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THE MARKETS ON WEDNESDAY

		Chg#
Sensex	39,889.0▼	392.2
Nifty	11,678.5▼	119.4
Nifty futures*	11,699.3▲	20.8
Dollar	₹71.7	₹71.9**
Euro	₹78.0	₹77.9**
Brent crude ($/bbl)##	54.0##	54.3**
Gold (10 gm)###	₹42,484.0▼	₹153.0

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

ECONOMY & PUBLIC AFFAIRS P12
FOUR IN 10 'VERY COMFORTABLE' WITH A WOMAN CEO: REPORT

BACK PAGE P14
TENNIS STAR SHARAPOVA ANNOUNCES RETIREMENT

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

PM ASKS DOVAL TO MONITOR SITUATION IN RIOT-HIT AREAS

Prime Minister Narendra Modi and Home Minister Amit Shah have asked National Security Advisor Ajit Doval *(pictured)* to monitor closely the situation in the riot-hit areas of Delhi and ensure restoration of peace at the earliest, officials said. Doval, accompanied by Delhi Police Commissioner Amulya Patnaik and newly appointed Special Commissioner S N Shrivastava, undertook a late-night tour of such areas on Tuesday. Later, he presented his on-the-spot assessment to the Cabinet Committee on Security.

DELHI LIMPS TO A TENSE CALM 6

ECONOMY & PUBLIC AFFAIRS P4

DPIIT notifies 100% FDI in insurance intermediaries

The Department for Promotion of Industry and Internal Trade (DPIIT) has amended the Consolidated Foreign Direct Investment Policy 2017 to allow 100 per cent FDI in insurance intermediaries through the automatic route. Till now, FDI up to 49 per cent was allowed in insurance intermediaries through the automatic route.

ECONOMY & PUBLIC AFFAIRS P12

MCA's new audit rules to shield firms against fraud

The government has asked auditors to provide details like loans given by a company to reporting whistleblower complaints and assessing internal audit mechanisms of firms. The corporate affairs ministry said it had notified the Companies (Auditor's Report) Order, 2020, to enhance due diligence and disclosures by auditors and bring greater transparency into the financial affairs of companies.

Govt decides to lift ban on onion exports

The government on Wednesday decided to lift the nearly six-month-old ban on the export of onions in a bid to protect the interests of farmers as prices are likely to fall sharply due to bumper rabi crop. Sources said the decision was taken at a meeting of a Group of Ministers (GoM) headed by Home Minister Amit Shah. 12

Voda Idea to govt: Set off GST credits against AGR dues

Telco has sent a list of demands, DoT preparing a relief package

MEGHA MANCHANDA
New Delhi, 26 February

Financially stressed telecom operator Vodafone Idea, in a letter to the Department of Telecommunications (DoT), has sought the adjustment of goods and services tax (GST) refund to the tune of ₹8,000 crore against its dues linked to adjusted gross revenue (AGR), an official told *Business Standard* on Wednesday. Even as the letter listed a number of demands, including a moratorium of three years and a 15-year staggered payment of the AGR-linked dues besides asking the government to set off its GST credit, the company's chief executive officer, Ravinder Takkar, called on DoT Secretary Anshu Prakash again — making it his third visit in a week.

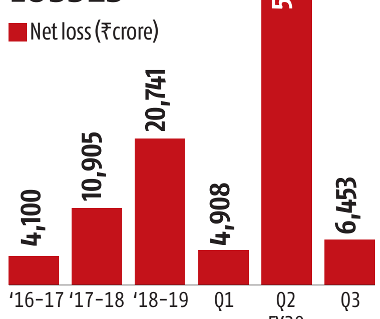
In a day of fast developments, the DoT also had an internal meeting to work on a proposal that may provide relief to Vodafone Idea and the telecom industry as a whole. Deferred payment for future spectrum was one of the options on the table, a source pointed out. The Digital Communications Committee (DCC, earlier known as Telecom Commission), headed by the DoT secretary and having top officials from other ministries, including finance, as members, is expected to take up the shortlisted proposals for AGR relief in a meeting likely to be held in a few days. Meanwhile, Finance Minister Nirmala Sitharaman on Wednesday said she had held several meetings and the DoT was working on the AGR matter.

The Voda Idea letter stated that though the company was not in a "sound financial state", it could settle the balance of its self-assessed principal if a set-off of approximately ₹8,000 crore worth of GST credits lying with the government was allowed. The company has also sought a staggered payment method for paying the balance amount of interest, penalty, and interest on penalty.

Both partners — UK-headquartered Vodafone as well as Kumar Mangalam Birla-led Idea — have maintained that the telecom joint venture would find it tough to continue as a going concern without any relief on the AGR front. Turn to Page 13

Vodafone Idea Chairman Kumar Mangalam Birla recently had meetings with top government functionaries, including telecom and finance ministers, seeking relief over AGR dues

MOUNTING LOSSES



Source: Vodafone Idea

The new game plan: ₹3,000 smartphone

Global and domestic mobile device manufacturers are in discussions with Reliance Jio to offer 4G smartphones in substantial volumes at a price pegged between ₹2,000 and 3,000. According to sources conversant with the talks, Jio is looking at a 'big bang' migration of 2G consumers to 4G. It wants to push the pedal on more than doubling its monthly acquisition of 2G customers from competing telecom companies and the obstacle is that good quality, 4G smart phones are priced over ₹5,000 – a stumbling block in the way of 2G consumers migrating to 4G, **SURAJEET DAS GUPTA** writes 2

AIRTEL HAS CAPACITY TO WITHSTAND $5 BN PAYOUT, SAYS MOODY'S
PAGE 2

FM warns banks against trusting raters blindly

Stresses the need to improve branch-level connect with customers

SOMESH JHA
New Delhi, 26 February

Finance Minister Nirmala Sitharaman on Wednesday told state-owned banks to not "blindly" trust the credit scores of loan seekers, and to focus on improving branch-level connect with customers. Her suggestions came on a day she had launched a new set of reform measures for public sector banks (PSBs), aimed at enhancing the role of technology.

PAGE 12
MERGER OF PSBs ON COURSE: FM

"What I will say will not be music to your ears...Go back to branch banking. There is no branch-level connect as much as it was before. Though we would want data analytics and big data because it is advantageous nationally, at the branch level, customers expect a little personal touch from you," Sitharaman said while addressing the brass of PSBs at an event.

The FM said banks should not take the ratings given by credit rating agencies on the credit worthiness of customers as an advisory, but only as an indicator. Turn to Page 13

'EASE' OF BANKING

Finance Minister Nirmala Sitharaman unveiled EASE 3.0, a reform agenda for PSBs to follow this year. Some of its features are:

- Digitally-enabled doorstep facility for retail and MSME loans
- Analytics-based and technology-enabled retail and MSME credit outreach
- End-to-end digitised, time-bound retail and MSME lending by larger PSBs
- Integrated banking for large corporates; tech-enabled agricultural lending

Walmart-Flipkart deal: Foreign shareholders seek clarity on taxes

SHRIMI CHOUDHARY
New Delhi, 26 February

Tax-related issues are cropping up in the Walmart-Flipkart deal even almost two years after the transaction was done. A clutch of foreign firms that were shareholders in Sachin Bansal and Binny Bansal-founded Flipkart have moved the Authority of Advance Rulings (AAR) to seek clarity on the taxability of the capital gains arising out of the $16-billion deal struck in May 2018.

American retail major Walmart reportedly deducted taxes from Flipkart's foreign shareholders, including SoftBank, Naspers and Accel Partners, to pay withholding tax to the government for capital gains made by these entities.

A withholding tax, or retention tax, is an income tax to be paid to the government by the payer of the income rather than by the recipient. The tax is thus withheld or deducted from the income due to the recipient. Turn to Page 13

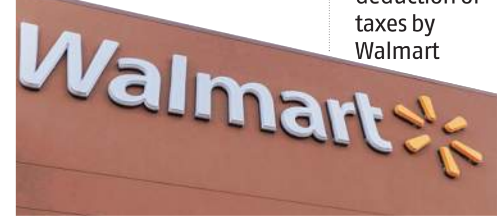
TAX COMPLEXITIES

₹10,000 cr Tax amount estimated on the Walmart-Flipkart deal

₹7,439 cr Walmart paid to I-T dept in Sept 2018; included the buyout shares of 10 major shareholders

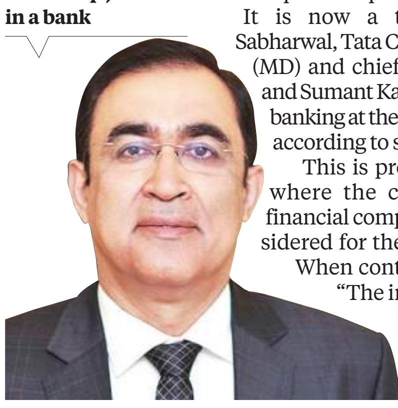
44 Shareholders, including SoftBank, eBay, Naspers, sold their holdings to Walmart

- Most foreign shareholders now opposing deduction of taxes by Walmart



Sabharwal of Tata Capital in fray for IndusInd top job

RAJIV SABHARWAL, Tata Capital MD & CEO, is probably the first chief of an NBFC to be in contention for the top job in a bank



RAGHU MOHAN
Mumbai, 26 February

The contest to succeed Romesh Sobti at IndusInd Bank has got a little more interesting with the lender considering Rajiv Sabharwal of Tata Capital as a probable candidate.

It is now a two-way race between Sabharwal, Tata Capital's managing director (MD) and chief executive officer (CEO), and Sumant Kathpalia, head of consumer banking at the Hindujas-promoted bank, according to sources in the know.

This is probably the first instance where the chief of a non-banking financial company (NBFC) is being considered for the corner office at a bank.

When contacted, Tata Capital said: "The information is completely untrue." Sobti's term as MD and CEO of IndusInd Bank will end on March 23.

Outsiders have moved into the corner offices in two private sector banks — Amitabh Chaudhry from HDFC Life Insurance succeeded Shikha Sharma at Axis Bank, and Ravneet Gill from Deutsche Bank came into YES Bank after Rana Kapoor's removal. Sandeep Bakhshi, who replaced Chanda Kochhar as ICICI Bank MD and CEO, was chief operating officer at the bank, and an ICICI group veteran of over three decades.

IndusInd Bank, however, doesn't face any of the issues that cropped up ahead of the baton change at ICICI Bank, Axis Bank, and YES Bank.

It is surmised that the central bank may not plump for continuity by way of an "insider".

No other bank in the country has almost its entire top brass so closely associated with its helmsman throughout the larger part of their careers. And it was always speculated that it is not certain if the team will hold together in case one among them was to step into Sobti's shoes. Turn to Page 13

BS SPECIALS ON THURSDAY

PERSONAL FINANCE:
P2P lending is for high risk-takers 11
It is a good opportunity for HNIs as returns can be extremely attractive, writes **BINDISHA SARANG**

STRATEGY:
Making global strides 10
With a dealer-driven expansion strategy, Bajaj Auto plans to end the fiscal with 2.2 million units of exports, writes **SHALLY SETH MOHILE**

It's raining dividends on Dalal Street

Companies advance payouts to help promoters save tax

SAMIE MODAK
Mumbai, 26 February

In a record of sorts, about a dozen companies have announced dividends each day of this month. The trigger for the latest payouts is the transfer of dividend tax liability from companies to promoters.

Market players say companies are advancing their dividend payouts to lower the tax burden of promoters.

So far this month, nearly 200 companies have declared interim dividends, which is more than double compared with the same period of last year. Also these payouts have been higher than last year.

Market experts say that based on profit projections for the next few quarters, companies are paying higher interim dividends. More companies are likely to dole out dividends before the end of March, they add. Typically, the final dividend payout gets spilled over to the next financial year.

Some companies that have announced hefty interim dividends are Bajaj Auto (dividend of ₹120 per share), Shree Cement (₹110 per share), and Hero Motocorp (₹65 per share). The quantum of the latest payout by these companies and many others has been greater than the recent dividends paid by them.

"Most of the companies that have given fat dividends have high promoter stakes. Obviously, this is being done to benefit the promoters, who will have to pay tax in excess of 40 per cent from April onwards. I expect this trend will catch up even more over the next two weeks in the case of established cash-rich companies," said S P Tulsian, founder of investment advisory firm sptulsian.com.

