to come India, the country could add millions of jobs and foreign exchange earnings. T Rajkumar, chairman, Confederation of Indian Textile Industry, estimates that export of finished textile goods, clothing and fabrics can grow 20-30 per cent as a result of the Coronavirus crisis alone.

**ANALYSIS BEHIND** So why aren't the ports buzzing with Made in India garments? Ironically, the garment exporters: High labour cost,

lack of capital and capacity. Enquiries may have started but with our current infrastructure and Tirupur Exporters' Association (TEA),

position to take advantage," says Rahul Mehta, president of Mumbai-based Clothing Manufacturers Association of India. Today, Made in India garments of a major opportunity owing are 10 to 15 per cent more expensive than those from competing nations. The industry suggests that the government urgently needs to step in.

The industry is already in a crisis of sorts after the government withdrew the Merchandise Exports from India Scheme (MEIS) from August 1, 2019. MEIS gave exporters of madeups and garments a 4 per cent incentive on exports. Worse, all incentives under the MEIS that were granted to the exporters of made-ups and garments on exports till July 31, 2019, were to be recovered. Most garment exporters fall in the medium and small scale category, so this withdrawal, done to comply with World Trade Organization rules, hit their capacity

to pay wages and salaries to workers. The irony is that western buyers are ready to

pay higher prices if orders are fulfilled on time. But exporters are not helped by the fact that the government is sitting on an estimated Rs 7,000 crore worth of delayed refunds and rebates on account of goods and services taxes

same problems that constrain Indian and a scheme called Rebate of State and Central Taxes and Levies (RoSCTL).

Raja M Shanmugam, president, pricing, I am not sure if we are in a says although exporters have started



### **OPPORTUNITY FRAYING AT THE EDGES**

- Crisil estimates \$2-3 billion worth of incremental orders for Indian exporters in FY2021 from crises in East Asia
- Industry estimates export of finished textile goods, clothing and fabrics can grow 20-30 per cent as a result of the
- Coronavirus crisis alone
- Western buyers are ready to pay higher prices if orders are fulfilled on time
- Government withdrew **Merchandise Exports** from India from August 1, 2019 onwards
- The government is

₹7,000 crore worth of delayed refunds and rebates from GST and RoSCTL

■ The average differential between a Made in India T-shirt and one made in Bangladesh is about 50 cents (\$1.70 against \$1.20)

getting enquiries from the customers, but also for long-term," he says.

Exporters urged the government to into orders because they lack the funds sign swiftly free trade agreements with EU and the UK, comprehensive ecoto buy raw material owing to these delayed refunds. "If we [exporters] win nomic partnership agreement with the confidence of the customers at this Australia and comprehensive ecodifficult time, we can capitalise this nomic cooperation agreement with adds. The Make in India programme opportunity not only for short-term, Canada, so that Indian exporters get has just lost a giant opportunity.

Asian countries and continue to dominate the global market. As a result, India gained only 0.5 per cent share. sitting on an estimated Therefore, as Sivaramakrishnan Ganapathi, managing director of India's largest apparel exporter Gokaldas Exports, points out, "Short-

> China's partial shutdown as a result of coronavirus means that Indian apparel companies will have to look for alternative sources of raw material (including local sources) to replace the Chinese business and this cannot be done very quickly as supply chains take time to build.

> term shocks do not translate to busi-

ness opportunity. The competition

among countries is competition

among manufacturing ecosystems.'

"In the short-term, there is a limited extent opportunity but China is also trying to bounce back and firms are indicating they may open soon and will make up for lost time," Ganapathi

## ON THE JOB

## The exiting women



MAHESH VYAS

oung women are returning to the labour force. There is action in the 20-24 year age bracket of women. Labour force participation rate (LFPR) among young women in the age bracket 20-24 years was 14.3 per cent in the September-December 2019 period. This is the highest participation rate in this age bracket since demonetisation.

What is so special about this finding is that this is the only age-bracket which has seen a clear increase in the labour participation rate since demonetisation. Every other age-bracket has seen a decline. This implies that women who left the labour force post demonetisation have not returned. They seem to have gone for good. But females entering their early twenties are coming into the labour force in greater numbers than before. These could be new young women who are likely to have completed their graduation and now are entering the labour markets in search for jobs.

This is a welcome change in the newer cohorts of women entering the working-age

The female labour force participation rate among women of 20-24 years was 17.3 per cent in January-April 2016. This scaled up to 18.4 per cent during May-August 2016. This was the situation before demonetisation. But the participation rate fell sharply after September-December 2016 period. Then the participation rate in this agebracket fell as low as just 9.5 per cent 11 per cent through most of 2017 and 2018. The year 2019 has seen a significant improvement. Female labour force participation

rate was 13.4 per cent during January-April 2019. This rose to 13.7 per cent in May-August 2019. With this, it breached the 13.5 per cent level seen it climbs up to over 16 per cent. around demonetisation (September-Consumer Pyramids September-December 2019 shows a

This improvement is across rural and urban regions.

labour force is dramatically different in rural and urban India. Young labour force participation of women in women join the labour force far more enthusiastically in urban India than participation in the thirties is falling similar women in rural India. In the September-December 2019 Wave of the CPHS, the female labour participation rate among 20-24 year age groups in rural India was 12.2 per cent. the labour markets? Something seems In urban India, it was much higher at 18.7 per cent. Let's keep aside the fact arguments may require a re-examinathat is rather too low in both rural and urban regions and focus, for now, on the difference in the two.

In rural India, the female LFPR in the 20-24 age-bracket had fallen from 16.4 per cent before demonetisation to 9.3 per cent within a year. It has since improved to 12.2 per cent. This is an improvement of nearly 300 basis maternity leave, etc have not worked. points. The improvement among urban women in the same age bracket is more than twice as much, of over uing to work after their twenties and 670 basis points in the LPR — from a low of 11.9 per cent in May-August 2017 ensure that the new cohorts that are to 18.7 per cent in September-December 2019.

But, this enthusiasm of young

demonetisation to 13.5 per cent in the not last long. Female labour force participation rate among women in their early twenties, at 18.7 per cent is 6.5 percentage points higher than in the same by May-August 2017. It remained under age women in rural India at 12.2 per cent. This lead of urban women narrows a bit in the late twenties but is still significant at 4.7 percentage points.

but they are unable to convert them

Then, in the thirties, urban women labour force participation falls off a cliff — from 16-18 per cent down to 11-12 per cent. In the case of rural women

The phenomenon of urban women December 2016). The latest Wave of joining the labour force more enthusiastically than rural women and then Household Survey (CPHS) of exiting the labour force in their thirties while rural women continue to remain further improvement to 14.3 per cent. and even increase participation in the labour force in their thirties and forties is not new. What seems to be new is But the picture of women in the the apparent increased recoil of young women from the labour force. The their twenties is increasing. But their more sharply than before. And, the fall is sustained through senior years.

Why should women who are initially enthusiastic to join the workforce exit to be discouraging them. Some old tion. If it was higher education then what would explain their enthusiastic entry into the labour markets in their twenties? The decline is in the thirties and later years. Even rising household incomes may require a re-examination. If it is child-bearing and child-care, then apparently, new laws to give extended

There is a need for us to understand what discourages women from continfind ways to remove those hurdles to entering the labour markets do not exit like their seniors did.

urban women in their twenties does The author is MD & CEO, CMIE

## **LETTERS**

## Make voting foolproof



This refers to "An avoidable move' (February 24). Data protection is a sensitive and a critical issue and must not be compromised at all. Having said that, all efforts must be made to strengthen the democratic process of voting. Thus whenever EVM functioning is challenged, even if without much proof, it is always better to make the whole process as foolproof as possible. Since we are living in a constantly changing world, we should use technology as much as possible and use the advantages that blockchainbased voting offers. On top of this list of advantages would be the convenience of voters to vote even while away from his or her place. In a country where even 60 per cent polling is considered great, it mind, blockchain technology must be brought into voting.

Bal Govind Noida

## No to surveillance

While the Personal Data Protection (PDP) Bill drafted by Justice B N Srikrishna in 2018 had rightly balanced the interests of industry and individuals, the reworked version of the draft Bill, approved by the Union cabinet, had evoked concerns including those shared by Justice Srikrishna himself. He had raised alarm by pointing to some of its provisions and their potential negative fallout -- such as

the potential of it leading to the emer- India (RBI) guidelines related to the opergence of an Orwellian state. By arrogating to itself the power to define the nature of critical data, sensitive personal data and non-sensitive personal data and the constitution of the proposed Data Protection Authority besides diluting provisions requiring foreign fiduciaries from locating and processing data within the territory of India, the government had created an apprehension about pervasive state surveillance. Data protection laws are not means for promoting state surveillance. Instead, those should be aimed at protecting the individuals from both Big Digital and Big Brother.

M Jeyaram Sholavandan

## Out of sync

This refers to "Customers will no longer get ₹2,000 currency notes at Indian Bank ATMs" (February 22). The news — that bank customers would no longer get ₹2,000 denomination currency notes at Indian Bank ATMs as the lender has advised its branches to immediately stop loading that currency at its ATMs and cash recyclers -- makes interesting reading. Reasonably speaking, its latest plea — that the high-value notes were causing inconvenience to customers as they found it hard to exchange those in retail outlets and other places — seems

be highly untenable and out of sync. But if that is indeed the case, the bank management should have taken that will surely change the way voting well-meaning, customer-oriented step happens. Keeping data sensitivity in much earlier. Commercial banks have to mandatorily go by the Reserve Bank of

ations of the ATMs, issued from time to time. One also shudders to imagine whether such a move has anything to do with the recent media reports indicating the ultimate "withdrawal" of ₹2,000



denomination currency notes from circulation. Mind you, the RBI is understood to have stopped the printing of these notes which have become scarce across the country.

**SKGupta** New Delhi

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## **HAMBONE**



telephone number

## Welcome review

Change in inflation target must be based on solid evidence

■ he Reserve Bank of India (RBI) has started an internal review of the monetary policy framework and will hold a roundtable with experts later this year. The RBI Act was amended through the Finance Act, 2016, which brought in the current monetary policy framework. It provided the institutional framework for the monetary policy committee (MPC) to maintain price stability, while keeping the objective of growth in mind. The government, in consultation with the central bank, notified the inflation target of 4 per cent with a band of 2 per cent on either side in August 2016. The target will be binding till March 31, 2021. Therefore, the RBI has done well to initiate the review process. As a result, policymakers will probably have a technical report on the subject, which will help in decision making. While the law mandates a review of the inflation target, it makes sense to broaden the assessment. Since these are still early days for the flexible inflation-targeting regime in India, a broader review will provide an opportunity to strengthen the framework, which will help maintain price stability and boost growth. In this context, there are several issues that are worth bearing in mind.

First is the composition of the MPC. Does the present system give enough space to external members or the balance is in favour of internal members? Would it make more sense to have full-time external members, as was also suggested by the Urjit Patel committee? It can be argued that full-time members with access to RBI research would be in a better position to make decisions. Second, it is important to find ways to address the conflict in the objectives of the MPC and the central bank. The objective of the MPC is price stability, but the RBI also manages government debt. In the last policy, for example, while the MPC decided to leave the policy rates unchanged, the RBI announced measures that would increase liquidity and enable the government to borrow at lower rates. It is also vital to assess where the currency management fits in the framework. The RBI may have to intervene in the market to avoid currency appreciation, as it has rightly been doing, but this again increases liquidity, which can affect the MPC's objective of price stability. Third, the effectiveness of the framework is being undermined by poor transmission of policy rates. While the RBI on its part has taken several steps, this requires broader policy reforms. The MPC will be in a better position to attain the objective of price stability without losing sight of growth if the financial system responds to its deci-

Finally, as the law mandates, the target will need to be reviewed. However, a change should be based on solid empirical evidence. It has been argued that the MPC should target core inflation. Some economists also believe that the current consumer price index is outdated and does not reflect the changes in the consumption pattern. All these issues warrant careful examination. But it is important to acknowledge that the credibility of an inflation-targeting central bank is built over time, and any reversal can affect inflationary expectations and make the task of maintaining price stability more difficult.

