THE MARKETS O	Chg#	
Sensex	40,281.2▼	82.0
Nifty	11,797.9▼	31.5
Nifty Futures*	11,823.2	25.3
Dollar	₹71.9	₹72.0**
Euro	₹77.9	₹77.9**
Brent crude (\$/bbl) ** 55.0**	55.6**
Gold (10 gm)***	₹42,637.0▼	₹778.0
	fty Spot; **Previous close;	

DELHI VIOLENCE TOLL RISES TO 13, MORE **THAN 200 INJURED**



Delhi Police on Tuesday said 13 people, including one policeman, had been killed in violence in northeast Delhi and they were responding to incidents involving anti-social elements. Over 200 people, including 48 police persons, have been injured and half the civilians had suffered gunshot wounds, hospital authorities said. The police denied promulgation of shoot-atsight orders.

THE SMART INVESTOR P10 SBI Cards IPO price set at ₹750-755 apiece

SBI Cards and Payment Services (SBI Cards), a subsidiary of State Bank of India, has set a price band of ₹750-755 per share for its initial public offering (IPO). At the top end, the issue size works out to ₹10,355-crore (\$1.4 billion), making it the largest Asian IPO in 2020 and the fifth-biggest domestic IPO ever.

ECONOMY & PUBLIC AFFAIRS P14 Airport privatisation put on back burner

in Amritsar, Varanasi, Bhubaneswar, Indore, Raipur and Trichy - has been put on the back burner, as different arms of the government are debating whether to cap the number of airports an entity can bid for. ARINDAM MAJUMDER reports



MONEY MANAGER Now Boarding

Private banks are struggling to get top-class independent directors on their boards, and it is time to review the BR Act, writes **RAGHU MOHAN**

THE SMART INVESTOR P10

FPI registrations from Mauritius allowed: Sebi The Securities and Exchange Board of India

(Sebi) on Tuesday said that foreign portfolio investors (FPIs) from Mauritius would continue to be eligible for registration with increased monitoring. The clarification comes as a relief for market players as the Financial Action Task Force's move to put Mauritius on the 'grey list' had created uncertainty.

ECONOMY & PUBLIC AFFAIRS P14

5 SC judges down with H1N1, CJI holds meeting With five Supreme Court judges infected with

H1N1, Chief Justice of India S A Bobde on Tuesday held a meeting with judges and suggested that lawyers and the court staff be vaccinated to curb the infection. Justice DY Chandrachud said it was decided to make H1N1 vaccination available for inoculation

www.business-standard.com SISINESS STANDARD



Lot of chemistry, but little maths

- Trump's visit helps cement strong personal rapport between him and PM Modi
- Agreements signed on defence & energy but long-awaited trade deal remains elusive

ARCHIS MOHAN, SUBHAYAN CHAKRABORTY & SHREYA JAI

New Delhi, 25 February

President Donald Trump's 36-hour visit to India did not see any deadlocks broken on the bilateral trade deal, but he seemed to nudge New Delhi to keep Chinese 5G network providers away from India.

Trump said 5G should "be a tool for freedom, progress and prosperity" and "not a conduit for suppression and censorship".

The visiting leader did not alter his views on Kashmir, and even reiterated his offer to mediate between India and Pakistan. There were no assurances forthcoming on India's concerns on H1B visas and a totalisation agreement.

He also brought up the issue of religious tolerance in India, but said it was "up to India to deal with" the reported violence against Muslims in Delhi.

However, both sides ended the day satisfied. New Delhi termed it a "very extraordinary visit", alluding to the chemistry between Trump and Prime Minister Narendra Modi and "lots of interest" the visit had generated in the US.

If the visit was a personal triumph for Modi, with Trump praising him as a "tough", "terrific" and a "nice man who is doing a fantastic job", it seemed more so for Trump, who is preparing for re-election.



\$2.6 billion

Worth of 24 Sea Hawk helicopters that India will buy from Lockheed Martin

6 Apache copters India plans to order

3 MoUs on safety of medical devices, energy cooperation, and mental health signed between two countries

A big trade deal likely by the end of the year, says Trump

including those on the safety of medical devices and energy cooperation between Indian Oil Corporation, Exxon Mobil India LNG, and Chart Industries. Later in the day, at an interaction with the

In the course of the day,

Trump on several occasions

referred to the grand wel-

come he received in

Ahmedabad on Monday,

stating that he had on good

authority that he was given

the biggest welcome ever

accorded to a visiting foreign

ence, the US president con-

firmed the two sides signed

defence deals worth \$3 bil-

lion, with India's military to

purchase Apache and MH-

60 Romeo helicopters. In the

meeting between Modi and

Trump at Hyderabad House,

the two leaders said there had

been "tremendous progress'

in negotiations between

India and the US for a "big

and comprehensive" trade

deal which will be of great

importance to both the coun-

three other agreements,

The two sides signed

At the joint press confer-

leader in India.

media, he hoped to bridge the \$16.9-billion trade deficit his country had with India and appreciated investment by Indian business However, the president repeatedly said

India was the "highest tariff country" in the world, the US "has to be treated fairly", and how during his tenure the trade deficit had Turn to Page 15

QUADRILATERAL INITIATIVE TO BE REVITALISED



Trump said it was "up to India to deal with" the reported violence

India should cut tariffs: Trump

SUBHAYAN CHAKRABORTY New Delhi, 25 February

Import duties in India continue to be among the highest in the world, and a trade deal will need to rectify that, US President Donald Trump said on Tuesday.

that some progress had been made, Trump did not give a deadline for the signing of the deal, and said it was unlikely before the year-end.

Addressing a large gather-

ing of the Indian and foreign media, Trump also announced his support for Prime Minister Narendra Modi's policies. "We talked for a long time.

Prime Minister Modi is a religious and calm man. But he is also a very strong and tough person," he said, vouching for However, despite arguing the PM's ability to counter the threat of terrorism.

However, the personal bonhomie may not lead to a change in America's position on economic relations.

NO TRADE DEAL, BUT TWO NATIONS SIGN 3 MoUs

Sebi finds listing norm violations at IndiGo

PRESS TRUST OF INDIA New Delhi, 25 February

A preliminary probe by the Securities and Exchange Board of India (Sebi) has suggested prima facie violations of corporate governance and listing disclosure norms in certain related-party transactions involving budget carrier IndiGo's parent firm, InterGlobe Aviation, sources said.

While the company said it had not received any communication from Sebi on this, its shares plunged sharply in afternoon trade on Tuesday.

IndiGo has been facing a probe by Sebi ever since a public spat came to light between the founders of the airline, Rahul Bhatia and Rakesh Gangwal, including over certain related-party transactions involving one of the warring promoters. Sources said that a

preliminary probe had now suggested violaof listing disclosure norms and fair corporate governance practices at the company. InterGlobe shares

closed 4.68 per cent lower at ₹1,376.70 on the BSE, after hitting an intra-day low of ₹1,334 in afternoon trade following a sudden plunge after media reports about the Sebi probe came.

"We would like to state that the news item published in some media is factually incorrect and the company has not received any communication from

Sebi in this regard," the company said in a filing to the BSE. This came after the exchange sought a clarifi-

Preliminary probe

governance and

listing disclosure

norms in certain

IndiGo has been

facing a probe by

regulator ever since

a public spat came

to light between its

InterGlobe shares

closed 4.68% lower

at ₹1,376.70 apiece

related-party

transactions

the market

founders

on Tuesday

of corporate

suggests violations

cation from the company on the reports. There was no official word on the probe from Sebi. All agreements between the two warring founders as well as those between the company and its various investors and associates, including related parties, were being looked into by the watchdog. Turn to Page 15

₹500 notes to push ₹2,000 out in mega ATM reboot

INDIAN CEOS LAUD RELAXED RULES IN THE US

Biggest recalibration since demonetisation; ₹2,000 notes to remain legal tender but to be pulled out of circulation

RAGHU MOHAN Mumbai, 25 February

A major exercise to recalibrate the country's 240,000-odd automated teller machines (ATMs) is underway to replace ₹2,000 notes with ₹500 notes. While the highest-denomination currency will remain legal tender, it will gradually be pulled out of circulation, sources in the know said.

Of the four cassettes within ATMs, three will now be filled with ₹500 notes, and the fourth will either hold notes of ₹100 or ₹200 denominations. Cassettes holding ₹2,000 notes have already been replaced in many ATMs, and may well be on their way out within a year. Banks are not putting ₹2,000 notes back into play as earlier — these are going into their currency chests, on way to the Reserve Bank of India's (RBI's) vaults.

The RBI data shows that the share of $\rat{2,000}$ notes as a percentage of the value of banknotes in circulation — 50.2 per cent in FY17 — has been taken up by the ₹500 notes, which had a share of 51 per cent in FY19 — a near-perfect swap.

Multiple sources in banks and ATM-deploying

THE WHIFF OF CASH



and cash logistics firms (CLFs) said while the till-

boxes were being slowly rebooted, there was no

just being slowly pulled out of circulation. You

days," said the chief executive officer of a CLF.

have more of the ₹500 notes in circulation these

A senior official at a bank said, "In the post-

"The ₹2,000 note is very much legal tender, it is

need for customers to panic.

or₹200 notes **Cassettes holding ₹2,000 notes** have been replaced in many ATMs, and may be on their way out within a year

Three of the four cassettes of an ATM will soon.

hold ₹500 notes; the fourth will either hold ₹100

- The ₹2,000-note is going into banks' currency chests, on way to RBI's vaults
- Cost of loading cash in ATMs will go up as cash
- vans will have to make more trips
- NCR Corp has a 50%-plus share of the 240,000 deployed ATMs

demonetisation phase, we needed to have this

higher denomination (of ₹2,000) to get the

economy re-monetised quickly. The pace of the ATM reboot will depend on the engineers and how quickly they are moved — it takes about 30 minutes to fix a machine.

An immediate fallout of the ATM reboot is that

banks and white-label ATM deployers may stand

to earn more by way of inter-change (currently at ${\tilde{1}}5$ per swipe) as customers have to punch in more transactions.

It was, however, pointed out the average ticket-size of cash withdrawals is at about ₹3,600, and the largest single-swipe pull-out at ₹10,000 was an "outlier".

"If anything, the cost of loading these ATMs will go up as we have to put in more cash in denominations less than ₹2,000, and it means more trips by cash vans to do so," said the CEO of a

managed services' operator. Subash Garg, former secretary, the Department of Economic Affairs, had in November 2019 said "a good chunk of the ₹2.000 notes are actually not in circulation, having been hoarded. The ₹2,000 note, therefore, is not presently working as a currency of transaction." He added that "withdrawing these notes from circulation would not cause any disruption. A simple method,

depositing these notes in the bank accounts (no counter replacement), can be used to manage the process." It is this process which has now led to ATMs being recalibrated. Turn to Page 15

BINNY BANSAL BETS ON NADELLA FOR DIVERSE TEAMS TO PROTECT AI FROM BIAS FINTECH LENDER RUPEEK PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE US PRESIDENT CONCLUDES INDIA VISIT

*OVER PREVIOUS CLOSE

1,952.45 league; stock zooms 103% in five weeks

560.80 555 0 Feb Feb

▶ HDFC Life Insurance Company ⁻⁵⁸⁵ Inclusion in NSE futures 570.25_{7,575} & options segment effective February 28

▲1.69% UP*

1,444.30

InterGlobe Aviation Sebi finds undisclosed 1,460 related-party transactions ₹1,376.70 CLOSE

▼4.68% DOWN*

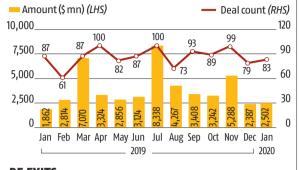
▶ Dr Reddy's Laboratories 3,173.30 3,091.35 → 3,050 2020 Feb Feb 24 25 ▼ 2.58% DOWN*

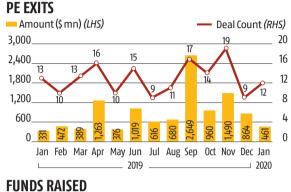
-3,350 Top loser among ▼ 2.58% DOWN*

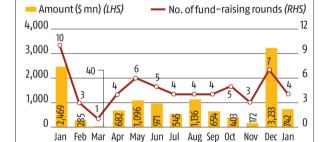
PE/VC INVESTMENTS UP 34% IN JANUARY TO \$2.5 BILLION

Private equity/venture capital investments in January 2020 grew 34 per cent in value terms to \$2.5 billion from \$1.9 billion in January 2019. In terms of volume, the number of deals in January 2020 was at par with that in January 2019. The improved performance is primarily on the back of increase in the value of credit investments, which grew over 20 times to \$698 million, according to IVCA-EY monthly PE/VC round-up. This is also the highest value of PE/VCbacked credit investments in a month in over two years. Vivek Soni, partner and national leader - Private Equity Services, EY, said that after a record-setting 2019, PE/VC investments in 2020 are off to a good start. TENARASIMHAN

PE INVESTMENTS FROM JAN 2019 TO JAN 2020







IN BRIEF

Source: IVCA-EY

Online travel giant Expedia to slash 3,000 jobs worldwide



Online travel giant Expedia will cut 3,000 jobs worldwide after what the company called a "disappointing" performance in 2019, US media reported on Monday. The firm. which operates its flagship travel site as well as Hotels.com, Hotwire, Travelocity, Cheaptickets, Egencia

said the decision was made after determining it had been "pursuing growth in an unhealthy and undisciplined way," according to an email sent to staff.

SpiceJet stands by **Boeing in 'tough** times': Ajay Singh



Boeing is facing a "stressful times" and SpiceJet is there as a partner to stand by it in these tough times but "we expect reciprocity", the airline's chief Ajay Singh said on Tuesday. SpiceJet has also placed a \$22 billion order for aircraft with the US major. In 2019, Boeing 737 MAX planes were grounded worldwide in the wake of two fatal crashes involving the

Air France, Virgin **Atlantic add flights** to Delhi, Chennai



Air France on Tuesday announced Paris-Chennai service from June 14, while Virgin Atlantic Airways will begin Manchester-Delhi flights from October 26. Both Air France and Virgin Atlantic are part of Delta-led joint venture that controls around 23 per cent of passenger and cargo capacity between Europe and

IRB Infra gets ₹3,753 crore in first tranche from GIC

Mumbai, 25 February

RB Infrastructure Developers on Tuesday said its private infrastructure investment trust (InvIT) received the first tranche of investments from Singapore's GIC, worth ₹3.753 crore.

"IRB announces receipt of the first tranche of investment of ₹3,753 crore from GIC affiliates out of its commitment of ₹4,400 crore by IRB Infrastructure Trust," the company said in a statement.

The remainder ₹650 crore, the company said, will be invested in projects under construction. GIC will make these investments in lieu

of units in a private InvIT that IRB Infrastructure has floated. The allotment of units, the company said, will happen by February 27. "After the allotment of units, IRB will hold 51 per cent and GIC affiliates will hold 49 per cent

stake in the private InvIT," said IRB's

media statement. As part of the transaction, IRB Infrastructure will transfer nine of its build-operate-transfer road assets to a private InvIT, in which IRB will hold controlling stake of 51 per cent. The nine road assets span across 5,900-lane km in Harvana, Uttar Pradesh, Rajasthan, Gujarat, Maharashtra, and Karnataka.

All nine assets are revenue-generating and on completion, will take the enterprise value of the private InvIT to ₹22,500 crore. The company said this will be the biggest deal in the roads sector, based on the expected enterprise value of ₹22.500 crore.

Bajaj Consultants acted as the exclusive financial advisor to IRB for the transaction.



INDIA'S InvIT PROSPECTS

₹2 trillion InvITs pipeline estimated in five years

₹80.000 crore expected in the next one year

■ More than ₹22,000 crore raised from investors through InvITs

GIC's India InvIT investments

- IRB Infrastructure Trust is GIC's second investment in an Indian InvIT
- In 2019, GIC made a commitment of ₹980 crore in India Grid Trust with KKR

IRB; Nishith Desai Associates acted as legal advisor to GIC affiliates.

S&R Associates acted as legal advisor to large, well-positioned, and diversified cession span of 10 years and two months.

portfolio of toll roads in India. but also enable IRB to continue growing its business. India remains a key long-term market for GIC, given its strong economic fundamentals and infrastructure development potential."

IRR plans to use the investment proceeds for deleveraging the portfolio and for equity funding for under-construction projects. In a separate announcement, IRB Infrastructure said it has received a letter of acceptance from Maharashtra State Road Development Corporation (MSRDC) to toll, operate, and maintain the Mumbai-Pune Expressway.

As part of the concession, IRB will pay MSRDC ₹6.500 crore, and a staggered payment of ₹50 crore in the second and third year, and another ₹62 crore in the fourth year.

The concession, the company said, Ang Eng Seng, chief investment officer includes tolling, operations, and mainteof infrastructure at GIC, said, "This plat-nance of both Mumbai-Pune Expressway form will not only give us exposure to a and Old Mumbai-Pune Highway, for a con-

Gold loan app Rupeek mops up\$60 million

Binny Bansal and a top Silicon Valley investor, among others, infused funds

YUVRAI MALIK

New Delhi, 25 February

Rupeek, a fintech app that lets people secure loans against gold, has raised \$60 million in its latest funding round, the company said in a statement on Tuesday.

Flipkart co-founder Binny Bansal (pictured) has put in of-things company Stellapps. money. So has top Silicon Valley investor GGV Capital along with Bertelsmann India Investments. KB Investments and Tanglin Venture Partners, Existing investors Sequoia India and Accel Part-

FLIPKART

CO-FOUNDER

BETS ON FINTECH

Like Sachin, Binny

fintech, with bets in

Technologies, may launch own VC fund

Sachin has gone all out on

fintech, prepares to create

too is bullish on

Acko, others

ners also participated in the round. Rupeek did not disclose the break-up of investment by funders or its valuation, but sources pegged the five-vear-old start-up's uation at \$300

million. Rupeek is a

non-banking financial services company set up in 2015 by Sumit Maniyar. Essentially a modernday lending app, Rupeek people take loans against their gold assets. It claims that the process takes about 30

entirely done online.

the initial know-your-cus-Rupeek sends an executive to survey the gold at the applicant's home or bank locker facility. Once approved, the loan is transferred directly to the applicant's bank account.

"I am excited about how Rupeek is opening up access to formal credit for a large base of users. Its strong customer proposition and approach of partnering banks is truly a game changer for the unorganised gold loans space in the partner bank that offered India," said Bansal.