Finance Minister Nirmala Sitharaman on February 1, the Union Budget day, announced abolishing the dividend distribution tax (DDT) of 20.56 per cent paid by companies. Turn to Page 13

LOOSENING THE PURSE STRINGS

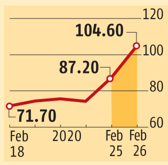
Some companies that have paid high interim dividends this month

	Dividend (%)*	Dividend per share (in ₹)	Total payout (in ₹cr)
Hero Motocorp	3,250	65	1,298
Bajaj Auto	1,200	120	3,472
Tide Water Oil	1,200	60	21
Shree Cement	1,100	110	397
Page Industries	580	58	65
Maharashtra Scooters	500	50	57
Bajaj Holdings	400	40	445

*As percentage of face value
Source: Capitaline

STOCKS IN THE NEWS

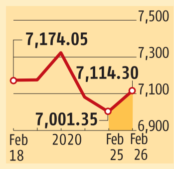
India Cements



Gopikishan Damani buys 2.75 per cent stake via open market

₹104.60 CLOSE ▲20.00% UP*

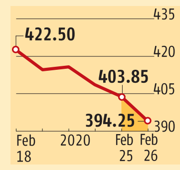
Sanofi India



Announces dividend of ₹349, including special dividend of ₹243 a share

₹7,114.30 CLOSE ▲1.61% UP*

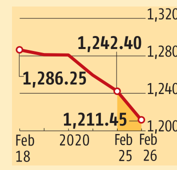
Bandhan Bank



Reserve Bank of India removes restrictions on opening new branches

₹394.25 CLOSE ▼2.38% DOWN*

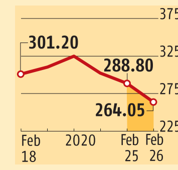
Larsen & Toubro



Slips to 16th position in m-cap ranking as stock down 10% in one month

₹1,211.45 CLOSE ▼2.49% DOWN*

Adani Transmission



Top loser on S&P BSE MidCap Index

₹264.05 CLOSE ▼8.57% DOWN*

*OVER PREVIOUS CLOSE

IN BRIEF

USFDA issues warning to Cipla for Goa facility, stock slips 6%

Cipla said the US Food and Drug Administration (US FDA) has issued a warning letter to the company for its manufacturing facility in Goa. "Further to our earlier communication on the Goa manufacturing facility inspection conducted from September 16-27, 2019, the firm has received a warning letter from USFDA," Cipla said in a regulatory filing. Cipla plunged 5.72 per cent to a low of ₹401 per unit on the BSE in day trade. Later, the stock recovered most of its losses to settle 0.68 per cent down at ₹422.45. PTI

NCLT Chandigarh gives nod to HUL-GSK merger

The Chandigarh Bench of the National Company Law Tribunal (NCLT) has approved the merger of GlaxoSmithKline (GSK) Consumer into Hindustan Unilever (HUL). The merger is likely to be announced in the next few weeks, analysts said. The merger would be on a basis of an exchange ratio of 4.39 HUL shares for each GSK Consumer share, valuing the deal at nearly ₹32,000 crore. BS REPORTER

Thomas Cook to go for ₹150-cr share buyback

Thomas Cook has announced a ₹150-crore buyback programme. The company's board has approved plan to repurchase 26 million shares — 6.9 per cent of paid up equity capital. The buyback move comes amid pressure on the travel industry following the coronavirus outbreak. Market players said the buyback could help provide temporary floor to its shares. BS REPORTERS

Toyota drives in luxury MPV Vellfire at ₹79.5 lakh

Toyota Kirloskar Motor has launched Toyota's global luxury MPV (mini van) New Vellfire at an introductory price of ₹79.5 lakh in India. The self-charging hybrid electric vehicle, which has sold 600,000 units globally, is Toyota's first luxury offering with one more likely launch in the line-up some time later. BS REPORTER

SpiceJet to start 11 new domestic flights in March

SpiceJet will launch 11 new flights, including on the Srinagar-Mumbai route, from March, it said. There will be non-stop flights on the Mumbai-Leh, Leh-Srinagar and Srinagar-Mumbai routes. Besides, there will be more flights on the Delhi-Dharamshala, Mumbai-Rajkot, and Bengaluru-Vijayawada routes. PTI

Wipro Consumer Care Ventures invests in LetsShave

Wipro Consumer Care Ventures, the venture capital fund of Wipro Consumer Care & Lighting, has invested an undisclosed amount in personal care start-up LetsShave. The venture capital fund which has a pool size of ₹200 crore will be deployed over the next three years with fresh investments in 4-5 start-ups each year. BS REPORTER

Tata Motors gets nod to raise ₹500 cr via NCDs

Tata Motors' board-approved committee has given its nod for raising ₹500 crore through issuance of NCDs on private placement basis. "The Board approved Committee has approved allotment of 5,000 rated, listed, unsecured, redeemable, NCDs E28-B Series of face value ₹10 lakh each, at par, aggregating ₹500 crore," it said in a regulatory filing. PTI

Warbug Pincus to invest ₹1,080 cr in Apollo Tyres, pick up 20% stake

T E NARASIMHAN
Chennai, 26 February

Private equity firm Warburg Pincus will invest close to ₹1,080 crore (about $150 million) in Apollo Tyres. People aware of the development said after full conversion it translates to around 20 per cent stake in the company.

The board of directors of Apollo Tyres on Wednesday approved an issuance of 10.8 crore compulsorily convertible preference shares to Emerald Sage Investment at ₹100 a share, it said in a stock-exchange filing. Emerald Sage is an affiliate of US-based Warburg.

The people said the investor is taking 20 per cent stake after full conversion. It may be noted, Warbug already owns 9 per cent in the firm.

When contacted, the company declined to share any further details, stating that the money will be used for corporate purpose. The fund raising comes at a time Apollo has been investing to build capacity.

₹3K smartphone: The new game plan

SURAJEET DAS GUPTA
New Delhi, 26 February

Global and domestic mobile device manufacturers are in discussions with Reliance Jio over making 4G smartphones in substantial volumes at a price pegged at ₹2,000-3,000.

S N Rai, director, Lava Mobile, said: "Yes, we are one of the firms which have had discussions. It's a challenge which we have taken. We are looking at the cost of material to see if it is achievable at this price point. If no, we can ask for a subsidy." He said the mobile phone, if they manufacture, will be under their own brand name as the idea is to create an ecosystem for 4G smartphones pegged at this price.

According to people close to the matter, Jio is looking at a 'big bang' migration of 2G consumers to 4G. It wants to push the pedal on more than doubling its monthly acquisition of 2G customers from competing telecom companies and the obstacle is that good quality, 4G smartphones are priced over ₹5,000 — a stumbling block in the way of 2G consumers migrating to 4G.

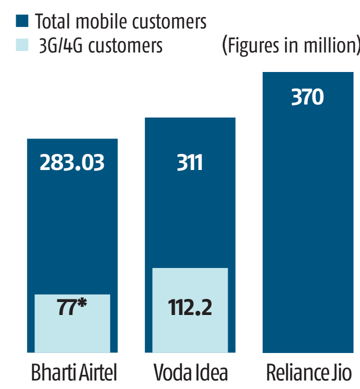
Jio has been adding 6-9 million new customers month on month. Around three million of these came through the sale of its bundled Jio 4G feature phones which are on offer at a mere ₹501 (consumers exchange it with their 2G device) or at ₹1,095 bundled with free data and voice for six months.

According to the device manufacturers, Jio will support them to ensure volumes and viability. The move is part of Jio's two-pronged strategy to increase revenues and subscribers in its next big wave of growth. A Reliance Jio spokesperson declined to comment on the issue.

There are currently over 500 million customers with competing networks who are still using primarily 2G (a few use 3G).

Jio wants to acquire these customers by migrating them to its 4G network in order to increase its customer base from 375 million at present to half a billion as quickly as possible.

SUBSCRIBER BASE



*4G customers Source: Companies, Trai

In August 2017, the company introduced the attractively priced Jio 4G feature phones to make it affordable for 2G customers to migrate to 4G without having to pay much for a change in the device.

As a strategy, it's been hugely successful. Jio has sold over 100 million 4G feature phones. "The problem currently is that a majority of the 4G LTE phones available in the market are priced at over ₹5,000 and that is not affordable for many 2G customers looking to upgrade to 4G. To increase migration of 2G customers you need devices costing between 2,000-3,000," said a source.

Analysts say Jio has to go alone in this effort primarily because competing telcos are not looking at a speedy migration to 4G through a good quality but reasonably priced smart phone. The reason is that some of them still do not have a nationwide 4G network and their 2G customers have reasonable Arpus as they pay substantial tariffs on voice, which is virtually free in 4G. Jio's plan is in many ways similar to what it did when device manufacturers were initially chary of launching 4G VoLTE phones as Jio was the only player offering this technology for voice.

Jio took it upon itself to source and manufacture the phones under the Jio Lyf brand name in December 2015, becoming one of the largest device players in the country. It was only then that independent device players, sensing the change in the market, decided to launch their own VoLTE models. Jio then gradually withdrew from the device market.

Jio's second big planned push is to acquire users aggressively for its enterprise business. According to its assessment, IT firms spend 12.5 per cent of their operating costs on telecommunications, while the rest goes to technology companies offering, among others, cloud computing solutions.

Unlike most other telcos which only offer the communication solution, Jio wants to play in the entire space by also offering other solutions.

Airtel has capacity to withstand $5-billion payout, says Moody's

PRESS TRUST OF INDIA
New Delhi, 26 February

Moody's Investors Service said on Wednesday said Bharti Airtel had the financial capacity to withstand a payout of $5 billion in statutory dues.

The Supreme Court earlier this month directed telecom firms to comply with its October 24, 2019 judgment upholding the Department of Telecommunication's (DoT) definition of adjusted gross revenues (AGR).

Bharti recorded a ₹35,300-crore ($5-billion) liability for past-due AGR fees associated with this litigation, but is still completing its self-assessment to determine the final amount, Moody's said.

It said a ₹35,300 crore cash payment will not cause a significant deterioration in the credit quality of Bharti Airtel while in the alternate scenario of a smaller cash payment of ₹25,200 crore reflecting the principal and interest amount only, would position the company more comfortably within its current rating.

The full payment is scheduled to be made by March 17.

RETAIL 2.0: DECODING THE FUTURE

Data, tech to take centre stage in 2020s

Decade to see more alliances, shared ecosystems take shape than before

VIVEAT SUSAN PINTO
Mumbai, 26 February

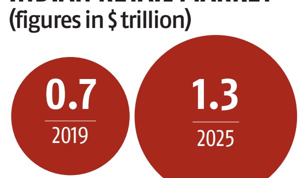
The current decade could be marked by significant shifts in Indian retail as new competitors, forces, and challenges emerge within the sector. While the sector faced significant disruptions from the emergence of well-funded Indian and foreign e-commerce players in the last ten years, neighbourhood stores continued to be relevant, providing convenience, proximity, and monthly credit to consumers.

The current decade, however, will see boundaries increasingly blurring, said experts and retailers at the ongoing Retail Leadership Summit in Mumbai, with the entry of new players and existing companies looking for ways to stay ahead of the game.

"Social commerce, for instance," said Abhik Singhi, managing director and senior partner, Boston Consulting Group, "is one such new competitor that could emerge in retail in the coming years." "There could be cross-industry play, where companies could enter retail through extended offerings and business models," he added.

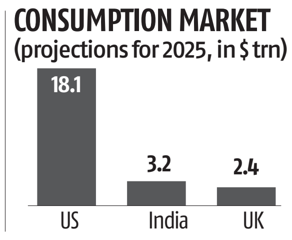
For retail firms, therefore, the strategy would be to leverage data, technology and innovation. As Anand Ramanathan, partner, Deloitte, said: "Retailers function in a dynamic environment where changes are happening all the time. By deploying asset-light digital technologies including artificial intelligence (AI) and machine learning (ML), retailers can improve average bill value, assortment planning and brand experience to accelerate sales at their outlets."

INDIAN RETAIL MARKET (figures in $ trillion)



Source: BCG

CONSUMPTION MARKET (projections for 2025, in $ trn)



As retailers continue to face margin pressures, thanks to higher competition, and greater people, real estate and allied costs, the thrust will be on leaner supply-chain models, faster rollout to market and synchronised planning and demand fulfilment, said experts.

For instance, the Kishore Biyani-led Future Group is putting in place a "phygital" model of retail that entails online-offline partnerships in categories such as apparels, food and fast moving consumer goods. In segments such as home furnishings, on the other hand, the emphasis for the group is mainly on an online-only model to reduce offline retail and carriage costs.

Some quick-service restaurant (QSR) chains such as McDonald's and Pizza Hut, meanwhile, are already digitising their store fronts and rolling out next-gen outlets that require lower number of store assistants on the shop floor. Some QSRs are already experimenting with robots, chatbots and interactive vending machines within their outlets to serve customers faster and better.

Experts said that as consumers demand more convenience, personalisation and a better shopping experience at outlets, retailers will be forced to adopt new models of retailing that are seamless, both online and offline.

For instance, retailers within lifestyle, fashion, grocery and entertainment segments are tying up with handset and television makers to be bundled with their software offerings.

Some big-box retailers such as Reliance, for instance, are partnering with neighbourhood stores as they onboard small retailers on to their "new commerce platform".

Singhi said the decade of the 20s would see more alliances and shared ecosystems emerge than ever before as organised players increasingly involve unorganised players in their business. At the same time, many retailers will keep a hawk's-eye on operations, and balance the need for addressing regional consumer requirements with localised products within their assortment.

H&M India eyes ₹2,000-cr top line

VIVEAT SUSAN PINTO
Mumbai, 26 February

Hennes & Mauritz (H&M) is targeting ₹2,000 crore in turnover from India, its fastest-growing emerging market, said Janne Einola, country head of H&M India.

The retailer is likely to achieve the target by the end of this calendar year (CY), Einola said, driven by a greater online and offline push, local tie-ups, and affordable merchandise. H&M follows a December to November accounting year. It has 47 stores in India.

> **"We are targeting tier-II and -III markets, besides tier-I cities to set up our stores"**
> JANNE EINOLA, Country head of H&M India

H&M, said experts, will maintain its over 40 per cent rate of growth in terms of sales for 2020, coming at a time when there is a domestic consumption slowdown. Last year, H&M had grown top line at the rate of 43 per cent, touching ₹1,490 crore, Einola said, ahead of the 29 per cent top line growth in 2018.