## Family plots

Congress must escape Nehru-Gandhi grip

ongress spokesperson Anand Sharma's stoic declaration that there is no leadership crisis in the party is an unwitting reflection of the deep-rooted stasis within the country's oldest political party. A staunch Nehru-Gandhi family loyalist, his statement is at odds with the multiple and increasingly vocal rumbles of dissatisfaction from several party members, who spoke for many when they roundly criticised the Congress' dismal showing in the recent Delhi Assembly elections. For a party that once held the city-state for 15 years, the lack of a single seat in two consecutive elections reflects the disarray within. It seems incredible that Sonia Gandhi should have been appointed interim president of the party. This summary rejection of democratic principles and the tightening stranglehold of one family leave it squarely open to Prime Minister Narendra Modi's taunts of being a party in the thrall of dynastic rule, with all the connotations of deepseated corruption. In tamely toeing the family line again the Congress Working Committee, mostly comprising elderly party worthies, has missed the opportunity presented when Ms Gandhi's son, Rahul, stepped down from the president-ship for the party's poor showing in the 2019 parliamentary elections. That should have created space for the 135-year-old party to try its hand at democracy by allowing its many talented leaders to compete for the top post. But family control of the party has created an institutional inability to allow non-family talent to flourish and has seen the party fragment multiple times in the past and presented the absurd spectacle of a "remote control prime ministership" for Ms Gandhi between 2004 and 2014.

Yet, signs of the Nehru-Gandhi family's redundancy have been clear for the past six years. Every Assembly election that the party has won — not least in the BJP's Hindi heartland — was the result of autonomy extended to local leaders. Their success contrasts strongly with Mr Gandhi's chronic inability to deliver on the national stage — the Congress won 44 seats in 2014 and 52 in 2019. and he lost control of the family borough of Amethi. It seems incredible that after Mr Gandhi's honourable resignation, it was the name of his sister, who has not noticeably displayed any political nous, that did the rounds as heir apparent despite the presence of dynamic alternatives in Sachin Pilot or Shashi Tharoor. The party's ability to win state elections should not be interpreted as signs of life as a viable opposition.

Those elections are fought on local issues with a focus on anti-incumbency. The welfarist proclivities of the right-wing Narendra Modi have deftly robbed the Congress of its leftist USP. The latter's ideological bankruptcy is showing in its zombie-like response to the reading down of Article 370 and the Citizenship Amendment Act, saved only by Mr Tharoor's eloquence in Parliament. Fears that the party will split if the Nehru-Gandhi family steps aside is a poor argument against intra-party reform, and it reflects the self-interest of an old guard that is out of ideas and energy. Creative destruction is the essence of democracy, and India, in the throes of an unpleasant majoritarianism, urgently needs the broad church ideology that the Congress has long stood for. But right now, Mr Modi could not have asked for a better national opposition.

ILLUSTRATION: ALAY MOHANTY



# Right person for the right job

Too many square pegs in round holes in constitutional, regulatory & senior official positions

he ongoing slowdown in Indian economic growth has resulted in grave opportunity costs, including jobs not created. Additionally, the declining numbers for India's trade in goods for the past several years reflect a downward drift in competitiveness. The causes and consequences of these worrisome trends have been discussed in public forums before and after the Budget presentation on February 1.

A sense of anguish that many express mostly in private conversation is that several senior regulators and officials involved in decision making just do

not have the strength of character, relevant work experience, or understanding of the complexities involved. It is possible that some in crucial positions choose to be discreet and not speak up even if they know better. Or, as was said about many in senior government positions during the Emergency in the mid-1970s, when asked to bend, they were more than JAIMINI BHAGWATI willing to crawl.

Anyone following governance in New Delhi would be aware of the Appointments Committee of the Cabinet (ACC). For those who are not that familiar with the ACC, it is headed by the prime minister and the other two members are the home minister and the minister of the relevant ministry. For all constitutional positions, heads of regulatory bodies, those at the level of joint secretary and above in the central government, the ACC selects the appointees and specifies the length of appointment. For example, the ACC appoints the election commissioners; comptroller & auditor general; chairpersons of the Telecom Regulatory Authority of India, Competition

Commission, and Central Electricity Regulatory

Commission; information commissioners; secretaries to the central government: the RBI governor: heads of the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority, and the Pension Fund Regulatory and Development Authority; chief economic adviser (CEA) in the Ministry of Finance (MoF), etc.

Currently, nearly all constitutional, regulatory, and secretary-level positions in the Central government are occupied by retired or about to retire officers of the Indian Administrative Service (IAS). It is theoretically

> possible that appropriate persons are being chosen for all these crucially important assignments. However, it could also be that restricting appointments to these senior positions to mostly retired officers from just one service in government does not serve the national interest. As fewer than suitable selections have been made all too often by the Central and state governments, it is likely that current appointment practices serve the interests of the

Indian political executive.

In the limited context of the MoF, I remember a conversation with one of editors of this newspaper. The editor's point was that for positions such as CEA or, say, RBI governor, the government should, if necessary, look outside the country and select those who are best-qualified. The government has done so on some occasions and those who were recruited from foreign locations were eminently qualified. I am not sure though whether they had any work experience in the Central governments or regulators in countries where they had spent most of their adult lives. This may not be a disadvantage as they could be quick learners. However, positions such as CEA or RBI governor are also opportunities to grow into jobs and subsequently contribute within India.

At times it is argued that there was no one wellqualified enough within India to do the job. This just cannot be factually accurate for most governmentrelated positions. It is likely that universities, specialised institutions, and private companies would be prepared to release their professors/experts/executives for a period of up to five years on secondment to work in the Central government or a regulatory body. The persons concerned would be an asset to their institution once they return. Knowledge about governance is lost when those who are recruited from abroad return to their home countries. However, exceptions should be made for foreign engineers and scientists who could be recruited for term appointments whenever financially feasible, e.g. in Indian Railways, Power Grid Corporation, or the Defence Research and Development Organisation.

The Central government invariably does not take the trouble to start selection processes in time. It is often not clear till an incumbent's term is nearly over whether that person would be granted an extension or not. The selection process for senior positions should begin at least six months before the office is due to fall vacant. This should be for all positions without exception and minimum educational qualifications and appropriate work experience should be stipulated. For instance, aspirants for financial-sector positions, including those in the MoF, should have at least one degree in economics/finance from a reputed institution. Thereafter, three candidates with domain knowledge could be shortlisted by a five-member selection committee. Selection committees could consist of two retired secretaries from different services, and three subject experts. One of the experts should have had at least 30 years' work experience in a large private sector firm. Such committees of five "nothing to lose" members could submit three names to the ACC for its final approval.

A significant difference from options that have been tried in the past would be if the ACC does not find any candidate suitable, it should ask the selection committee to go back to the drawing-board and submit a fresh list of three candidates rather than come up with a name on their own. This does of course reduce the flexibility of the ACC to choose just about anybody. However, it cannot be anyone's case that the process outlined above would result in inferior selections compared to the prevailing practice of leaving all senior appointments entirely to the subjective judgement of the political executive.

I would agree with those who yawn and say that the suggested appointment process is similar to recommendations made by past administrative reforms commissions. Of course, an apathetic approach would mean that we continue with the current sub-optimal policies of appointments to crucial positions. The political executive hears the message if the crescendo of voices rises to sufficiently high-decibel levels. Voters matter and if public opinion reaches a critical mass, Indian governments reluctantly change even self-

The writer is former Indian Ambassador and World Bank Treasury professional

## Many (new) avatars of energy (in) security

or an economy hoping to get to \$5 trillion, energy → security remains a paramount concern. But the scenario for energy security is changing rapidly. Energy security for India depends on the availability of adequate quantities of critical resources, at prices that are affordable and predictable, with minimum risk of supply disruptions, to ensure sustainability for the environment and future generations. On all four dimensions, there are either new complications for old concerns or emerging anxieties in an energy transition.

First, security of supply is threatened due to shifting of energy geopolitics. India imports nearly 84 per cent of its oil, a rising share despite the aim to reduce oil import dependence to 67 per cent by 2022. Reliability is affected when suppliers shift frequently year on year. Immediately before the 2015 Iran nuclear deal. India's main crude oi

suppliers were Saudi Arabia, Iraq, Nigeria and Venezuela. From 2016. Iran became one of the top three suppliers, regaining an earlier position. It has again slipped down the ranks. Further, if US-Iraq tensions grow, then another major source of oil gets threatened.

Meanwhile, US crude reached India for the first time in 2017. It has already become the sixth largest supplier (relatively small at 5.7 per cent compared to 25 per cent from Iraq in the current fiscal). India is reportedly negotiating a long-term contract for a

major increase in crude imports from Russia's Far East region. Yet, West Asia is critical in the medium term. Until November, the region supplied 55 per cent of India's oil imports. China, the world's largest oil importer, has far lower dependence on the region (43 per cent). What happens in the region will remain a headache, despite attempts to diversify sources.

Affordability and predictability persist as challenges because of uncertainty in the oil import Bill. There have been large variations (in \$billion): 112.7 (FY15), 64 (FY16), 70 (FY17), 88 (FY18), 112 (FY19) and 87.7 (FY20, until January). Such variance makes it difficult to budget for tax revenues or fossil fuel subsidies (\$16.8 billion in FY15 versus \$9.4 billion in FY18). Such fluctuations adversely affect industrial competitiveness, especially when the share of energy in input costs is high.

Imported gas prices add another dimension. The gas glut has lowered spot market prices in Asia to under \$4 per million British thermal units (MMBTU). India is locked into contracted prices of \$9-10 per MMBTU from Oatar for 8.5 million tonnes, triggering efforts to renegotiate contracts. Petronet is likely to take an equity stake in a US firm, Tellurian, hoping to get 5 million tonnes at lower rates. The eventual price would determine whether India can have a more gas-based economy.

Thirdly, safe passage for energy security of course volves maritime security cooperatio

also include the stability and security of transborder electricity grid if we increased trade of (non-fossil) electricity beyond our national borders. There are incipient discussions around an Asian supergrid, which would have inherent technical challenges and political implications.

In order to minimise supply disruptions, India has been investing in strategic oil reserves. However, our understanding of secure storage must evolve beyond vast caverns in the ground. The evolution of batterv

technologies would influence options in several ways. It would determine the speed of electrification of the economic system, particularly for millions of micro, small and medium enterprises, which cite poor quality electricity as a top concern. Energy storage would also impact the share of renewables in the electricity mix. Recent successful bids for solar plus storage at rates competitive with thermal power are encouraging. And developments in alternative electrochemical battery chemistries would impact how much we can rely on distributed electricity and, in fact, add to the resilience of the grid-based system. In addition to strategic oil reserves, India has to seriously think about a circular economy and strategic reserves for critical minerals that are likely to be used in various energy storage applications.

The energy transition brings a fourth set of risks, namely financially stranded assets. Efforts to combat climate change raise doubts about the value of fossil fuel reserves on company balance sheets. According to the Financial Times, in a two-degree-Celsius scenario, nearly half the reserves of state-owned oil companies would be unusable, with grave implications for many oil exporting countries. The 13 largest international oil companies would lose \$360 billion in value under a two-degree-Celsius scenario; even more with a 1.5 degree Celsius target (\$890 billion).

The world's largest investors are shaping this changed reality. In December, 631 non-American investors representing \$37 trillion in assets urged governments to elevate climate action. Last month, BlackRock, the largest asset manager with \$7 trillion under management, announced that it would start exiting investments with "high sustainability-related risk" and make reduced environmental impact a core goal of its investment strategy.

Coal is more at risk. Less than a quarter of remaining coal reserves can be burnt under a two-degree-Celsius scenario. Coal mining companies have lost 74 per cent of value since 2011. Despite pronouncements to increase coal production, India needs to seriously evaluate the risk of stranded assets. At what stage does a long-term investment in new coal capacity stop making sense because it would stop earning returns before the end of its economic life?