(figures in \$ bn)

Bansal had invested \$20 million in insurance start-up Acko in November. His other bets include robotics GreyOrange, data platform Mobikon, medical start-up SigTuple, cancer-screening start-up Niramai Health Analytix, and dairy internet-

After exiting Flipkart in the late 2018, Bansal moved to Singapore, and currently heads technology consultancy business xto10x Technologies According to reports, he may

> also be planning to launch his own venture capital fund. His invest-

ment in Rupeek is in sync with his larger focus on fintech. The start-up claims it hands out loans averaging \$28 million a month and has expanded its service to 10 cities, including all major metros. Since it does not have physical bran-Binny also manages xto10x ches, it is able to offer loans at relatively lower interest rates than the market aver-

Rupeek. It also offers flexible minutes to finish, and is repayment options. "Rupeek has turned a family's dormant

age.

claims

After the user completes assets into an easy way to get a loan at affordable rates to tomer (KYC) formalities, grow its small business or pay for emergency needs," said Hans Tung, managing partner at GGV Capital. He is frequently seen in the Forbes's Mi-"With a marketplace of

agents, Rupeek enables big Indian banks to offer competitive gold loan products at the privacy of customers' homes by sending agents to people's homes and depositing the gold at the nearest branch of the loan," he said.

Banga to begin new innings at Mastercard PRESS TRUST OF INDIA and a member of the BoD on emerging and new technologies, making every device a

25 February

Mastercard's Indian-American President and Chief Executive Officer Aiav Banga will step down from his role and assume charge as executive chairman of the Board of Directors (BoD), as payments giant announced Michael Miebach

as the new CEO. The company said in a statement that Banga will become Executive Chairman of the BoD effective from January 1, 2021. Miebach, currently the Chief Product well-positioned for future suc-Officer, will become the CEO cess as we continue to embrace

January 1, 2021, and, as part of the transition, to become President in March this year. The Board unanimously

elected Miebach to his new

role. As President of the com-

pany, Miebach will oversee the sales, marketing, products, services and technology organisations. Banga, 60, who had been Mastercard's CEO for 10 years, said it has been a "privilege" to

be a part of Mastercard's transformation as a company. "Thanks to the efforts of the entire leadership team, we are

device of commerce." The Indian-born top executive said the firm has built a growthoriented mindset and operated with a sense of urgency, delivering a 13 per cent compound annual revenue growth from 2009 through 2019. Banga further added that as

Mastercard moves into the next phase of growth, "we have a deep leadership bench-with Michael at the helm-to take us to the next level." Banga is among the small and growing group of Indian-Americans at the helm of US and global multi-national giants.



the role of executive chairman

India's transit retail market to touch \$22 billion in 10 years: Report **RETAIL POTENTIAL AT TRANSPORT HUBS** LEASE RENTAL OPPORTUNITY



The transit retail market in India would grow 10-fold in 10 years as the government modernises transport hubs and passenger traffic grows, a report released by consultancy firm Knight Frank said on Tuesday. The transit retail market will touch nearly \$22 billion in 2030 from \$2.2 billion now. Knight Frank also said that private operators of transport hubs, including airports, metros, highways and bus stations, are likely to see a threefold jump in lease rental opportunities in a decade as monetisation potential increases. The current lease rental opportunity at transport hubs is pegged at \$1 billion by Knight Frank. The consultancy says that the spurt in lease rentals will open up a new revenue stream for operators who are currently dependent mainly on passenger fares. COMPILED BY VIVEAT SUSAN PINTO



■Airport* Mumbai ■Mall **

0.2 0.8 0.2 0.5 0.2 0.3 0.03 0.1 Metro Railwavs Roads Bus stations (figures in mn) Total Transport hubs 2019 2030 **Airports** 349 1,118 Metro 2,623 7,300

TRANSIT PASSENGER TRAFFIC Railways 16,134 18,200 Roads# 190 394 29,000 56,000 #Growth in annual passenger traffic. For Delhi: *IGI Airport; **Select City Walk. For Mumbai: *Chhatrapati Shivaji Maharaj International Airport; **Oheroi Mall. For Rengalumi: *Kempegowda International Airport: **Brigade Orion Mall. + Projected Source: Knight Frank India

Nadella 'decodes future', calls for diverse teams to protect AI from bias

PEERZADA ABRAR

Bengaluru, 25 February

That artificial intelligence (AI) applications can sometimes be biased is no longer unusual, and when that happens, Microsoft — one of the biggest proponents of AI — has a lot to worry. But Satya Nadella, the chief executive officer (CEO) of the Redmond-headquartered tech giant, also has a simple solution to do away with such biases.

Currently on a three-day visit to India, the Hyderabad-born Nadella says it's not the AI engine, but the teams that build it as well as the algorithms to make it intelligent have to be diverse and inclusive, so that the solutions thev build do not show up any sort of

'unconscious bias' that they may have. "One of the best things you can do to have ethics around AI and to protect (it) from bias, would be to have diverse teams," said Nadella, speaking at the

company's 'Future Decoded' tech summit in Bengaluru on Tuesday.

"If there is one thing that is going to be the real currency for the next 10 years, is how diverse and inclusive your teams that are building these technologies are. There is no protection against unconscious human bias, other than diversity," he added.

The Microsoft CEO said the developers have to think about privacy as a human right and there is a need to have gender and ethnic diversity in the teams that are building these technologies.

Speaking at the summit which was attended by the developer community and leaders from the information technology industry, Nadella said an economy like India's needs to adopt digital technologies across sectors, such as retail, health care, and agritech, in the next 10 years. Reflecting on his visit to India at the start of a new decade, Nadella said the impact of



summit - Future Decoded - in Bengaluru on Tuesday digital technology has been

tremendous in the last 10 years.

"It is just stunning. The entire

Cloud happened (and) a lot of consumer internet businesses got built. The last 10 years has been amazing, but it has been narrow in some sense," said Nadella, dressed down in a checkered shirt, denims, and trainers. "But in the next 10 years, can we dream even more? The good news is that the core technology fabric is getting embedded in the world in our homes, offices, stadia, and hospitals. Whether it is a car or a refrigerator, you basically have computing in it.' Nadella, who is slated to meet a group of students, developers, and entrepreneurs in New Delhi on Wednesday, said the company's goal is to help every organisation become a software company by adopting the latest technology. They can create their own digital innovations on top of it. "The worst mistake anyone can make is reinventing the wheel.'

mobile revolution came to fruition; the

As technology becomes ubiquitous,

he said there is a responsibility for developers and companies to think a lot more broadly about the impact on society. One such responsibility is building trust into the technology, like every bank which builds a mobile app and is doing transactions, will need to also foster privacy and provide cybersecurity for assets and customer data. He said, today some \$1 trillion is lost in the world economy due to cyberattacks and crime. "Breaking the world is not going to work in the next 10 years. You have to think about that inclusive nature of economic growth, that trust in technology, and sustainability," said Nadella Nadella also said that Indian

businesses and start-ups are emerging as innovation leaders, signalling how technology can drive growth, enhance customer experience, and tackle some of the country's most pressing societal and environmental issues.

Giving examples of some top start-

ups using Microsoft's technology, he said Udaan, a business-to-business ecommerce platform, has scaled up very fast. He also highlighted firms such as Sun Mobility, which provides batteryas-a-service, and Bionic Yantra, which is aiming to restore mobility for severely injured people through wearable robotic exoskeleton aiding rehabilitation. "It is fantastic to see these unicorns

and (start-ups) coming out of India, building successful businesses and models and most importantly, having an impact," said Nadella. Nadella said there is unprecedented

opportunity to apply technology to drive economic growth that is inclusive, trusted, and sustainable everywhere, including in India. "That's why we are partnering leaders in every industry across the country to help them build their own digital capability, transform their organisations, and achieve more in this new era.

Deloitte makes presentation to telecom dept on AGR dues

Tata Sons Chairman N Chandrasekaran meets Ravi Shankar Prasad to discuss the issue

MEGHA MANCHANDA New Delhi, 25 February

eloitte India on Tuesday made a presentation to the department of telecommunications (DoT) on liabilities and solutions on the adjusted gross revenue (AGR) dues. The consultancy firm briefed the Centre on the possible solutions to the AGR payment issue.

When asked about the contents of the presentation, a DoT official said, "We had not asked for the presentation, they had come to us with their solution.'

Meanwhile, amid the ongoing AGR crisis, Tata Sons chairman N Chandrasekaran met communications minister Ravi Shankar Prasad on Tuesday. The ministry, however, maintained that it would issue notice



The Supreme Court earlier this month rejected a plea by mobile carriers such as Bharti Airtel and Vodafone Idea seeking an extension in the payment schedule

ment of full dues. Another DoT official said, "We are not convinced by their self-assessment of the AGR dues and will again send a notice.'

Emerging from the meeting,

to the company for non-pay- which lasted for over 30 minutes, Chandrasekaran declined to comment on the details of his discussion. The crucial meeting comes at a time when the government is looking to issue detailed notice to Tatas for pay-

ing only ₹2,197 crore as full and licence and spectrum fee to the final settlement against the government's calculation of ₹14,000 crore. A notice will be sent to the company in a day or two, questioning the company's AGR cal-

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 that include interest and penalty for late payments, Airtel and Vodafone Idea account for about 60 per cent. These dues arose after the Supreme Court, in October last year, upheld the government's position, including revenue from non-core businesses in calculating the annual AGR of telecom companies.

A share of this is paid as

exchequer. The Supreme Court rejected a plea by mobile carriers such as Airtel and Vodafone Idea earlier this month seeking an extension in the payment schedule and asked the companies to deposit their past dues for spectrum and licences.

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 those dues in two tranches. Airtel paid ₹10,000 crore out of its DoT estimated liability of over ₹35,000 crore. Airtel, on February 17, had said the company "is in the process of completing the self-assessment exercise expeditiously and will make the balance payment upon completion, before the next date of hearing in the Supreme Court."

launch of the all new BSVI Dio in the city, with prices starting from ₹64,584 (ex-showroom, Bengaluru). On the launch day itself, 301 units of Dio BSVI were delivered across the city, HMSI said in a release. "South has always been an important market for Honda 2Wheelers India and Honda is the leading two wheeler brand in

Voda, Airtel losses were gains for Jio and BSNL in December

MEGHA MANCHANDA New Delhi, 25 February

Bharat Sanchar Nigam (BSNL) and Reliance Jio were the two companies which added mobile subscribers in December, according to the data released by the Telecom Regulatory Authority of India (Trai). Vodafone Idea and Bharti Airtel lost a substantial chunk of users after a hike in tariffs.

BSNL added 426,958 customers, while Jio reported additional 82,308 subscribers on its wireless network, the data revealed. Vodafone Idea and Airtel lost 3.6 million and 11,050 users, respectively.

In November, the wireless telecom subscriber base had reduced by 28.8 million; this loss was led by Vodafone Idea, which shed 36.41 million subscribers.

The number of telephone subscribers in India declined from 1,175.88 million at the end of November to 1,172.44 million at the end of December, thereby witnessing a monthly decline rate of 0.29 per cent.

JSW Steel's \$2.7-billion buy of Bhushan Power faces legal test JSW Steel's \$2.7-billion purc- mills have faced repeated

hase of a bankrupt steel mill delays in buying indebted is facing a fresh hurdle after a former chairman of Bhushan Power & Steel challenged the deal in the country's top

Sanjay Singal filed a petition on Monday against a ruling by a bankruptcy tribunal that had approved the deal earlier this month, according to the Supreme Court's website. The petition hasn't yet been allotted a date for a hearing. A JSW spokesman declined to comment.

Bidders for bankrupt steel

assets. The Sajjan Jindal-led mill has been caught in legal tangles since its ₹19,700 crore (\$2.7 billion) bid for Bhushan Power was first approved last year, while ArcelorMittal faced a year-long battle for its takeover of Essar Steel

Singal's plea threatens to delay or derail the takeover. An adverse ruling could also be a setback for lenders. which led by PNB, are seeking a speedy resolution.

BLOOMBERG

Oil firms seek mechanism to recover BS-VI upgrade cost

Mumbai, 25 February

State-run Bharat Petroleum Corporation (BPCL) and other oil marketing companies are in informal discussions with the government for pass-through of costs incurred over upgrading to higher emission norms.

As part of India's attempt to curb air pollution by vehicles, fuel and automobile makers have to migrate to BS-VI from BS-IV norms from April 1.

Oil companies are expected to make BS-VI fuel available to ensure a smooth transition, BPCL will roll out BS-VI fuels at all its outlets from March. "We have represented that we should be compensated for what we have invested," BPCL Director (refineries)

R Ramachandran. He said if these investments were to be the total investment in converted to litre cost, it would range between 70 paise and ₹1.30, depending on which oil company it is. "We are aspiring that it should be built into our price."

Indian Oil Corporation, which has already covered around 50 per cent of its outlets, plans to wrap the entire network by mid-March.

Ramachandran said there were informal discussions between oil companies and the government for a mechanism to recover these costs. "No formal representation has been made," the executive said, adding there was precedence in other countries where similar costs had been passed on through a special cess.

upgrade of refineries stood at ₹7,000 crore and 70 paise a litre might be the average cost recovery over a plant's life. This is not the first time oil firms have raised the cost concern over BS-VI upgrade. Indian Oil Chairman Sanjeev Singh was quoted in January that though the exact quantum was being worked out, the increase might be anywhere

Irrespective of whether a special mechanism is allowed or not, oil executives are hopeful the market will find its own pricing over a period of time. "Then we will know if there is a return or it is an investment for staying in business," Ramachandran said

between ₹0.50 and ₹1 a litre.

Honda launches BSVI Dio

Honda Motorcycle & Scooter India on Tuesdayannounced the the region with 34 per cent market share.

BROTHERS IN ARMS

Quadrilateral **Initiative to** be revitalised

New Delhi, 25 February

ithout any deadlock-

breaking agreements on trade, or the sale of nuclear power reactors, much of the feel-good around the two-day visit of US President Donald Trump centred on the burgeoning US-India strategic and defence partnership.

'Today, President Trump and I have taken a decision to raise our partnership to the level of a comprehensive global strategic partnership," said Prime Minister Narendra Modi, addressing the media after bilateral talks in New Delhi on Tuesday.

Modi and Trump agreed to galvanise the Quadrilateral Initiative (Quad), which could become an important element in the Indo-Pacific strategic architecture, bringing together democracies that are wary of a rising China.

"Together, the prime minister and I are revitalising the Quad with the US, India, Australia, and Japan. Since I took office, we have held the first Quad ministerial meeting and expanded cooperation on counter-terrorism. cybersecurity, and maritime security to ensure a free and open Indo-Pacific," stated Trump.

Over the preceding 15 years, New Delhi has avoided alienating China by walking a delicate line on initiatives like the Quad, and on exercises and operations with US military forces in the Indo-Pacific.

Modi abandoned some of that restraint on Tuesday, declaring: "In the last few years, there has been an unprecedented increase in interoperability between our armies."

Trump confirmed that India's military signed contracts with Boeing and Lockheed Martin on Tuesday for the purchase of military helicopters. "Earlier today, we expanded our defence cooperation with agreements for India to purchase more than \$3 billion of advanced American military equipment, including Apache and MH-60 Romeo helicopters — the finest in the world. These deals will enhance our joint defence capabilities as our militaries continue to train and operate side by side," said Trump.

Importantly for Trump, who is critical of India's \$24 billion trade surplus with the US, these contracts will take the total value of US defence equipment bought by India to over \$20-21 billion.

The Indian Army will get the Apache attack helicopter in its AH-64E configuration, with deliveries starting in 2023, according to the man-



ufacturer, Boeing.

This is the latest version that entered service with the US Army in 2011. Boeing says it has 26 new advanced technologies, including more powerful engines, composite rotor blades, and the capability to control unmanned aerial vehicles.

More than 2,400 Apaches are in service worldwide, with over 400 of them being the latest AH-64E model. The Indian Air Force has already bought 22 Apache AH-64Es, which will all arrive by May.

The Hyderabad-based firm Tata Boeing Aerospace already manufactures helicopter fuselages for multiple Apache operators around the world.

Modi underlined the growing manufacture in India of advanced defence

and aerospace components and systems for global vendors. "Cooperation in ultra-modern defence equipment and platforms will enhance India's defence capabilities. Our defence manufacturers are becoming a part of each other's supply chains," he said.

Despite India's growing purchase of US weaponry and the incorporation of Indian manufacturers into global supply chains, there is a worrying lack of movement in furthering the technology relationship that India wants - which involves co-design and co-development of equipment, so that Indian firms can absorb the "know how" and "know why" needed to build truly indigenous weaponry.

The Trump-Modi meeting was markedly silent on the flagship Defence Technology and Trade Initiative project: US assistance in designing India's second indigenous aircraft carrier, INS Vishal. There are concerns on the US side that India's static defence budget has little money to support such projects.

Nor was there any update on the long-running negotiation of a pending US-India foundational agreement — the Basic Exchange and Cooperation Agreement for Geospatial Cooperation — which had been earlier stated to be nearing completion.

Two other foundational pacts – Logistics Exchange Memorandum of Agreement and the Communications Compatibility and Security Agreement — have been concluded, enabling the two militaries to work together.

2. Trump interacts with **Reliance Industries** Chairman Mukesh Ambani during a meeting with business leaders at US embassy

3. President Ram Nath Kovind, India's First Lady Savita Kovind, **Prime Minister** Narendra Modi, Trump and US First Lady Melania Trump during the ceremonial reception, at Rashtrapati Bhavan

4. Ivanka Trump at the joint press statement by Modi and Trump

5. Melania Trump during her visit to a

government school

Indian CEOs laud relaxed rules in US

New Delhi, 25 February

Close to a dozen chiefs of India Inc who met US President Donald Trump lauded him for relaxing regulations that improved the business environment. The president at the same time talked about his achievements during his term and pitched for his re-election.

Mukesh Ambani, chairman and managing director of Reliance Industries, said they were looking to invest close to \$7 billion in the US. "We are the only Indian company that does not use Chinese components," said Ambani. To which Trump quipped, "Huawei, you mean?"

In May 2019, Trump ordered the blacklisting of Huawei accusing it of aiding the Chinese government in espionage. The US government also banned the company from accessing US supply chains, which it needs to make its products.

Among the dozen

industry leaders

meeting were

Group's Kumar

Mangalam Birla,

Ritesh Agarwal,

Managing Director

Chairman A M Naik,

Bharat Forge's

Baba Kalyani,

and Biocon

Chairman &

Managing Director Kiran

Mazumdar-Shaw

Larsen & Toubro

Tata Sons Chairman

N Chandrasekaran,

Oyo Hotels Founder

Aditya Birla

who attended the

Ambani also said Trump's leadership inspired tax relief in India. "India followed the US model. For the first time ever, there was cut in income tax," he said.

Among the dozen industry leaders who attended the meeting were Aditya Birla Group's Kumar Mangalam Birla, Tata Sons Chairman N Chandrasekaran, Oyo Hotels Founder Ritesh Agarwal, Bharat Forge's Managing Director Baba Kalyani, Larsen & Toubro Chairman A M Naik, and Biocon Chairman & Managing Director Kiran Mazumdar-Shaw.