While Zara, too, has been pushing affordable collections, revamping its line-up from time to time and tapping the online medium to drive sales, experts said H&M would widen the sales gap with the former, if it touches the ₹2,000-crore mark this calendar year. Inditex Trent is yet to disclose its FY20 numbers. H&M has a small lead over Zara in terms of sales. Einola said the firm was raising its India bet this year, targeting tier-II and -III markets apart from tier-I cities to set up its stores. The retailer is planning to add 5 to 10 stores this year, taking its total store count to over 50. It had committed ₹700 crore to set up 50 stores in India.

It may also diversify into areas like home furnishings, beauty, sports retail, starting with the home segment as early as possible, he said.

The company will also launch a Sabyasachi Mukherjee collection in April, including western and Indian wear such as saris.

This is the first time that Indian wear will be available at H&M outlets, as it taps local needs and preferences.

Start-ups flex muscles in race to grab bigger slice of fitness market

Even as Cure.fit, led by Mukesh Bansal, looks to tap the food market with a focus on health and nutrition, California-based GOQii is using smart technology to build a preventive healthcare platform in India. Meanwhile, there's a scramble by other ventures that are looking to explore niches that look to augment the fitness requirements and habits of a country with almost 650 million youths under the age of 25. Four wellness-focused start-ups talk to **Pavan Lall** about their business models, fund-raising plans and new growth areas

Neha Motwani, founder and CEO of Fitternity

Shilpa Khanna, CFO of Fullife Healthcare

Ram Kumar, founder of NirogStreet

Tushar Vashisht, founder of HealthifyMe

Consolidating gym memberships across cities

What do you call a discovery platform that gives you access to hundreds of gyms and fitness studios across metro cities so that you never have to miss a workout because you were "travelling on work"? If you ask **NEHA MOTWANI**, the answer is Fitternity, an online start-up that drives both transactions and searches for fitness centres, related services and facilities. Fitternity, which Motwani set up in 2014, gives members the option to work out across multiple locations of different franchises. It also gets all the operators as well as potential members in a fragmented sector on one platform. This is something all tech start-ups see as "data gold."

The Andheri-based Fitternity was started with $1 million in seed funding from the TV Mohandas Pai-led Exfinity Venture Partners. That was followed up by $2 million funding from the Patni Family Office and lastly an additional $4 million from Nikhil Vohra's Sixth Sense Ventures. Fitternity's revenue model is built on users buying subscription. Presently, Motwani claims she has a total user base of 1,000,000 subscribers and 200,000 current subscribers, and an annual turnover of ₹114 crore.

Putting the fizz into fitness

Nutraceutical player Fullife Healthcare recently raised about $9 million from investors Rakesh Jhunjhunwala, Kotak Investment Advisers, and Sixth Sense in exchange for 45 per cent equity. The company had set up its business with a view to making unique healthcare and nutritional products for both exports and the Indian market. The firm had also, in the past, acquired Swiss firm Novelty Pharma and back home set up an effervescent manufacturing plant to boost its B2B business in India. It has close to 175 employees and runs a manufacturing and R&D unit in Khopoli.

In 2015, the company launched a branded product called Fast & Up which is into sports nutrition. Fast & Up is also the official nutrition partner for the Tata Marathon. More recently, the company launched a women-focused beauty nutrition label called ChicNutrix. **SHILPA KHANNA**, the company's chief financial officer and head of the ChicNutrix business says that revenue is around ₹90 crore a year.

The road to good health

Having raised $2.5 million in seed funding from Spiral Ventures and Amand Ventures, NirogStreet, an Ayurvedic doctor's community platform, was founded in 2015 by **RAM KUMAR** an IT professional.

"We work with doctors and help them with marketing and sales as well as building their technology capability," he says. He adds, "The tech specifically helps them to streamline their supply chain for both medicines as well as patient records." Kumar is also looking to raise another $10 million in second-round funding. What are the challenges for Nirog Street? "People trust ayurveda but don't have the same trust in ayurvedic doctors and medicines because of the presence of non-qualified doctors and bad quality medicines," he says. He adds, "One of the most unorganised sectors, technology adoption is lowest in this sector, and what we hope to do is work to transform this into a proper system."

Nirog Street aims to make the transformation by engaging ayurveda doctors and clinics digitally. Kumar aims to partner 150 ayurvedic medicine manufacturers and brands next year.

A personalised digital assistant with diet and fitness tips

Founder Tushar Vashisht says his company HealthifyMe, which was launched in 2012, strives to achieve healthier goals for individuals through a free app, and by connecting with nutritionists and trainers. It has artificial intelligence (AI)-based plans and services. Today, Vashisht says the firm generates ₹8.25 crore a month and has 100,000 paying customers. It has raised around $30 million in funding. The company is headquartered in Singapore and has its administrative offices in Bengaluru with 140 employees. It includes nutritionists, fitness trainers and yoga instructors.

Don't expect to meet them as all personalised services are virtual, he says. The company has also launched in Malaysia and Singapore. It generates around ₹7 crore a year from those two countries, annually. Recently, Healthifyme partnered Swiggy to share diet plans. Vashisht, a computer science graduate from the University of Pennsylvania, also worked for Blackrock and Deutsche Bank.

Key challenges, he says, include access to top-level AI talent which is not cheap nor in abundance. This meant he had to hire talent in Europe which was expensive. "Also, scaling internationally for a consumer company that has local strengths is also a challenge," Vashisht says.

Concor to take INSTC route for Russia to save on time & cash

SHINE JACOB
New Delhi, 26 February

In a move that will bring down the transit time between India and Russia from around 50 days to 25 days, Container Corporation of India (Concor) will start using the International North-South Transport Corridor (INSTC) this year. This is expected to cut transportation costs by around 30 per cent.

"The route will be operational for Concor within three months and importers and exporters from both countries will be able to make use of it. There are a lot of goods, including pharmaceuticals, vegetables like onion, spices and tea from India that have huge demand in Russia," said V Kalyana Rama, chairman and managing director (CMD) of Concor.

Concor and Russian Railways container transportation subsidiary RZD Logistics JSC on Tuesday signed a service agreement to transport cargo between the two countries using a single invoice. A memorandum of understanding in this regard was signed last year.

INSTC is a 7,200 km-long multi-mode network of ship, rail and road routes covering 13 countries — spanning India, Iran, Afghanistan, Armenia, Azerbaijan, Russia, and other Central Asian and European countries.

An official of RZD said the United States's sanctions on Iran would not be applicable for the route and the concerns of banks and insurers had been addressed by the countries involved.

"We have taken care of the concerns of our Indian clients and bankers. Transit time through INSTC will be half the traditional route," the RZD official added.

An Indian official, however, said the INSTC route through the Chabahar Port and Bandar Abbas still has some cost and transit issues. India is operating the Chabahar Port in Iran.

According to estimates, the cost of transportation right now is $4,900 per TEU (twenty-foot equivalent unit) and will become $3,400 per TEU with the new route.

The distance on the current route through the Suez Canal to St Petersburg is 10,000 nautical miles. India was also exploring a separate maritime route connecting the two countries from Vladivostok, which takes around 20 days.

A senior official from the ministry of external affairs told *Business Standard* that several plans are being worked out to bring down the trading time between two countries and possibility of using the Vladivostok route was discussed during Prime Minister Narendra Modi's visit to Russia in September.

THE LOWDOWN

30% reduction of transportation cost expected through INSTC	**$4,900** per TEU: Current cost of transportation	**$3,400** per TEU: Estimated cost on new routes	**$8.2 billion:** India-Russia trade in 2018-19

India Ports gets exemption from DPE guidelines

The Union Cabinet on Wednesday approved the exemption of the India Ports Global (IPGL) from the Department of Public Enterprises (DPE) guidelines, except for reservation and vigilance policies. The move will help in smooth execution of Chabahar project in Iran.

According to a government, there is an urgent need to allow IPGL to continue to function as a board-managed firm, duly following instructions of the ministry of shipping and ministry of external affairs, without making the guidelines of the DPE applicable to it for five years. The norms of a public sector enterprise were applicable to IPGL, as its parent firm Sagarmala Development Company is a CPSE. As a result, guidelines of the DPE are technically applicable on IPGL. The shipping ministry had requested exemptions to IPGL from the applicability of the DPE guidelines to speed up the pace of the Chabahar project, which is country's first overseas port project with strategic objectives. BS REPORTER

GMR gets ₹5,248 crore from Groupe ADP

PRESS TRUST OF INDIA
New Delhi, 26 February

GMR Infrastructure on Wednesday said it has received ₹5,248 crore from Groupe ADP as part of a deal wherein the French major is buying 49 per cent stake in the domestic group's airport business.

On February 21, it was announced that Groupe ADP would acquire 49 per cent stake in GMR Airports (GAL) for ₹10,780 crore.

In a filing to stock exchanges on Wednesday, GMR Infrastructure said the group has received ₹5,248 crore towards first tranche of payment from Groupe ADP.

"The end utilisation of monies has been mainly for corporate debt reduction. Further, GMR Group has provided exit to the existing private equity investors in GMR Airports," it added. The deal would help the group to reduce its debt burden.

According to an investor presentation, a copy of which was filed to the stock exchanges, the deal would help in "significant deleveraging at GMR Infrastructure using the equity raise" as well as result in "improved cash-flow and profitability" Aeroports de Paris SA (ADP) would buy 100 per cent stake in GMR Infra Services and then 49 per cent shareholding in GAL. GMR Infra Services is an operating and holding company. Its primary business is to hold shares in GAL.

Shares of GMR Infrastructure dropped 4.50 per cent to close at ₹24.40 on the BSE on Wednesday.

Competition Commission has given its nod for the deal under the green channel, which allows for an automatic system for speedy approval of combinations, subject to certain conditions.

On February 21, it was announced that Groupe ADP would acquire 49 per cent stake in GMR Airports for ₹10,780 crore

Parent company pumps in ₹427 cr into PhonePe

PEERZADA ABRAR
Bengaluru, 26 February

Walmart-owned digital payments firm PhonePe has received a fresh fund infusion of ₹427 crore from its Singapore-based holding company. PhonePe has allotted 1,007,670 equity shares of ₹10 each at securities premium of ₹4,230 per share to the holding firm, according to the regulatory documents filed by PhonePe, which were sourced from business signals platform Paper.vc.

The funding is expected to help the company to take on rivals such as Alibaba-backed Paytm, Google Pay and Amazon Pay. "PhonePe has received the lion's share of its funding since Walmart's acquisition of Flipkart in 2018. During 2018 and 2019, PhonePe received over $700 million in funding as the ever-expanding digital payments space heats up in India," said Nikhil Kanekal, analyst at Paper.vc.

The Bengaluru-based firm is investing about ₹800 crore this calendar year on marketing activities and take on the competition. A big chunk of it will go on television ads. An equally big portion of it will be spent on the ground across 300 cities, where it has over 9.5 million offline merchants, and also towards conducting events, branding and enhancing the visibility in smaller towns.

"We are going to focus on digital marketing in a significant way this year, considering the massive consumption of content online. We believe it will be a good way to target the next 100-200 million customers," said Sameer Nigam, founder and CEO, PhonePe.

According to Walmart International CEO Judith McKenna, PhonePe's ambition is to be India's largest transaction platform anchored in payments. The firm, which has 200 million registered users and 20 million daily users, witnesses 500 million monthly transactions.

Coffee Day receives first tranche of Global Tech Park sale proceeds

DEBASIS MOHAPATRA
Bengaluru, 26 February

Coffee Day Enterprises (CDEL) is learnt to have received the first tranche of payment from private equity major Blackstone and realty firm Salarpuria Sattva Group as part of its agreement to sell Global Village Tech Park, sources in the know said.

Proceeds of around ₹150 crore were received by the Bengaluru-based coffee chain, they added. The deal has valued the tech park at ₹2,700 crore. Despite announcing its decision to divest stake in the Global Village Tech Park in August last year, the deal was stuck due to lack of creditors' consent. Especially, a no-objection certificate from YES Bank was pending, which led to delay in concluding the deal. "After receiving all the approvals from creditors, the Global Village Tech Park transaction was completed," said a person. "The rest of the proceeds will be paid out in next few weeks," he said.

With this payout, the working capital situation is likely to improve for the Bengaluru-based coffee chain. A major chunk of the proceeds is likely to be utilised in reducing the overall debt of the company, interest outgo is expected to fall in the coming quarters.

By the end of July 2019, the group's aggregate debt stood at ₹4,970 crore, of which Tanglin Developments' liabilities were at ₹1,622 crore. CDEL's flagship coffee retailing arm Coffee Day Global's total debt was ₹1,097 crore. Sources said around ₹2,000 crore of proceeds from the Global Village Tech deal would be utilised to reduce debt.

After much delay, the deal got clearance from creditors

As part of its deleveraging initiatives, CDEL has divested its brokerage business 'Way2Wealth Securities' to Shriram Ownership Trust in January.

After the demise of CDEL's founder chairman V G Siddhartha last year, the conglomerate is facing liquidity crunch owing to higher interest outgo towards servicing debt. This deal of Global Village Tech Park is critical for the firm to reduce its debt and ease working capital situation.

Currently, trading in CDEL's shares remains suspended as the company was not able to submit its audited financial statements in time.

The company has sought more time from regulators for submission of audited results citing to non-completion of internal investigations.

In August last year, the company has assigned Ashok Kumar Malhotra, retired DIG of the Central Bureau of Investigation (CBI) to investigate into the purported letter written by V G Siddhartha. He was also assigned to scrutinise the books of accounts of the company with the help of an accounting firm.

HNIs flock to commercial properties amid residential market slowdown

RAGHAVENDRA KAMATH
Mumbai, 26 February

Last year, a Delhi-based high-net-worth individual (HNI) bought a 29,495 square feet commercial property in the Raheja Titanium complex in Goregaon East, Mumbai. The seller was based out of Kenya.