Historically, energy security has been affected by shifts in either technologies, economics or geopolitics. Now, there are transformations on all these fronts, as the fulcrum of energy demand shifts from west to east. Old concerns and new anxieties are juxtaposed. India must frame the debate to stay ahead of the game.

The writer is CEO, Council on Energy, Environment and Water (http://ceew.in). @GhoshArunabha@CEEWIndia

## Wanted: Plain tales from the government



KITAABKHAANA

T C A SRINIVASA-RAGHAVAN

About two decades ago I wrote an article complaining that Indian civil servants hardly ever wrote autobiographies. I put it down to their innate well-mannered shyness. But one of them said: "We have so much to be modest about, you see,

Then along came large foreign

publishers with big budgets and large advances. After that, it was only a matter of time before shyness melted away like the Congress party, slowly but surely.

Now hardly a month goes by without some prominent former member of the second rung of government — the first rung is the ministers — sallying forth in a quiet baritone. (For those who may have missed learning about operatic voice classifications, a baritone lies between the bass, which is a deep growl, and tenor, which is a normal male voice.) A baritone allows you to be compelling, yet discreet.

I have read as many of these autobiographies as I can and have discovered a pattern. It's mainly a few septuagenarian or nearseptuagenarian lads from the IAS and a few economists who think their stories are worth telling. The rest are content to merely mumble, if and

when they can find a listener.

But that's only half the point of this article. The other half is that other employees of the central government, state governments, and the public sector don't tell their stories.

It's of course possible though that many retired civil servants write in Indian languages. If so, that's good. Publishers should consider translations.

A million stories: There must be at least 1000,000 of them. Even if no more than 500 of them wrote their autobiographies we would have a rich archive. Historians will have their secondary sources.

Just imagine what stories an honest income tax officer can tell. Or one from customs and excise, now goods and services tax.

In fact, they do tell these stories, not just the day-to-day stuff but about policy making generally. But

**INFLEXION POINTS** 

ARUNABHA GHOSH

The same thing is true of silos such as education and medical services. Imagine what even one honest officer from the University Grants Commission or one of the directorates of medical services could tell. Not Hardly a month goes by just about the corruption, without some

which can be a bore, but prominent former the processes by which we member of the second rung of government have messed up. Likewise, there are the the first rung is the institutions like the ministers - sallying Reserve Bank of India, the forth in a quiet baritone these things tend to be

Securities and Exchange Board of India, and the Insurance Regulatory and Development Authority, to name just three. There are also the Election Commission and the Comptroller and Auditor General.

All their members have something to

educate us about. And let's not forget the public sector, the banks especially. Ah, the banks. What a rich seam!

Then are the defence services. Wouldn't it be wonderful to read about their experiences, whether in the field or in headquarters?

And why leave out the foreign service? I know a few of them and, believe me, they too can keep you riveted with their accounts. We are talking 35-37 years of service, after

all, in as many as 90-100 countries. It's got be pretty substantial.

Many of these civil servants write blogs, as also blow raspberries at the government on WhatsApp. Trouble is, full of bile. While many

tell us how bad the government has become after they retired, few tell us what really happened when they were there.

Just imagine how fantastic it would be to learn about the managerial aspects of demonetisation and GST from some retired RBI guy and retired tax

official. There are two men I can straightaway think of who know what precisely went wrong. (And if they read this, they will know I am talking about them.)

Say's Law, anyone? In economics, before Kevnes came

along, there used to be something called Say's Law. Crudely put, it said supply creates its own demand. That is, all you have to do is to produce and your output will get sold.

I really think that publishers should operate on this principle, especially now that they can print as few as 100 copies, book orders from booksellers, and keep supplying the market on virtually a monthly basis.

I suspect all they would have to do is to put the equivalent of a "call for papers" and there will be a substantial response from civil servants, diplomats, policemen, defence services personnel, and public sector managers stepping up to the crease.

Who doesn't want to tell his or her grandchildren that he or she was part of the Great Indian Endeavour?

# Business Standard MUMBAI | The Smart Investory, 25 February 2020 The Standard Investory 2020 The Standard 2020 The Sta



1,610 While PI Industries is raising funds to expand capacities and tap new opportunities, analysts believe that the company may be targeting inorganic growth opportunities too. This could help push it into a higher growth trajectory and log strong earnings growth

"My investment of ₹262.50 (25 shares of ₹10 each with premium of 50 paise) in 1973 is worth over ₹200,000 now, down from about ₹280.000 a veal ago due to fall in share price. Additionally, it gets me a dividend income of over ₹50,000 annually'' JITENDER BHARGAVA,



# Virus risks not 'priced in fully'

Experts say impact on global economy and markets still uncertain

SAMIE MODAK

Mumbai, 24 February

The risk emanating from the coronavirus (COVID-19) outbreak isn't yet fully priced in by the markets, and its economic implications remain unknown, say experts.

Investors on Monday were caught offguard by the sharp sell-off in stocks amid an increase in COVID-19 cases in countries, such as South Korea, Italy, and Iran.

"From a financial market standpoint, we think the tail risks of a more prolonged and higher magnitude disruption from COVID-19 remain underappreciated by the markets," says a note by global money manager Franklin Templeton.

Major global indices and stocks were hovering around their record levels until last week on hopes that the outbreak would be contained. On February 12, the US' Dow Jones Index hit a fresh record high. The same day, the Sensex closed less than 1 per cent shy of its record closing. "The markets appear to be pricingin a V-shaped recovery as the base case for the Chinese economy and global growth, though some concerns over the longevity of the economic impact have appeared to affect risk assets in recent days," the note added.

such as With countries — Afghanistan, Kuwait, and Bahrain reporting their first infections, and South Korea, Italy, and Iran declaring high



#### **ALL IN THE RED**

Country/Region		Feb 24,'20	Chg 1D(%)	
US (till 11.50 IST)				
Nasdaq Composit	te US	9,187.11	-4.0	ĺ.
S&P 500	US	3,221.06	-3.5	
Dow Jones	US	27,972.20	-3.5	•
Europe				
DAX	Germany	13,035.24	-4.0	
FTSE 100	Britain	7,156.83	-3.3	
Asia				l
Nifty50	India	11,829	-2.1	ĺ
S&P BSE Sensex	India	40,363	-2.0	
Hang Seng	Hong Kong	26,821	-1.8	
Straits Times	Singapore	3,142	-1.2	
Nikkei 225	Japan	23,387	-0.4	
Shanghai SE	China	3,031	-0.3	
Compiled by BS Researc	h Bureau		Source Bloomberg	3

demic is yet to be reached.

As a result, the full extent of the eco-

**Brent** Crude \$55.45

	₹ dips	(Inverted scale)		
		71.25		
		71.5		
		71.75		
	71.79	72.0		
-		<b>72.0</b> 72.25		
erg	Feb 20	Feb 24		

to be quantified, they add.

Given the uncertainty, investors are moving funds out of risky assets and into

\*till 10.26 IST

safe-havens, such as gold and bonds.

**QUICK TAKE: MORE GAINS AHEAD FOR PI INDUSTRIES** 

Gold, a traditional safe-haven asset, saw its price hit record high. The 10-year US Treasury hit fell to its lowest level since 2016, while its 30-year Treasury dropped to an all-time low. Germany's 30-year bond yield turned negative for the first time since October. The safehaven trade is even driving demand for the new-age asset class, such as cryptocurrencies. The price of bitcoin has soared nearly 40 per cent in 2020. Meanwhile, global oil prices, a barometer for the health of the global economy, continues to tumble. On Monday, Brent crude fell over 3 per cent, extending their yearto-date slide to 16 per cent.

The demand for safe-haven assets has spiked as fresh coronavirus cases in South Korea and Italy indicate that business impact could be worse than thought earlier," says Vinod Nair, head of research at Geojit Financial Services.

Foreign portfolio investors (FPIs) outflows could accelerate if COVID-19 cases continue to rise, warn experts.

"A big global risk-off could potentially result in outflows from emerging markets and trigger a flight to safety. Outflows from domestic debt and equity may put pressure on the rupee. Offshore fundraising by Indian corporates is also likely to slow down," says a note by IFA Global.

Investment experts say given the economic uncertainty caused by COVID-19, investors should look to diversify their investments.

'The rapid spread of COVID-19 is a stark reminder that unexpected events can occur any time, and that portfolio diversification remains critical when the markets are priced for perfection," the

investment is concerned, buyers

and investors are playing it safe —

they waiting and watching at the

But how long the gold price could keep rising? Hitesh Jain, vice

president (research), YES Securities

said: "The gold is approaching

\$1,700/oz amid concerns over the

economic impact of the Chinese

epidemic. However, we sense that

the markets will eventually start

pricing in the fact that the coron-

avirus crisis is not a structural issue,

but a transient one. It is perplexing

to note growing divergence/discon-

nect in the financial markets, with

buoyancy in global equities, bonds

and gold. This can't continue for

long. Gold will retreat from the cur-

rent highs once the adverse effects

of coronavirus fade and the global

economy stabilises.'

moment.

## Pharma funds may take a hit in the face of China lockdown



JASH KRIPLANI

Mumbai, 24 February

The lockdown in parts of China in the wake of the coronavirus outbreak can stem the stellar performance shown by pharma funds in recent months. Fund managers believe domestic pharma companies may face challenges if supply chain issues in China continue for another couple

In the one-year period, pharma funds have given average returns of over 18 per cent, outperforming 12 per cent gains posted by frontline indices. such as the Sensex and the Nifty. "Domestic pharma firms, which are importing raw materials from China, have inventory for one or two months. But, if there is any prolonged impact, it could lead to some production disruptions," said Mahesh Patil, co-chief investment officer of Birla Sun Life Mutual Fund (MF).

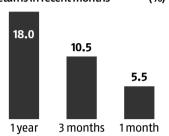
On Thursday, Icra revised its outlook on Indian domestic pharma industry from stable to negative due to ongoing lockdown in parts of China. The rating agency said domestic pharma industry is heavily dependent on Chinese imports for raw materials, with China accounting for 65-70 per cent of active pharmaceutical ingredients (APIs) and other intermediates coming into India.

The rating agency underlined that the situation can get more alarming in the cases of some key starting materials, or KSMs, where China is the exclusive supplier.

In another note, rating agency Crisil said India continues to lack capability to produce KSMs or intermediates manufactured in China, and cited rise in raw material costs, already seen by some domestic pharma players.

Experts say domestic pharma industry may still be able to manoeu-

Pharma funds have given robust returns in recent months



Source: Value Research

vre around the supply chain issues if the situation turns more acute. "We could see domestic API manufacturers increase their capacity to meet the demand gap caused by Chinese cutbacks. Given the importance of the sector for the society, the government is also expected to ensure that there are major challenges," said Sailesh Raj Bhan, deputy CIO at Nippon India MF.

Meanwhile, the share prices of domestic API players have been seeing a strong run-up amid expectations of higher demand due to Coronavirustriggered lockdown in China.In yearto-date. these stocks have given returns of 30-100 per cent. Some of the top gainers include Granules India (42 per cent), Shilpa Medicare (73 per cent), Lasa Supergenerics (120 per cent) and IOL Chemicals & Pharmaceuticals (50 per cent). On Monday, some of these stocks continued to see an uptick even as markets declined 2 per cent over the fears of Coronavirus outbreak Shares of IOL Chemicals were up 8.3 per cent, Lasa Supergenerics and Shilpa Medicare were locked at upper circuit of 5 per cent.

Domestic pharma firms have also created captive units to meet their API needs. "Some firms have been creating captive units as part of their backward integration programme," Patil said.

## Gold hurtling towards ₹45,000; silver too surges

RAJESH BHAYANI

Mumbai, 24 February

The price of gold witnessed another steep jump globally on Monday amid rising coronavirus concerns.