Commenting on the health care sector, Trump said it was an important agenda of the Republican party. "We have got rid of individual mandate, which was a disaster in Obamacare. We ended it. We decid-

ed to run it well," said Trump.
Both Ambani and Birla said acquisitions and business deals had

become easier with faster clearances. To this Trump said: "That will only happen as long as I am there. If someone else comes, it all comes to a halt. We did some of the biggest tax cuts in history, regulations were improved. That has brought you people to the US." He said markets have been up by 70-80-90 per cent during his term. "Our markets will jump thousands and thousands (of) points if I win," said Trump.

Elaborating on the tax cuts, Trump said the US economy was improving as consumers had a lot in hand to spend. "One of the reasons we're doing well and other countries are not doing (so) (is) because our consumers are rich now. It is because of what we've done with a lot of things for creating jobs, but also tax cuts," he added. Commenting on the steel sector, represented by Tata Group, Trump said if he was not elected, the aluminium and steel business in the US would have died. "We got that straightened out. So, the aluminium and steel businesses made a big comeback." Trump said there were plans to relax regulations further. "We're going to cut a lot more regulations. But regulations for safety and environment will remain. But no president has ever cut close to what we've done," said Trump.

The US president also talked about his country's relations with China and said differences over tariff were over and the money that came from the latter was given to the farmers.

'We just signed a deal with China. And they're going to be spending \$250 billion a year now in our country. Close to \$40-50 billion will go to the farmers for the purchase of farm



Larger trade deal can be done much faster, says Goyal

New Delhi, 25 February

India and the US can do a larger trade deal much faster, Commerce and Industry Minister Piyush Goyal said on Tuesday. "I am delighted that both the leaders (Prime Minister Narendra Modi and US President Donald Trump) have decided to formally engage to move towards a free trade agreement (FTA) between the two big economies and my own sense is that America also will gain very significantly with this partnership," said Goyal. The minister said he didn't see this engagement to be like earlier free trade negotiations that go on for decades. Modi and Trump on Tuesday held



"I DON'T THINK **ANYBODY INVESTS** IN A COUNTRY OUT OF CHARITY. A PERSON WILL INVEST IN A **COUNTRY FOR ITS** OPPORTUNITY. INDIA OFFERS THAT OPPORTUNITY"

Commerce and **Industry Minister**

PIYUSH GOYAL

money therefore, come here," he said.

delegation-level talks on key issues such as trade and energy cooperation. The minister was speaking at an event organised by the Confederation of Indian Industry and the US-India Business Council on The India-US Business Story: Opportunity, Innovation, Entrepreneurship. The two released a report on \$500-billion Road Map: US-India Bilateral Partnership: Aiming High. "An FTA between India and the US

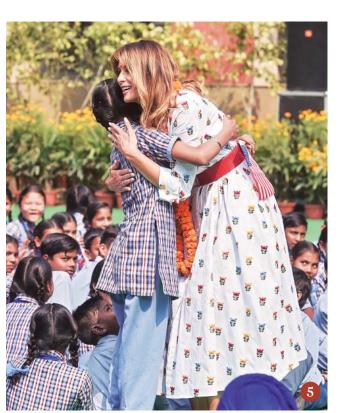
would have wide-ranging ramifications for the domestic industries, and a clear cost benefit analysis would be needed to gauge its total impact," said the report.

Goyal assured the gathering that the discussions on FTA "will see a similar kind of stakeholder consultation as you saw last year, with different industry groups, interest groups on market access or opening up services, investment protocols, on areas of mutual interest... We'll be engaging with industry and all stakeholders on both sides... Whatever is done, will be in the interests of both".

He said the two sides would close the first set of the limited engagement, which has been finalised. "We will get

into legal vetting and close that quickly." When asked about foreign investor sentiment in India not being too positive, Goyal said people were "welcome" to invest in India "but not at the cost of our pride". "I don't think anybody invests in a country out of charity. A person will invest in a country for its opportunity. India offers that opportunity. I am the last fellow to say we need your





No trade deal, but two nations sign three MoUs

India and US on Tuesday signed three memorandums of understanding (MoUs) as part of the ongoing trade talks between the two nations. These are safety of medical products, liquefied natural gas (LNG) access in India, and mental health



MEDICAL DEVICES

The Central Drugs Standard Control Organization and the US Food and

Drug Administration are parties to the MoU. Sources claimed the two nations would focus on information exchange to help in capacity building. The talks were expected to centre around medical devices, mostly the pricing regulation that India has on devices like cardiac stents. The US medical devices lobby is unhappy with the price regulations and proposals of

trade margin rationalisation of devices, and has indicated that such rules would hamper introduction of innovative devices here.

India has indicated that all medical devices would be treated as drugs from April 1, and would be regulated under the Drugs and Cosmetics Act of 1940. The Medical Devices Rules, 2020, which will come into effect from April 1, requires all manufacturers and importers to register their devices with a central licensing authority after they have complied with the regulatory requirements. Domestic industry lobby groups have pointed out that

there should be some relaxation in norms of listing, as the SMEs may find it unviable to comply with the norms. **LNG ACCESS**

for low-cost and low-risk devices,



IN INDIA Another agreement clinched during

the visit was

between ExxonMobil, Indian Oil Corporation, and Chart Energy & Chemicals Inc to establish a system of transportation infrastructure to expand gas access in India. The

Indian LNG arm of the American company will supply gas for the purpose, while Chart will help create "virtual pipeline systems" that will deliver LNG by road, rail, and waterways to areas not connected by physical pipelines.

The parties will implement a gas infrastructure initiative that leverages LNG ISO inter-modal 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 fuel source.



MENTAL HEALTH

The two sides also signed an MoU on mental health. between the

Indian Department of Health and Family Welfare and the US Department of Health and Human Services. Extensive discussions were held on issues relating to homeland security and narco-smuggling and the opioid crisis, especially the menace of drugs like Fentanyl. Joint measures are expected to be announced soon.



Gold declines ₹1,000 on global cues, but consumers stay away

Mumbai, 25 February

he price of gold corrected by 0.5 per cent in intra-day trade on Tuesday, following global cues, as investors booked profit amid fears of large selloffs in equity having knock-on effects on the bullion.

dropped by ₹1,200 to ₹42,371 per 10 gm in futures trade on Multi Commodity Exchange (MCX) for its delivery in April.

In the benchmark physical markets at Zaveri Bazaar, it last weekend. "With both declined by ₹1,000 to trade at ₹42,406 per 10 gm.

However, gold closed ₹778, or 1.8 per cent lower, at ₹42,637. Silver closed at ₹980, or 2 per cent lower, at ₹48,055 per kg.

The decline in the gold price was followed by the bullion's move in the international markets.

In London spot trade, gold opened at \$1,659.38 an ounce, or oz (one ounce is about 31 gm) and jumped to \$16,64.04 an oz in early trade.

But, profit booking pulled **PRICE CORRECTION** down the bullion to the day's low of \$1,633.13 an oz before recovering to trade at \$1.652.80 an oz in early afternoon trade in London.

"Jewellery demand was very thin on Tuesday. But with the gold price falling a little from yesterday's (Monday's) high, we do expect higher In early trade, the price walk-ins and footfalls in the evening hours today (Tuesday)," TS Kalvanaraman, chairman and managing director, Kalyan Jewellers. Kalyan Jewellers has

> seen stable sales over the the wedding season and Akshaya Tritiya coming up, we are getting more enquires for our rate protection and prebooking offers, a facility that customers avail of when prices are volatile.' Kalyanaraman said.

Gold prices have moved up strongly in the past eight months, with investors yielding returns of nearly 30 per cent on global economic uncertainties.

₹/10 gm Date	Standard gold			
Feb 17	40,701			
Feb 18	40,970			
Feb 19	41,469			
Feb 20	41,575			
Feb 24	43,415			
Feb 25	42,637			
Source: 7averi Bazaar				

and China having announced a monetary stimulus and more countries are planning such support worth billions of dollars to prevent their

maintaining CRR

lending to retail

for incremental

investors are moving towards delivery in April further safe-haven assets.

The worsening coronstrengthened gold's appeal as the most preferred investment avenue. "Gold is passing through

its bullish cycle, which comes once in seven-eight years, in which the yellow metal appreciates 30-40 per cent. The metal's upward move got support from global economic uncertainties. Today's correction is just temporary

profit-booking

investors. This continues for a short period for a rebound in a couple of days," said Vishal Wagh, head of research, Bonanza

Portfolio. Gold prices on With countries like Japan highly volatile. Gold for delivery in April opened at ₹43,176

Tuesday remained per 10 gm on Tuesday on the MCX, a sharp decline from its previous day's close of ₹43,580 per 10 gm on profiteconomies from recession, booking. The gold price for injewellery stores.

declined to trade at ₹42,371 per 10 gm before recovering avirus spread in China and to ₹42.876 in late afternoon. the rest of the world has Overall, the April gold contract price recorded a decline of 1.6 per cent from its previous day's close.

"The current gold-silver ratio stands at around 90, which indicates that silver prices have more room for appreciation than gold, which would depend upon demand in industrial commodities including base metals," said Gnanasekar Thiagarajan, director, Commtrendz.

Gold's safe-haven appeal got support from an increasing number of coronavirus cases outside China

Meanwhile, the impact of gold's decline in London was slower in India due to rupee appreciation. The rupee appreciated by 0.2 per cent or 15 paise in the day before closing with a marginal appreciation of 4 paise to close at 71.88 against the greenback. Meanwhile, the sharp volatility in gold prices has lowered physical demand

Credit growth may be 8-9% in FY21: CRISIL

Mumbai, 25 February

The slowdown in credit offtake that hit the banking sector adversely in the current financial year might be showing signs of bottoming out.

Rating agency CRISIL estimates that the gross credit offtake may see a 200-300 basis points rise in 2020-21 (FY21), driven by a revival in economic activity, continuous demand for retail credit securitisation. Credit growth for 2019-20 (FY20) is hovering around 6 per cent, the lowest in many years. In 2018-19, growth was 11 per cent and in 2017-18, it was 9 per cent. The agency also expects some growth momentum in the fourth quarter, after three subdued quarters.

The uptick in growth will be led by

credit offtake is estimated to be around banks to extend credit at a cheaper rate transactions through the direct assign-15 per cent. This implies that they will as they will be borrowing at the repo gain market share from their public rate and the deposit rates will not have

sector counterparts, supported by strong capital position and ability to raise capital. "Their share is expected to rise around 400 basis points (bps) by March 31, 2021, over March 31, 2019," said CRISIL.

Furthermore, Reserve sector and MSMEs Bank of India's (RBI's) recent move to introduce long-term growth, while credit to corporates (exrepo operations to reduce cost of funds NBFCs) and MSME declined". Retail for banks will boost lending by banks, credit growth is estimated to grow as they will be exempted from main- around 16 per cent in FY21, driven by taining cash reserve ratio for incresustained demand in the unsecured mental lending to the retail and micro,

to be tampered with.

RBI's LTRO move will According to CRISIL, boost lending by "Incremental net domesbanks, as they will tic credit this fiscal up to be exempted from December 2019 is just a fifth of what it was a year ago. Lending to the retail financial companies (NBFCs) showed good

loans segment and buyouts by banks of small and medium enterprises the non-bank retail portfolios through the near to medium term.

private sector banks as growth in their (MSMEs) segments. This will enable direct assignment route. Securitisation ment route have surged almost 40 per cent to ₹59.000 crore in the first half of FY20, compared to ₹42,700 crore a year ago. Meanwhile, bank loans to corporate houses, excluding bank loans to NBFCs, is expected to remain subdued in FY20, but will see a slight pick-up from thereon. "Overall growth in this segment, however, is expected to segment and non-banking remain low at 2-3 per cent in FY21, causing its share in total bank credit to fall 300 bps to 48 per cent between March 2019 and March 2021," the rating agency said.

The drag in corporate lending will be on account of low capacity utilisation in the economy that will result in keeping private investments muted in

NFRA to issue notice on Deloitte in IFIN case

RUCHIKA CHITRAVANSHI New Delhi, 25 February

The National Financial Regulatory Authority (NFRA) has initiated disciplinary action against Deloitte Haskins & Sells (DHS) for alleged lapses in its audits IL&FS Financial Services (IFIN).

"The first step would be to issue a show-cause notice to the audit company, before any action is taken... It is in the works," a senior government official told Business Standard.

said in an audit quality review report that quality control 10 years for professional or systems and processes at any other misconduct. DHS were "severely inadequate and ineffective".

NFRA said the auditor did not display the required proaccepted the management revamp its processes and rigthat net-owned funds and the capital to risk-assets ratio of IFIN as of March 31, 2018, were negative, and that this situation would lead to the cancellation of the company's licence to operate as a nonbanking financial company. Instead, DHS accepted the explanations of the management and certified these ratios as positive.

NFRA has been given powers to issue orders imposing monetary penalty and debarring an individual member or firm registered with Institute Deloitte India had said. "We



GAPS FOUND IN AUDIT REPORT

■ Failure to comply with standards of auditing

- Didn't question the going concern assumption, based on which financial statements were made
- Independence of auditor compromised
- Non-audit services provided at high fee without approval ■ Incorrectly certified accounts showing positive net owned funds and CRAR

The regulatory body had of Chartered Accountants of remain confident that our India (ICAI) for six months to NFRA would

Deloitte's response on its findings soon. The authority has also advised Deloitte to fessional scepticism. It take necessary action to stand about not disclosing orously ensure compliance. Deloitte India did not wish

to comment on the matter. The company recently

offer non-audit services to any of its audit clients. We believe this would increase the public's confidence in auditor independence and quality and will remove ambiguity in a public

company said.

and business environment

about our service," the

audits have been performed in accordance with applicable laws, regulations, and professional standards in India. The authority is also

likely to come up with a supplementary report to deal with matters that have not been covered. Serious The

Investigation Office, too, in its complaint had said the auditors had failed to verify announced that it would not the end-use of bank finances and the money raised through non-convertible debentures, despite it being a regulatory mandate for verifying such things.

The Ministry of Corporate Affairs has sought a five-year ban on the former auditors of that demands greater clarity IL&FS under the Companies Act. The Bombay High Court granted interim relief to the In an earlier statement, auditors against any coercive action in November.

BoB moves SC in Simplex Projects case

ARHIJIT LELE

Mumbai, 25 February

Bank of Baroda (BoB) has moved the Supreme Court (SC) against the Calcutta High Court's (HC's) order in the matter of a bank guarantee issued on behalf of Simplex Projects.

The matter pertains to a bank guarantee of ₹6.97 crore

Corporation (IOC) on behalf of Simplex Projects. IOC had demanded the amount be encashed under the bank not release since the guarantee was not valid on the date of invocation.

BoB, in a statement, said after seeking legal advice, it had honour a bank guarantee.

furnished by BoB to Indian Oil decided to exercise rights available by preferring a challenge against orders passed by the Calcutta HC. BoB approached SC on Monday. The HC had guarantee, which the bank did asked the Reserve Bank to consider appropriate steps against BoB, including revoking licence or authority to carry with banking business, for failing to

The silver screen's silver lining

Multilingual films, more screens and better stories are getting more people order. "Overall language is becoming into the theatres after years



MEDIASCOPE

VANITA KOHLI-KHANDEKAR

t is just a sliver of good news. But it is worth hanging on to. Indians bought 1.03 billion movie tickets in 2019. That is up 9 per cent over 2018 when they bought 945 million tickets, says a recently-released Ormax Media Box Office Report for 2019. The rise is not huge but it is good news for

One, because it is arguably the only one so far in what has been a miserable year for India's ₹1,67,400-crore media and entertainment industry. A combination of factors — the economic slowdown, Telecom Regulatory Authority of India's meddling in television pricing and the complete lack of any big picture policy to foster growth and employment - has hit the sector hard. Growth in ad revenues is down to single digits, while pay revenues are struggling. Pick up the quarterly reports of any of the large listed media firms — Zee Entertainment. Network18, Jagran Prakashan or DB Corporation (flagship Dainik Bhaskar). The news is bad. On the unlisted front almost every major firm — Disney-Star, Times Group among others — are struggling to meet targets. Though the proof so far is only anecdotal, there have been iob losses. Note that TV and print are bellwethers of the media and entertainment industry. TV brings in roughly half

and print over 18 per cent of its revenues. Film brings in just over 10 per cent.

And that brings us to reason number two. For about four years now the number of tickets sold had been falling or stagnant even as average ticket prices kept rising. Tickets sold usually hovered in the 800 million to 900 million range. In the financial year ending March 2019, India's top three multiplex chains showed a rise in ticket sales after three years. The Ormax report validates that rise at a national level and shows that it held steady through 2019. Going by the broad trends the report points to — more languages, better stories and a declining dependence on the first weekend — the rise will continue.

The most important of these is the wav India's diversity is finally reflecting in numbers. The billion-plus tickets and ₹10,948 crore box-office revenue figure was split among Hindi, Tamil, Telugu, Hollywood and others, in that

more important. More than 60 per cent of the box-office revenues for Saaho (a trilingual film in Hindi, Tamil and Telugu) came from Hindi. A part of the War (Hindi) business came from Telugu. We are getting into a scenario where many of the top 10 movies are multilingual," points out Shailesh Kapoor, CEO, Ormax Media.

Hollywood is a case in point. Its share of revenues has been creeping up; it went from 12.5 per cent in 2018 to 15 per cent in 2019. But this is because it has begun dubbing and releasing films in Hindi, Tamil and Telugu among other Indian languages.

"For Avengers, 40-45 per cent (box office revenues) came from Hindi, Tamil and Telugu (releases). This holds true for all franchise films or big releases that get, on an average 35-35 per cent from Indian languages," says Kapoor.

Whether it is Hindi films dubbed/remade in other Indian languages, non-Hindi films dubbed/remade in Hindi or English dubbed in Indian languages, multilingual films are bringing http://twitter.com/vanitakohlik

more ticket sales and therefore topline to the box-office.

The third reason this report is good news is because more people are walking in to watch films in a theatre. This matters since more than 70 per cent of what the film industry earns comes from the box-office. Of course the reach and impact of films goes way beyond the billion-plus tickets sold. More than one-fourth of the total TV viewership is on films. Streaming video brands in India see disproportionately high amounts of time spent on films and film-related content. But the film industry makes its money primarily from the box office. Its success there means better deals from streaming video brands and TV stations.

But remember this is a just a sliver of good news. To use it to paint a happy scenario overall would be misleading. Like one minister did recently, many people might argue that if more film tickets are being sold, it means that there is no economic slowdown. That is a fallacious argument. Because if ticket sales was a metric for macro-economic health then we were in deep recession for the last four years.

Bhilai's existential crisis

There is threat to its iron ore security in Maoist-affected Bastar district of Chhattisgarh

TWO

KUNAL BOSE

hilai Steel Plant (BSP) is unquestionably a jewel in the crown of Steel Authority of India Limited (SAIL) that has four other integrated steel plants (ISPs). The recognition is based on techno-economic parameters of steelmaking as also its uniquely rich product portfolio. This is further validated by BSP being chosen on most occasions as the best ISP for prime minister's trophy since its introduction in 1992-93.