Similarly, a tech-based fund bought 48,000 sq ft and 7,721 sq ft at the L&T Seawoods in Navi Mumbai and The Capital in the Bandra Kurla Complex, respectively. These two instances are not isolated. For, with residential markets continuing to struggle, giving poor yields and capital appreciation for investors, strata sales in office properties are seeing a sharp spurt in top cities, say consultants and investors.

Strata sales are sales of commercial properties in a building or complex to an individual or retail investor.

About ₹2.5 trillion worth of Grade A office space is under construction in the top seven cities and will be completed over the next four years. Of this, 25 per cent (worth ₹63,000 crore) is up for strata sale, said a recent report by Anarock Property Consultants.

Strata sales in the top five cities last year were worth ₹6,000 crore, according to Nisus Finance, a Mumbai-based fund manager.

"There are close to 180,000 ultra HNIs in the country, growing at a rate of 10 per cent. As the residential markets have slowed down over the last few years, HNIs are looking at other asset classes such as commercial very actively," said Ramesh Nair, chief executive officer and country head at JLL, India's largest real estate services firm.

Nair said while residential properties are offering a yield of 2-2.5 per cent, and capital appreciation of 1-2 per cent per annum, commercial properties are providing a rental yield of 7-9 per cent and capital appreciation of 4-8 per cent per annum.

JLL brokered many such deals last year in the top 7 cities, he said. Even property companies and consultants are getting into strata sales in a big way.

Early in 2019, realty major Prestige Estates announced its plan to strata sell 25 per cent of its office assets to individual investors looking for plays in high-yield realty assets. "Except for a few companies in office properties, mostly all want to do strata sales," said Bappaditya Basu, chief business officer at Anarock Commercial, which was recently set up to focus on strata sales of commercial properties.

GoAir's Qatar service flies into turbulence

ANEESH PHADNIS
Mumbai, 26 February

GoAir's plan to roll out its maiden service to Qatar has hit an air pocket. Earlier this month, the airline announced its Mumbai-Doha service, beginning March 19, and offered an inaugural return fare of ₹14,000.

Customers lapped up tickets as it made travel between the two cities cheaper. But now, the airline is facing a hurdle and has quietly closed reservation for this flight. The reason for suspension of bookings is inability to secure traffic rights for Qatar in summer.

Governments exchange traffic rights between themselves and allocate them to their respective airlines to enable the launch of new flights.

Last November, GoAir secured 1,300 seats per week for Qatar, allowing it to start one daily service. But that was a temporary allocation for the winter schedule from Air India's unused entitlement. GoAir applied to the civil aviation ministry for an extension and then announced the Mumbai-Doha flight. But it has now been forced to put its flight on hold as Air India wants to use all its balance traffic rights and launch more services to Doha in the upcoming summer schedule.

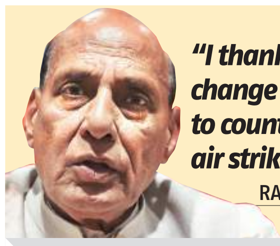
In a statement, GoAir said, "The rights for Doha were given to GoAir in November 2019 for operations up to winter 2019 (end of March 2020) out of Air India's unutilised traffic rights. We are diligently completing requisite regulatory approvals for the new destination. GoAir was ready to operationalise the same in mid-March 2020. GoAir made an application to the government for extension of these rights for summer 2020. We understand that Air India has advised the government that it will be fully utilising its traffic rights to Qatar in summer 2020. In the meantime, GoAir has put the reservations/bookings on hold."

Air India and civil aviation ministry spokespersons did not respond to emails from *Business Standard*.

Aviation industry executives, however, are sceptical about Air India's plans, given its financial problems. Following the closure of Jet Airways last April, the government allocated its traffic rights to Air India and IndiGo. The preliminary information memorandum on Air India's disinvestment reveals that as of November, the national carrier had 10,395 weekly seats for Qatar. It was using 5,562 seats to Qatar and had a balance of 4,833 seats. Since then, it has added or announced new flights to Doha from Mumbai and Trichy. This includes a Boeing 787 service from Mumbai which it launched last week.

DESTINATION DOHA

- Qatar is the 4th-largest air travel market for India in West Asia after UAE, Saudi Arabia and Oman
- Traffic has been growing due to an increase in construction activity in Qatar ahead of the World Cup football in 2022
- Over two million passengers flew between India and Qatar in 2019



"I thank Prime Minister @narendramodi for bringing change in India's approach against terrorism & our ways to counter terror. The surgical strikes of 2016 and Balakot air strikes of 2019 are testimony to this change"

RAJNATH SINGH
Defence minister

"Trump's historic visit is over. The Indo-US relations are on a new high. Even the Congress is doing its petty politics. This has become the party's practice that the family interest comes above the national interest"

RAVI SHANKAR PRASAD
Law minister

"The country needs a positive attitude and hence students should nurture and develop positive attitude and not obstructive or destructive attitude"

M VENKAIAH NAIDU
Vice-president

IN BRIEF

Govt nod to Technical Textile Mission with ₹1,480-cr outlay

The Cabinet on Wednesday approved the ₹1,480-crore National Technical Textiles Mission set to run for the next four years. Technical textiles are a futuristic segment of textiles used for a vast array of applications such as agriculture, roads, railway tracks, bullet and fire-proof jackets and high altitude combat gear etc. Indian technical textiles segment is estimated at $16 billion or 6 per cent of the $250-billion global market. According to the government, the penetrat-ion level of technical textiles is low in India, varying between 5 and 10 per cent against the level of 30-70 per cent in developed countries. The mission targets an average growth rate of 15-20 per cent annually and domestic market size of $40-50 billion by 2024. SUBHAYAN CHAKRABORTY

SP MP Azam Khan, wife, son sent to judicial custody

Samajwadi Party MP Azam Khan, his legislator-wife Tazeen Fatma and MLA-son Abdullah Azam surrendered before a Rampur court on Wednesday and were sent to judicial custody over Abdullah's alleged fake birth certificate. Rampur SP said that the three Khan family members have been remanded in custody till March 2. PTI

PFRDA to add 1-1.2 mn subscribers by end of FY20, says chairman

Pension Fund Regulatory and Development Authority of India is expected to add around 1 to 1.2 million new subscribers to its two pension schemes in the fiscal year ending March, Chairman Supratim Bandhopadhyay said on Wednesday. PTI

Sebi slaps ₹10-lakh fine on Muthoottu Mini Financiers

The Securities and Exchange Board of India (Sebi) has imposed a penalty of ₹10 lakh on Muthoottu Mini Financiers, a Kochi-based NBFC, for issuing misleading advertise-ments related to raising of ₹100 crore via secured, redeemable, non-convertible debentures. BS REPORTER

Proposed IPO of LIC to benefit insurance industry: Fitch

The proposed initial share sale of LIC will improve the account-ability and transparency of the country's largest insurer and benefit the insurance industry, Fitch Ratings said on Wedne-sday. The benefits may trickle down to the entire domestic insurance sector in terms of attracting more foreign interest, which could result in an incre-ase in foreign capital inflows into the industry, it said. PTI

US trade deal: India to go slow on negotiations

SUBHAYAN CHAKRABORTY
New Delhi, 26 February

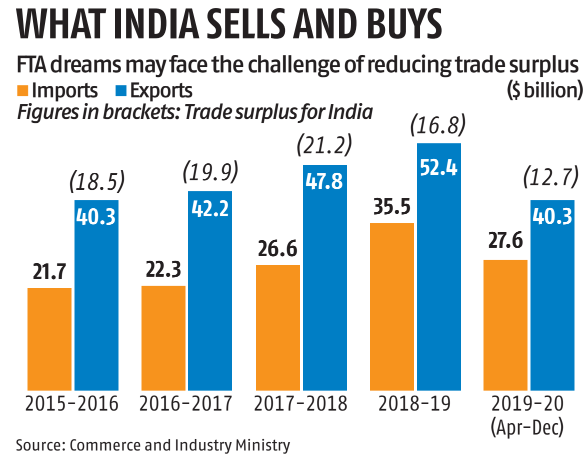
After the euphoria over US President Donald Trump's visit died down amid no clear deadline for concluding a trade deal, India is now aiming to go slow on the negotiations front.

But rather than planning a limited trade pact, both sides now want to create a comprehensive free-trade agreement (FTA) which will be wider in scope.

Senior officials said both nations have agreed to go back to the drawing board and prepare better concession offers on most issues. They include medical devices, agriculture and high-value tech goods.

Talks with India's second-largest trade partner will be reset on trade concepts such as export incentives under America's Generalized System of Preferences (GSP) scheme and reciprocal tariffs on a wide range of sectors.

On Tuesday, Trump had said a comprehensive trade agreement with India would take much longer to finalise than earlier expected. He added it was unlikely before the year-end.



Now, after the relative failure of two high-profile visits by both Prime Minister Narendra Modi and Trump to end trade animosities, the government wants to take time to prepare a better negotiating platform, another official said. "The deal did not happen because core demands were not met on both sides. We now need to get back to the drawing board," a senior official said.

However, Delhi will soon engage with Washington DC to finalise the next spate of visits by trade officials.

Senior government officials continue to hold US Trade Representative Robert Lighthizer's decision to suddenly cancel his visit to New Delhi as responsible for the deal not taking off.

Lighthizer, considered Trump's point man on trade, was expected to arrive in India as part of the President's vanguard team to flesh out any proposed deal. While his office has not given any official statement on why he wasn't present this time around, diplomatic sources said Lighthizer did not want to lend his name to a deal which was half finished.

Lighthizer was responsible for shutting down the vast majority of India's export promotion schemes last year after a sustained battle at the World Trade Organization.

Officials confirmed that India had offered to sign a smaller pact, focusing on agriculture goods. "Talks on agri tariffs were open for the longest time. It was suggested that a limited trade cooperation pact, arising out of these, be included in the joint statement by both the leaders," a commerce department official said.

This would have seen India systematically rolling back duties on high-value farm imports such as almonds, walnut, apples, and wine. These were among the 29 items on which the government had hiked duties by up to 50 per cent last year, he added.

American farmers have lost their prime foreign markets after nations retaliated to Trump's unilateral tariff hikes by making it equally expensive to buy American products. New Delhi's biggest demand — the reinstatement of trade benefits under the US' GSP scheme — has been rebuffed by US officials. "They made their position clear last week by classifying India as a developed economy, which we don't support," said a senior trade department official.

Q3 GDP growth to be below 5%, but better than Q2: Economists

Govt spending would be a key driver of mild improvement in growth, says ICRA

ABHISHEK WAGHMARE
New Delhi, 26 February

The downturn in the economy is not going to reverse anytime soon, and the growth data for the quarter ended December (Q3) would reflect the continuing slackening, economists expect. None of the economists surveyed by *Business Standard* thinks that gross domestic product (GDP) grew by more than 5 per cent in Q3 of the financial year 2019-20 (FY20).

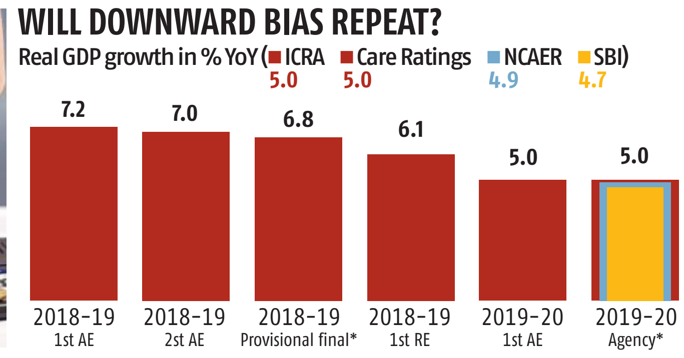
But some indicators showed better growth, and Q3 would show a higher GDP growth number than Q2, they said. The data, to some extent, corroborates this. Also, no one expects economic growth to go beyond 5 per cent for the full year too.

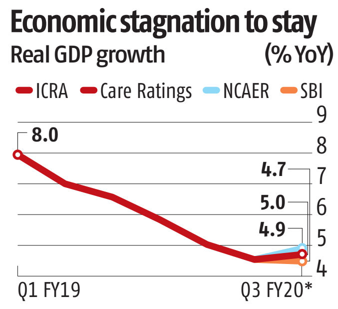
The National Statistical Office will release the quarterly GDP data for Q3 and the second Advance Estimate of annual GDP for FY20 on Friday.

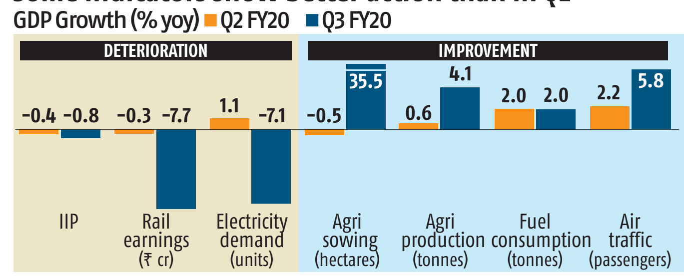
State Bank of India has said that only a fourth of 33 economic indicators showed acceleration in the December quarter, similar to Q2. In the March quarter of 2017-18, about three-fourths of the indicators had shown positive acceleration, its report said. As a result, SBI put the GDP growth rate in Q3 at 4.5 per cent, same as that in Q2 — a 26-quarter low.

Aditi Nayar, principal economist at ICRA said government spending would be a key driver of "mild improvement" in GDP growth in Q3.