At Zaveri Baazar here, standard gold closed ₹1,840 or 4.4 per cent higher at ₹43,415/10 grams on Monday, witnessing the highest single-day rise. Considering 3 per cent GST, it was quoted above ₹44,717/10 gm. Silver, too, was shining at ₹49,035 per kg (up 3 per cent) and with GST, the metal has already exceeded the ₹50,000-mark.

Analysts expect gold may breach the ₹45,000-mark in the local market, while silver trade over ₹50.000 (both without the GST).

In the international market, gold was trading at \$1,680/ounce; the \$1,700 level appeared immi-

Global brokerage Morgan Stanley has lowered

its price target for emerging markets (EMs) as

well as Asian markets, while maintaining its

"Oscillation between a recovery-driven

coronavirus-induced growth fears, and then

initial stabilisation suggests our 2020 theme is

about short-term earnings risks and awaiting

normalisation," the brokerage said in a note.

price target for the MSCI EM Index from 1.150 to

1,100. "Retain EM as equal-weight (upgraded

Morgan Stanley has lowered the year-end

intact. We remain EW on EM, while cautious

'equal-weight (EW)' stance.

signs of production and travel

euphoria of mid-January towards

Mumbai, 24 February

STANDARD GOLD (₹/10 gm) 40,000 38,000 ⊥\_36,000

Feb 24,'20

Compiled by BS Research Bureau Source: IBJA nent. Silver, too, was up at

Dec 31,'19

**MORGAN STANLEY LOWERS PRICE** 

TARGET FOR MSCI EM INDEX

Nigam Arora, US-based senior analyst and author of Arora Report. said: "The jump in the gold price is because of the coronavirus scare. as a hedge against the fall in stock markets. Technically, gold has broken out to rise further and this is

TURNING LESS BULLISH

most Asian markets

MSCI Asian (ex-Japan) 560

**MSCIEM** 

**Hang Kong** 

MSCI China

Morgan Stanley has lowered price targets for

from underweight in November) as a cyclical

trade, although expect W-shaped recovery

now well-below consensus for all coverage

markets except Japan," it added.

profile to result from 2019-nCoV coronavirus.

Recently lowered earnings growth forecasts are

Target (Dec '20) Cut Fwd P/E

550 -1.8

84 -1.2

13.5

10.6

11.5

previous revised (%) (Dec '20)

1,860 1,800 -3.2

1,150 1,100 -4.3

27,500 26,820 -2.5



happening because of various rare things coming together. Instead of falling when the dollar is becoming stronger, gold is rising."

The coronavirus outbreak is seen hurting global economies worse than expectations. The markets have already discounted fears of slow growth in China and the global economy in the March 2020 quarter. On the other hand, the costlier gold has pushed customers onto the sidelines. Demand is almost absent. Only some compulsive wedding-related buying or enquiries are being reported. Saurabh Gadgil, managing director,

PNG Jewellers, said: "As far as

## THE COMPASS

## Slowdown in IT & real estate a pain point for Info Edge

In Q3, Naukri and 99acres reported sharp contraction

in billing growth



SHREEPAD S AUTE

Info Edge's December quarter (O3) earnings clearly indicate that weakness in the overall economy has started catching up. The company, which had been an outlier before the third quarter, has been hit by a slowdown in the two key sectors of IT and real estate.

Subdued hiring in the IT sector and prolonged stress in the real estate sector are likely to keep growth of Info Edge's recruitment (Naukri) and real estate (99acres) business under pressure, at least, in the near term.

The two segments accounted for 90 per cent of Info Edge's revenues in Q3. Further, slowdown in consumer goods and retail, among others, is expected to hit overall hiring trends.

Many analysts have revised the near-term revenue estimates for the company. Analysts at ICICI Direct, for instance, have slashed Info Edge's FY20 and FY21 revenue estimates by around 2 per cent and 5 per cent, respectively. Info Edge's Q3 earnings also showed



a sharp decline in billing growth of Naukri (mainly because of lower hiring in the IT sector) and 99acres.

Billing growth of Naukri fell to 8.5 per cent in Q3 from 14 per cent in the previous quarter, and that of 99acres declined to 10.8 per cent from 20.8 per

The billing growth in these segments was the lowest at least in the last

seven quarters. Though, bill book is a long-term obligation, if the billing growth continues to decelerate in the following quarters, it would be a cause of worry for Info Edge's investors.

The stock has shed 9.5 per cent since Q3 results, and has also underperformed the Sensex, which has fallen 2 per cent during the same period.

Nonetheless, cost efficiency and lower advertising spends, mainly for the two key segments, should offer some support to Info Edge's operating profitability despite concerns over the near-term growth and higher marketing spends in segments such as Jeevansathi.

Also, Info Edge's key market position in its business segments, and its investments should translate in to higher growth in the long term.

Yet, near-term growth concerns and the recent rally in the stock (up 36 per cent in the last 6 months) have turned valuations expensive. Thus, investors should wait for some correction in the stock before investing.

## Higher growth trajectory ahead for Ajanta Pharma

Completion of capex, improving prospects among positives

Ajanta Pharma Feb 24,'20

Compiled by BS Research Bureau

RAM PRASAD SAHU

A strong uptick in US revenues, traction in the Africa business, and consistent performance in the domestic market have led to brokerage upgrades for Ajanta Pharma. The stock is up 27 per cent since the start of February.

Analysts at SBICAP Research have upgraded the stock to a "buy" on improved growth visibility across businesses, sustained outperformance in India business, and structural margin expansion from leverage. They expect revenue growth to be in high teens in the FY19-22 period, driven by 25 per cent growth in the US and low-to-mid teens growth in its branded



business across India, Asia and Africa.

The stock had seen a sharp correction from its highs, given the challenges during the FY16-19 period. This was because of a slowing institutional business (tender-based anti-malarial segment) and a

sluggish domestic pharma ing to an end, it is expected to market. The Street is now benefit from volume expanthe revenue outperformance anti-malarial market. Its US business grew 43 per cent on the back of product launches, as well as volume growth, and

continue. Further, with capex com-

these trends are expected to

more confident about the sion. Analysts at Edelweiss company's ability to sustain Research highlight tripling of its growth trend in the coming assets, led by a ₹1,650-crore quarters. In fact, it was better- investment over FY15-20. The than-expected revenues in money was incurred on the Africa institutional busi- greenfield expansion in Dahej ness and growth in the North and Guwahati, as well as on a American sales which led to research and development facility. They expect the share in the December quarter. of in-house manufacturing to Expectations of improved increase to 80 per cent from ordering from institutions like the current 20 per cent as Global Fund is expected to be most of it is outsourced. They positive for companies in the also expect sales to grow by 1.4 times and improve the free cash flow over FY20-23 by six times. Given the sharp rally in the stock price in recent and target prices, investors should await a correction before making an investment.

#### expected to lower hedging costs highly volatile stocks. "For ly to remain the same for naked Mumbai, 24 February F&O positions. However, posi-

Sebi's margin framework review

The Securities and Exchange Board of India's (Sebi's) review of the margin framework is expected to bring down margin requirements for traders in the futures and options (F&O) segment, with some brokerages estimating a dip of 60-70 per cent for a few

options strategies. Trading option strategies will now make business sense. The margins for hedged positions could drop by 70 per cent," said Nithin Kamath, cofounder and CEO at Zerodha.

The new margin requirements by Sebi were issued on Monday, after consultation with its Risk Management Review Committee.

According to industry experts, the new norms imply that the margin required is like-

tions where the risk is limited because of investments in option contracts that hedge each other, margin requirements are likely to be lower.

"The new framework is a great starting point. Hopefully, as our markets mature, the margin required for hedged positions will go even lower," Kamath said.

In its circular, Sebi divided value at risk margin rates in three categories, based on liquidity. With respect to the margin framework for derivatives, Sebi reviewed its guidelines on volatility calculation, scan range on price and volatility, calendar spread charge, minimum charge on short option, extreme loss margin, and margin on consolidated crystallised obligation. Another provision

was for additional margin for

securities with the intra-day price movement of more than 10 per cent in the underlying market for three or more days in past one month, the minimum total margins shall be equal to the maximum intraday price movement of the security observed in the underlying market in last one month." Sebi said.

This would continue until the monthly expiry date of derivative contracts that falls after the completion of three months from the date of levy. For securities with the intra-

day price movement of over 10 per cent in the underlying market for 10 or more days in the past six months, minimum total margins would be equal to the maximum intra-day price movement of the security in the previous six months, the regulator said.

## Mauritius on FATF's grey list; questions over FPI inflows

Mumbai, 24 February

Mauritius has joined Pakistan on the "grey list" of the Financial Action Task Force (FATF), an intergovernmental body which sets anti-money laundering standards. The development is a body blow to the country, which has been trying hard to shed its image as a quasitax haven in the recent past.

mark on the existing, as well as new investments flowing into India from the country. Mauritius is the second-largest source of for- 20 per cent of funds in Category-I eign portfolio investor (FPI) flows may have to be moved to into India, after the US, and has remained so despite the amendment to the tax treaties between the two countries in 2017.

with their concerns.

One of the large foreign custodians put a halt on trades from Mauritius on Monday, said a person in the know. The move comes at a time when the markets are already grappling with FPI outflows amid an increase in coronavirus cases

About 80 per cent of FPIs from Mauritius are already classified as The move also puts a question Category-II by Sebi. The grey list tag dashes any hopes of these funds moving to Category-I.

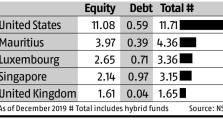
What's more, the remaining Category-II, as well considering country's new status,

Custodians and tax advisors to decisions taken by custodians on FPIs went into a huddle and are the existing, as well as new FPI reaching out to the Securities and applicants, many of whom have inflows from Mauritius and funds

## Exchange Board of India (Sebi) TOP FIVE COUNTRIES FOR FPI FLOWS

Assets under custody (₹ trillion)

	Equity	Debt	Total	#
United States	11.08	0.59	11.71	
Mauritius	3.97	0.39	4.36	
Luxembourg	2.65	0.71	3.36	
Singapore	2.14	0.97	3.15	
<b>United Kingdom</b>	1.61	0.04	1.65	
*As of December 2019 # Total includes hybrid funds Source: N				Source: NSD



confirmed denying any fresh FPI registration to Mauritius-based applicants. What happens to the investments made by the existing Mauritius-based FPIs and those FPI applications which are underd experts. way remain to be seen," said "We are closely observing Neha Malviya, director, Wilson Financial Services.

"There will be an impact on

iurisdictions or locations, such as Singapore, Malta and Cyprus," said Viraj Kulkarni, founder, Pivot Management Consulting.

Mauritius has been put on the list of jurisdictions that require increased monitoring. This list is often externally referred to as the "grev list". "Jurisdictions under increased monitoring are actively

may want to come from their home working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within having strategic anti-money laun-

## **EU blacklists Cayman**

The European Union (EU) has added British Overseas Territory Cayman Islands and three countries - Palau, Panama and the Seychelles – to its blacklist of tax havens. The EU said these jurisdictions did not put in place the necessary tax reforms. Over 90 per cent of funds from Cayman Islands are currently classified as Category-II for investments into

to increased monitoring," said a note put out by the FATF.

According to experts, current regulatory guidelines dictate that FPIs should not come from a jurisdiction that is on the sanctioned list of the United Nations Security Council or from a country which has been reported by the FATF as agreed timeframes and is subject dering or terror-financing defi-

ciencies to which counter meas-

ures apply.

"While the FATF has put Mauritius in an increased monitoring list, it did not prescribe a countermeasure, such as a sanction or financial embargo. To that extent, the immediate regulatory impact could be limited. Still, the grey list would create a huge perception issue, especially among large investors, such as pension, endowment, and sovereign wealth funds, investment charters of which may prohibit investment through such jurisdictions," said Divaspati Singh, partner, Khaitan & Co.

Mauritius' financial services regulator Financial Services Commission had met Sebi officials last year, asking it to reconsider its stance of allowing only FATF members to be eligible for the Category-I status as foreign portfolio investors.