But now for factors not within its control, BSP may face an existential crisis. Despite having secured leasehold and mining right and environment clearances for an enormously large and highly-rich iron (Fe) content deposit at Rowghat in Bastar district of Chhattisgarh, there is a looming threat to its iron ore security. BSP is realising cost ownership does not necessarily guarantee excavation of the mineral.

A highly-disturbed environment with Maoists striking terror in Rowghat at their will, BSP is seeking resolution to the challenge of laying a railway line for excavation of iron ore from the mine, sought to be opened with security cover provided by Border Security Force and Sashastra Seema Bal. While attempts are made in the traditional way of using armed forces to stop the Maoist in the area, which has exceptionally-rich endowments of iron ore, Anirban Dasgupta, chief executive officer of BSP (since promoted as SAIL director in charge of projects and business planning) thinks the challenge is raw material division (RMD), BSP is

also of weaning away the local people, tribal people mostly, from the extremist influence by offering education and healthcare. For this, BSP has found an effective ally in Ramakrishna Mission Ashram at Narainpur in Chhattisgarh.

With every passing day, the urgency of sourcing iron ore from Rowghat F block with estimated reserves of 511 million tonnes (mt) having Fe content of around 65 per cent is felt acutely by the BSP management. This is because the quality of ore

coming from a group of mines from the 1960s vintage group of mines at Dalli-Raihara. some 85 km south-west of Bhilai is down to an extent that its use in blast furnace results in slag generation of up to 430 kg per tonne of hot metal produced compared with slag rate of less than 300 kg when ideal grades of ore is fed.

Dalli-Rajhara mines have been subject to excavation over so many decades that a precipitous fall in the share

of lump in what is taken out of the earth is inevitable. As the lump-fines ratio has changed for the worse and the Fe content in the ore is down, the blast furnace requires additional heat. This finally boils down to use of more energy in terms of coke use, says a disconsolate Dasgupta. BSP also has to contend with growing gangue content — that is silica (SiO2) and alumina (Al2O3) — in ore standing in the way of preparation of ideal blend for blast furnace feed.

Unlike the other four ISPs — all in the eastern part of the country — which are supplied with iron ore by the company's



unique as it alone has its own "iron ore complex." That advantage is fast wearing out as the deterioration in Dalli-Rajhara ore quality will bear out. To supplement what is available from its own mines, BSP is getting 7,00,000 tonnes to 8,00,000 tonnes of fines a year from its RMD though here the logistics cost of transportation from mines in the east is high. Whatever the security challenges and other hurdles, including securing state government approval for felling of trees in areas to be opened for mining, BSP must move as fast as possible to make Rowghat operational to insure the future of the largest and most profitable mill in the SAIL family.

BSP has rail linkage with Dalli-Rajhara and work is on to build a 96 km rail connectivity between Dalli-Rajhara and Rowghat. Scared by the surprise Maoist attack factor, work on rail building has so far proceeded by fits and starts. The more recent improvement in mobilisation of security forces has given Dasgupta the confidence to complete building 60 km

A LEAP FORWARD

Bhilai steel plant after the ₹18,000 cr modernisation

- Crude steel capacity rises to 7 mt from 4 mt
- ■1.2 mt capacity universal rail mill to make the world's longest 130 metre single piece rail
- Large blast furnace of 4,060 cubic metre of useful volume
- 4 mt steel-melting shop
- Development of 13 high value added steel products during 2019
- In the next phase growth, capacity to be up to 10.5 mt

Source: Company information

rail line by March end. Incidentally, the Railways has left it to the BSP to finance the construction of the railway track, which will be built over a period of time by way of concessional iron ore freight.

Dasgupta says: "We are working on a few projects ahead of Rowghat opening for improvement in ore supply from our own resources. The most significant of these is what we call 'interim mining' to be undertaken in a portion of our Rowghat leasehold area from where we will bring ore to the nearest railway loading point by road." Ore reserves at the area carved out for 'interim mining' are 81 mt and the plan is to produce 3,00,000 tonnes a year. Ore, however, will come earlier from Kalwarnagur where exploration over 17 hectares out of an owned area of 938 hectares has confirmed reserves

A BSP mines official says excavation should start in about eight months and yearly production, to start with, will be 3,00,000 tonnes and will be stepped up to 7,00,000 tonnes in phases.

For any miner, a big challenge relating to conversion of waste into wealth and environment protection is to separate iron ore from slime accumulated over the years in the tailing pond before there is any danger of breach of surrounding wall. At Dalli tailing pond, an estimated 19 mt iron ore has accumulated, which is now sought to be recovered through beneficiating. The ore found in slime has Fe content of 54 per cent. But high quality beneficiation will lift the level of Fe in processed ore to 64 to 65 per cent. Fines to be available in micro sizes will be sintered before their use in the blast furnace. Attempts will be made to annually recover and process 1.2 mt of ore from Dalli tailing pond.

BSP has become a 7 mt crude steel capacity plant after claiming ₹18,000 crore of the total SAIL investment of over ₹70,000 crore in modernisation and expansion of all its mills.

Surprisingly, even while it has to make do with enormous quantities of iron ore fines, it still does not have the benefit of a pellet plant. Pellets are used in blast furnace burden as a substitute for sinter and calibrated lump ore. Interestingly, a pellet unit for BSP was thought of during its modernisation planning. The management is now exploring the possibility of getting pellets made in units outside the state with capacity to spare on conversion cost basis. Furthermore, a micro pellet plant is also under the consideration of ne management.

Dasgupta says BSP will take a further eap at capacity expansion to 10.5 mt by installing one more big blast furnace along with corresponding new facilities in unstream and mills in downstream This will be conterminous with SAIL becoming a 50 mt group in its next expansion drive.

But ahead of further expansion, BSP must fix the Rowghat problem.

CHINESE WHISPERS

Filling in for journalists



Visiting US President Donald Trump and Prime Minister Narendra Modi on Tuesday held talks at New Delhi's Hyderabad House. A big shamiana with dozens of chairs were put up for journalists in attendance as the two leaders read their statements. The Ministry of External Affairs had made it known that no questions would be allowed at the joint press conference. By the time the event took place, most also knew that the American president would be speaking to the press in the evening at a city hotel. This led to an embarrassing situation with several empty chairs since many journalists decided to skip the Hyderabad House event and went to the hotel instead. Eventually, the security staff, who were not in khaki, were asked to occupy the empty seats to give the occasion a semblance of respectable attendance.

Warming up to the media

After the Bharatiya Janata Party's (BJP's) poor showing in the recent Delhi elections, the Central government, run by the party, has asked senior officials and public-sector undertakings to send a positive narrative to the people about the work they are doing. The plan is to bring all the good work to the media's notice under the signature Har Kaam Desh ke Naam programme. Even some official emails bear that endnote these days. This is in sharp contrast to 2014, when officials had started keeping the media at arm's length, fearing that hobnobbing with media persons might anger ministers. Close circuit television cameras were installed in ministries and officials were pulled up for any media "leaks". It seems there has been a change of heart.

Dancing into politics

The Union Ministry of Culture frequently gets requests for the children of senior government officials to be considered for a career in art. But the ministry is surprised by the regularity of requests to accommodate the daughter of a Cabinet minister for her dance recitals. The grapevine says she is being promoted by her father for an eventual political career, but officers are in a fix over the question whether dance recitals could be the best way to make that happen.

Pushing the pedal on asset recycling

Incentivise states to deliver on the infrastructure agenda



SUDIP SURAL

sset recycling, or monetisation, has emerged as a viable option for raising muchneeded monies to fund India's infrastructure build-out. The concept has gained currency in the last few years, with models such as tolloperate-transfer (TOT), and infrastructure investment trust (InvIT) helping unlock capital in operating infrastructure assets.

For government entities sitting on piles of operating assets (such as roads, power lines and plants, ports, and railway tracks), recycling unlocks capital for both, fresh investments and deleveraging. Operating infrastructure assets with stable cash flows for long tenures attract long-term investors such as pension and insurance funds. And for the economy and the public at large, more infrastructure is built, more jobs are created.

In the last five years, states have accounted for about 40 per cent of the infrastructure spend. They will need to monised list of the Ministry of Finance, are chosen after an appropriate duedo the heavy-lifting going forward too. This is easier said than done considering their combined fiscal deficit stands at 2.9 per cent of GDP for 2018-19 (RE). Thus, asset recycling assumes great significance.

So which assets? Toll roads and power transmission lines are the most amenable to this, for two reasons.

attention already. This is because a relhigh monetisation potential. India has events, and dispute resolution: nearly 2.3 lakh circuit km (ckm) of State governments can be made to unpower transmission lines owned by derstand that asset recycling is not pristates and about 1.7 lakh km of state vatisation, especially when the lease highways. Even if 10 per cent of this is model is followed, and that unlocking monetised, it can rake in about ₹2 tril- capital can help usher in long-term lion. That's half of the yearly infrasbenefits for the state economy. tructure spend by states of ₹4 trillion. And how to do it?

that asset recycling is

not privatisation,

The incentive structure **State governments can** for states should com- be made to understand prise the following prescriptions:

■ The Finance Commi- especially when the lease ssion can propose perfo-model is followed, and rmance-based incen- that unlocking capital as part of can help usher in grants-in-aid to states to long-term benefits for support creation of gree- the state economy nfield infrastructure;

designed for asset recycling proceeds be associated with transactions. The re-invested in creation of new infrastructure assets and for accelerating construction of such assets. Such incentives will compensate for revenue foregone by state governments on revenue-earning assets such as toll roads; ■ Eligibility conditions can be laid down for deploying the proceeds of asset recycling in new infrastructure assets. Such criteria should aim at boosting economic growth and employment generation. For this, the definition of infrastructure, as laid down in the harmay be followed. It can also include social infrastructure such as hospitals and educational institutions, apart ture assets are public goods. from economic infrastructure such as roads, power plants and industrial cor- on the ground will be the key to gainridors. Projects developed or conceptualised by states in the National

these eligibility conditions, may be ear-

One, these sectors have investors' marked for such investments;

■ A long-term lease model concession atively well-developed regulatory eco- agreement can be drafted for toll road system and an established user charge assets, with specific clauses on contract regime are in place. Two, both have sanctity, service levels, force majeure

What are the risks? Investors will

look for contract sanctity. Recent instances of state governments renegotiating or cancelling contracts tend to put off global long-term capital market investors such as pension and insurance funds.

Investors will also look for transparency from governments on

Appropriate incentives can be available assets, and the likely terms to better the availability of this data, the higher the likelihood of attracting the right kind of investors.

Private investors will need to mitigate the risk of adverse political or regulatory intervention over the longer term, a key characteristic of any infrastructure asset.

Last but not the least, there may be concerns around asset monetisation and potential escalation in costs for consumers. Governments will have to ensure that private investors diligence process and through a competitive bidding route as infrastruc-Efficiency and service improvements ng acceptance.

Infrastructure Pipeline (NIP), which fit The author is Senior Director, CRISIL Infrastructure Advisory

LETTERS

Time for change

Apropos the editorial "Family Plots" (February 25), the Congress, with or without the Gandhis, will continue to be under constant attack from the ruling party as long as the Bharatiya Janata Party (BJP) is in power under Prime Minister Narendra Modi. The Congress at present is on the same boat as the BJP when it had been losing one election after another since 2004. The crisis then was so bad that many from within the party started targeting each other. Former Union minister in the Atal Bihari Vajpayee government, Arun Shourie, had infamously said, "BJP kati patang, Rajnath Alice in Blunderland". He had also said, "My prescription is jhatka (swift execution), not halal (slow execution). One or two is not enough. Saareke saare (all)." The then party spokesperson had replied, "His (Shourie) nomination to Rajva Sabha is coming to an end, I am sure he wants action against himself. He wants to become a martyr."

There is no doubt the Congress has many leaders who want to be in the party in spite of being out of power. Time has probably come for the Congress to find a dynamic non-Nehru-Gandhi family member to take charge. However, such a leader should be prepared to face the criticism from the BJP that he or she is a puppet at the hands of the family. As for Rahul and Priyanka Gandhi, it is high time they travelled the length and breadth of the country, if necessary, with a few lucidly-written chapters from The Discovery of India in different languages to understand what real India stands for. N Nagarajan Secunderabad

Gazing into the crystal ball

This is in reference to Anup Roy's article, "Banks of future will be very different, says RBI governor" (February 25). Reserve Bank of India Governor Shaktikanta Das has classified four broad categories of future banks: a) Large Indian banks with domestic and international presence, b) mid-sized niche banks, c) small private sector banks, small finance banks, regional rural and co-operative banks and d) digital players.

But it will be the digital players who will disrupt the sector. Two decades ago, the new generation private sector banks. driven by technology and nimble ear-tothe-ground management, carved a niche for themselves. The digital players will not need to spend on large brick and mortar establishments due to the very nature and model of their business. The progressive new generation banks are alive to this threat and chalking out plans to take on the challenge

What about the public sector banks? Mergers are on the anvil to create large banks. They may be large in size, but do they have the vision and wherewithal to survive in the digital war space? Will the management of these banks be able to motivate their personnel to rise to the challenge? Will the staff rise to the occasion, cocooned with job security and periodic wage hikes with no linkages to productivity? For too long, the public sector banks cartel has managed to secure their pound of flesh without matching productivity benchmarks or customer service satisfaction. If they don't change, they will continue to lose business and relevance. Thus far the government has been supporting them with periodic massive infusion of capital. In the changing scenario, if they don't pull up their socks will the government be willing to bite the bullet and allow the lethargic banks to fail?

KV Premraj Mumbai

Distant dream

This refers to "Cash is still king in India, but digital payments rising sharply: RBI" (February 25). It was interesting to learn that India continues to have a strong bias for cash payments. This fact is reportedly



based on an internal study of the RBI which points out that cash is still king in India, but there has been a perceptible shift in favour of digitisation in recent years. Statistically put, the cash in circulation as a percentage of GDP stood at 8.70 per cent in 2016-17. This followed the surprise announcement of demonetisation of some currency notes in November 2016, but it later increased to 10.70 per cent in 2017-18 and to 11.2 per cent in 2018-19. It is still lower than 12.1 per cent of 2015-16. Such a shift can be termed marginal given that cash withdrawals from ATMs kept increasing over the past five years, showing people's preference for cash. Electronic or digital modes of payment are used when you have a big payment to make or when there is no option. Given all this, the government's much cherished goal of ushering in a cashless economy in India may remain a distant dream. The frequent occurrence of various online banking frauds is perhaps one of the key inhibiting factors.

Kumar Gupt Panchkula

Letters can be mailed, faxed or e-mailed to: The Editor, Business Standard Nehru House, 4 Bahadur Shah Zafar Marg New Delhi 110 002 Fax: (011) 23720201 · E-mail: letters@bsmail.in All letters must have a postal address and

HAMBONE



telephone number

Less than tremendous

Donald Trump's first visit was strong on optics

'S President Donald Trump's first visit to India was most notable for the fact that he refrained from controversial tweets, performed manfully to script (even if he mangled the pronunciation of Indian names) and delivered on the minimalist agenda: A \$3-billion defence deal, highvoltage pomp and pageantry, and the promise of a trade deal later this year, though there was no breakthrough to announce after formal talks. Prime Minister Narendra Modi received endorsement from the world's most powerful person for being "strong", a "tough negotiator", and a "very religious man". Intense personal diplomacy, the preferred style of both leaders, has yielded a baseline reiteration of goodwill between both countries.

Earlier in the day, the two countries signed three memorandums of understanding, including one on the energy sector, and an announcement that the relationship had been upgraded to a "comprehensive global partnership", a signal that India-US ties seek to go beyond bilateral and regional dimensions to pursuing convergent interests on a global scale. Though the contours of this new relationship were not defined, it could signal closer Indian participation in the Blue Dot Network, the US's Indo-Pacific initiative to counter China's Belt and Road Initiative.

On balance, however, the extravagant optics did not mask the fact that the visit yielded little that was substantive, especially for India. For one, Mr Trump was careful to reiterate the good relations he enjoyed with Pakistan's Imran Khan and China's Xi Jinping. For another, he spoke of the limited trade deal he has signed with China as a template of the sort of reciprocity he was seeking, underlining India's rising tariff regime. The \$16.9-billion trade deficit (2018-19) between the US and India lurked in Mr Trump's address. The two sides remained divided over farm products, medical devices, digital trade, and new tariffs, and Mr Trump reiterated that India's import tariffs were some of the highest in the world. Third, he spoke of the growth of Indian investment in the US, which would have rankled with Indian officials, who were hoping to leverage the visit to bolster foreign direct investment from the US.

As the two leaders hugged each other several times, smoke was rising into the skv in a part of Delhi because of violence over the Citizenship Amendment Act (CAA). At his press conference at the US Embassy — at which he talked up his record on Afghanistan, West Asia, handling the coronavirus crisis, and so on in his customary rambling style and took potshots at various Democrat opponents — Mr Trump was careful to steer clear of controversy regarding the CAA and Article 370. A muted reiteration of an offer to mediate on Kashmir was followed by a bland observation that there were "many sides" to the issue. The CAA was discussed at the bilateral talks and so was Article 370 but the US president toed the Indian line that these were internal matters. The most remarkable point of the press conference perhaps was his assertion that Mr Modi had assured him that he "wanted the people to have religious freedom".

All in all, the visit cannot be described as a resounding failure. Nor, despite the guard of honour at Rashtrapati Bhavan, the populous feting in Ahmedabad, and a banquet, can it be described as a notable success. At the very least, it ensured that India was able to defend its interests and that all-important trade talks were not off the table. In a stalling economy, this can be considered a hopeful sign.

Payments problem

Removal of MDR will affect innovation in fintech

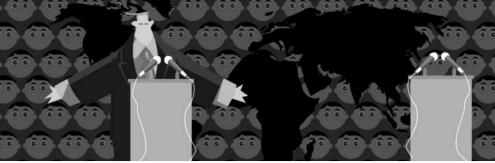
ne National Payments Corporation of India (NPCI) last week revised bank interchange fees for the Unified Payments Interface (UPI) to zero for all domestic transactions with retrospective effect from January 1, 2020. This is a "pilot" programme, which will stay in effect till April 30, 2020. This cut is the inevitable consequence of the finance ministry's decision to cut the merchant discount rate (MDR) to zero on the UPI and RuPay transactions from January 1. Banks cannot pay interchange fees on these transactions, since they are no longer receiving fees from the MDR. The decision assumed that the removal of the MDR will lead to a further upsurge of digital transactions. While it is mandatory for any establishment with a turnover of greater than ₹50 crore to offer digital payment options, the removal of the MDR is expected to encourage smaller merchants to adopt digital payment systems, since they will not have to pay charges to banks or fintech service providers. But the MDR was a key revenue stream and its removal has hit the industry hard. There will be negative consequences in terms of the growth of the digital payments ecosystem. The MDR contributed about ₹1,800 crore to industry revenues in 2019.