"Raw material costs, high growth in government's non-interest revenue expenditure, stable earnings by some banks would provide a cushion to the pace of economic growth," she said in a note.







* Estimates; AE: Advance Estimates; RE: Revised Estimates; Kharif production for Q2, Rabi estimate for Q3; Sources: Agencies mentioned, National Statistical Office; RBI, DGCA, Railway Board, Department of agriculture, PPAC, National Load Despatch Centre

A quick look at seven indicators encompassing agriculture, manufacturing and services shows that at least half of them showed an improvement in performance compared to the previous quarter, suggesting a slight improvement above 4.5 per cent.

While industrial production, railway passenger and freight earnings, and electricity consumption has deteriorated, sowing and production in the farm sector has shown a big jump, consumption of diesel and petrol has shown a marginal improvement, and air traffic is on the rise.

The National Centre for Applied Economic Research mentioned similar findings in its note, and said that while the farm sector looks up, indicators such as trade and tourist arrivals signal some green shoots in the services sector.

The think tank expects that Q3 GDP growth will turn out to be 4.9 per cent over Q3 of 2018.

Financial services, real estate could drive up growth in Q3, but it would not be sufficient to counter the slackening investment demand and pressured manufacturing activity, CARE Ratings said in a note. It expects the farm sector to show 3.3 per cent growth in Q3, helping retain 4.5 per cent growth for the quarter.

Most economists also voiced concern on the impact on the Covid-19 outbreak, but said that it was difficult to quantify its impact on India's economic growth at the moment.

DPIIT notifies policy for 100% FDI in insurance intermediaries

SUBRATA PANDA
Mumbai, 26 February

The Department for Promotion of Industry and Internal Trade (DPIIT) on Tuesday amended the Consolidated Foreign Direct Investment Policy 2017 (FDI Policy) to allow 100 per cent FDI in insurance intermediaries through the automatic route.

This includes insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third-party administrators, and surveyors and loss assessors. Till now, FDI up to 49 per cent was allowed in insurance intermediaries through the automatic route.

As far as insurance companies are concerned, foreign investment of up to 49 per cent is allowed through the automatic route, subject to the approval of the insurance regulator. And, the norms for insurance companies specify that the ownership and control of the firms must remain with resident Indian entities.

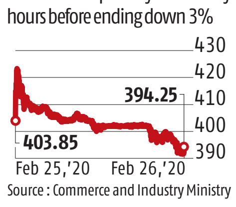
In case of an insurance intermediary, if majority is held by foreign investors, then the company has to be incorporated as a limited company under the provisions of the Companies Act, 2013. Also, one among the chairman, chief executive officer, principal officer, or managing director should be an Indian resident.

The entity will have to take prior permission from the insurance regulator for repatriating dividends. If it is owned by foreign investors it will have to bring in latest technological, managerial and other skills. Also, such entities will not make payments to the foreign group, promoter, subsidiary, or interconnected or associated entities beyond what is permitted by the regulator.

The announcement in this regard came in the interim Budget of July 2019.

SEZ CLEARS LOCAL SOURCING TEST FOR RETAIL CHAINS 7

Bandhan Bank to add 250 outlets in 1 month



NAMRATA ACHARYA
Kolkata, 26 February

Bandhan Bank would add 250 outlets, including doorstep baking centres, in the next one month, said C S Ghosh, managing director and chief executive officer of the bank.

The announcement comes a day after the Reserve Bank of India (RBI) allowed the lender to open new branches, sending the shares up nearly 5 per cent in early market hours on Wednesday before ending the day down 2.8 per cent.

"Through this letter, the regulator has now recognised the efforts of the bank towards compliance. That is one signal given to us. That has been taken as strength of bank," said Ghosh, adding, "We will add 250 more banking outlets by end of March 2020."

The bank has a network of 1,100 branches and 3,084 doorstep banking centres. Between March and December 2019, the bank had opened 23 branches and 70 DSCs. In addition, another 195 branches were added on account of merger with Gruh Finance.

Balakot, a year on: What has changed for India after the airstrike

AJAI SHUKLA
New Delhi, 26 February

A year has passed since Indian fighter aircraft bombed a compound near the town of Balakot, in Pakistan, which had been identified as a training camp run by the Jaish-e-Mohammed (JeM) terrorist group.

The strike on Balakot, 80 kilometres across the Line of Control (LoC), was retaliation for the killing of 40 Central Reserve Policy Force jawans in a suicide car-bomb attack near Pulwama, Jammu & Kashmir (J&K).

New Delhi declared the attack a major success, with claims of hundreds of terrorists killed. Prime Minister Narendra Modi declared: "India will no longer be helpless in the face of terror."

A year later, what are the key changes for each side?

A new normal?

Analysts contended that the Balakot strike had established a "new normal" in India's future reactions to Pakistan-backed, cross-border terrorism. Abandoning its earlier restraint, India would henceforth retaliate aggressively, as demonstrated with the cross-LoC ground strikes of September 2016, and with its air strike on Balakot.

Air strikes, especially across the International Border (IB) into mainland Pakistan, are regarded as a significant escalation over cross-LoC firing, or a limited crossing of the LoC by ground forces.

With New Delhi henceforth constrained to follow the Balakot precedence, India's deterrence posture has unquestionably hardened. Testifying to its efficacy, there has been no damaging cross-border terrorist attack since then.

Even so, the LoC continues to witness ceasefire violations and infiltration. This suggests that, in the long term, strikes on non-military targets like the Balakot camp have only a limited ability to compel the Pakistan army to fundamentally alter its behaviour.

Further, with India unable to present cast-iron proof of serious damage on Pakistan, Islamabad has successfully peddled an alternative narrative in which the Pakistani David gave a black eye to the Indian Goliath.

Calling 'Pakistan's bluff'

Following Balakot, there were claims that India had abandoned strategic restraint and had "called Pakistan's nuclear bluff." Modi, while campaigning for the May 2019 elections, claimed that Pakistan knew that India's nuclear weapons would not be saved up for Diwali.

In fact, at no stage in this crisis did India threaten Pakistan nuclear red lines. Pakistan would consider nuclear use only if its existence were threatened by crippling losses in war, or if India were poised to capture a large part of that country. The limited scope of the Balakot strike never threatened such a possibility.

IAF chief Air Chief Marshal RKS Bhadauria flew in a five-aircraft mission from Srinagar Air Base on Wednesday, on the first anniversary of the Balakot air strikes

Diplomatic isolation

India-Pakistan diplomatic contact remains broken; with both sides having withdrawn their envoys after New Delhi read down J&K's special status on August 5 and split the state into two union territories.

Countering New Delhi's campaign to isolate Pakistan, China continues supporting its "all weather ally." Following New Delhi's intervention in J&K, there is also backing from Turkey and Malaysia. India has had greater success in putting Pakistan under pressure from the Financial Action Task Force (FATF) for allowing fund flows to UN designated terrorist organisations, including the Lashkar-e-Toiba (LeT) and the JeM.

Pakistan remains on the FATF grey list, having complied with only four of the 27 action points the body has demanded. This curbs financial flows to Islamabad. Under dire economic stress, Pakistan arrested LeT chief, Hafiz Saeed, in July and sentenced him in February to five years in prison for terrorist finance violations. On May 1, the JeM chief, Maulana Masood Azhar, was also designated an international terrorist.

Yet, Islamabad continues to extract support, including from Washington, by virtue of its control over the Taliban at a time when America seeks to negotiate a face-saving withdrawal from 19 years of war in Afghanistan.

Meanwhile, New Delhi itself faces international criticism over its crackdown in J&K. In the US Congress, traditional bipartisan support for India is giving way to criticism. There is condemnation too from US civil society and America's powerful liberal media. The US administration has remained silent so far, but a senior administration official notes: "What the US Congress says today is usually what the administration will say tomorrow."

Trade relations

After the Pulwama attack, India withdrew Pakistan's "most favoured nation" (MFN) trade status and imposed punitive tariffs on imports. With retaliatory tariffs imposed by Islamabad, the two biggest victims are Indian exporters and Pakistani consumers.

Water sharing

A week after the Pulwama attack, India's Water Resources Minister Nitin Gadkari tweeted: "Our government has decided to stop our share of water which used to flow to Pakistan. We will divert water from eastern rivers and supply it to our people in Jammu and Kashmir and Punjab."

In fact, India cannot immediately prevent water from flowing into Pakistan from the three eastern rivers that fall in India's share under the Indus Waters Treaty (IWT): the Sutlej, Ravi and Beas. It would take India years to build the dams and canals needed to divert all the water it is entitled to under the IWT. This process would be complicated by unresolved water disputes between Indian states over water sharing.

Conclusion

A year after Balakot, India and Pakistan remain locked in hostility. New Delhi's diplomatic pressure on Islamabad continues, but Pakistan believes India too is vulnerable to criticism over its crackdown in J&K, and continuing protests over the Citizenship Amendment Act. With Trump offering mediation on resolving the J&K dispute, Pakistan believes the Kashmir game is not yet over.

Delhi limps to a tense calm

PM APPEALS FOR PEACE; SITUATION UNDER CONTROL, SAYS NSA DOVAL

IB OFFICER'S BODY FOUND, TOLL FROM TUESDAY'S CLASHES RISES TO 24

CAN'T LET ANOTHER 1984 HAPPEN, SAYS HC

People in Khajuri Khas area of northeast Delhi leaving their houses (*left*) on Wednesday. NSA Ajit Doval said the situation was under control after he visited the affected areas. He later briefed Home Minister Amit Shah on the situation

PHOTOS: PTI

ADITI PHADNIS & ARCHIS MOHAN
New Delhi, 26 February

A badly wounded Delhi began limping back to a semblance of normalcy on Wednesday with crisp directives to the government by the high court, immediate intervention by National Security Advisor Ajit Doval and an appeal by Prime Minister Narendra Modi for peace in the northeast part of the city that has seen communal violence during the past two days.

A day after US President Donald Trump concluded his India visit, the US Embassy in New Delhi on Wednesday advised American citizens to "exercise caution in light of violent demonstrations in northeast Delhi". Russia and France have issued similar travel advisories to their citizens.

Doval made a presentation to the Cabinet Committee on Security and undertook a tour of northeast Delhi. It was his second visit to the area since Tuesday evening. Officials said the PM tasked Doval with the mandate to restore normalcy in the riot-hit areas.

Meanwhile, Union Home Minister Amit Shah, whose ministry has the jurisdiction of the national capital's law and order, held a meeting of a group of ministers (GoM) to discuss onion, edible, pulses and other food commodities. The GoM meeting also comprised ministers Ram Vilas Paswan, Narendra Singh Tomar and Piyush Goyal.

In the evening, Doval briefed the home minister on the law and order situation. Congress president Sonia Gandhi demanded the resignation of Shah. "By sending Ajit Doval (to the riot-hit areas), the PM has proved that Amit Shah is a complete failure as the home minister of India. Modi ji, why don't you sack a home minister on whom you have lost trust," Congress spokesperson Randeep Surjewala said.

Paramilitary forces like the Central Industrial Security Force, the Sashastra Seema Bal, usually deployed on the India-Nepal Land border, and the Indo Tibetan Border Police were pressed into service to conduct a flag march.

Residents were asked to stay indoors as the number of dead rose to at least 24.

Among those dead was an officer of the Intelligence Bureau whose body was found in a drain. Sullen residents complied and many families, fearful of another round of violence, simply locked up their homes and left, intending to return when the situation returned to normal. Closer scrutiny of arson suggested businesses were attacked selectively.

Modi sought calm and asked citizens not to take the law into their hands, pleading for peace and brotherhood. But the star of the show was the Delhi High Court that issued many directives to the government — to ensure maximum dignity in conducting the last rites of the dead, 'Z-plus type' security for residents, 24X7 telephone helpline number and adequate policing.

The court made the government — represented by Solicitor General Tushar Mehta — listen to videos of hate speeches, and asked the Delhi Police to examine by Friday the speeches of Union Minister of State for Finance Anurag Thakur, MP Parvesh Sharma, BJP leader Kapil Mishra and Delhi BJP MLA Abhay Verma made over the last few weeks and, if necessary, file FIRs against them.

A division Bench of Justice S Muralidhar and Justice Anup Jairam Bhambhani also asked some of the highest functionaries in the state and the central governments to meet the victims and their families, and slated the matter for Friday.

"We cannot let another 1984 scenario (anti-Sikh riots) happen in this country again. Not under the watch of this court," the Bench said. The court also expressed concern over the reports regarding the killing of an Intelligence Bureau (IB) officer and termed it "very unfortunate". It also directed to set up helpline desks for immediate help to victims and directed that private ambulances should be provided for safe passage of victims.

Stressing the need to rebuild confidence, the high court said this is the time to reach out to people and assure them. "It must be done as soon as possible," said the Bench. The court also directed to set up shelters for the victims with basic facilities such as blankets, medicines, food, and sanitation on a war footing, and said that night shelters and community halls shall also be used for the same.

The high court also appointed advocate Zubeda Begum as amicus curiae to coordinate between victims and various agencies in the matter related to medical assistance and safe passage of the victims. The court, while hearing a petition seeking directions to the Delhi Police to provide medical assistance to the injured, also appreciated how swiftly the Delhi Police acted.

In a rare press conference, interim Congress President Sonia Gandhi blamed both the Arvind Kejriwal government and Union Home Minister Amit Shah for the situation and demanded Shah's resignation for having failed the people of Delhi. This immediately had minister like Ravi Shankar Prasad retorting that the Congress should consider its own role in 1984 before pointing fingers at others.