# SBI: Stakes too high to disappoint investors

Easing of corporate sector stress in Q3 gave the much-needed relief

ΗΔΜSΙΝΙ ΚΔΡΤΗΙΚ

Mumbai, 24 February

n an environment where investors aren't preferring to own state-owned entities, including banks, the stock of State Bank of India stands out as an exception. Not only is it analysts' most preferred public sector bank (PSB), but also turning out to be the most-owned PSB. In fact, with 51 of 54 analysts polled on Bloomberg recommending "buy" (or 94 per cent of analysts polled), bets on the bank is higher than what it enjoyed in 2005, when 92 per cent of analysts tracking the stock were positive on it. In other words, SBI's stock is basking on optimism never seen before, which brings investors to the question of how sustainable is this optimism in the current

Sentiments started turning in favour of India's largest bank since the start of the current financial year. But, what cemented the faith was its December quarter (Q3) results, when its gross and net non-performing assets (NPA) ratio touched a low of 6.94 per cent and 2.65 per cent, respectively. Helped by write-back in provisioning, domestic net interest margin rose to 3.6 per cent in Q3, up 70 basis points (bps)

environment.



**IMPROVING ASSET QUALITY & PROFITABILITY** 

T				
(%)	Net stressed assets*	Net NPA	NIM	Base=100
Q1 FY19	5.42	5.29	3	State Bank of India
Q2 FY19	4.9	4.84	2.9	- M
Q3 FY19	4.78	3.95	2.9	May March
Q4 FY19	3.37	3.01	3	Sensex
Q1 FY20	4.59	3.07	3	V SCHSCK
Q2 FY20	4.15	2.79	3.2	Feb 1,'19 Feb 24,'20
Q3 FY20	3.38	2.65	3.6	Compiled by BS Research Bureau

\* Net stressed assets as percentage of total advances; NIM: Net interest margin

Source: Brokerage reports

rebranding exercise that will be

completed in FY21. The MCX will

also have a new logo. Foreseeing a

great scope for trading of agri-com-

portfolio positioning from "Metals

modities, we plan to expand the

and Energy Exchange" to a

"Commodities Exchange".

India Good Delivery Standard

(IGDS) for gold. How do you

derivatives on the exchange?

including the MCX, had sub-

mitted a draft IGDS to the BIS

(Bureau of Indian Standards).

which has taken final shape.

As of now, only gold refined

Association (LBMA)-accredited

refineries could be delivered on the

MCX. However, we have started a

screening process to permit gold

LBMA-accredited. It is important,

though, that such processes include

deliveries even if they are not

by London Bullion Metal

see this impacting gold

An industry-wide group,

vear-on-vear and at these levels, profitability turned to its best level since FY16. Likewise. while the headline loan growth numbers at 7.4 per cent may not appear too encouraging, its retail growth rate (led by home loans) at 17.5 per cent year-on- from Essar Steel recoveries More on business-standard.com

vear in O3 presents a convincing picture. Not just that, the share of retail loans to overall loans at nearly 60 per cent was also at an all-time high in Q3. While one could say that the quarter saw a generous helping

(₹12,000 crore), it still doesn't take away the fact that SBI put up its best-in-recent times show in Q3. On the flip side though, the

biggest concern is that of the emergence of fresh pain. Q3 numbers would have been much better if not for the ₹16,500-crore fresh pain (or slippages) recognised in the quarter on account of provisioning made towards Dewan Housing. Consequently, the slippages ratio rose to 3.75 per cent in Q3, from 1.71 per cent in Q2. In the March quarter, SBI expects corporate slippages to be curbed at ₹1,200 crore, while overall slippages aren't expected to be more than ₹5,000-6,000 crore, resulting in overall slippages of ₹30,000 -35,000 crore in FY20. The other unknown is its telecom sector exposure, particularly ₹16,000 crore (0.7 per cent of total advances) lent to Vodafone Idea and according to analysts at JP Morgan, this is the key downside risk to their 'buy" suggestion on SBI's stock.

Also, with the economic slowdown showing little signs of easing, given its size and exposure to most corporate accounts in the country, SBI remains vulnerable to trouble from unknown quarters.

## Don't invest blindly in NFOs

If they fill any gap in the portfolio, go for them. Otherwise, choose to avoid

**BINDISHA SARANG** 

With a number of fund houses launching new fund offers (NFOs), many investors will get emails and calls from distributors to invest in these schemes. There would be different sales pitches to attract them.

At present, Edelweiss US Technology Equity Fund of Fund, Sundaram Balanced Advantage Fund, Tata Multi Asset Opportunities Fund, and close-ended ICICI Prudential Fixed Maturity Plan (FMP) - Series 87 - 1156 Days Plan D are open for subscription.

For a mutual fund (MF) house, a new scheme that covers new areas is important because it adds to its bouquet of products. However, before investing in any NFO, investors should ask about the value addition a scheme will bring to their portfolio. Some of the key things to watch out for:

#### Track record

Though past performance may not predict future showing, the importance of track record cannot be ignored when it comes to investing. Deepali Sen, founder partner, Srujan Financial Advisers LLP says: "Existing openended funds have several years of track record. An NFO has no track record; there's no past performance to review."

It is like taking a chance whether the scheme will do well or not. Remember, just because the fund house's other scheme has done well, it doesn't mean NFO too will do well.

Every scheme comes with an investment objective or mandate. For



## **FUNDS RAISED**

CY	in nos	₹ crore#
2015	63	8,816
2016	22	2,530
2017	59	22,333
2018	76	26,290
2019	38	10,765

Compiled by *BS* Research Bureau Source: AMFI

the Edelweiss US Technology Equity Fund of Fund. The objective of this fund is to provide access to emerging technologies, which are in early stages of adoption based in the US Synopsys, Tesla, Advanced Micro Devices, Analog Devices, ServiceNow. to name a few.

> Multi Asset Opportunities Fund, which will invest broadly in three asset classes – equity, exchange-traded commodity derivatives, and debt. Says Swapnil Kendhe.

Another example is Tata

founder of VivekTaru, "Before investing in an NFO, always consider if the fund's positioning fits into your financial

plan or asset allocation. Unless the NFO has something unique to offer and also finds a place in your financial plan, you should avoid investing in an NFO."

**MONEY** 

Is it a close-ended or open-ended scheme? Remember, around February

houses launch FMPs of 13-15 months due to the tax advantage they give. By launching FMPs towards the fag end of the financial year, fund houses help investors claim inflation indexation benefit for one extra year. Also, the actual performance you

earn will be very close to the indicative yield on the FMP. While many financial advisors stay away from NFOs, they do recommend close-ended FMPs for those investors who prefer not to have too much volatility in returns.

Says Kendhe: "Retail investors who cannot track their investments regularly should choose a passive investing strategy and stick to index funds. Choose Nifty50 and Nifty Next funds and invest the invisible corpus in the ratio of 80:20. If you are looking at active funds, always go for existing schemes like a multi-cap fund with proven track record."

Remember, even if there's a unique offering, a retail investor may not be able to analyse it. Adds Sen, "See if the NFO fills any specific gap in your portfolio. Otherwise, retail investors should simply avoid NFOs."

# 'MCX rebranding on the ords; eyeing agri items'

Domestic Price Chg# 1,677.0 -4.2 1,958.3 4.0 Aluminium 12,440.0 -13.6 3,055.6 -13.7 Nickel -3.9 2,055.6 -3.0 14.6 1,875.5 Gold (\$/ounce) 9.9 21.2 Silver (\$/ounce) **ENERGY** Crude Oil (\$/bbl) 55.6\* -11.7 57.3 -10.8 Natural Gas (\$/mmBtu) 1.9\* -30.7 1.8 -30.8 AGRI COMMODITIES (\$/tonne) Wheat 193.7 7.6 301.7 182.6\* 0.6 241.3 -9.0 Maize 418.3\* 23.1 484.9 Sugar 4.8 1,536.8 -1.3 Cotton

\* As on Feb 24, 20 1800 hrs IST, # Change Over 3 Month

rnational metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price. 2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices excent for Steel

MCX near month futures

near month contract. ) International Maize is MATIF near month future, Rubber is Tokyo–TOCOM near month future and Palm oil is Malaysia FOB spot price.

1.465.9

- spot prices except for siece. 8) International Crude oil is Brent crude and Domestic Crude oil is Indian basket. 4) International Natural gas is Nymex near month future & domestic natural gas i: 5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of

7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oill & Rubber are NCDEX spot prices.

8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.

9) International cotton is Cotton no.2–NYBOT near month future & domestic cottor is MCX Future prices near month futures.

Compiled by BS Research Bureau

over as managing director and chief executive of the Multi Commodity Exchange (MCX), the country's largest commodities exchange, PS REDDY spoke to Rajesh Bhayani about various new initiatives, including interest in new products like potato and electricity futures, and activating gold exchangetraded funds (ETFs) on the derivatives platform. Edited excerpts: How do you visualise the MCX in the commodity space, going forward? We see the MCX emerging as a broader trading platform for all commodities. We have undertaken a

> benchmarking with international quality standards as well as adherence to the OECD (Organisation for Economic Co-operation and

Development) guide-

lines for responsible

Recently, the government issued

Managing director executive of MCX

sourcing and supply chain. We are in touch with auditors of international repute. After audits and subject to further regulatory approvals, this will enable approved

domestic bullion refineries to deliver gold on the MCX Volumes in base metal derivatives have seen a fall after mandatory

delivery was introduced. What is

your plan to regain the lost volume?

Volumes contracted after the regu-

tlements across all base metal contracts. We tweaked delivery sizes for all base metals with only one contract instead of mini and main contracts in metals. However, hedgers and big companies want different delivery sizes to increase hedging. Hence, we are changing the size of zinc, lead, and aluminium contracts from 1 tonne to 5 tonnes from June. This will help increase volumes. We have been discussing with large users and producers of metals. including that of scrap refiners, the scope of increasing their hedging business. Our focus will be on gaining lost ground in this segment and developing it further.

#### What are the products the MCX is considering to introduce?

We had vibrant potato futures earlier. We are working on its reintroduction. We plan to permit futures contracts in Agra variety of potato. Another product on our radar is electricity futures and we intend to apply for it once there is more clarity on whether the Securities Exchange Board of India (Sebi) or Central Electricity Regulatory Commission will act as market regulators. The matter is under litigation in the Supreme Court. We had applied to Sebi last December to allow us to launch futures indices. We will launch it as soon as we get the approval.

#### Spot gold exchange has been permitted in GIFT City...

We are evaluating the proposal. The GIFT regulator is yet to announce norms for setting up of a spot gold exchange.

# Centre reallocates sugar export quotas to boost shipments

New Delhi/Mumbai, 24 February

India has reallocated unused sugar export quotas of more than 600,000 tonnes among mills after some producers failed to ship because of a drop in output, a government circular said on Monday.

exports from the world's biggest sugar producer in coming months and may weigh on global prices that hit a two-and-a-halfyear high earlier this month. Export quotas of 611,797 tonnes have been redistributed after reviewing export performance of the mills, the

Ministry Consumer Affairs, Food and Public Distribution said in The Centre has approved a subsidy of a circular.

Years of bumper 6 mn tonnes in the 2019-20 season cane harvests and record sugar production have hammered Indian sugar prices, making it hard for mills to pay money owed to farmers, who

₹10,448 a tonne for exports of

form an influential voting bloc. To reduce that debt and pare rising inventories, New Delhi has approved a subsidy of ₹10,448 (\$145) a tonne for exports of 6 million tonnes in the

2019/20 season. But many sugar mills, especially from the western state of Maharashtra, failed to export sugar due to a drop in production as cane plantations were hit by drought and floods. "The government years, ISMA said.

has done reallocation at the right time. This will give momentum to exports in the coming months," said Prakash Naiknavare, managing director of the National Federation of Cooperative Sugar Factories.

India could export more than 5 million tonnes of sugar in the 2019/20 marketing The redistribution of quotas could lift year ending on Sept. 30, Naiknavare said.