But despite that income stream, the major fintech players are all incurring losses because their expenditures on both creating front-end and back-end infrastructure are high and they also have to offer cashback and other incentives in a $competitive \, space. \, There \, are \, substantial \, costs \, to \, setting \, up \, infrastructure \, for \, digital \,$ payments. It is estimated that payment app providers spent over \$1 billion in 2019 to boost e-payments on the UPI. Transactions on digital platforms run at over 1 billion per month and continue to grow. Merchants paid the MDR to their respective banks as a fee for accepting digital payments via the UPI, RuPay cards, and other instruments. (Both the UPI and RuPay platforms are managed by the NPCI.) The banks pay interchange fees, network fees, and payments service provider fees to other banks, fintech players, and stakeholders in the ecosystem. The NPCI also takes a fee for enabling UPI and RuPay transactions.

Hence, the MDR was a source of revenue for many entities and a major one for some businesses in the digital value chain. In the absence of the MDR, there will be very little incentive for fintech players to expand their network by registering new merchants and users. Investors will also be unwilling to spend more on maintaining and strengthening existing networks, leading to higher transaction failure rates and probable frustration among users. Finding alternative revenue streams will be difficult, and may be legally problematic for the industry; many businesses may end up monetising customer data and possibly infringing the provisions of the proposed data protection law.

Building an inclusionary digital network is a reasonable goal. But it is debatable if the elimination of the MDR, with retrospective effect, is the ideal way to encourage the uptake of digital transactions. Players in the ecosystem must be compensated for their investments, and the MDR was the natural way. Alternative modes of direct compensation by the government, which fintech players are now attempting to negotiate, would be a much more convoluted exercise. The digital finance industry is still in a nascent phase and the government should reconsider this policy.

III IISTRATION: BINAY SINHA



Prognostications about the US elections

There could be two out-of-the-box announcements ahead of the election to outline the Republican policy in Asia

or the last month I have been in Los Angeles, the capital of the "Remove Trump" movement. During this time the Democrats, against the previous advice of the Speaker of the House Nancy Pelosi, impeached Donald Trump who as expected was acquitted by the Senate. This was followed by an excellent unifying State of the Union address by the President, which ended with the unprecedented petulant tearing up of his speech by House Speaker Pelosi. The action then turned to defeating the President in the forthcoming 2020 election. But this has left the Democrats in a quandary.

As the first three primaries have shown, the socialist Democrat Senator Bernie Sanders is in the lead with 27 per cent support of Democratic primary voters, and three of the four moderates contesting clustered around a 15 per cent vote share. This is reminiscent of the 2016 Republican contest, where the "outsider" had a strong and steady base among Hilary Clinton's "deplorables" but none of the other establishment con-

testants could either unite or succeed in eliminating each other to provide a single establishment figure to take on Mr Trump until it was too late (Sabrina Siddiqui and Eliza Collins,: "Bernie Sander's Rise Sparks comparisons to 2016 GOP Race", The Wall Street Journal, February 20.)

DEEPAK LAL

Now enter the former mayor of New York, Michael Bloomberg, who only starts the primary season on March 3 in the delegate-rich multi-state primary. Meanwhile, since announcing his candidacy he has spent \$400 million of his own enormous private fortune of \$54 billion to, in effect, buy the Democratic elite (see Holman W. Jenkins Jr., WSJ February 15). His disastrous performance in the recent debate of

Democrat presidential hopefuls in Nevada also saw him turn back on offering a true alternative to Mr Sanders' socialism and the party's leftward push. "He apologized for his city's successful stop-and-frisk policy. He unveiled an eye-popping plan to raise taxes by \$5 trillion" on corporations and rich people, and reversed himself on financial regulation joining Representative AOC in promising to impose a 0.1 per cent financial transaction tax and crack down on Wall street. He is now no longer an alternative to the Democrat "progressives" but merely an echo. (See Kimberly Strassel: "Bloomberg says Me Too to Leftism", WSJ, February 20).

The super primary results on March 3 should make things clearer. But, with neither Senator Sanders nor Mr Bloomberg likely to fold, the Democratic primaries will end up in a brokered convention, where the establishment will likely try and nominate Mr Bloomberg as the "moderate" nominee even if Senator Sanders has the most but not a majority of the delegates. This will exacerbate the current rift in the party between the progressives and moderates to President Trump's advantage.

So what are Mr Trump's reelection prospects? A WSJ/NBC poll shows Mr Sanders winning a hypothetical race with Mr Trump. But similar 2016 polls, which Republicans feared would cost them the White House and Congress, proved wrong.

No doubt Mr Trump will be running on his record. But his personality and seemingly uncouth behaviour will also be an issue with many voters. To understand this and Mr Trump's presidency to date, the best guide is provided by the classicist and war historian at the Hoover Institution at Stanford University, Victor Davis Hanson in his book The Case for Trump (basic Books, 2019)

Hanson argues (Chapter 11) that to understand Mr

Trump and his presidency, it is best to compare him with the tragic heroes from Homer's Illiad and Sophocles's plays (eg. Ajax, Antigone, Oedipus Rex, Philoctetes and modern Western films (eg Shane). These heroes are not intrinsically noble or likeable. But, their tragic uncivilised flaws can at times be of service to the community. "Trump's cunning and mercurialness—honed in Manhattan real estate, glob al salesmanship, realty TV, and wheeler-dealer investments - may have earned him ostracism from polite Washington society. But these talents can also for a time be suited for dealing with many of the outlaws of the global frontier, such as the Iranian theocracy or North Korea's Kim Jong-un. And those outlaws are many and they are formidable". (p.319)

But there is also a method in Mr Trump's ostensible madness. As Andy Kessler ("President Donald J. Mac Guffin" WSJ, February 10) reminds us "On taking office, Mr Trump proceeded to hire smart people and create a massive diversion (tweets, border walls, tariffs) as a smokescreen to let them implement an agenda of tax cuts, deregulation and originalist judges. Those reforms have left the market to do its magic and got the economy grooving like its 1999. The daily Trump hurricane makes the media focus on the all-powerful wizard while ignoring the policy makers behind the curtain." These tweets enrage the media without their understanding and dealing with Mr Trump's substantive agenda.

As the contest progresses, there will be well known differences on domestic policy. Given the socialist turn by even the "moderate" Democrat contenders, I suspect that Mr Trump will be able to slice off only a small proportion of the politically incorrect element of the Democratic nominees base to win the election.

It is on foreign policy that the policies of the two likely Democrat finalists — Mr Sanders and Mr Bloomberg — could differ. As the establishment progressive Sanders like most Democrats is a hawk on China (witness Speaker Pelosi's recent Munich speech) he would not differ from President Trump on China except as an idealist he would like more virtue-signalling on Xinjiang. By contrast, Bloomberg is a China dove, given the Chinese interests of his company.

This suggests two possible out-of-the-box policy initiatives in north-east Asia President Trump could take in the months before the election. The first is to announce the opening of a US embassy in Taipei. China would object saying it would go against the One-China policy agreed with Nixon and Kissinger. But on assuming office, Mr Trump took a call from the President of Taiwan to which China objected citing the One-China policy, and President Trump reportedly replied "What One-China policy?" It is time to end it at least symbolically.

The second is more speculative. There is one observation most experts on North Korean-Chinese relations make: The deep-seated Korean animosity for the Chinese and their anger as having to depend on them in a hostile world. Witnessing the sheer childlike joy shown by the young Kim Jong-un wandering around the market in Singapore during his summit with Mr Trump, a thought struck me: Could a deal be done with Kim with the offer of ending the sanctions and massive private US investment creating a north Korean capitalist paradise in exchange for changing the direction of his nuclear missiles from Los Angeles to Beijing!

Unease of doing business

NEW DELHI DIARY

A K BHATTACHARYA

business has been quite creditable in recent years. The index, prepared by the World Bank in October 2019, placed India at 63 among the 190 countries it had evaluated. This represented a jump of 14 notches from its earlier rank. In the previous year, India's rank in ease of doing business had improved by 23 places.

In its 2019 report, the World Bank had noted that sustained business reforms over the past several years helped India, which "put in place four new business reforms during the past year and earned a place among the world's top ten improvers for the third consecutive

the index included the simplification in the norms for starting a business. dealing with construction permit facilitation in doing trade across borders and resolving insolvency.

However, the World Bank report also highlighted a few areas of serious concern. For instance, it ranked India at 163 among 190 countries in respect of enforcing contracts and at 153 for registration of property. Worse, the Bank had noted that it took 58 days and cost an average of 8 per cent of a

property's value to register it, much longer and at a Pranjal Kishore, have argued in an article in Business higher cost, than in the high-income countries. Similarly, a company in India took 1,445 days to resolve a commercial dispute at a lower court, which is three times the average time taken in developed countries.

It is important to recall India's creditable performance in the index for ease of doing business and reflect on whether the current economic policy environment is conducive to a further improvement in the coming years. The question gains salience in light of a few disturbing developments that may have clouded the prospects of an easier business environment in the country.

Take, for instance, what is happening in the country's telecom sector. Today, India's telecom service providers are facing an existential crisis — threatened by demands of a government to fork out more revenues and a judicial system that is reluctant to recognise the existing market structure before passing judgment on the justifiability of a revenue claim.

'ndia's performance in the index of ease of doing companies over how their adjusted gross revenues (AGR) should be calculated has gone on for several years. It began in 2003 when the companies argued that their AGR should include only telecom revenues, while the government countered it by claiming that AGR should include both telecom and non-telecom revenues. AGR has to be calculated for the purpose of determining the licence fee to be paid to the government, initially at 15 per cent of AGR in 1999 and later at a maximum of 8 per cent of AGR from 2013.

In the initial phase of the battle, the telecom companies got the court to rule in their favour. In other year". The reforms that helped India go up higher in words, the court rejected the government demand for

a higher AGR amount based on both telecom and non-telecom revenues. By that time, the companies had already paid up 80 per cent of the claims. But the government, instead of refunding the amount, went in for an appeal demanding not just the entire principal amount, but also interest and penalty. The appeal was heard by the Supreme Court, and much to the grief of the telecom companies, the government won.

As lawyers, Sanjay Hegde and Standard, there was no logic in asking the telecom companies to pay up interest and penalty in addition to the principal amount of claim, because they had won the case in the lower court that had staved the government demand. If only the government had not insisted on the payment of interest and penalty, the telecom companies' response to the Supreme Court verdict would have been different, the exchequer would have secured its revenues even if a little less than what it had hoped for and the telecom sector would not have faced the scary prospects of a duopoly and reduced competition, which are unmistakably bad news for Indian consumers of telecom services.

Only about a fourth of the total demand of ₹1.3 trillion on the telecom companies is the principal amount and the rest consists of interest and penalty. It would appear that the government did not forego the interest and penalty because such a decision might be frowned The battle between the government and the telecom upon by the Comptroller and Auditor General of India

later and give rise to a political controversy of having favoured a clutch of private-sector telecom companies. Another reason for the government insisting on the penalty and interest amount could be that it badly needed some additional revenues to make good the revenue shortfall under other heads.

But insisting on the payment of the entire amount, including the interest and penalty, has actually implied that one of the telecom companies. Vodafone Idea. would be more hit than the other remaining two big players. Its overall dues would be more than ₹0.5 trillion and its owners have indicated that such a huge burden on the company would leave them with no option other than shutting up shop.

Did the government weigh the pros and cons of its cision on insisting on the would be largely borne by one of the top three telecom players in the country? Should it have evaluated the impact of its decision on the telecom market structure? And finally, did the government realise that the consequent financial blow would be severe for Vodafone Idea, which had facilitated foreign investment flows of over \$55 billion into the country? The government may eventually come out with a bail-out package for the telecom sector to help it overcome the current payment crisis. But its impact on India's private sector will be significant.

Since its return to power after the general elections in May 2019, the Narendra Modi government has been involved in two high-profile engagements with foreign investors. One involves Jeff Bezos of Amazon, whose foreign investment commitments have been scoffed at by government representatives. The other is with Vodafone Idea, whose foreign partner Vodafone Group of the UK, stung by the AGR burden, is now mulling the options of exiting the country. A third one may become news in the coming summer months when the arbitration decision on a \$1.6 billion tax dispute between Cairn Energy and the Indian government would be announced. Nobody knows which direction that battle will take. But for a country that takes pride in having improved the ease of doing business, the developments affecting three big foreign companies-Amazon, Vodafone and Cairn—may not help improve its prospects of a further improvement in its rank in that index.

Nuclear deterrence & dilemmas



PRANAV R SATYANATH

The concept of nuclear deterrence sounds easy on paper. It was succinctly described by Dr Strangelove, anti-hero of the 1964 Hollywood darkcomedy film Dr. Strangelove as, ...deterrence is the art of producing in the mind of the enemy... the fear to attack." The premise of deterrence is that the destruction caused by nuclear weapons is so enormous that threatening to use it against an adversary will

dissuade that country from attacking. But the business of deterring an adversary, however, isn't that simple in reality. An entire bureaucratic

machinery is at work making $guesstimates \, on \, the \, optimal \, nuclear \,$ arsenal for a country. More often than not, decision-makers must deal with the paradox of deterring the enemy as well as fighting a war if deterrence fails.

Fred Kaplan's new book, The Bomb, provides a perfect illustration of this problem. The book sketches the history of how American presidents and military leaders have made decisions about the most dangerous weapons in history, and how they deal with the paradoxes that accompany these weapons. The book acts as a sequel-of-sorts to Mr Kaplan's first book. Wizards of Armageddon. which outlined the intellectual history behind nuclear strategy.

Nuclear weapons in the early 1950s were relatively large and crude devices capable of being carried on heavy bomber aircraft. Naturally, the monopoly on nuclear weapons went to the US Air Force. Nuclear strategy was now under the aegis of the Strategic Air

Command (SAC) and its strategy to stop a Soviet invasion of Western Europe was a simple one: Bomb everything in the Soviet Union, which would kill at least 275 million people. Both civilians and military personnel. This idea was taken straight out of Curtis LeMay's experience of firebombing Japanese cities in World War II — and in 1960, this philosophy was incorporated into the Single Integrated Operations Plan (SIOP), the war plan for fighting a nuclear war. Horrified by the prospects of killing

54 per cent of the Soviet population and injuring millions of innocent civilians, Secretary of Defence Robert McNamara in the Kennedy administration tried to introduce a degree of flexibility to the war plan, and brought in the "whiz kids," a group of highly talented civilians, to review these plans. At the same time, nuclear weapons technology had advanced significantly, and now nuclear warheads could be miniaturised and fitted on missiles. Other branches of the

military wanted their fair share in the game, particularly the US Navy, which now had the capability to launch ballistic missiles from Polaris submarines. This created a new rivalry among the services, with each side

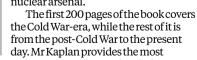
THE

BOMB

asking for more weapons to hit more targets within the Soviet Union, giving rise to the infamous arms race of the Cold War.

While McNamara's effort $to \, revise \, the \, SIOP$ seemed somewhat successful, little had

changed in reality. Meanwhile, the US arsenal continued to grow, with newer and more advanced weapons. And little changed in the war plans. A full review of the war plans would come only during the George HW Bush administration, and it came from an unexpected figure — Dick Cheney. Mr Cheney, known for his hawkish view on national security matters, ordered a full review of the war plans in a serious attempt to reduce the



needless redundancy in the American

detailed account of the nuclear THE BOMB: discussions that Presidents, Generals,

Of Nuclear War **Author:** Fred Kaplan **Publisher:** Simon & Schuster **Price: ₹**799

And The Secret History

arms race. Mr Kaplan's book, if anything, is a story of dilemmas. A story of how military officers and elected representatives wrap their heads around the most destructive weapon invented by mankind. A narrative of how each side fights their way through to get around a very different set of problems

took place within

administration-

the death of arms

agreements and

renewal of a new

symbolised by

theTrump

control

that each group faces. Despite being centred on American leadership and strategic thought, Mr

Kaplan's research leaves much room for thinking about how leaders and decision-makers of new nuclear powers think about their arsenals.

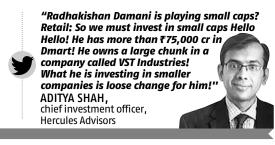
India has maintained a policy of nofirst use (NFU) since it became a nuclear power. It's arsenal size is a fraction of those of the US and Russia. Yet, Indian leaders face their own set of dilemmas with NFU. Should India allow its enemy to strike first with a nuclear weapon and sacrifice its citizens as a matter of policy? How many weapons does India need to deter both China and Pakistan sufficiently? Indeed, the late Manohar Parrikar (who was then the defence minister) reflected on these dilemmas in 2017, when he questioned why India must restrain itself with NFU. More recently. Defence Minister Rainath Singh also hinted at the NFU policy may change in the future depending on the circumstances. There are no simple answers to questions about NFU and deterrence. We may never know what the right answer is. Dilemma indeed.

The reviewer is a researcher at the Takshashila Institution. Views are personal





142 Shares of Indian Hotels closed 1.3% higher on $Tue sday\, despite\, weakness\, in\, markets.\, The$ company indicated that it was on track to achieve its key targets by building an asset-light business model and scaling up its basket of food-related brands.



much in advance.

SBI Cards IPO price set at ₹750-755 per share

At issue size of ₹10,355 cr, the offering will be Asia's biggest this year and fifth-largest domestically

SUNDAR SETHURAMAN & SAMIE MODAK

BI Cards and Payment Services (SBI

Cards), a subsidiary of State Bank of India (SBI), has set a price band of ₹750-755 per share for its initial public offering (IPO). At the top The IPO will end, the issue size works out comprise ₹500 to ₹10,355 crore (\$1.4 billion), crore worth of

making it the largest Asian IPO fresh equity in 2020 and fifth-biggest issuance, and the domestic share sale ever. bulk of it will be The IPO will comprise ₹500 a secondary share crore worth of fresh equity sale by parent issuance, which will be used SBI and PE to strengthen the country's major Carlyle second-largest credit card company's capital base. The

sale by parent SBI and private equity (PE) major Carlyle. The largest public sector bank is offloading a 4 per cent stake in the IPO,

while Carlyle will sell a 10 per cent stake.

bulk of the IPO will be a secondary share

After the issue, SBI's stake will drop from 74 per cent at present to 70 per cent, while Carlyle will see its holding come down from 26 per cent to 16 per cent. The PE had bought the stake in 2017 from the lending arm of General Electric for

> about ₹2,000 crore. The value of the stake has jumped to ₹18.400 crore.