Gandhi also convened a meeting of the Congress Working Committee. Delhi Chief Minister Arvind Kejriwal and his deputy Manish Sisodia also visited riot-hit areas in the evening. While it may take time for normal life to resume, it did not seem as if the situation will be allowed to slip again. Section 144 continues to be in force in northeast Delhi.

Country's largest solar tender stuck, firms await greenshoe option nod

SHREYA JAI
New Delhi, 26 February

To boost the domestic solar manufacturing sector, the Indian government imposed safeguard duty on imported solar cells, modules and panels in 2018 for two years. The current duty is at 15% and will expire in July

Even as India's first tender for setting up solar manufacturing is yet to conclude, the Solar Energy Corporation of India (SECI) has not finalised the letter of authorisation (LoA) for the greenshoe option in the tender, which allows companies to build additional capacity.

After facing delays and extensions for about two years, the tender for solar manufacturing received bids in November, 2019. The government invited bids for 2,000 Mw of solar manufacturing and 6,000 Mw of linked solar power plant. This was oversubscribed by the industry.

Adani Green Energy submitted a bid for 1,000 Mw manufacturing and 4,000 Mw power plant. Azure Power submitted for 500 Mw of manufacturing and 2,000 Mw power plant. Sources said both Adani and Azure quoted a tariff of ₹2.9 per unit.

There was a greenshoe option for the bidders to increase the manufacturing and power generation capacity. Under this option, Adani offered additional capacity of 1,500 Mw solar cell and module manufacturing and 6,000 Mw generation. Azure quoted additional capacity of 500 Mw manufacturing and 2,000 Mw generation.

While Azure Power announced in December that it received LoA for primary capacity of 2 Gw of power generation, Adani is yet to make a public statement. At the same time, the board of SECI has also not approved the LoA for the greenshoe portion of the tender, said sources.

Citing secrecy of the tender process, SECI Managing Director J N Swain said the tender would be awarded shortly. "We are seeking some clarification. We have already awarded LoA for power generation, manufacturing part and capacity under greenshoe would be awarded soon," he said.

Sector executives said the SECI board will take a decision to approve the greenshoe offer and also award it to the two winners. The delay in awarding the manufacturing project comes at a time when import of solar panels is facing slowdown because of protectionist measures by the Indian government.

To boost the domestic sector, the Indian government imposed safeguard duty on imported solar cells, modules and panels in 2018 for two years. The current duty is at 15 per cent and will expire in July. The tender for domestic manufacturing was also delayed during the same period.

This impacted the target for commissioning solar power projects as developers stalled imports, and didn't translate into any benefit for the domestic industry.

For the financial year 2018-19 (FY19), the tendering target set by the ministry for new and renewable energy was 30,000 Mw. Ongoing tenders add up to 26,000 Mw and none have been closed yet, because of a lack of bids, said industry sources.

"Till June 2019, no one purchased panels as they were all fighting legal cases to pass through the increased cost because of safeguard duty. Now they are waiting for the safeguard duty to get over. The gap in procuring solar panels is showing on overall target. There is a deficit of 5-10 Gw in the projects slotted for this year," said a senior executive of a leading solar manufacturing company.

In the past one-and-half years, imports of solar cells and modules reduced drastically. Imports of cells, pegged at $2.15 billion in FY19, have fallen to $1.26 billion in the current financial year till October. Cell imports peaked at $3.83 billion in FY18.

In the current year, of the 7,500 Mw target, 5,274.86 Mw has been commissioned, according to the website of the ministry of new and renewable energy.

On the export front, shipments from India have seen a slow rise in the current year, after slightly reducing in FY19. The domestic solar manufacturing industry in a petition asked the Centre to consider extending the duty beyond two years.

A framework of fear

The risk of roping in bank officials whenever there is a fraud at the borrower's end is a stringent deterrent to bank officials taking credit decisions

WITHOUT CONTEMPT

SOMASEKHAR SUNDARESAN

A very vital declaration of the law by the Supreme Court earlier this month provides much-needed relief to senior bank officials, who ran the risk of being thrown under the bus in the course of investigations into the affairs of companies to whom the bank had lent money.

Section 339 of the Companies Act, 2013 entails personally holding responsible persons who were "knowingly parties to the carrying on of the business" of the company with an intent to defraud creditors of the company without any limitation of liability, for all or any of the debts or other liabilities of the company. The check and balance against this extreme power is that such a decision can only be taken by the National Company Law Tribunal. If this power is invoked and the Tribunal declares any person to be covered by this provision, directions may be issued to "make provision" for securing the liability.

In the Nirav Modi case, this power came to be used in proceedings relating to the borrower, that is, the company promoted by Nirav Modi (not proceedings relating to the bank). The Ministry of Corporate Affairs invoked the oppression and mismanagement jurisdiction in public interest, and in the course of those proceedings, the assets of the Chairman of Punjab National Bank (chair for the period of a year and nine months) were attached. The National Company Law Appellate Tribunal too agreed that the assets of the chairman of the lender too could be attached using such power. All that the individual could have access to was cash withdrawal of ₹1 lakh per month for living expenses. The basis of doing so was that the Central Bureau of Investigation (CBI) had included the chairman as an accused when it initiated criminal prosecution of bank officials for alleged omission of putting in place checks and balances in the conduct of the affairs of the bank.

The Supreme Court has made it clear that the reach and scope of the wide power in Section 339 is to secure the interests of the company in which the alleged mismanagement has taken place. The conduct of business referred to in the provision is the business of the company in question and not the business of other companies and other persons. "It is clear that powers under these sections cannot possibly be utilised in order that a person who may be the head of some other organisation be roped in, and his or her assets be attached," the Supreme Court has ruled.

The risk of roping in bank officials whenever there is a fraud at the borrower's end is in itself a stringent deterrent to bank officials taking credit decisions. While it would be tough to attribute with precision how much of the absence of credit expansion is attributable to fear of bank officials and how much is attributable the conditions of the economy, the fact is that bank officials dread the midnight knock on their doors for loan decisions that were taken by them to provide credit to lenders, who are discovered to have committed fraud. The use of powers under Section 339 of the Companies Act was a new feature that got added to this framework of fear in which bank officials would operate. In the case at hand, the person involved was chairman for a period shy of two years, with the banking relationship already being in existence.

The CBI could well probe whether there was any criminality and would eventually have to deal with evidence in a criminal trial. However, the role of the perpetrator and victim cannot be interchangeable. When a bank is defrauded by a borrower company, the company would most likely also be mismanaged. In the fraud on the bank, the borrower is the perpetrator and the bank is the victim. In mismanagement of a company, it would not follow that the bank officials are defrauding the company and have taken money out of the company. The victim cannot become the perpetrator for those proceedings. When a fraud is discovered, and that too a large one, there is a lot of noise that emerges, which can lead to the logical reasoning from the words in the law being drowned out. The CBI probe would stand or fall on merits but for all assets to be held hostage as a perpetrator of fraud on the borrower company was a severe deterrent to normal functioning by bank officials. Thankfully, the Supreme Court has spoken.

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

CHINESE WHISPERS

Filler engagement

US President Donald Trump's headline-grabbing press conference with both Indian and foreign journalists on Tuesday, was a hurried affair. Invitations to media houses went out well past midnight, with most journalists barely getting the chance to register themselves before the window of opportunity closed at 9 am sharp. Embassy officials swore they had received instructions on getting the event off the ground at the last minute. This was confirmed by a hassled Trump administration staff member who hinted that no trade deal and few official-level talks meant that the US president had a sizable chunk of his day free. However, despite some hiccups with regard to incessant security checks for media personnel, the event seems to have gone smoothly enough. After the hour-long question-answer session ended, one senior official looked relieved. Similar events at the White House rarely go so smoothly, he confessed.

Rahul riles

Where is Rahul Gandhi? This question has popped up once again after he skipped key party meetings in the aftermath of the violence in Delhi over the Citizenship (Amendment) Act. In fact, he was conspicuous by his absence from a Wednesday meeting of the party, which was called specifically to discuss the prevailing situation in Delhi, for which all Lok Sabha and Rajya Sabha MPs were summoned. Party sources defended him saying the Gandhi scion was away on a tour, but as a party veteran pointed out, Gandhi was missed as he was still the party's best bet — if for nothing else, for his ability to rile the BJP leadership.

AAP vs Congress

The success of the Aam Aadmi Party (AAP) in the Delhi elections has spelt fresh trouble for the Congress party in Uttar Pradesh. While the grand old party is looking to revitalise its operations in the country's most populous state, AAP's stellar win in Delhi is drawing UP Congressmen, especially the younger lot, towards it, upsetting the plans of Congress general secretary in charge of UP, Priyanka Gandhi Vadra. At a recent roadshow organised by the AAP in Lucknow, several key Congress leaders from the state joined the party which is looking to aggressively expand footprint in the state. The list includes such names as former president of Uttar Pradesh unit of the Youth Congress Nadeem Ashraf Jaisi and his erstwhile deputy Manish Chaudhary. Jaisi, who hails from Congress' pocket borough of Rae Bareli, was once considered close to the Gandhi family.

LIC's governance makes it a poor market bet

IPO plans for the state-owned insurer will reveal weaknesses in its business model

SUBHOMOY BHATTACHARJEE

COVERAGE COUNT

1% Share of bank channels in new business procured

3,642* Share of bank channels in new business procured

11.8 mn Agents

51% (no. of policies) Persistency ratio (after 5 years)

66% (no. of policies) Persistency ratio (after 13 months)

108,684 Total employees

290.9 mn Total policies in force

14% Of the total premium is used for paying management bills and the agents

1.6 Solvency ratio

*branch, satellite and divisional offices +1,200 mini offices

India does not have a sovereign wealth fund but if it did, it could look like the Life Insurance Corporation (LIC). This did not happen by design, but the combination of a government-run life insurance business operating in a monopoly market until 2000 has made LIC a de facto one. The institution still does not fully report to the insurance sector regulator, being governed by a separate Act. It is also one of India's largest employment generators, its total agency force being just shy of 1.2 million. It is also suspected of having destroyed wealth because successive governments have used it to bolster the stock market and, of late, add to disinvestment receipts.

These are the worries gnawing at the commentators from February 1, when Finance Minister Nirmala Sitharaman announced plans to sell some shares of the company to the public in her Budget speech. Despite these misgivings, subjecting it to market discipline would be salutary, as Coal India, another large state monopoly, discovered in 2010 when it was listed. Foreign investors asked searching questions about its pricing policies that pushed the latter to adopt transparent practices eventually.

Yet LIC is no Aramco, with which some commentators have drawn comparisons. Sure, its turnover is larger than the Government of India's expenditure at ₹33.73 trillion (as on March 2019). But that does not tell you much about LIC's relationship with the Indian government. No LIC chief, for instance, has ever seen his position as comparable to that of the Indian finance minister. No politician, too, has thought to occupy the LIC corner room to improve his political prospects, unlike the infinitely more powerful roles that, say, Singapore's Temasek or Aramco chiefs have played in their respective political economies (that they are related to the ruling families in both countries also reflects their power). This is despite LIC earning ₹22.16 trillion from its investment in the capital markets (including government papers).

One of the reasons for this divergence between LIC and the others is that the Indian government does not draw a corresponding share of its revenue from LIC as, say, the Saudi Arabian government does from Aramco. Including taxes and 5 per cent of its surplus, LIC paid just ₹17,513.85 crore to the finance ministry in 2018-19, a 6.6 per cent rise year-on-year.

The problems with LIC is that it provides sub-optimal returns to the government, its shareholders, and to policyholders. To be sure, LIC will remain India's largest life insurance company for at least this decade. It has a market share 66.24 per cent in total first-year premiums and 74.71 per cent in new policies. It has an investment corpus of ₹31.9 trillion as of March 2018, an 11.74 per cent rise year on year. But it rarely invests this money well.

In the life insurance business, a useful metric to judge a company is what percentage of the money it earns as premium is used by the company as its risk margin. The more risk a company shares with its policyholders, the better its financial profile. This is known as participating premium. For instance, investment-linked policies are not part of participating premium.

In the life insurance business, a useful metric to judge a company is what percentage of the money it earns as premium is used by the company as its risk margin. The more risk a company shares with its policyholders, the better its financial profile. This is known as participating premium. For instance, investment-linked policies are not part of participating premium

LIC's balance sheet shows, just about half its premium is used for building up its profit. This could be good news for policyholders, because it means they get better returns, but equally bad news for shareholders, since their returns are lower. So why, then, is LIC not good news for policyholders too?

Life insurance is a long-tail business, which means that the insured should hold their policies for a long time for the company to show profits. But data shows that only 51 per cent of LIC's policies last beyond five years, which means about half of LIC's policyholders drop out early leaving the company richer by the amount of insurance that the policyholders do not claim back. Therefore, LIC is profitable for the "wrong" reasons. More LIC customers use its policies as an investment (essentially tax-saving) avenue than as a life insurance product. To keep them interested, the company sells more investment-linked products than long-term policies.

This is the reason the persistency ratio of premiums used by LIC to build its book is lower than what global insurers will recommend. In mature insurance markets, the acceptable persistency ratio is close to 90 per cent at the end of the first year and above 65 per cent after five years.

Add to this the demands placed on it by successive governments. Participating in disinvestment was the most dramatic of those, but there were other less noticed impositions. Former Finance Minister P Chidambaram asked the company to set up 1,200 mini-offices in 2013-14 in towns with populations over 10,000. These offices were in addition to LIC's existing network of branches and agents. Other insurers have to channel their policies through banks. Because of the agent network, LIC has less incentive to use the banks to sell its policies. Of the total 21.4 million new policies it issued in 2018-19, bank channels accounted for just one per cent. This is a cost policyholders bear and now new shareholders will do so too.