India had set export target of 5 million tonnes for 2018/19, but mills managed to export only 3.8 million despite incentives provided by New Delhi.

New Delhi has been consistently reviving the export performance mills and could reallocate export quotas of 300,000 to 400,000 tonnes in April, said a government official, who declined to be named.

The rally in global prices has made exports attractive for mills that have a surplus, said a Mumbai-based dealer with a global trading firm.

Indian mills have contracted to export 3.2 million tonnes of sugar so far in the 2019/20 season and nearly 1.6 million tonnes have already been shipped, the Indian Sugar Mills Association (ISMA)

said last week. The country's sugar output in 2019/20 could fall 21.6 per cent from a year ago to 26 million tonnes, the lowest level in three

# Banks of future will be very different, says RBI governor

Regulating the distinct segments of these banks would be a challenging task: Das

Mumbai, 24 February

anks of the future would be extremely different be extremely difference from now, and regulating the distinct segments of these banks would be a challenging task, Reserve Bank of India (RBI) Governor Shaktikanta Das said on Monday.

Therefore, an integrated framework for resolution of financial firms operating in India could be expected in the near future as that would add to the resilience of the financial system, Das said at the annual banking event of Mint.

Financial technology companies (fintechs) are posing challenges to the existing banks, but big technology companies, or BigTechs, are also entering the financial services industry in a significant way. Some BigTechs are depending on their data-network activities, while venturing into payments, money management, insurance, and lending activities.

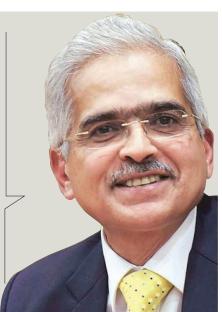
"At present, financial services are only a small part of their business globally. But given their size and reach, their entry into financial services has potential to bring about the rapid transformation of the financial sector landscape," Das said.

The entry of these firms have many potential benefits, and they can easily provide basic financial services to the masses at cheap cost, he said.

But the advent of fintechs and BigTechs are a challenge to banks, as well as banking regulators. While banks have to imbibe these new technology and business practices to remain competitive,

"At present, financial services are only a small part of their business globally. But given their size and reach, their entry into financial services has the potential to bring about rapid transformation of the financial sector landscape' SHAKTIKANTA DAS

RBI governor



banking regulators, on the other hand, Das said, "have to focus on achieving a balance between promoting innovation and applying a measured/proportional supervisory and regulatory framework."

"All these mean that the future of banking will not be a continuation of the past. We would see a very different banking sector, in terms of structure and business model, in the coming years," the RBI governor said.

There would be different categories of banks. The first segment could be large Indian banks with domestic and international presence, for which merger of public sector banks are already taking place. The second segment could be mid-sized niche banks, and the third segment could be smaller private sector banks, small finance banks, regional rural banks, and co-operative banks. The fourth could be of digital players, which may act as service providers directly to customers or through banks by acting as their agents or associates.

In any case, the conventional banking system would make way for next-generation banking, with a focus on digitisation and modernisation, where the need for brick-and-mortar branches would be reviewed continuously.

The decision by the National Payments Corporation of India (NPCI) to set up a subsidiary focusing on taking the Unified Payments Interface (UPI) model to other countries would help enhance global outreach of India's

payment systems, the RBI governor said. A new umbrella entity for retail payments, for which draft guidelines have been released, would also intensify competition and further innovation in the retail payments space.

According to Das, despite the recent decline in impaired assets and a significant improvement in provisioning, "profitability of the banking sector remains fragile".

Even as capitalisation has improved, "the sector continues to encounter challenges from events like those around the telesector", he said. "Consequently, the overhang of non-performing assets (NPAs) remains relatively high, which is weighing on credit growth."

Banks now have shifted their focus away from large infrastructure and industrial loans towards retail loans, but this diversification strategy has its own limitations.

sector-specific pockets of stress need policy attention," the governor said, adding, proper due diligence and risk-pricing in lending are of prime importance so that health of the banking sector is not compromised while ensuring adequate flow of credit to productive sectors of the economy.

"As the Indian banking sector is propelled forward to a higher orbit, banks would have to strive hard to remain relevant in the changed economic environment by reworking their business strategies, designing products with the customer in mind and focusing on improving the efficiency of their services,

## Cash still rules but digital payments rising sharply

Mumbai, 24 February

Cash is still king in India, but there has been a perceptible shift in favour of digitisation in recent years, according to an internal study of the Reserve Bank of India (RBI).

Having a high currency in circulation (CIC) relative to gross domestic product (GDP) is a good indicator of cash being highly preferred for payments. Based on this assumption, "India continues to have a strong bias for cash payments," the study noted.

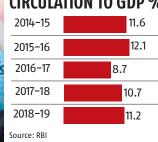
Demonetisation and an active growth in GDP brought down the cash in circulation as a percentage of GDP to 8.70 per cent in 2016-17. This increased to 10.70 per cent in 2017-18 and to 11.2 per cent in 2018-19 which, however, is less than the pre-demonetisation level of 12.1 per cent in 2015-16.

"The rate of increase is lower, indicating a perceptible shift away from cash," the report said.

The notes in circulation (CIC minus coins in circulation) increased at an average rate of 14 per cent between October 2014 and October 2016.



## CIRCULATION TO GDP %



Assuming the same growth rate, notes in circulation (NIC) would have been ₹26 trillion in October 2019. NIC, however, was ₹22.3 trillion, indicating that digitaisation and reduction in cash usage helped reduce NIC by over ₹3.5 trillion, according to the report.

However, the cash withdrawals from ATMs increased over the past

"India is next only to China in terms of the cash. However, the percentage of cash withdrawals to GDP has been constant in India at around 17 per cent," the report said, adding, those using electronic or digital

(CAGR) of 9 per cent in terms of volume and 10 per cent in terms of value, the growth in cash withdrawals has been slow when compared to digital payment transactions, which grew at a CAGR of 61 per cent and 19 per cent in terms of volume and value, respectively. This indicated a shift towards digitisation.

Thus, "in India, like in many parts of the world, cash is the well-established and widely used payment instrument. It is, however, reassuring that non-cash payments, especially with a compound annual growth rate modes, are rapidly increasing.

## BofA expects RBI to build \$550-bn forex reserves

ANUP ROY

Mumbai, 24 February

Bank of America (BofA) sees \$550 billion as a comfortable foreign exchange (forex) reserve level for the Reserve Bank of India (RBI), and believes that the central bank will continue to accumulate dollars at every opportunity, even at the cost of a weaker rupee.

RBI's forex reserves stood at \$476 billion. The central

bank has bought \$49 billion portfolio investors' invest- India would need at least in this fiscal year so far, more than offsetting the \$15.4 billion sale in 2018-19.

According to BofA, the 'conservative' level of forex reserves for the RBI works out to be \$550 billion.

economists Indranil Sen Gupta and Aastha Gudwani, there are three reasons why the RBI would want to accu-As of February 14, the mulate more reserves — to maintain more import cover, fully covering foreign

healthy cover on short-term reserves, the duo said. external debt of India.

The one-year forward import cover has slipped to 11.1 months from 14.4.

"The reason it looks rel-According to BofA's atively high is that low growth has pulled imports to 16.4 per cent of gross domestic product (GDP) from the average 21.9 per cent since 2005-06.

To maintain import cov-

ments, and to maintain a \$535 billion of forex

Second, to maintain 100 per cent cover for FPI investments would require at least \$520 billion. Finally, to take care of the shortterm external debt and FPI's debt investments, India would need to maintain twice the exposure in foreign exchange. That works out to be \$594 billion.

BofA sees rupee at 70.5 er at 20 per cent of GDP, a dollar in March 2020.

## PayPal plans **UPI-based** e-payments

New Delhi, 24 February

On the heels of WhatsApp getting key approvals to launch digital payments in India, its US peer PayPal is also set to jump on the bandwagon. One of the biggest international remit-

tance services in the world, PayPal Holdings, Inc. will launch a peer-to-peer (P2P) payments feature in India. sources in the know of the company's plans said. The service is based on Unified Payments Interface (UPI) - India's indigenous digital payments network — and will roll out in the 'coming



pits PayPal right up against Pavtm, Google Pay, PhonePe, and a few others, and comes at a time when digital payments adoption is the Transactions via UPI doubled in 2019; in

2018, it had grown five times. This is the first time PayPal is experimenting with P2P. It has so far offered Indians the facility to transfer money to international bank accounts and pay at select merchant sites in India. A PayPal India spokesperson said: "As a policy, we do not

comment on any market speculation.

Experts said PayPal was perceived to be late in rolling out consumer payments. "India is going to be one of the biggest P2P payments markets in the world," said Mahesh Makhija, partner and leader-digital and emerging technology group, EY.

According to company figures, Paytm logs over 500 million monthly transactions, PhonePe 70 million, while Google Pay has amassed 67 million monthly active users. The competition will further increase when WhatsApp, which has 400 million users, will launch payments.

## ExxonMobil, IOC and Chart join hands for virtual pipelines

ExxonMobil India LNG has signed a letter of cooperation with Indian Oil Corporation (IOC) and Chart Energy & Chemicals to establish a system of transportation infrastructure to expand gas access in India. Virtual pipeline systems deliver liquefied natural gas (LNG) by road, rail, and waterways to areas not connected by physical pipelines.

These firms will implement a gas infrastructure initiative that leverages LNG ISO intermodal containers to move gas as a reliable, cleaner, and cost-effective fuel.

A pilot project would be developed and a road map for mobile gas infrastructure expansion at scale will be created to improve access to an abundant and cleaner

## Share of drugs under price control dips nutrients, and gastroenterology are the

Mumbai, 24 February

The share of drugs that are under price control in the overall domestic pharma market is showing a downward slide over the years. The data shows that from a 17 per cent share in 2014-15 (FY15), it as come down to 14 per cent in FY19. The trend remained the same during FY20.

During this period the Indian pharma market grew from ₹86,410 crore to ₹1.3 trillion, according to the data from market research firm AIOCD AWACS.

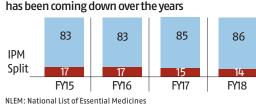
India follows a market-based mechanism for determining ceiling prices of medicines that are a part of the National List of Essential Medicines (NLEM). This list is updated from time Pharmaceutical Pricing Authority (NPPA), the country's drug pricing regulator. The medicines that come under price control are known as scheduled drugs. For all other drugs, the firms are allowed to take an annual hike of not more than 10 per cent.

The data analysed by India Infoline (IIFL) shows that the share of drugs that fall under the NLEM as a percentage of the overall domestic pharma market is shrinking. "Only 14 per cent of the drug market by value is under price control at present," IIFL said.

The brokerage felt that multina-



has been coming down over the years



comes to drug price control. This is because their products are priced at a premium to the market and in the event of any ceiling fixation, MNCs have to bring down their prices much more than the others, it said.

"Secondly, the rate of product launches in MNCs is significantly lower, compared with Indian companies. So, the effect of the price control risk is likely to linger for MNCs. While larger brands provide better tional drug firms are at a disadvantage, profitability, a price control would natcompared with Indian peers when it urally have a disproportionate impact

on companies that own larger brands," it noted. Indian firms, on the other hand, have shown themselves to be more nimble in switching prescriptions to non-price controlled products after price controls were brought in. This is reflected in the number of brand launches slowing over the years, as firms chose to rationalise their portfolios. From 3,836 brands being launched in FY15, it slowed to 2,663 brands launched in FY19, the data from AIOCD AWACS showed.

FY19 Nov '19

Source: Industry data, IIFL Research

Dermatology, vitamins-minerals-

leading areas in brand launches. Leading pharma firm Cadila

Healthcare had pulled out 100 tail-end brands from the market in 2018-19, even as it launched 50 new brands.

"One cannot stop production of brands that feature in the NLEM, but they can always reduce the volumes of these products by a certain amount every year. Thus, the volumes are reduced and eventually in a strategic move the companies weed out the brands that are low volume and low margin," said a senior official of an Ahmedabad-based drugmaker.