The public shareholding in SBI Cards will be 14 per cent post listing which will have to be enhanced to 25 per cent within three years. SBI Cards will be the first

credit card company to list in the domestic markets. The company will command a market capitalisation of nearly ₹71,000 crore, making it India's 38th most

SBI Cards' valuation could even exceed the ₹1 trillion-mark going by the grey market premium. According to market operators, the stock is changing hands



THE BIG 5 India's largest IPOs

	Year	Issue size (₹ cr)	
Coal India	2010	15,199	
Reliance Power	2008	11,700	
GIC Re	2017	11,373	
SBI Cards*	2020	10,355	
The New India Assurance	2017	9,600	
Compiled by BS Research Bureau; Note: *Yet to			

at a premium of 45 per cent (₹1,100 per share) in the unofficial market.

Market players said investors were enthused by the company's unique business model, financial track record, high return ratios, and growth potential.

Currently, credit card penetration in India is about 3 per cent. Hardayal Prasad, managing director (MD) and chief exec-

onclude; issue size at top end of the price band

utive officer (CEO), SBI Cards, said the low penetration offers the company potential for growth. However, SBI Card would not compromise quality for growth, he added.

Many are looking at the SBI Cards IPO to get a signal into investor appetite for a new paper, which has been battered by the coronavirus outbreak. So far this year,

SWIPE RIGHT FOR SBI CARDS

SECONDARY SALE: ₹9.855 cr: Fresh issue: ₹500 cr Total size: ₹10,355 cr Issue price: ₹750 to ₹755 per share

Date: Opens on March 2; closes on March 5

the Asian share sale has painted a dull

picture, with not even a signal IPO worth

the major Asian financial hubs of

Singapore and Hong Kong had made

Cards share sale said they don't expect

Experts said the coronavirus scare in

Investment bankers handling the SBI

over \$500 million getting launched.

deal-making challenging.

THE COMPASS

shareholding: SBI: 74% Carlyle: 26% Post IPO

shareholding: SBI: 70%; Carlyle: 16%;

Valuation may cross ₹1 trillion

Public: 14% SBI to mop up ₹4,000 cr; Carlyle: ₹5,900 cr Post issue m-cap:

₹70,900 cr,38th biggest at IPO price

₹1,100/share in the grey market arrived at the pricing for SBI Cards IPO after conducting nearly 200 investor meetings. The SBI Cards IPO would also end the lull in the domestic IPO market. The last IPO to hit the market was that of Prince Pipes in December. Earlier this month, state-owned ITI had to withdraw its follow-on share sale because of poor demand.

the coronavirus scare to impact the IPO.

They had conducted their roadshows

spike because of the coronavirus, and this

could persist. However, we don't see any

material impact as far as this IPO is con-

cerned. Some adjustments were made,

and we did some calls instead of meet-

ings, but all the roadshows have been sat-

isfactory," said S Ramesh, MD and CEO

Investment bankers said they had

Kotak Investment Banking.

We have seen the market volatility

Bankers said if SBI Cards' issue does well, it would encourage other companies to launch their share sales. "SBI Cards" IPO has the potential to open up the moribund IPO markets," said Hitendra Dave, head of global banking and markets at

IRCTC joins top 100 market cap league

valuable firm.

DEEPAK KORGAONKAR Mumbai, 25 February

Led by a strong rally in the past month, Indian Railway Catering and Tourism Corporation (IRCTC) has entered the list of top 100 companies in terms of market capitalisation (m-cap).

Shares of the online ticketing, tourism, and catering arm of the Indian Railways closed at a new high of ₹1.952 on Tuesday on BSE, up 1.5 per cent. In the past month, the stock has zoomed 95 per cent, as against a 3 per cent decline in the S&P BSE Sensex.

With m-cap of ₹31.239 crore, IRCTC stood at the 97th position in the overall market capitalisation ranking, the BSE data showed. On its listing day, October 14, 2019, the company's m-cap stood at ₹11,658 crore, and was ranked 194th.

Currently, IRCTC's m-cap is more than two of the Nifty companies Entertainment Enterprises (₹24,195 crore) and YES Bank (₹8,965 crore). The company has also surpassed 27 compaies on the S&P BSE 100 index, including MRF, Lupin, Aurobindo Pharma, Page Industries, Apollo Hospitals Enterprise, ACC, Ashok Leyland, Bharat Forge, and

TVS Motor during the period. With Tuesday's rally, IRCTC has zoomed 510 per cent, as against its issue price of ₹320 per share on BSE. The company had declared an interim dividend at the rate of ₹10 per share, which is 100 per cent of paid-up share capital. The stock had turned ex-date for dividend on Monday.

UP & UP (In ₹ on BSE) 1,952.45 1,800 1,600 IRCTC 1,200 **INDIAN RAILWAY ⊢728.6** CATERING AND TOURISM 1,000 CORPORATION LIMITED 800 600 Feb 25.'20

Monopoly business

IRCTC is the only entity authorised by the Indian Railways to provide catering services to the Railways, online tickets, and packaged drinking water at railway stations and trains in India. For the October-December quarter, the company posted a strong profit growth on the back of a healthy performance in e-ticketing services. Its profit before tax (PBT) from e-ticketing services jumped over five times to ₹193 crore during this period, as compared to ₹36 crore in the same quarter

Overall, IRCTC posted a net profit of ₹206 crore in the December quarter, as against ₹74 crore in the year-ago quarter. The total revenue of the subsidiary of the Indian Railways rose to ₹716 crore from ₹435 crore in the vearago quarter. The revenue from e-ticket services jumped four times to ₹227 crore in Q3FY20, as against

₹55 crore a year ago. The Railways has approved the new tariff for the catering for premium and non-premi-

um trains and the static unit. The revised rate will be applicable from March 28 on prepaid trains. The Railways, too, plans to add pantry cars in long-running trains.

'Given the reintroduction of service charge (₹15/ ₹30 per ticket for non-AC/AC, respectively) from September 2019. capacity expansion in Rail Neer (aim is to increase the number of plants to 20 by FY21E), and average increase in mobile/static catering tariff's by around 70 per cent / 61 per cent, we expect sales/PAT to grow at a compound annual rate (CAGR) of 24.5 per cent/54.7 per cent over FY19-22E," wrote analysts at Prabhudas Lilladher in a recent report.

Meanwhile, the Railways is planning to add 150 trains on a private basis and IRCTC is likely to participate in the projects; it has already appointed a consultant. 'IRCTC has added two Rail Neer plants during Q3FY20. It would add two more plants in the current quarter," analysts at Narnolia Financial Advisors said in a note.

AMCs: Surprise winners among financial stocks

Nippon Life, HDFC HAMSINI KARTHIK AMC have more than doubled in a year despite weak inflows



While the Nifty Financial Services sector, which largely comprises banks and nonbanking firms, has generated returns of 25 per cent over the past year, two stocks outside the index have done much better. The two are asset management companies HDFC AMC and Nippon Life India AMC (formerly Reliance Nippon Life), which have seen gains of over 100 per cent.

Despite the year gone by being rough, given the markdown that funds had to take on certain debt exposure and inflows turning choppy between May and October last year, HDFC AMC's stock has zoomed 144 per cent, and Nippon Life has jumped 109 per cent.

What's driving these stocks despite the headwinds is their ability to keep their financials lean. Even as their revenue streams are guided by management fees, other streams -- such as dividend and interest incomes — make up for the numbers. However, the biggest risk is that of regulatory actions. Though Sebi's directive to cap the total expenses ratio in 2018 is now well-

captured in the AMCs' financials, the sector remains vulnerable to these unpredictable changes.

Among the two, HDFC AMC at 42 times **HOW THEY COMPARE** its FY21 earnings estimates trades at a 21 per cent premium to Nippon Life (34 times Asset class break-up on FY21 earnings). HDFC AMC's leadership position in the Debt industry and size of its assets under management or AUM (₹368,900 crore in December quarter or Q3) places it well-ahead of Nippon Life (₹204,400 crore). Non-retail With its erstwhile par-% total Assets under management as on Dec 31, 2019, ETF: Exchange traded fund Source: Prabhudas Lilladher Research ent company (Reliance Capital led by Anil

trouble for most of 2019, Nippon Life's mar- will help recover the lost inflows," they cent in Q3 from 10.2 per cent a year ago.

Ambani) running into

pronounced in the debt mutual funds segment (down 450 basis points year-on-year to 7.1 per cent in Q3), Nippon has indicated

AMC

46.4

30.1

21.5

2.0

19 26

81

that it was seeing trend reversals with 170 institutional investors having restarted investment rela-**HDFC Nippon** tionship with the companv post its rebranding in October 2019. As a result, analysts at

Prabhudas Lilladher Research expect the valuation gap between the two AMCs to narrow, though HDFC AMC could retain its top position. "With Reliance Capital-related exposure fully written off, de-risking of Nippon's balance sheet and Nippon Life being the sole promoter, renewed credibility

ket share suffered and dipped to 7.6 per add. As for HDFC AMC, the brokerage believes its valuation is stretched, even if As the fall in the market share was more the sector presents a convincing story.

API shortage from China an opportunity for Divi's

Niche capabilities and no regulatory Divi's Laboratories has been overhang among key positives



consistently gaining, and is week high now the company's stock has not only outperformed the healthcare index, but also the leading

The reason: In the pharmaceuticals space, while Divi's remains better placed compared to many peers because of good growth and absence of regulatory overhang, it will also benefit from the expected shortfall in supply of APIs (active pharmaceutical ingredients) from China on the back of the coronavirus outbreak, as it is

among the leading manufacturers of this raw material.

The API segment makes since August lows. Trading sharp rise in API prices recently (as much as 80 per cent bound to benefit players such

However, the company is expected to log gains not only in the short term, but also in the longer term. In order to avoid disruptions, companies globally are evaluating alternative sources for the procurement of APIs, and this is likely to be a key positive for

Divi's, say analysts. Analysts also see the company benefitting on account of its backward integration,

and outsourcing opportunities

aggressive

ommitted to only a few according to analysts) is research-driven niche opportunities for which it has US Administration approvals. This also ensures good mar-

gins. Recently, Divi's has been increasing its presence in another niche product segment, Carotenoids (nutraceuticals) which are high-margin

Among API players, Divi's ity. Further, it will commence ings during FY20-22.

(incurred and continuing), ongoing capex of ₹1,200 crore up about half of the overall in CRAMS (contract research impact of the same is likely to up more than 39 per cent sales of the company. The and manufacturing services). be reflected in FY21, say ana-The company remains lysts at Sharekhan, who also expect further expansion in its margins.

Divi's, thus, should be relatively better off in case of a disruption in the supply of intermediate, and benefit from higher API prices, say analysts at Emkay Global.

The government is also in the process of charting a road map to boost API production, which should benefit players such as Divi's. In this backseems to be a winner as it drop, the analysts at recently commissioned a Sharekhan expect 24 per cent ₹225-crore intermediate facil- annual growth in Divi's earn-

REGULATORY MOVES

Sebi to allow new FPIs via Mauritius

ASHLEY COUTINHO Mumbai 25 February

The Securities and Exchange Board of India (Sebi) on Tuesday said foreign portfolio investors (FPIs) from Mauritius will remain eligible for registration, but with increased monitoring.

Sebi's clarification came after the Financial Action Task Force (FATF) an inter-governmental body that sets anti-money laundering standards – placed Mauritius on the "grey list", creating uncertainty among market players. One of the large foreign custodians had put a halt on trades from Mauritius on Monday, raising concerns that others would follow suit and all fresh registrations and purchases routed through Mauritius would be stopped.

Another custodian put out a note saying FPIs currently registered from Mauritius would not be allowed to make fresh purchases of equity, debt, and hybrid securities, or undertake new derivative positions from February 28. Custodians would block the accounts for purchases for such FPIs and permit only sell trades.

Custodians had reached Sebi seeking clarification and they would likely reconsider the ban after the circular.

When a jurisdiction is placed on the "grey list", it implies the country has committed to resolving the identified



timeframes and is subject to increased monitoring. "The FATF does not call for the application of enhanced due diligence to be applied to these jurisdictions but encourages its members to take into account this information in their risk analysis. The intermediaries should take note of the same," said a note put out by Sebi on Tuesday

The current Sebi guidelines state that investors resident in a country identified by the FATF as having strategic antimoney laundering or terror financing deficiencies to which counter measures apply are ineligible to register as FPIs. The FPIs should not come from a jurisdiction that has failed to make sufficient

■ Jurisdiction placed under increased monitoring

■ The country commits to identify and resolve deficiencies

■ FATF doesn't call upon other members for enhanced due

■ However, it encourages them to factor in the information in their risk analysis

progress or not committed to an action plan to address the deficiencies. 'While the FATF has put Mauritius

on an increased monitoring list, it does not prescribe a countermeasure, such as a sanction or financial embargo. To that extent, the immediate regulatory impact could be limited," said Divaspati Singh, partner, Khaitan & Co. He, however, noted that being on the grey list would create a huge perception issue, especially among large investors, such as pension, endowment, and sovereign wealth funds, investment charters which may prohibit investment through Mauritius. Mauritius has been doing its bit to showcase its compliance with international tax norms in the past year.

BLACK LIST ■ Those countries that have

DIFFERENCE BETWEEN GREY LIST AND BLACK LIST

significant deficiencies in their regime

■ Those that fail to prevent money laundering, terrorist financing ■ FATF urges members to apply

enhanced due diligence ■ In more serious cases, the country is called upon to apply

countermeasures It includes measures, such as stepping

> up scrutiny of offshore fund structures. "Since the completion of its MER (mutual evaluation report) in 2018, Mauritius has made progress on a number of its MER recommended actions to improve technical compliance and effectiveness, including amending the legal framework to require legal persons and legal arrangements to disclose of beneficial ownership information and improving the processes of identifying and confiscating proceeds of crimes, observed the FATF. About 80 per cent of FPIs from Mauritius are already classified as Category-II by Sebi. The grey list tag dashes any hopes of these funds moving to Category I.

Debenture trustees may get a bigger role

JASH KRIPLANI

Mumbai, 25 February

The Securities and Exchange Board of India (Sebi) on Tuesday proposed new norms for debenture trustees (DTs) to give them a bigger role in protecting interests of debenture holders in case of defaults from a bond-issuing firm.

The market regulator said only in 10 per cent of defaulting secured issues, DTs were able to enforce the security. Further, Sebi pointed out DTs found it easier to enforce securities in the case of manufacturing firms as there was a fixed charge, but "the same was not true in the case of NBFCs due to floating charge and the absence of identified security".

It pointed out various issues pertaining to recovery of dues, and also cited the case of DHFL to highlight the concerns. It said DTs were unable to get clarity on the maintenance of adequate security cover because of

floating charges.

With NBFCs, the regulator said that there was also concern that attractive loan portfolios would get monetised to pay for existing loans, leaving DTs with lower-quality assets

for enforcing security.

Among the dozen proposals, Sebi mulled the creation of identified charge by the NBFCs. This would require NBFCs to create charge on the identified assets for every issue. This may include identified receivables, investment and cash, instead of floating charge on the entire books of an NBFC. "A debenture issued by an NBFC shall be treated as secured only on the creation of identified charge. A transition period of threefive years shall be provided to shift from floating pari passu to identified charge," the consultation paper said.

The regulator also considered putting in place a framework to allow DTs to monitor the quality of underlying assets in an efficient manner.

Transfer of client securities to accounts of brokers barred

PRESS TRUST OF INDIA New Delhi, 25 February

The Securities and Exchange Board of India (Sebi) on Tuesday banned transfer of client securities to demat accounts of trading and clearing members.

Against the backdrop of the Karvy Stock Broking (KSBL) incident, the watchdog has now put in place stringent norms to prevent misuse of clients' securities that are available with trading and clearing members, and depository participants.

'With effect from June 01, 2020, TM (trading member)/CM (clearing member) shall, inter alia, accept collateral from clients in the form of securities, only by way of 'margin pledge', created in the depository system...," the circular said.

In November, Sebi had barred KSBL from taking new clients over alleged misuse of client securities.

Rewiring

insurance

Now boarding!

Private banks are struggling to get top-class independent directors on their boards, and it is time to review the Banking Regulation Act, reports Raghu Mohan

ou may have thought that being on the board of a private bank is a privilege few will pass up. It turns out this is not the case - over the past year, a clutch of private banks has sounded Mint Road on their struggle to on-board top-class independent directors; many sought extended timelines to get suitable candidates. And in the spotlight is the Banking Regulation Act (BR Act: 1949).

"I believe the BR Act has to be completely rewritten. It is archaic, when one takes into account the changes that have happened in the manner in which the business of banking is conducted", says M Damodaran, chairperson-Excellence Enablers; and a former chairman of three premier institutions -- the Securities and Exchange Board of India, Unit Trust of India, and IDBI.

According to the BR Act, not less than 50 per cent of the directors are to be drawn from specific professional pools. The intense scrutiny on independent directors, and the far lower levels of compensation payable to them (when compared with non-banks) have made it tougher to hire good hands. This last aspect is due to the fact that Mint Road does not permit part-time directors of banks to be paid remuneration other than sitting fees - even though the Companies Act allows up to one per cent of a firm's profit to be paid as commission to board members. The range for independent directors in private banks is between ₹20,000 and close to ₹1 lakh per sitting.

Out of this world

Section 10A of the BR Act says "the Board of directors of a banking company shall consist of persons, who (a) shall have special knowledge or practical experience in respect of one or more of the following matters, namely (i) accountancy, (ii) agriculture and rural economy, (iii) banking, (iv) cooperation, (v) economics, (vi) finance, (vii) law, (viii) small-scale industry, (ix) any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the banking company".