INNOCOLUMN

Business with purpose: Real or fluff?

A story of hunter-gatherers, planters and rainforests

R GOPALAKRISHNAN

In recent years, I have noticed myriad initiatives for entrepreneurship promotion, everywhere by everyone — for example, Niti Aayog's AIM, IITB's SINE, Pune's TIE, Chennai Angels and Calicut's ULCCS, to name just a few. At one level, start-ups and entrepreneurs seem to be intensely active and alive, confirming the statistic that India counts among the top three start-up nations in the world. At another level, the initiatives may appear to be haphazard, causing an observer to wonder whether seemingly random activities will lead anywhere. Rainforests offer some hint of an answer.

An innovation ecosystem should resemble a rainforest. Five traits are required to synergise its emergence: A clear focus on recipe rather than ingredients of success, social behaviours that encourage free flow of talent, the freedom to self-organise, promiscuous collaborations/experimentalism among individuals and, finally, personal motivations that represent irrational economic behaviour. Using these concepts, a fascinating book explains why San Diego is far more innovative than Chicago. (*The Rainforest: The Secret to Building the Next Silicon Valley* by Victor W. Hwang & Greg Horowitt; Publisher: Regenwald; 2012). The Indian ecosystem does demonstrate these five traits.

In this context, a remark at a conference last week by Saji Kuriakose, president, CMA (Calicut Management Association) is noteworthy. He said that among businesspeople, there are hunter-gatherers, planters and foresters: The first are those who start firms opportunistically, the second are those who pursue efficiency and nurture for the long term, and third, those who deeply care about their business purpose and its impact on society. This is fascinating since the metaphor is coming from a businessman who is surrounded by forests and plantations which occupy more than half of Kerala. I was, of course, further intrigued because a co-author and I wrote in our recent book, "The rainforest principle, illustrating the principle of creation and effectiveness in nature, may well differentiate thriving and growing institutions from orderly, well-run organisations." (the way Kiran Mazumdar-Shaw fermented Biocon...)

Is this point about a business having a higher social purpose real? Or is it management fluff?

ULCCS Ltd stands for Uralungal Labour Contract Co-operative Society Ltd. Outside of Kerala, readers would not have heard of it, indeed may even have difficulty pronouncing the name. This institution was started in Uralungal in Kozhikode district with a great social purpose in 1925 by a social reformer named Guru Vagbhatananda. Skilled building and construction workers had lost their jobs in the 1920s and 1930s. To mitigate unemployment and loss of livelihood, the workers were banded together into a co-operative to undertake construction projects and earn a living — an inspiration not dissimilar to Kaira co-operative, started much later in 1946 by Tribhuvandas Patel for milk. Now almost a century old, ULCCS has all the makings of an institution: It provides work to almost 12,000 rural workers, it has constructed 6,500 projects of bridges and roads all over Kerala, it has an order book of ₹3,000 crore, and enjoys growth of 25 per cent every year. It is the first primary co-operative to be recognised as a permanent member of the International Co-operative Alliance. Over 95 years, its accomplishments are so many that UNDP is making a film on the institution. To put it simply and only slightly inaccurately, ULCCS is a mini-Kerala version of L&T!

Consider ULCCS and its relevance in the digital era. Their logo shows two bare-chested labourers, pulling a road roller. Significantly, this labour co-operative has recently set up UL Cyber Park to attract IT jobs to Calicut and to encourage startups. Further, ULCCS has set up UL Technology Solutions as a "co-operative corporate" — sounds as much of a riddle as JRD Tata stating that Tata represents "socialistic capitalism". UL Technology Solutions works on AI and analytics, GIS, Application Development, IoT, Blockchain and cyber security. UL Technology Services is headed by some top-notch ex-IBM professionals. Labourers pulling a road roller and IT geeks working on cutting edge technologies — how is that for rainforest innovation in an organisation that started with a purpose?

India must be having many ULCCS-type rainforest organisations. I would love to hear of some from our readers. I wish I could learn about them and visit them. It is so inspiring for innovative India.

The writer is a distinguished professor of IIT Kharagpur. He was a director of Tata Sons and a vice-chairman of Hindustan Unilever rgopal@themindworks.me

LETTERS

Dissent critical

Even in regimented autocracies, dissent is present in some form or the other. It has never been known to disappear and it simply simmers till it finds the right outlet. In avowed democracies, the test of governance lies in the capacity of the regimes to listen, respond to then channel disagreements to a greater purpose. The definition of the sedition from the Macaulay era has kept us stuck in a socio-political quagmire in this day and age of digital evolution.

The ongoing violence in parts of Delhi pales before the fracas at the Jawaharlal Nehru University earlier. If the latter was due to an ideological divide, the former has willy-nilly been reminiscent of darker periods in our history. In both the cases, policing ought to have been more proactive, professional and emancipated which wasn't the case. Today, the Supreme Court too has underscored this in its observations on the report of the interlocutors on the Shaheen Bagh sit-in protests.

R Narayanan Navi Mumbai

Moral hazard

This refers to "Be forewarned" (February 26). Forbearance schemes in the form of either restructuring or delayed recognition of loans is a moral hazard. It encourages reckless, politically induced lending but reduces transparency about the loan classification and actual status of non-performing assets (NPAs) in banks. It builds up NPAs in the system which come to light later and bank officers are held to account for not following the norms of due diligence. One must recognise the reasons for the problems of the micro, small and medium enterprises (MSMEs) and the realty sectors. A lot of damage was caused to these sectors as a result of demonetisation. Credit is only one aspect responsible for their growth. Aspects like government approvals for the availability of land, power, raw materials, faster recoveries of dues, simple tax laws and return filing systems etc also impact MSME growth. For realty, besides laws and regulations, it is the overall pick-up in the economy and the availability of disposable income with buyers that will lead to an increase in demand. To see only bank lending as the panacea for these sectors is not the answer. The government also needs to do more to create suitable conditions for higher economic growth, better laws, faster approvals, create better infrastructure to induce growth in these sectors.

Arun Pasricha New Delhi

Strengthen satraps

This refers to the editorial "Family plots" (February 25). As a democracy, India needs an effective and responsible Opposition. Only the Congress can play this role at the national level. A coalition of disparate regional parties cannot perform this function. With its long history of leading the country towards freedom, playing an active role during the freedom struggle and nurturing India as a democracy, the Congress still has this important responsibility to be an effective Opposition.

Till the late sixties, it was the states that would send leaders to the Centre such as the late S Nijalingappa, K Kamraj or Morarji Desai. Post seventies, it was the "high command" that would nominate the state leaders. It is time for the Congress to reset this and give scope and ample opportunity for the states to elect and choose their leaders if the party proposes to regain its relevance and role. This has been amply demonstrated in the recent elections to the state Assemblies of Madhya Pradesh, Rajasthan, Chhattisgarh, Haryana, and Punjab to name some where its regional leaders have played a key role.

There is no dearth of such leaders in the party. They are not too dependent on the Nehru-Gandhi family. The Congress, for all its flaws and blemishes, is the only national level alternative that the Indians can look up to. An influential Opposition is necessary to check the power of the ruling party as dissent is extremely important for mature democracies to function properly. Rahul Gandhi cannot walk away and create a leadership vacuum. There are young and capable leaders within the Congress who can take the Gandhi family's mantle. There is no question of "Opposition-mukt Bharat" and that were to be so; we will cease to be a democracy.

H N Ramakrishna Bengaluru

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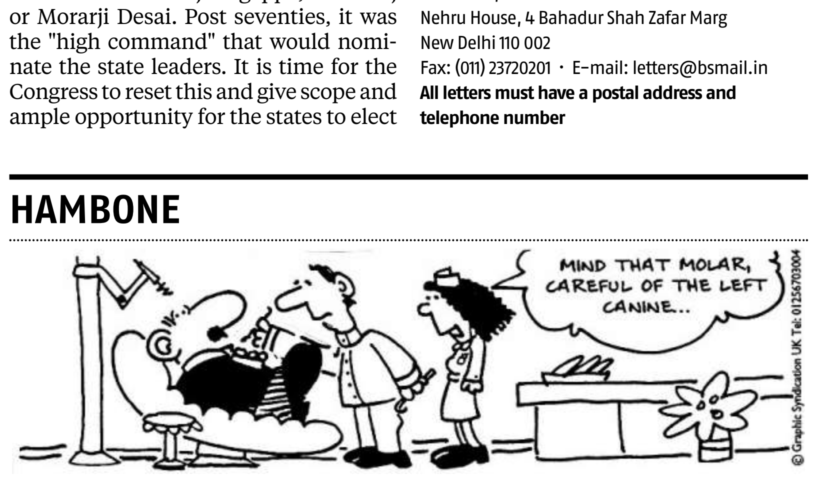
HAMBONE



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Stress-testing global economy

Global response to coronavirus remains uncertain

It became clear this week that the novel coronavirus, which emerged from the city of Wuhan in China, will not be brought under control swiftly. There has been a resurgence in the number of cases being found globally. For weeks, the primary location of diagnoses was China, and, in fact, Hebei province, where it originated. But in the past week, about 20 per cent of new daily diagnoses are being reported from outside China, including several new cases in countries such as Iran and Italy. It may be the case that the elaborate containment strategy that has been set up to firewall Hebei province has failed. The international institutions most aware of the possibilities have been clear as to how the risks have changed. The World Health Organization has said that countries should be "in a phase of preparedness" for a possible pandemic.

The fact is that it is deeply difficult to control either the spread or the effects of such a virus in a world as deeply globalised as this one has become. The spread of SARS (severe acute respiratory syndrome) in 2002 was rapid, but it was in some ways less contagious than COVID-19, and the world was not as integrated then as it is now. Nor were the risks to global supply chains in 2002 as substantial. Today, Oxford Economics estimates that a pandemic-level crisis could erase more than $1 trillion from global output. Markets, particularly on the Wall Street, have noted these pronouncements and are constantly adjusting their expectations downward with every piece of bad news. Some analysts are of the view that the risk has not been fully priced in yet.

In some ways, the coronavirus is a stress test for the current diffuse, China-led system of globalisation. Efficiencies spreading across continents to lower costs have ensured that there are few duplications built in to how companies source their inputs or intermediate goods. There is little excess capacity or alternatives in the system — as well as a great deal of inertia, and costs associated with shifting supply chains. Indeed, that is one of the reasons why in spite of wage increases in China, global supply chains have not moved away from the mainland to the degree that might have been expected.

But such over-dependence is always dangerous and insecure — and the COVID-19 virus is a reminder of that fact. There are two implications to take away. First, that many countries are underprepared for the real effect that the coronavirus might have on their economies, given the degree to which China has now become essential to the global economy. In India, multiple major sectors, including generic pharmaceuticals, depend on China for inputs, and it is not clear how they intend to manage the supply chain disruptions that a pandemic could bring in its wake. Meanwhile, the government has not made its plan clear either — a meeting with industry leaders was held by the finance minister but nothing has been made transparent about a possible response. The second implication is that the broader problem, of excessive dependence on the factories of China, must be addressed over the longer term.

While Delhi burns

The state security apparatus dithers

The unedifying spectacle of public property and religious sites being torched, and mobs throwing stones and attacking journalists just 16 km from the lavish pageantry of US President Donald Trump's state visit rudely contradicts the government's claim that the situation is under control. Those images of rioting and arson in the national capital — and not some distant outpost — were witnessed by the world press accompanying the US president. Their reports are unlikely to instil confidence in the investing community, more so when the ineptitude of the Delhi police, the first line of citizens' security, was on public display. The carnage that has left at least 24 people dead and hundreds injured, cannot be attributed to some incompetent state administration. The Delhi police comes under the Union home minister, with a wide array of security services at its disposal. The fact that the government had to give National Security Adviser Ajit Doval the mandate to restore normalcy does not speak well about the police.

Raisina Hill chose to stand inert when a disqualified Aam Aadmi Party (AAP) MLA-turned Bharatiya Janata Party tough issued an "ultimatum" to the Delhi Police to clear the roads of peaceful protestors against the Citizenship Amendment Act (CAA) or face the consequences after Mr Trump's visit. The fact that this incendiary statement was made in the presence of a senior police official is noteworthy: Clearly, Kapil Mishra felt a measure of impunity for triggering the rioting that preceded his timetable. He remains at large and continues to tweet defiantly pointing to extraordinary forbearance by a police force that swiftly arrested students at the Jawaharlal Nehru University on the slimmest of pretexts under sedition laws. The law courts have defined sedition as a crime that provokes just the kind of law and order problem that Mr Mishra precipitated.

Equally, Home Minister Amit Shah has much to answer for. He would have been well aware of the febrile and stubborn nature of the CAA protests from Shaheen Bagh, which he targeted unsuccessfully during the Delhi Assembly election campaign. He did well by skipping Mr Trump's Rashtrapati Bhavan reception to manage the situation in north-east Delhi, but TV images relayed the conspicuous absence of the police or outright collusion with rowdies on occasion. Even then Mr Shah did not think it necessary to call in the military or paramilitary forces, which have a sufficiently large presence around the capital to be mobilised at short notice. It is certainly bizarre that the high court had to be mobilised — in the middle of the night — to order the police to organise the transport of injured people to better-equipped hospitals and restore law and order, in short to do its job. The media briefing from the government on Wednesday did not help. The environment minister launched into a tirade against the Congress (for the 1984 anti-Sikh riots) and admonished the press for "demoralising" the police. And the appeal from Prime Minister Narendra Modi to restore normalcy came a bit late in the day.