Recently, the Economic Survey of 2019-20 brought out an anomaly in India's price control mechanism. It said, "The regulation of prices of drugs through the Drug Price Control Order (DPCO) 2013, had led to increase in the price of a regulated pharmaceutical drug vis-à-vis that of a similar drug hose price is not regulated."

While pharma lobby groups have challenged the methodology used by the Economic Survey to arrive at such a conclusion, the industry as such was of the opinion that market forces can keep drug prices under check.

The managing director of a multinational drug firm that sells novel products in India said that it was time that the NLEM and price control were de-linked. "NLEM should be about accessibility and affordability of medicines. Market forces can keep prices under check," he added.

## Need sugar-ethanol price parity to achieve 10% blending: Experts

SANJEEB MUKHERJEE & AGENCIES New Delhi, 24 February

India can achieve its 10 per cent ethanol blending target with petrol if there is price parity between sugar and ethanol, industry experts said on Monday.

In 2019-20 sugar season, ethanol blend with petrol is expected to be around 5 per cent, much less than the targeted 10 per cent by 2022, largely due to falling sugarcane production and improvement in price realisation. Speaking at a two-day seminar on

Sustainability Mobility-Ethanol Talks, organised by the Indian Sugar Mills Association (ISMA) and its Brazilian counterpart UNICA, global ethanol expert Plinio Nastari said a long-term price policy was required to define the ethanol sugar parity, which would give visibility to the investors for making investment to boost production capacity.

Lack of ethanol production capacity is the main hurdle in achieving the target. Brazil, the world's leading sugar producer, is a pioneer in ethanol blending with petrol and achieved more than 25 per cent.

Luis Henrique Guimaraes, president and chief executive officer of Raizen, one of the world's biggest ethanol producers, said global market for ethanol needed to be created.

Vivek M Pittie, president of ISMA, said India would find it difficult to meet its target of 10 per cent ethanol-blending with petrol just on the back of B- and C-heavy molasses. "It can only be achieved from direct ethanol production from sugarcane juice," said Pittie.

## 'No plans for listing as we do adequate disclosures'

The life insurance sector has grown at a healthy pace this year, but there is uncertainty over growth if slowdown in the economy persists. TARUN CHUGH, managing director and chief executive officer of Bajaj Allianz Life Insurance, spoke to Subrata Panda on the company's plans. Edited excerpts:

economic slowdown? Not yet. Whatever has been happening this year has been good and consumers have been saving for life insurance. It grew at around 17 per cent

Has the insurance sector faced

any headwinds because of

and persistency for the sector has been strong. We have grown well above the industry average. But I don't know how long this will continue, given the fact that the economy is not doing that well.

#### The company's focus has been life goals. How has that panned out so far?

It's doing brilliantly, but I have a feeling that it will be a hedge against Section 80C. The insurance regulator, from February 1, has insisted on need analysis. For us, we already had the template. The thinking and orientation of the company itself was focusing on life goals of customers. With Irdai (Insurance Regulatory and Development Authority) insisting that every product sale has to be backed by need analysis, this has only helped us in bridging our

looking at savings as a life goal and wealth creation around that but now we are also pitching for clear life goal around term insurance.

gaps. We were earlier

What is your plan to improve the persistency levels? There are some practical

difficulties that are there. There is 100 per cent surrender value and no surrender charge. So, a longterm product can be played as a short-term one. And when we have products like ULIPs in the markets today, it is going to be  $tough \, to \, attain \, the \, 90 \, per \, cent$ persistency level. Also, not



everywhere do we have clear

information on customer details.

Moreover, it also depends on the

the big cities, if you are playing in

good. And products sold through

usually have a better persistency.

We were largely an agency-driven

distribution network. Now, the

segments you are playing in. In

the affluent segment, then

usually the persistency is very

bancassurance partnerships

bancassurance part is going. We have tie-ups with Axis Bank, RBL Bank, and two NRI-based banks. The regulator had said insurers who have attained a certain size

should ideally go for listing. Is your company planning an IPO? Not really. What we are doing  $instead\,is\,that\,in\,terms\,of\,our$ balance sheet, we are disclosing as much and sometimes more

are disclosing. The whole benefit of listing is when you require money or any larger interest from the shareholders on the governance issue. And, we are anyway disclosing everything and more because we are held by a listed company.

than what the listed companies

"Products

Do you do yearly product reviews wherein the products that are not review was highlighted to our

Yes, we do. In fact, last week the

doing well are weeded out?

shareholders and 60 per cent of our sales are happening through products that were introduced in the last two years. These are our goal-based products. And, the ones that are not doing well get discontinued. Irdai usually wants us to have lesser number of products. But invariably, all the companies have more than 30 products. The feeling is that we end up confusing the customers, but that's not usually the case. The world is at such a level that you need to keep trying new things. Child products is just 2-4 per cent of our entire sale. The sale of pension products is usually under 10 per cent of our entire sale.

How is the online channel doing in terms of distribution?

Online for us is over 10 per cent. And, the customer base is largely graduates. millennials and beyond. It is quite aligned to the life goal pitch and fairly concentrated in the larger cities. And a lot of traffic is coming from mobile.

# Purpose drives the Oreo brand wagon

Mondelez pushes its biscuit brand out of the playpen, looks for a more meaningful association with consumers



The new campaign focuses on responsible parenting within the overall global brand position of 'staying playful'

**VIVEAT SUSAN PINTO** 

Mumbai, 24 February

brand with a catchy or years, Oreo, the biscuit tagline and a bag full of extensions has positioned itself around personal indulgence. Its tagline, 'Twist, lick and dunk' has helped its owner, the confectionary, food and beverage multinational Mondelez, pitch the brand as a playful break from routine and the ritual it prescribes has become a powerful mnemonic for Oreo's Experts believe recall. But now the company is rewiring the memory grid, with a narrative that takes play more seriously and paints it as a parenting responsibility, asking parents to spend more time

with their children. In the nine years since its India debut, Oreo has snapped up a large slice of the market. Its share stands at 8.5 per cent in cream cookies, a competitive segment that includes rivals such as ITC and Britannia. The that aims to spark "playful" market for Oreo in India is moments with family and cuted the campaign that shows already the third largest after friends. The Indian leg, he says,

the US and China and is expect- has been titled 'Disconnect to ed to grow even more, say experts, as Indians, especially in urban areas, develop a taste for better products and graduate to consuming creams and cookies versus

plain biscuits. Why then is forth the message of Mondelez tweak- **disconnecting from** ing the brand's **the screen world** positioning, stir- and spending ring in purpose and societal good dough? your family" into that the reasons must have been

extremely com-(Biscuits), Mondelez India, says that the company wanted to drive purpose into its marketing, something it has been doing for a few years now globally with Oreo.

'Stay Playful', he says is

Connect', where a busy father is gently schooled by his daughter into spending time with her and cajoled into stepping away from his gadgets, emails and

"The campaign puts quality time in the real world with

SUDHANSHU NAGPAL Director, marketing (biscuits) mondelez India

is a message sevpelling for the shift. Sudhanshu eral brands have sought to Nagpal, director, Marketing adopt, a recent advertisement by mobile handset brand Vivo used a similar narrative where the child brings home the need for calling a time-out on digital devices to spend quality time with the family.

Robby Mathew, chief cre-Oreo's global brand proposition ative officer, FCB Interface, which conceptualised and exea girl sending her father an Oreo

phone calls.

"The cam-

paign puts forth

the message of

from the screen

world and spend-

ing quality time

in the real world

with your family,"

Increasingly this

says.

Nagpal

disconnecting

via mail, says, "The innocence  $of the \, little \, girl \, sending \, an \, Oreo \,$ by email lent itself to a cute story. This campaign builds on the Stay Playful' global platform."

Mondelez isn't the only marketer that is driving purpose into its brands. From Hindustan Unilever to Proctor & Gamble, Nestle, ITC, Dabur, Coca-Cola and PepsiCo, all consumer goods companies today are driving purpose into their advertising and marketing. A global survey by Accenture Strategy of nearly 30,000 consumers in 2018 found that 62 per cent of customers want companies to take a stand on current and broadly relevant issues like sustainability, transparency or fair employment practices. The closer a company's purpose aligns to their own beliefs, the better.

In the Indian context, this has meant not only advertising that drives purpose, but also onground initiatives that help address real problems, issues and mindsets. It also helps, say experts, that companies in India have been mandated to spend two per cent of their three-year average annual profit on corporate social responsibility (CSR). According to a recent report by KPMG, more companies today comply with CSR norms, with 76 per cent firms having spent two per cent or more of their profits on such initiatives in the past year. The report that covered 100 companies also revealed a 150 per cent rise in the number of firms that have committed to carry forward their unspent amount into CSR activities. And a 325 per cent increase in the number of companies that have disclosed details of their CSR initiatives in their annual reports.

For Mondelez. 'Disconnect to Connect' campaign will not be restricted to a few commercials alone. Instead, the company proposes to come up with a 360-degree exercise by March including extensive digital, outdoor and on-ground initiatives to drive home the message. Nagpal did not divulge what the digital campaign would entail, merely saying that it will take Oreo's playful proposition to the

## ▶ FROM PAGE 1

## Sensex falls 807 pts

On an overall basis, 1,796 stocks declined, and 726 advanced on the BSE. Foreign portfolio investors (FPIs) sold shares worth ₹1,161 crore while domestic institutional investors bought shares worth ₹516 crore. Market participants said besides the virus outbreak. investors will keenly look for signs of recovery in corporate earnings. "We are grappling with the effect of lacklustre earnings growth and, other than the tax cuts, there has been no tangible sign of a revival," said

## US Prez looks for...

He said the relations would continue to grow in the digital and Industry 4.0 age.

Even as the US continues to build its military equipment manufacturing muscle, it is looking at India to forge stronger ties in supplies from airplanes, missiles, and rockets to ships, as well as armed and unarmed aerial vehicles.

"As we continue to build our defence cooperation, the US looks forward to providing India with some of the best and most feared military equipment on the planet... And I am pleased to announce that on Tuesday, our representatives will sign a deal to sell over \$3 billion in the absolute, finest, state-of-the-art helicopters and other equipment to the Indian armed forces. I believe the US should be India's premier defence partner," said Trump.

Lauding India for Chandrayaan II, Trump said the US was looking forward to "expanding space cooperation with India". hiking prices across their portfolio.

Islamic terrorism, Pakistan, Bollywood, and cricket also found mention in the nearly half-an-hour speech as Trump looked at hitting the right notes with the massive local crowd. However, contrary to speculation, the proposal for a US Consulate in Gujarat, among others, did not find mention. Trump also lauded Modi over steps taken towards village electrification, internet connectivity, access to cooking fuel, and basic sanitation, "Incredibly, 12 Indian citizens are lifted out of extreme poverty every single minute of every single day."

However, with much of the crowd gathered at the Motera stadium being rural, the US President's English speech could not

"First, the speech was in a language we didn't understand. Second, we have been here since early morning and it was getting hot," said Megabhai Bharwad, a farmer from Sabarkantha, who had come with his fellow villagers in a bus arranged by the local administration.

Landing first at the Sardar Vallabhbhai Patel International Airport as part of his two-day India trip, Trump — accompanied by First Lady Melania and Modi — visited Sabarmati Ashram and later the world's largest cricket stadium at Motera, amid a roadshow of over 100,000 people cheering from the sidelines.

## Voda Idea, Bharti...

It has so far paid only ₹3,500 crore and has been pushing for relief from the government. The deal will also help Bharti Infratel raise its stake in the merged entity from 33 per cent to 37 per cent. At present, Bharti has 53 per cent stake

in Bharti Infratel, with the remainder held by public shareholders. The Bharti Infratel stock has seen a sharp fall from as high ₹460 in 2017 to ₹216 at present. The original agreement states that the value of shares was to be based on an elaborate formula. First, the enterprise value of Infratel and Indus would be based on the last 12 months' Ebitda, the average of 60 days' price of Bharti Infratel as of the closing date, and net debt of the two entities on the date of closing.