And that directors shall not have substantial interest in, or be connected with, whether as employee, man-



M DAMODARAN Chairperson-Excellence Enablers; former chairman-Sebi, UTI, and IDBI

"I BELIEVE THE BR ACT HAS TO BE **REWRITTEN. IT IS** ARCHAIC... **BEING QUALIFIED TO** BEAN INDEPENDENT **DIRECTOR IN A PRIVATE BANK IS NOT THE SAME AS BEING COMPETENT** FOR THE SAME"

ager or managing agent - (i) any com-

pany, not being a company

registered under section 25 of the

Companies Act, 1956 (1 of 1956) – since

replaced with the revised Companies

Act (2013) —, or (ii) any firm, which

carries on any trade, commerce or

industry and which, in either case, is

not a small-scale industrial concern,

or (2) be proprietors of any trading,

commercial or industrial concern, not

being a small-scale industrial

independent director on ICICI Bank's

board): "It is hard to get good directors

if you were to widen the inter-connect-

ed aspect to their other independent

The Reserve Bank of India's (RBI)

forbearance towards the stressed

sectors marks a gradual shift from

quality and transparency of asset

its earlier effort to enhance the

classification. Fitch Ratings says

such regulatory forbearance will

perpetuate moral hazard as it

comes on the back of aggressive

lending to certain sectors in the five

The RBI has announced an extension of the one-time restructuring scheme for

micro, small and medium-

BE FOREWARNED

Says Narendra Murkumbi (a former



VIMAL BHANDARI Executive vice-chairman and CEO of Arka Fincap

"THE WIDELY **DISPERSED SHAREHOLDING** AT MOST **PRIVATE BANKS MEANS THE MANAGEMENT TEAM AS A COLLECTIVE BODY BECOMES** THE MOST **INFLUENTIAL** SHAREHOLDER''



NARENDRA MURKUMBI Former independent director of ICICI Bank

"IF YOU ARE TO SAY **THAT THE INDEPENDENT** DIRECTOR'S **COMPANY IS NOT TO HAVE A LENDING RELATIONSHIP WITH** THE BANK'S BOARD ON WHICH HE SITS, THAT ITSELF **PRECLUDES A LOT** MANY FROM BEING **ELIGIBLE"**

board positions". Explains Vimal

Bhandari, executive vice-chairman

and chief executive officer of Arka

Fincap: "This precludes many from

ioining a board. Maybe, it is time this

is relooked with mandated disclosure

of pecuniary relationship between the

bank and entities with which a director

is involved"; he was an independent

director on RBL Bank's board for eight

years. "As for conflict of interest, this

has to be resolved at the Board level. I

would presume directors will take a

responsible view befitting their fiduci-

central bank that even when they

appoint "people of repute" from the

Private banks have conveyed to the

sized enterprises (MSMEs) and in asset

forbearance will be extended to non-

believes the probability of this is high.

The above should be seen in the

in its Report on Trend and Progress of

Banking (2018-19) that the quality of

in consumption and economic growth.

retail loans can be hit by the

SECTOR-WISE SHARE OF TOTAL CREDIT

■ Housing ■ Personal ■ MSME ■ NBFC

Note: Loan mix as a % of total non-food credit

Source: Fitch Ratings

The environment continues to be

challenging for NBFCs and MSMEs.

context of the central bank's observation

banking financial companies, Fitch

classification for certain real-estate

projects. While it is not clear if the

ary responsibility", he adds.



DIVYANSHU DATTA Partner-J Sagar and Associates

"WE HAVE TO **REVISIT THE** CAP OF 5% ON SHAREHOLDING **OUTSIDE THE PROMOTER** GROUPING. IT WOULD BE WORTHWHILE TO INCREASE THE CAP TO 10%, **OR EVEN 15%"**

fields mentioned in the BR Act, many of them may not be able to bring their expertise to bear on the bank's functioning. "I need high quality people on my risk and audit committees: even if the rest are not great, I can live with it. But many find it tough to give me quality time from their other responsibilities", says the CEO of a private bank.

"Being qualified to be an independent director in a private bank is not the same as being competent to discharge the duties of an independent director", notes Damodaran. "In India, we give a lot of importance to what a person has done over the last 40 years, and the experience gained during that period. While this is important, it does not

Brazil

China

India

Indonesia

Philippines

Fig in %

30

20

Russian Federation

Malaysia

Mexico

often translate into experience that is relevant to a bank's board", he adds. It perhaps may have something to do with our veneration of the old.

Incidentally, the central bank has imposed a higher minimum-age filter of 35 years when it comes to bank directors: it is 21 years under the Companies Act. It led the P J Navak Committee (2014) to observe: "It is unclear why a separate regulatory filter for a minimum age is needed".

What is also tied in...

It is also time to re-look at the dispersed level of shareholding in private banks. While the central bank's intention was to ensure that no particular shareholding group (promoter or otherwise) calls the shots - what we now have is a situation wherein it is the "professional management" setting the ground rules.

"The widely dispersed shareholding at most private banks with no dominant shareholder means that the management team as a collective body becomes the most influential shareholder. I am not sure if the regulator intended it that way", notes Bhandari. There is a view that a relaxation on this front may lead to a situation wherein large private equity investors may come to acquire significant stakes in private banks and set the agenda. Divyanshu Datta, Partner-J Sagar & Associates, feels "We have to revisit the cap of five per cent on shareholding in private banks outside the promoter grouping. It would be worthwhile to increase the cap to 10 per cent, or even to 15 per cent as in the case of a private bank promoter".

But what everybody agrees to is that Mint Road is on record that it has better control on private banks compared to state-run banks (as articulated by former governor Urjit Patel). It is time to revisit board-related issues without necessarily waiting for a wholesale overhaul of the BR Act. For instance, board talk-points.

"Board papers are often weapons of mass distraction. They are needlessly voluminous and very often do not contain an executive summary", says Damodaran. And this is what the Navak Committee had said on boardlevel deliberations: "In one bank, the taxi fare reimbursement policy got the same coverage as the NPA recoverv policy!

It also high time the central bank looks at the conflict of interest at its end. "The RBI has been grappling with contextual conflict of interest for quite some time. Its officials sit on the boards of banks, while representing the regulator. You should not be a player and a referee at the same time".

It's boarding time!

2015 2016 2017 2018 2019:01 2019:02

3.1

1.8

9.5

1.5

2.1

1.7

10 10.1

3.1

2.4

1.5

NΑ

3.1

1.8

9.2

2.4

1.6

2.1

2

NA

4.1

30

20

-10

INDIA'S NPA RATIO HIGHEST IN EMERGING MARKETS

1.7 1.7

10

2.6

1.5

2.1

1.6

2.8

3.1 2.8

3.3 3.9 3.6

9.2

2.9

1.6

2.1

1.7

9.4

1.7

5.9

8.3

Note: Data pertain to end-December; data for Japan are for end-September Source: RBI

SECTOR-WISE SHARE OF LOAN GROWTH

-Housing -Personal -MSME-NBFC-System total

Note: Total banking system loans represents total non-food credit

GUEST COLUMN

GIRISH NAYAK Chief - service, operations and technology - ICICI Lombard

insurance providers

meant to provide

customers easier access to the insurer

This revolution has also influenced insurance consumers. They are demanding a greater degree of personalisation and instant gratification from their insurance providers.

Technology has revolu-

tionised the world we

live in. Even the everyday cellphone, seeming-

ly, has more computing

power than the mainframes that launched

the moon mission. The

availability of a high-

powered portable device

has made our lives faster,

and hopefully, better.

The insurance industry is fast-growing and hyper-competitive, but with little differentiation in product offerings to consumers. The main disruptions to the traditional insurance model come from how insurance companies leverage emerging technologies such as artificial intelligence (AI) and machine learning, Internet of Things (IoT), telematics and telemetry, big data and data analytics, robo advisors, and distributed ledger technology. These technologies help serve customers better, giving them a seamless experience.

Most insurance providers have a mobile app, providing customers with easier access to their insurer. Since insurance policies remain technical, many insurance providers have chatbots or "voice-

bots" that help resolve consumer queries immediately. Most of the Some offer consumers a two-way video-chat facility at the time of claims to show have mobile apps, the extent of damage to an asset which helps insurers service claims faster.

With the advent of digital wallets, sachet-based financial products are becoming increasingly important.

These are primarily targeted towards the mass

market with a specific focus on insurance benefit products. To distribute such small-sized products on digital platforms, insurance providers have had to move away from their traditional core-systems towards more flexible and cloud-based applications with auto-scaling capabilities. In the past, adding or reducing capacity on large core systems was an issue. However, the advent of cloud platform has made upscaling far easier.

Agents and intermediaries are among the main distributors of insurance products to consumers. Most of them have now equipped their intermediaries with mobile and web-based applications to help ease the onboarding and servicing process. Some applications also help in agent recruitment, licensing and on-boarding of agents and interme-

They have also integrated their systems with that of their intermediaries to facilitate real-time

New technologies such as IoT have enabled insurance providers to track marine cargo shipments for corporate customers, prevented multiple hijacking events and helped a pharmaceutical company protect its temperature-sensitive consignment in the event of an accident. IoT has also enabled instant health check-up facilities for customers. Similarly, telematics solutions in passenger vehicles identify and segment consumers based on their driving behaviour. IoT also helps monitor critical fire-fighting equipment in manufacturing units to prevent malfunctioning in an emer

Similarly, insurers are using AI to help speed up underwriting and smoothen the claims process. Facial mapping technology powered by deep learning authenticates customers with their valid KYC documents and has helped prevent fraudulent transactions. And sophisticated deep learning computer vision algorithms are now helping insurers assess damages on vehicles and shorten the claims and renewal process for customers.

Insurers have access to significant data and are looking for ways to unlock value from it. Similarly, new technologies lead to new types of data (images, speech, and documents). They continue to adapt to store these new varieties of data and look at harnessing newer technologies to reinvent the future. As Satya Nadella rightly said, "Longevity in this business is about being able to reinvent yourself or invent the future."

Running for cover

Demand for D&O policies on the rise as India Inc looks to protect its brass

SUBRATA PANDA

Demand for Directors and Officers (D&O) insurance is on the rise as corporate India seeks to barricade its brass from the increasing number of corporate frauds and bankruptcyrelated concerns. Vendors of D&O covers are seeing an annual growth of between 20 per cent and 30 per cent for these offerings.

'The coming into force of the Insolvency and Bankruptcy Code, the goods and services tax (GST), and Whistleblowers' Protection Act; and better and stricter implementation of laws, in general, have increased managerial risks", says Sushant Sarin, executive vice-president at Tata AIG General Insurance. He adds that company managements have also taken note of the Uday Kotak Committee on Corporate Governance's proposal that the top-500 listed companies by market capitalisation take adequate D&O insurance, especially for independent directors. The Securities and Exchange Board of India (Sebi) has also mandated a D&O policy for

directors for such firms with effect from October 1, 2018.

Under Section 245 of the Companies Act (2013), class-action suits can be set in motion against a company's management and any of its directors before the National Company Law Tribunal in the event of a fraud. D&O insurance protects directors and officers from the financial consequences of claims made against them for wrongful managerial acts. The policy kicks in even for claims based on allegations which are yet to be proven. D&O policies provide for defence costs to the brass to protect themselves well against such claims. In addition, they pay for investigation costs to appear before the regulatory authorities and provide special protection to nonexecutive directors and life-time cover for retired directors. This is because while stepping down may indemnify directors from latter-day slip-ups, the person will continue to be held liable for those which occurred under their watch - this has been clarified under Section 168 (2) of the Companies Act.

"While companies having overseas exposures (be it through subsidiaries or those which are listed abroad), buy D&O covers with higher limits, domestic entities opt for a lower limit, say in the range of ₹5-10 crore. However, taking a cue from global trends and increased consumer activism, we foresee some correction, especially for firms in the financial services space, pharma and those with a global presence", says Vaidyanath Balasubramanian, underwriting manager at SBI General Insurance. While Sebi has insisted on a D&O policy, it has left it to the Boards of companies to decide on the quantum of coverage and the limits purchased.

Under the spotlight

Marsh India's internal estimates, sometime back, noted that in many cases, the limits purchased by banks and corporates were inadequate. It had noted that in light of the recent regulations, "these (limits) would be used up quickly just to defend the allegations made, thereby effectively leaving nothing for the civil damages



"The IBC, GST regime and **Whistleblowers' Protection** Act, and generally stricter laws, have enhanced managerial risk"

SUSHANT SARIN Executive vice-president, Tata AIG General Insurance

awarded"

While the IT sector always had an appetite for D&O covers, in the case of other areas "while many companies may not have dealt with any directorrelated litigation as yet, with the changes to the Companies Act, they are opting for the same to avoid any additional financial burden in case of



"Given the local capacity and no major claim activities, the product is thinly priced. But we foresee some correction"

VAIDYANATH BALASUBRAMANIAN Underwriting manager, SBI General Insurance

eventualities", says Subrata Mondal, executive vice-president, underwriting, IFFCO Tokio General Insurance. The number of claim notifications for insurers, too, have increased. Earlier, it was majorly seen in the larger homegrown, or multinational companies, but now even the smaller private and unlisted

Points out Sasikumar Adidamu, chief technical officer at Bajaj Allianz General Insurance: "If a claim falls within the coverage of the policy, it starts paying for defence costs from day one and continues to do so until final adjudication or court judgment up to the aggregate limit of indemnity offered under the policy". When it comes to pricing the product,

premiums generally vary across

company are also factored in.

these banks.

industries – it depends on potential liabilities. And the financials of the

entities are going in for D&O cover.

The size of insurance coverage and policy limits in the banking sector vary significantly between state-run and private banks. It would be interesting to see how state-run banks move on the D&O cover front in the days ahead as almost 95 per cent of the frauds in the sector are in

The latest Reserve Bank of India's systemic data on frauds in its Financial Stability Report (FSR: December 2019) shows "outlier" frauds - defined as those exceeding ₹1,000 crore — shot up to ₹44,951 involving 22 cases in the first half of FY20, up sharply from the₹6,505 in four cases in FY19. The FSR also mentioned that the top 10 frauds by value accounted for 69.2 per cent of the total amount involved in the "outlier" cases.

Northeast Delhi turns into a war zone

IPS officer Shrivastava appointed Delhi Police Special CP; SC and HC to hear pleas related to violence today; CBSE postpones Class 10, 12 exams in the affected areas

Death toll mounts to 13; over 200 injured

ommunal violence over the amended citizenship law escalated in Northeast Delhi on Tuesday taking the death toll to 13 as police struggled to check the rioters who ran amok on streets, burning and looting shops, pelting stones and thrashing people.

After overnight incidents of arson, tension smouldered in the national capital and as the day progressed streets in several localities like Chand Bagh, Bhajanpura, Gokulpuri, Maujpur, Kardampuri and Jaffrabad saw pitched battles between the members of two groups who also hurled petrol bombs and

Late in the night, locals in Maujpur area claimed that announcements were being made by police on loudspeakers about promulgation of shoot-at-sight orders, but Deputy Commissioner of Police (Northeast) Ved Prakash Surya denied it.

Over 200 people, including 48 police personnel, have been injured and half of the civilians have suffered gunshot wounds, hospital authorities said.

The violence, which started on Sunday after anti-CAA protests blocked a road outside Jaffrabad Metro station and BJP leader Kapil Mishra called a gathering in favour of CAA, intensified on Tuesday, despite shored up security in the city in view of US President Donald Trump's visit. The protesters withdrew from the site on Tuesday night.

As Delhi Police faced allegations of inaction, Union Home Minister Amit Shah held a meeting with Delhi Lieutenant Governor Anil Baijal, Chief Minister Arvind Kejriwal, city police commissioner Amulya Patnaik and others on steps to restore peace.

IPS officer S N Shrivastava was appointed as the new Delhi Police Special Commissioner (Law and Order) after the Union Home Ministry repatriated him from the CRPF on Tuesday night to take control of the situation in the wake of communal violence in the city, officials said.

Delhi Police spokesperson Mandeep Singh Randhawa said 11 FIRs have been registered in connection with the violence. Over 20 persons have been detained and only one person, identified as Shahrukh who had fired a few rounds in the air after brandishing a gun at a policeman, has been arrested.

Sixty-seven companies of police and paramilitary personnel have been deployed across the area, police sources said.

Mediapersons were also attacked.

Akshay, a journalist with JK 24X7 News, received a bullet injury and was in a serious condition in hospital, and two reporters from NDTV were beaten and punched by rioters. Many other journalists were heckled and told to go back. Rioters damaged two fire tenders in Gokulpuri and crowds raising incendiary slogans set on fire fruit carts, rickshaws and anything that came in their way in the epicentre of the trouble

Maujpur and other places. Police fired teargas shells to disperse the rioters armed with stones, rods and even swords and many wearing helmets to protect themselves — and was assisted by paramilitary personnel.

Streets were littered with mangled remains of vehicles, bricks and burnt tyres, mute testimony to the violence and bloodshed that took on a communal taint on Monday.



listen to the voices of anti-CAA protesters and declare that the CAA will be kept in abeyance until the Supreme **Court pronounces** on its validity"

P CHIDAMBARAM Congress leader

those injured have sustained bullet injuries," Medical Superintendent Sunil Kumar said. Flag marches were conducted in Bhajanpura, Khajuri Khas and other places, but clashes contin-

> Randhawa said the areas affected by violence are congested and inhabited by mixed population. The meeting presided

ued till late in night.

Tegh Bahadur Hospital

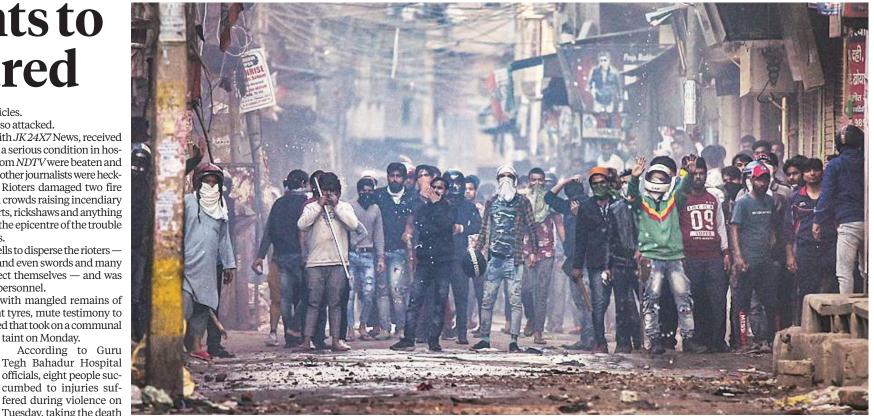
cumbed to injuries suffered during violence on

Tuesday, taking the death

by Shah resolved that workers of political parties should join hands to restore peace and peace committees should be reactivated in all localities. Schools were shut and fearful residents stayed indoors.

"There is hardly any police presence in the area. Rioters are running around threatening people, vandalising shops. Families need to be evacuated. We are unsafe in our own homes," said a resident of Maujpur, requesting anonymity.

Another added that this is the first time in 35 years possibly since the 1984 anti-Sikh riots — that he has In scenes not seen in the national capital for seen a situation such as this. "The area had always decades, frenzied groups thrashed people on the remained peaceful," he told PTI. Trouble continued



toll in 13. "Fifty per cent of through the day. Around 5 pm in Chand Bagh, for instance, security personnel were pelted with stones. They chased the mob, only to be attacked afresh with some people also armed with petrol bombs.

Petitions in SC, HC

Pleas relating to the violence reached the Supreme Court and the Delhi High Court on Tuesday and they will hear the matter on Wednesday.

A Bench comprising Justices S K Kaul and K M Joseph will hear the fresh application on Wednesday. Shortly after the mentioning in the apex court, a

similar plea filed by human rights activist Harsh Mander and Farah Naqvi was mentioned before the high court, which also agreed to hear it on

Private and government schools in violence affected North East Delhi will continue to be closed on Wednesday, Deputy Chief Minister Manish Sisodia announced on Tuesday.

The Central Board of Secondary Education postponed the board exams for Class 10 and 12 scheduled for Wednesday in violence-affected Northeast Delhi. There are a total of 86 centres in the area.

"The exam will be conducted in rest parts of Delhi as per earlier schedule. A fresh date for the exam in



Northeast Delhi will be announced shortly," a CBSE (Top) Rioters during a clash on Tuesday in Northeast Delhi, where fresh violence erupted between people demonstrating for and against the new citizenship law. Protesters set afire a shop

Airport privatisation put on hold

ARINDAM MAJUMDER New Delhi, 25 February

The second round of privatising six airports — in Amritsar, Varanasi. Bhubaneswar, Indore, Raipur and Trichy — has been put on the back burner, as different arms of the government

While the rules framed by the civil aviation ministry and Airports Authority of India (AAI) allow an entity to bid for all airports, the finance ministry and the cabinet secretariat are pressing for a cap, it is learnt.

During the previous privatisation process in 2018 too, the finance ministry wanted a cap on the number of airports a company could bid for. However, following suggestions from the Committee of Secretaries, the government allowed entities to bid for all six airports. This allowed Gautam Adani-led Adani Enterprises to emerge a winner for all six air-

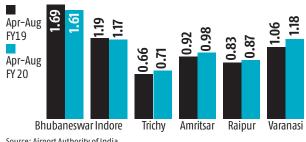
ports — Lucknow, Ahmedabad, Jaipur, Mangaluru, Thiruvananthapuram, and Guwahati. Subsequently, the Congress had alleged that rules were tweaked to favour the Adani group.

"The process as of now is stalled. There are clear directions from the cabinet secreare debating whether to cap the tariat to rework the rules. A final number of airports an entity can call on the privatisation process will be taken later. finance ministry official involved in the process. The official said the govern-

ment was concerned that if all six airports were won by a single bidder, it could create bad optics FY 20 for the government and raise questions linked to corruption. Following successful privatisation of six airports in February 2018, the government had started the process of privatising another six. In December 2019, the board of the Airports Authority of India had approved the privatisation process.

Following that, the terms and conditions of the tender were framed and sent to the





Source: Airport Authority of India

Affairs.

However, a civil aviation ministry official said the decision to not restrict the number economy of scale. This was of airports was taken to attract foreign airport operators look-

Department of Economic ing for economy of scale. "We wanted to maximise competi-

tion by not restricting the num-

ber of airports, thereby offering

meant to attract marquee bid-

ders," the official said. The six

passengers than that by a metro airport like in Delhi or Mumbai, he pointed out. According to documents

airports together handle less

reviewed by Business Standard related to the 2018 process, the public-private partnership cell of the Department of Economic Affairs (DEA) had recommended that since the six airport "highly capital intensive," a clause should be incorporated that not more than two airports would be awarded to a single bidder because of the high financial risks involved and the need for stringent adherence to performance indicators.

"The six airport projects are highly capital intensive, hence it is suggested to incorporate the clause that no more than two airports will be awarded to the same bidder duly factoring the high financial risk and performance issues. Awarding them to different companies would also facilitate yardstick competition," DEA had noted.

Coronavirus increases Iran's isolation; strains Korea, Italy

AGENCIES

Dubai/Beijing, 25 February

Iran's coronavirus death toll $rose\,to\,16\,on\,Tuesday, the\,most$ outside China, increasing its international isolation as countries as far apart as South Korea and Italy stepped up emergency global spread. India is preparing to evacuate a large group of its citizens, who are stuck in China's coronavirus-hit Wuhan city, by a special IAF plane, which is expected to land there with relief medical supplies on Wednesday.

"We are working on our plan for operating the relief flight tomorrow," said an Indian Embassy message sent to the Indians who have enrolled to go by the special flight. About 90 to 100 Indians were expected to board the flight. India has also expressed its willingness to evacuate citizens from the neighbourhood countries.

Believed to have come from wildlife in Wuhan city late last year, the flu-like disease has infected 80,000 people and killed close to 2,700 in China. The frequency of cases, however, has eased in the past few Urging countries to learn

from China's expertise, the head of a joint WHO-China mission of experts said the world is "simply not ready" to rein in the new coronavirus outbreak. "You have to be ready to

manage this at a larger scale... and it has to be done fast," Bruce Aylward told reporters in Geneva, insisting countries everywhere have to "be ready as if this hits us tomorrow".

Beyond mainland China, however, it has jumped to about 30 countries and territories, with some three dozen deaths. Spreading infections in Iran. Italy and South Korea are of particular concern. Iran's deputy health minister, Iraj Harirch, has been infected with the virus, a ministry official said on Tuesday, amid a major outbreak in the Islamic republic.

Italy witnessed its 11th coronavirus victim — a 76-year-old woman succumbed to the virus the northern of Treviso. JPMorgan has restricted business travel to and from Italy to prevent the spread of coron-



RBI's policy panel may consider virus impact on economy: DBS

The Monetary Policy Committee (MPC) of the Reserve Bank of India is likely to consider the developments around COVID-19, which has resulted in supply chain disruptions from China. Singapore's DBS Bank said in a report on Tuesday.

The report titled "India: Growth and inflation targeting review", Radhika Rao, economist at DBS Bank, noted that the impact on India is felt through supply chain disruptions from China as well as regional players, who in turn are net importers from China.

"Temporary price increases are likely to be

accompanied by production delays if the pain spills over into 2020 (April-June)," the report said adding that "the MPC is also likely to consider developments around COVID-19" The outbreak has brought

a large part of the world's second-largest economy China to a standstill and its impact has been felt across industries. On January 30, the World Health Organization declared the outbreak a global health emergency. On growth, the report said, the Indian economy is in the midst of "bottoming out" -to reach a lowest or worst point before beginning to rise or improve.

Singapore's state-owned investment firm, is

statement on Tuesday. The firm will also introduce partial cuts to the annual bonuses of senior management, who have also been asked to voluntarily lower their base salaries by as much as 5 per cent.

Temasek said it would donate part of the money it saves to staff-volunteer initiatives, and support the community as needed through unspecified measures. It'll also match dollar-for-dollar any voluntary base salary reductions. BLOOMBERG

In Austria, a hotel in the Alpine city of Innsbruck was placed under lockdown after an Italian receptionist working there contracted the virus, media reports said.

Mitra: Suspicious GST transactions going up

Kolkata, 25 February

West Bengal Finance Minister Amit Mitra (pictured) on Tuesday said he was concerned that GST cess, amounting to ₹11,000 crore for February-March 2020, would not be paid by the Centre as it had fallen severely short of its targeted collection.

"My deepest concern is for February-March, we will not get paid," Mitra said at an event organised by the Confederation of Indian Industry. While the Centre had targeted cess collection at 21 per cent, the mopup has been at 1.5 per cent, he said. According to Mitra, while the state is faced with financial issues and an alternative plan is being worked out by the state government, the Centre has been raising cess and surcharges from where states do not get any share.

The states are getting squeezed. The cess is being



constantly increased - it was 6 per cent in 2013-14 and it now stands at 18 per cent. This is against the federal structure of the country," he alleged.

Unlike taxes, states do not get any receivables from the

Centre on cess and surcharges. The minister alleged that on account of the faulty design in the GST structure, taxation fraud is going up. "People are forming false firms to defraud GST collection, GST was implemented in haste without doing any beta testing, leading to fraudulent transactions. Suspicious transactions are also going up," he said.

5SC judges infected with swine flu, 3 resume duty

New Delhi, 25 February

Three of the five Supreme Court judges diagnosed with swine flu have already resumed duty while two others continue to be under home isolation and are recovering. the Union Health Ministry said on Tuesday.

It said several preventive measures have been initiated on the apex court premises to check the situation after the judges were diagnosed having contracted the H1N1 infection.

As part of the preventive measures, the First Aid Post of CGHS was strengthened at the Supreme Court premises and the court rooms and residences are being sanitised.

"All the judges were provided treatment as per the protocol. Prophylactic treatment was also given to all who have come in contact with them including their apex court and vaccination

judges were kept in home isolation. Of these, three judges seasonal infection, which have already resumed their usually occurs every year duty and two continue to be with two peaks (one in under home isolation, observation and are recovering," the between ministry said in

statement. Awareness on preventive measures was disseminated to all concerned. A H1N1 sensitisation workshop for lawyers and

other staff members will also wash hands often with soap be conducted by the Ministry of Health at Bar Council of India's office on Wednesday. SCBA Secretary Ashok

Arora said, "the CJI had called the meeting and discussed with us the seriousness of H1N1." He said on Wednesday, there would be a awareness meet about the spread of H1N1 in the

January to March and other July September), the ministry said and The apex court urged everyone to administration take the prevenhas spoken to tive the officials of the such as cover nose health ministry for and mouth with a

taking measures

ing or sneezing, and water, avoid crowded places and avoid touching eves, nose or mouth. It also advised people to

Although, H1N1 is a

stay away from crowded places if suffering from cough and cold, drink plenty of water, sleep well and in case of any symptoms, the nearest public health facility may be contacted immediately.

measures

tissue/handker-

chief while cough-

Amid scare, Temasek to freeze salary, cut bonuses for a year Temasek Holdings,

implementing a companywide wage freeze for an as yet undetermined period and asking senior management to take voluntary pay reductions for up to a year amid the coronavirus outbreak. The moves, which start in April, will see Temasek halt all raises and salary increases linked to promotions for a duration to be "determined by market conditions," according to an emailed

avirus, according to a memo sent to Europe, West Asia and Africa employees. The Wall Street bank said all trips to Italy would require line management approval.

Bollywood churns the digital puff machines

An array of sophisticated tools and tactics powers the online show business as studios seek maximum bang for every buck spent

SOHINI DAS Mumbai, 25 February

ver the past few weeks. there has hardly been a digital mailbox worth its subscriptions that has not received a rousing letter of protest against violence against women. The letter by actor Taapsee Pannu, star of *Thappad*, a movie that deals with abuse and releases this week, is a marketing tactic. 'Come stand with me

and let us tell the world, Ek thappad, bas itni si baat nahi hai! (One slap is no small matter!) Pannu writes, using the familiar format of online petitions to make the case for her movie. And with a budget a fraction of what Bollywood marketers usually spend, the letter has piquéd interest and created huge recall for the film.

Ditto for another film and another set of stars. Shubh Mangal Zyada Saavdhan (box Pillai, CEO & co-founder, office collection: ₹32.6 crore so far) that released last week, has been a part of almost every online conversation on gay pride, gay rights and love, for months now. Challenges, influencer-generated mystery posts and targeted intervention through posters, memes and trailer-releases are part of an expanding digital toolbox of movie studios that are learning to roll their marketing budgets through the nooks and crannies of online channels. Movie makers no longer consider digital marketing as an expense says a marketing executive. It is an investment, she says and while



the amount spent could be as low as ₹2 crore or as high as ₹25 crore, digital is measurable, helps spread the money effectively and tracks every rupee spent. Harikrishnan TheSmallBigIdea (TSBI), a digital and social media marketing agency, says, "Few years back film marketing was around stars. A big hero would ensure a certain initial footfall. Now the consumption pattern has changed." He cites the case of Badhaai Ho, an ensemble cast, but a great story, that went on to tion, or a different tactic. become a huge hit. Made on a tight budget of ₹29 crore the film raked in close to ₹140 crore at the box office. With limited star power at its disposal, the marketing team focused on the storyline, using analytics to test the

impact of every byte and pixel. The data is used to deter-

mine the reach and influence of the message as much as it is used to amplify the narrative. Hareesh Tibrewala, joint CEO of Mirum India, a digital marketing agency explains how social listening tools are becoming hugely popular. For months prior to the release, the marketing team deploys tools that trap all mention of the movie, its stars and then plays it back to the studio to alert them about areas that may need more atten-

Tibrewala says, "Social listening involves the use of tools such as Social Studio, it works just like Google. We set up a few keywords in the tool, depending on the kind of conversations we are looking for. It looks through all the conversations banks are then set loose for the on channels that are in the pub-

lic domain, pulls them out and displays it on the interface, allowing one to look at one conversation at time, determine is relevancy and tag it appropriately. Social Studio also has built in processes which can automate this process," he explains. His agency has worked with movies such as Thackeray and Aquaman, "In our experience. digital accounts for about 50 per cent of the total market-

ing spends though print, outdoor and promotions still play an important role," he

Digital is a big draw for the measurability it offers. explains that marketing agenteam up online with booking platforms (say BookMyShow, Paytm and so on) to target their marketing efforts better. The

data helps understand, for instance, who watches the film, do they go alone or with a partner and how many exposures to a movie promotion (trailers, song quizzes, campaigns and so on) before a voyeur becomes a viewer. The aim is to bring down the number of exposures required to induce a purchase.

As agencies have turned more efficient with data, studios and actors have become more digital friendly. Digital marketing spends for movies are up by as much as 30-40 per cent, said marketers and the cycle starts about four weeks before a movie release, lasts through the first two weeks post-release, petering out thereafter. The data next big release.

▶ FROM PAGE 1

Lot of chemistry...

Trump said the two sides were working on the trade deal and could agree on it towards the end of the year, but if a deal fell through, they might do "something else" that was "satisfactory". He suggested if he could get China to agree to a trade deal, he would with India as well. At a briefing with industrialists in India at the US Embassy, Trump spoke of the importance of a secure 5G wireless network and the need for this emerging technology to be a "tool for freedom, progress, prosperity, not to do anything with where it llies have banned Chinese companies Huawei and ZTE from participating in 5G networks. On his position on Pakistan sponsoring terrorism in India, Trump said the US could not be counted upon to take action because it was 8,000 miles away. He said Modi "is perfectly capable" of dealing with the situation. He also said he was good friends with Pakistan Prime Minister Imran Khan and the Kashmir issue had "two sides" to it, and offered to mediate between the

two South Asian neighbours. At the joint press conference, Modi underlined India and the US raising their partnership to the level of a "comprehensive global strategic partnership" as the highlight of the visit. He said this was his fifth meeting with Trump in the past eight months. Modi said the two countries were increasing their homeland security cooperation to hold terror supporters responsible. "Our energy trade has been around \$20

billion in the last four years," Modi said. US oil supplies to India have jumped 10-

fold to 250,000 barrels per day (bpd) in the US was not willing to back down on trade past two years, US Energy secretary Dan measures taken against India. "Recently tar-Brouillette said at the business meeting that he addressed alongside the president.

Trump said India and the US were keen to revitalise the Quadrilateral Initiative (Quad), which also comprises Australia and Japan. Foreign Secretary Harsh Vardhan Shringla said Modi and Trump decided to move towards what was referred to as a "big deal" in trade. He said the two leaders had decided to conclude the ongoing discussions on bilateral trade as soon as possible and give it a legal framework and the text could be finalised with legal vetting as soon as possible. "There is appreciation that trade has increased year-on-year over the last few could be even conceived as a conduit for years. US exports to India have increased suppression and censorship". The US and its dramatically and there is a noticeable decline in the trade imbalance. said. He said the trade imbalance was eroding with a greater number of acquisitions in oil and gas and the purchase of commercial aircraft. Indian officials said the contentious, amended Citizenship Act did not come up for discussion during the meeting of the two leaders, and they talked about religious harmony in a "positive way".

Trump was forthright about not answering questions on the issue and violence in Delhi at his press conference at a city hotel. "I'm gonna be not at all controversial ... I don't want to blow the two days plus two days of travel on one answer, one little answer ... So I will be very conservative in my answers if you don't mind," Trump said.

'We did talk about religious freedom. Prime Minister Modi wants people to have religious freedom in India ... If you look back India has worked hard for religious freedom," Trump said. Democratic presidential front-runner Senator Bernie Sanders on Monday criticised Trump for selling

weapons to India, saying that the US should instead partner New Delhi to fight climate change.

India should...

While applauding the investments pledged by Indian corporates in the US, Trump repeatedly pointed out that current bilateral business ties would need to be assessed in the light of high tariffs. He also brought up the example of Harley Davidson bikes, saying these were costly to sell in India due to tariff barriers. He also said any trade deal would need to reduce tariffs across the board. "If they want a trade deal, they'll get one. We also did one with China recently. I'll win it. It's too easy," Trump said, suggesting that the US might pursue an aggressive tact when it comes to negotiating a pact.

Before leaving for India, Trump had said that a comprehensive trade agreement with India would take much longer to finalise than earlier expected. The sudden cancellation of US Trade Representative Robert Lighthizer's visit to New Delhi as part of the said. Trump also hinted that the cent in FY19 and 2.1 percent in FY18.

iffs were raised (by India). We also did some things in return. You can call it rent control," he said, referring to Washington DC's move to exclude India from the crucial export incentives offered under its Generalized System of Preference Trade scheme. According to the commerce department figures, India had a trade surplus worth \$12.6 billion with the US in the April-

Sebi finds...

The probe had suggested that some of the related party transactions could have been significant and required detailed disclosures and greater vetting by board committee comprising of independent directors, the sources said. The differences between cofounders and co-promoters came to the fore in July 2019 after Gangwal sought Sebi's intervention to address alleged corporate governance lapses at the company.

₹500 notes...

ATM cassettes can carry notes ranging between 2,300 and 2,600 pieces -- it is denomination-agnostic. The cassette's capacity can vary depending on the ATM manufacturer. In terms of share of deployment, NCR Corporation has close to 50 per cent of the 240,000 ATMs, followed by Diebold Nixdorf at 26 per cent thereabouts.

When specifically asked which among the ₹100 and ₹200 denomination will find a place in ATMs' cassettes in the days ahead, another CLF executive explained that the old and new ₹100 notes can't reside together as they are not of the same dimensions. "The supply of these two kinds of notes will decide which denomination gets loaded into ATMs. Then, demand at ATMs, which varies across locations, will decide whether we load them with ₹100 or ₹200 notes," he added. There is a clear link between the ATM recalibration and the banknotes in circulation. According to the central bank's Annual Report (2018-19), the number of pieces of ₹2,000 notes as a percentage of the total volume of banknotes in circulation fell to 3 per cent in FY19 from 3.3 per cent each in FY17 and FY18. But its percentage of the total value of banknotes in circulation fell even more sharply at the end of these periods to 31.2 per cent from 37.3 per cent in FY18 and 50.2 per cent in FY17.

There was a corresponding shift in the ₹500-note narrative. As a percentage of the total volume of banknotes in circulation, the share of ₹500 denomination shot up to 19.8 per cent in FY19 from 15.1 per cent in FY18 and a mere 5.9 per cent in FY17. Still more impressive is its share as a percentage of the total value of banknotes in circulation at 51 per cent in FY19 from 42 per cent in FY18 and 22.5 per cent in FY17.

The role of the ₹200 note is also getting to be bigger. First issued on August 25, 2017, the central bank's data for FY18 and FY19 shows. its share is moving up fast. As a percentage of the volume of banknotes in circulation. this stood at 3.7 per cent in FY19 and 1.8 per vanguard negotiations team shut cent in FY19; and as a percentage of the valdown the talks, diplomatic sources ue of banknotes in circulation, at 3.8 per

December period of 2019-20.