The resultant EV/Ebitda for Infratel shall be discounted by 10 per cent to arrive at the value of Indus. However, people in the know say there is a push to renegotiate the terms.

## Cola majors...

"We continue to observe market dynamics and consumer preferences. Depending on the insights, we take decisions on our pricing strategy," a PepsiCo India spokesperson said. Despite the increase in the effective tax rate after July 2017 — when goods and services tax came into effect — the two Cola giants refrained from in terms of using our technology?"

Specific changes in price for certain SKUs helped them mitigate some part of the additional cost. However, their attempt to absorb the higher taxation impacted their bottom line. For example, Coke's bottling arm Hindustan Coca-Cola Beverages posted a net loss of ₹118 crore in FY18.

Since the last price hike six years ago, prices of key raw material such as sugar have risen in double digits.

In addition, its performance over the past several quarters may have given Coca-Cola the confidence to raise prices. At least since late-2018, the India unit registered steady volume growth.

## 72% software jobs...

"When you were joining Microsoft in 1992 the economy in India was \$300 billion and today it's ₹3 trillion and fundamentally this whole progress in a certain way has happened on the back of technology," Ambani said. The transformation was supercharged in 2014, when the prime minister gave the country a vision of digital India, Ambani said, adding he was privileged to play a very small role in it with the launch of his tele-

com company Jio. "Just to share, pre-Jio we had what we called broadband with 256 kbps in India and post-Jio we now have 21 mbps as average speed on data across every single village in India. The pre-Jio data price was ₹300 to ₹500 and for the poor as high as ₹10,000 a GB and post-Jio it's between ₹12 and ₹14 a GB and what Jio has achieved in the last three years is 380 million customers who have migrated to 4G technology."

Referring to how the landscape could be completely changed, Nadella asked Ambani what his ambition was in the context of what he could do for small, medium, and large businesses.

"Let me say that Reliance was founded as a start-up five decades ago with a table and a chair and ₹1,000. It then became a micro industry and then small and medium and today you can consider us large — I have been again very fortunate in knowing Steve (Ballmer) and Bill Gates from my Stanford days when Bill was recruiting Steve and I have seen the growth of Microsoft since then. Every small business and entrepreneur in India has the potential to become a Dhirubhai Ambani or a Bill Gates and that's what differentiates India from the rest of the world: The entrepreneurial power we have in our grass roots is enormous."

Mukesh Ambani's father, Dhirubhai Ambani, got started more than five decades ago with a dream and created what is todav. one of the most amazing stories in business, and now that Mukesh Ambani was leading this organisation, what drove and inspired him and what would he like to see happen, Nadella asked him.

'I think that the opportunity that we have for India, really, is the opportunity to become the premier digital society. I think all the components are coming in. I have no doubt in my mind that we will become one of the top three economies in the world," Ambani said. "Can we really be a pacesetter

# Misappropriation of funds worth ₹25,000 crore in DHFL case, says ED

Officials say they've come across a dozen new transactions involving DHFL, Wadhawan brothers

SHRIMI CHOUDHARY New Delhi, 24 February

he Enforcement Directorate's (ED) preliminary enquiry has pointed at misappropriation of funds to the tune of ₹25,000 crore the promoters of Dewan Housing Finance (DHFL) in the alleged financial fraud.

Earlier, ED had suspected DHFL of diverting ₹12,773 crore of loans to 79 "shadowy" companies allegedly associated with its promoters Kapil Wadhawan and Dheeraj Wadhawan between 2010 and 2015. Officials said they had come across at least a dozen new transactions involving DHFL and the Wadhawan brothers, implying that the fraud was much larger than estimated earlier. The transactions included price rigging of DHFL shares by the promoters through five front entities; certain loans and investments with private lender YES Bank: suspicious loans given to about 30 firms without proper due diligence; a close link with a Mumbai-based businessman Sudhakar Shetty and some real estate deals. On financial ties with YES Bank, the ED enquiry findings have highlighted the private lender debt exposure to the tune of ₹3.700 crore in

## MORE MONEY TRAILS UNDER ED LENS

DHFL sanctioned ₹5,000 crore to 30 firms without proper due diligence

₹4,000 crore allegedly diverted by DHFL promoters by rigging share price

₹750 crore sanctioned to RKW Developers for a real estate project in  DHFL defaulted on a loan of ₹3,700 crore from YES Bank ₹250 crore allegedly

diverted to 8 shell companies controlled by the Wadhawans Another ₹1,317 crore siphoned off to Creatoz

the DHFL debenture between April 2018 The ED, which is probing the DHFL and June 2018 and also in July 2018. In promoters' role in financing funds to addition, YES bank sanctioned a loan gangster Iqbal Memon (alias Iqbal of ₹750 crore to Dheeraj Wadhwan's Mirchi), is now ascertaining the scheme of things behind each of the financial RKW developer for a project near Mumbai's Bandra Reclamation. transactions it had come across in the

YES Bank declined to comment on the specific queries. The bank spokesperson, however, said under the bank's privacy policy, it would not be possible to disclose the client details and the respective transactions. Replying to a message, Rana Kapoor, founder and former managing director of YES Bank, said the allegations were false and malicious

extended loans of ₹5,000 crore to 30 Builders, another companies without proper due diligence. shell firm of the We are in the process of examining Wadhawans

the incriminating documents and records... The quantum of scam could easily touch ₹25,000 crore," said the official. The ED is also looking at the agreement between Shetty and Wadhawans, who were jointly developing a real estate project for which DHFL sanctioned loan of about ₹2,000 crore.

India, and Basant Marketing. DHFL has

The ED is probing another ₹250 crore allegedly diverted to eight firms controlled by Wadhawans. In exchange, fake accounts were opened in the name of several individuals. An amount of ₹1.317 crore was diverted to Creatoz Builders, a shell firm of Wadhawan. ED on Monday conducted survey operations in relation to investments of UP Power Corporation Employees Provident Fund allegedly parked with DHFL. The survey was carried in Delhi, Noida, and Lucknow. The federal agency said DHFL paid a part of the ₹4,122-crore fund under investigation. While the EOW of the UP Police is probing the alleged criminal conspiracy and unauthorised investment of the PF corpus in DHFL, the ED is investigating whether the money was laundered and how the network was used to funnel it.

## FOUR, INCLUDING A COP, KILLED IN CAA PROTESTS





Vehicles were set ablaze and an individual was seen brandishing a gun as clashes continued between pro- and anti-CAA groups at Jafrabad in northeast Delhi. Four people, including a head constable, died in the violence

## Harvey Weinstein found guilty in landmark #MeToo movement



PRESS TRUST OF INDIA New York, 24 February

Harvey Weinstein was convicted Monday at his sexual assault trial, sealing his dizzying fall from powerful Hollywood studio boss to archvillain of the #MeToo movement.

He was found guilty of criminal sex act for assaulting production assistant Mimi Haleyi at his apartment in 2006 and third-degree rape of a woman in 2013. The jury found him not guilty on the most serious charge, predatory sexual assault, that could have resulted in a life sen-

The verdict followed weeks of often harrowing and excruciatingly graphic testimony from a string of accusers who told of rapes, forced oral sex, groping, masturbation, lewd propositions and that's-Hollywood excuses from Weinstein about how the casting couch works.

The conviction was seen as a long-overdue reckoning for Weinstein after years of whispers about his behavior turned into a torrent of accusations in 2017 that destroyed his career and gave rise to #MeToo, the global movement to encour-

age women to come forward and hold powerful men accountable for their sexual misconduct. The jury of seven men and five women took five days to find him guilty.

The case against the once-feared producer was essentially built on three allegations: that he raped an aspiring actress in a New York City hotel room in 2013, that he forcibly performed oral sex on Haleyi and that he raped and forcibly performed oral sex on 'Sopranos' actress Annabella Sciorra in her apartment in the mid-

Three additional women who said they, too, were attacked by Weinstein also testified as part of an effort by prosecutors to show a pattern of brutish behavior on his part.

Jurors signaled their struggles with the Sciorra charges four days into deliberations. On Friday, after reviewing sections of her testimony and related evidence, they sent a note to the judge indicating they were deadlocked on the counts but had reached a unanimous verdict on the others. After some debate in the courtroom, the judge ordered jurors to keep deliberating.

While Weinstein did not testify, his lawyers contended that any sexual contact was consensual and that his accusers went to bed with him to advance their careers.

The defense seized on the fact that two of the women central to the case stayed in contact with Weinstein through warm and even flirty emails - and had sex with him — well after he supposedly attacked them.

The hard-charging and phenomenally successful movie executive helped bring to the screen such Oscar winners as 'Good Will Hunting, 'Pulp Fiction,' The King's Speech' and 'Shakespeare in Love' and nurtured the careers of celebrated filmmakers like Quentin Tarantino and Kevin Smith.

## Indian refiners to get rare oil cheap

New Delhi/Singapore, 24 February

Indian refining companies are snapping up rare crude grades as the coronavirus outbreak curtails China's demand for processing, executives and traders said, with prices for some grades falling by as much as 15 per cent.

Chinese refiners have slashed output by at least 1.5 million barrels a day in February, or over 10 percent, after the virus outbreak hit domestic fuel demand, leading to swelling stocks.

'Opportunity for Indian markets is more in the context of what is happening in China. In recent times, we received crudes which are appearing to be attractive as compared to their



value earlier," said R Ramachandran, Refiners in India, the world's third-

opportunity to buy suitable grades

head of refineries at Bharat Petroleum. biggest oil importer, rarely get the

America because of higher freight rates. However, ship-

from areas like the

Mediterranean and

ping rates have plunged by nearly half since the virus outbreak, and after the US partially lifted sanctions on part of Chinese shipping firm COSCO.

BPCL will receive a million barrels each of Brazil's Sapinhoa and Mediterranean CPC blend in April. Ramachandran told Reuters.

matter, said an ED official privy to the

cials said an amount of around ₹4,000

crore was diverted by rigging the share

price of DHFL by the promoters through

some front companies based in Mumbai

and Ahmedabad — Rite Developers, Rite

Buildtech, Man infrastructure Infinium

On the alleged price rigging, ED offi-

preliminary enquiry findings.

It is also scouting for a million bar-

rels each of Angola's Palanca, a grade BPCL processed years ago, and Nigerian Okoro "as pricing appears attractive" for April, he said. "This is an opportunity for Indian

refiners to buy new and rarely-purchased grades that are available at cheaper rates," said Sri Paravaikkarasu, director for Asia oil at consultancy FGE.

Asia's spot premiums for West Asia, Russian, West African and Brazilian crude have all dropped this month with grades favoured by Chinese buyers, such as ESPO, Lula, and Angolan, hurt the

"For the Brazilian and CPC blend we have seen crude cost lower by 10-15 per cent compared to what we used to see,' Ramachandran said.

## Centre to industries: **Evaluate** airlifting China consignments

ARINDAM MAJUMDER & NEHA ALAWADHI New Delhi, 24 February

The Ministry of Civil Aviation has reached out to several industries asking their views on airlifting consignments from China, as the coronavirus outbreak continues to disrupt business. However, the move may not be practical or feasible, given the challenges involved.

The direction from the Ministry of Civil Aviation came following a finance ministry-led meeting to address supply chain issues of the Indian industry. Following that, a note was sent to associations of various industries, asking for their requirements.

However, ministry officials confirmed that no final call has been taken regarding the flight. "We haven't planned any flight till now. The idea is to check what the industry wants and decide if such a flight is feasible or not," said a ministry official.

The Manufacturers' Association of Information Technology (MAIT) has welcomed the move.

Almost two weeks after the official reopening date. many factories across China remain shut, which will cascade down to manufacturing in India as its supply of raw material and equipment is disrupted, MAIT added.

As MAIT and others speak to their member companies, there is no clarity on whether such a move will fructify.

An Air India executive said that they haven't got any information for planning such a flight. Even if India plans a flight, the trickiest part will be planning it as industrial clusters are spread across China.