Arguments over whether anti-CAA protestors, AAP members or freelance defenders of the Hindu faith were responsible for the rioting are beside the point. Blame-gaming is a popular political ruse but the time for it has passed. It is urgent that the emergency meeting of the Cabinet looks for ways to lower the political temperature, restore law and order, and prove that the government functions for all Indians, not just those who profess its majoritarian beliefs.

ILLUSTRATION: BINAY SINHA

A visit like no other

It would be wrong to say there was no substance to Trump's India tour. In fact, the mutual pay-off was significant

The just concluded visit of US President Donald Trump to India has been an unprecedented spectacle and the backdrop to a significant upgrade in India-US relations. That a US president would undertake a standalone visit to India despite electoral preoccupations at home reflects the importance attached to relations with India. Prime Minister Narendra Modi gave him an extravaganza, which will play well with his core constituency back home. It will highlight a rare bright spot in his foreign policy record, which has few successes to flaunt. The Indian diaspora in the US, increasingly rich and influential, may even swing to supporting a "friend of India". We may well see a repeat of what happened in the recent UK elections where "friends of the BJP" engaged in open lobbying for the Tories while attacking the Labour Party. Since one of the important Democratic candidates, Bernie Sanders, has been making critical remarks on Kashmir, there could well be a concerted campaign to dissuade Indian-Americans from voting Democrat. This would be welcome to Mr Trump but it will damage the bipartisan consensus India has enjoyed in Washington over the past two decades.

SHYAM SARAN

Mr Trump returned the favour to PM Modi. This was one leadership summit where Mr Trump said all the right things, heaping praise on Mr Modi and his leadership, scrupulously avoiding making any remarks which might have discomfited his host, whether on Kashmir or the Citizenship Amendment Act. He refused to be drawn into any comment on the large scale communal violence that broke out in Delhi during the visit. His praise of India as a successful plural and diverse country and PM Modi's commitment to the values of a liberal democracy were a very public snub to the latter's critics both at home and abroad. As leaders who thrive on public adulation and have perfected political showmanship on a grand scale, the mutual pay-off from the visit was significant. For Mr Modi, some of the shine has worn off as a consequence of the horrific violence unleashed on the streets of the capital but the afterglow will remain.

Was there no substance to the visit? In fact, there was. Mr Trump showed remarkable restraint in not berating the Indian side on trade issues. His complaints on tariffs imposed by India were relatively restrained. The attitude was forward-looking and optimistic, even if the objective of a grand and ambitious trade agreement seems unrealistic. Despite the two sides being under tremendous pressure to conjure up a limited "first phase" agreement for the visit, the differences were simply too great to allow this. The economic pillar of the relationship will continue to be shaky but there is relief for now.

The substantive gains are on the political and security side. The joint statement issued at the conclusion of the visit announced a decision to upgrade the relationship to a Comprehensive Global Strategic Partnership. The phraseology reflects the much broader and tighter security embrace between the two countries. The Indo-Pacific figures prominently but it should be noted that the formulation reflects the more limited geographical conception which the US prefers — Hollywood to Bollywood, or the Western Pacific. The reference to "Asean centrality" as a keystone of the Indo-Pacific would also suggest that, in operational terms, India accepts the more limited definition even if rhetorically Indo-Pacific stretches to cover the western reaches of the Indian Ocean. PM Modi specifically referred to the interoperability between Indian and US forces but this may extend, in time, to other partners. An important element in the joint statement is India's acquiescence, for the first time, to formally using the term "Quadrilateral" with reference to security cooperation among India, Australia, Japan and the US. This is significant since it suggests that India is no longer as sensitive to Chinese, even Russian, allergy to the Quad as a potential "Asian NATO". Earlier, India did not want to use the term quadrilateral, settling, coyly, for the word, "plurilateral."

Of interest, too, is the reference to the ongoing negotiations between China and Asean on a legal Code of Conduct in the South China Sea, warning that "it will not prejudice the legitimate rights and interests of all nations according to international law." China has reportedly insisted that the Code exclude activities of countries from outside the region from both security and economic activities unless there is consensus among the parties concerned. Clearly, a China battling the coronavirus epidemic provides more room for bolder ripostes.

On Afghanistan, what has not been said is more significant than what finds mention in the statement. There is no reference to the ceasefire and the possibility of a US-Taliban peace deal being concluded shortly in Doha. This is a point of worry for India and one can see why the latest developments are not reflected. To compensate for Indian apprehensions on this score, we find a more explicit formulation on the issue of cross-border terrorism and the listing of various Pakistan-based terrorist groups. But there should be no doubt that Pakistan's role is considered critical in paving the way for US troop withdrawal from Afghanistan before the US presidential elections.

There is likelihood of progress on the purchase of six US nuclear reactors under the Indo-US nuclear deal. The prospect of these sales together with increased purchases of US oil and gas, are being held out to compensate for the inability to offer the US greater market access so dear to Mr Trump's heart. This transactional approach may work for a time but the US trade establishment is unlikely to relax its pressure on several longstanding issues such as market access for agriculture and intellectual property protection.

PM Modi may take satisfaction from his display of considerable political skill in managing a mercurial, temperamental and unpredictable US president and nudging him into uncharacteristic restraint and even carefully orchestrated remarks. This broke down only when reacting to a CNN journalist. This personal chemistry will come in handy if Mr Trump returns as president in the November elections. That seems to be the bet India is taking.

The writer is a former foreign secretary and a senior fellow, CPR

Reduce regulatory risk for growth

In his Independence Day address, the prime minister called for a change in the prevailing mindset of doubting wealth creators. This found further articulation in the finance minister's Budget speech as well as in the Economic Survey. The recognition of this problem is a welcome development. Regulatory overreach and higher risk perceptions are a major concern, constraining business growth that need to be addressed.

A complex and unpredictable tax administration is a substantive burden. One transformative decision would be to give up the practice of fixing tax collection targets. These are increased linearly. In the real world, profits never grow linearly. The result is that in a year of weak performance, even honest tax officers coerce taxpayers to pay more than is due as no one would like to jeopardise his career. Ensuring completion of tax scrutiny within three years of the filing of a return would be another major step. Retrospective tax claims are a big risk of doing business in India. For investors, especially those from overseas, tax unpredictability is a major concern. Now that the tax authorities have had enough experience of looking at transfer pricing and related issues in most sectors, making the advance tax ruling process faster and credible should be a priority.

AJAY SHANKAR

When something goes wrong and there is public outrage, the tendency, over the decades, has been to put in place more stringent penal provisions, even though the existing ones may have been adequate. The Supreme Court has rightly observed that in an economic offence, grant of bail should be the norm; completion of investigation, a charge sheet and the trial is the sequence in which, on establishment of guilt, punishment follows. Compliance by the enforcement agencies with the Supreme Court's directions would go a long way towards reducing the prevailing anxiety. The new company law enacted with bipartisan consensus in 2013 had 81 provisions with criminal liability. The concept of criminal liability of a corporate entity is conceptually flawed. In the US, where criminal proceedings against corporations have been in vogue, plea bargaining is normal. Criminal proceedings are routinely settled with fines. Plea bargaining is alien to the criminal justice system in India. Instead of trying to reduce the number of criminal provisions in the company law, the goal should be to have none. Criminal liability under the Indian Penal Code and other laws are adequate.

Stiffer penal provisions, along with discretion with enforcement agencies, increases the space for corruption. Kaushik Basu, as chief economic advisor, had suggested a change in the anti-corruption laws to make only taking of a bribe an offence and not giving. The bribe giver usually has no option but to bribe in order to continue doing his business. If he is freed from criminal liability, he would have the incentive to become a complainant or a whistle blower. This would help in making a real dent against corruption. This suggestion, though quite radical, does deserve serious consideration.

The rankings on ease of doing business, single window and deemed clearances have been positive initiatives. It is now time for a more comprehensive exercise of putting in place a system of regulatory impact assessment for all regulations. The question to be asked is whether, on balance, the extra cost to business of a particular regulatory requirement outweighs the public benefit from it. The methodology for doing this is well evolved. Further, is a permission required at all, or, the firm can be expected to comply with the relevant standard with known penalties for non compliance? Is a renewal of a permission necessary? Is inspection by a government official the best approach, or a system of credible third-party certification with oversight would be preferable, as it could lead to both better compliance and lower transaction costs. In many areas, there are just not enough government officials to actually be able to do the inspection and certification that they are required to do.

Bureaucracies have the intrinsic impulse to over regulate and it has not been easy to restrain them. Even in the US, the mother country of the free market, presidents keep calling for deregulation. They claim progress in making things easier for business. A British prime minister had set up a unit in his own office to be able to achieve progress. The principle of getting rid of two existing regulations for a new one being proposed was tried out. In India, a system of external scrutiny of a proposed new regulation is required. At present, the agency empowered to introduce a new regulation takes the final decision. Even if it does undertake stakeholder consultations, it would be natural for it to see merit in its own initial proposal. In any case, it is not required to undertake any regulatory impact assessment.

Inspired by the Soviet planning system, India created too many ministries and departments. Though many of them became redundant after the economic reforms of 1991, they continue. The idea of independent regulators was promoted in the early 1990s to insulate economic regulation from the political process, taking inspiration from the US practice. The unintended consequence over the decades has been the ability of ministry after ministry to create their own regulatory commissions and appellate tribunals. India may have the largest number of such bodies in the world. They function in a judicial manner. Speedy decisions are not expected from the judicial process and outcomes are unpredictable. The state of the telecom sector is a stark illustration of the consequences.

Reversing the pendulum is not going to be easy. Sustained political leadership would be needed to create a genuinely business-friendly environment. This, however, is a precondition for India to achieve its full growth potential.

The writer is a former secretary, DPIIT

A forgotten war

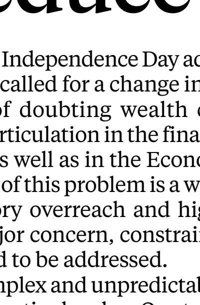
BOOK REVIEW

SAI MANISH

At a time when a country responds to the massacre of 40 soldiers in Pulwama by losing a plane, getting its pilot captured, destroying its own Air Force chopper in friendly fire that killed its own soldiers and yet having its political leadership claim victory, it is worth remembering a forgotten decisive military action that India actually won. Probal Dasgupta's book *Watershed 1967: India's Forgotten Victory Over China* does exactly that. The book is about the twin skirmishes between India and China at Nathu La and Cho La in Sikkim in September 1967, battles that have been relegated to the back alleys of India's military history for various reasons.

Mr Dasgupta's book is a gripping chronicle of the war, its consequences on China's perception of India's military capabilities and the events that preceded it. What sets the book apart is the statesmanlike narrative; a rare exception in times of shrill nationalism, jingoistic cacophony and opportunistic chest thumping over all matters military. The book also provides insights into many unknown aspects of the life of Lieutenant General Sagat Singh; the man largely credited for the liberation of Bangladesh after India's victory over Pakistan in the 1971 war. In 1967, when the war broke out, Singh was the commander of the 17 Division based in Sikkim.

Mr Dasgupta meticulously puts together the sequence of events that led to the battles at the two passes. Of particular interest to readers would be the diplomatic crisis in June 1967, when two Indian diplomats were violently deported from China after being accused of spying at military establishments. India, with Indira Gandhi as prime minister, retaliated with similar deportations of Chinese diplomats. The crisis proved to be a tipping point in flaring tensions between the two neighbours who had gone to war five years earlier in 1962. The war had been a military disaster for India and one of the reasons for playing down its victory in the 1967 clashes. With its established military superiority over India, China had been aggressively furthering its border domination tactics in Sikkim, especially at Nathu La. The book details China's psychological tactics, such as deploying loud speakers bombarding Indian soldiers posted at Nathu La with intimidating and demotivating messages to gain the upper hand. The author explains that Nathu La was a strategic domination point for China because it could virtually cut off India's north-east by invading and controlling the 25 km-wide Siliguri corridor that separated India from East Pakistan and Sikkim, then still a protectorate kingdom of India. Mr Dasgupta also sheds light on how Sikkim's monarch Palden Thondup Namgyal and his American wife Hope Cooke were publically crticising India's Sikkim policy, further playing into China's hands and making Sikkim an easy walkover for a potential Chinese march to the Siliguri corridor.



WATERSHED 1967: India's Forgotten Victory Over China
Author: Probal Dasgupta
Publisher: Juggernaut
Price: ₹599

When the Chinese finally pulled the trigger on Indian forces at Nathu La, the Indian side bore the brunt of the casualties in the initial few hours in what the author describes as a "pitiful massacre with the horrifying sight of fellow soldiers dropping next to each other… striking terror among the Indians." To Mr Dasgupta's credit, he doesn't self-censor, what to many nationalistic governments and military officials, would strike as inconvenient truths about the horrors of war. He writes, "The suddenness of the Chinese actions had forced a bunch of soldiers, over thirty of them, to instinctively make a run for their lives; some even escaping the scene. Months later, court martials would be held to prosecute deserters on charges of cowardice. To those who had had enough of the tough battle and decided to retreat to a safer shelter, a rude surprise awaited. Sagat had decided to move closer to the scene of the battle. He stood on the road coming down from Nathu La trying to stem the rout. He threatened to shoot anyone he found moving to the rear. When he saw a few men struggling, he screamed at them, lambasting them who had gone astray, finally collecting them like a schoolteacher at a picnic and steering them back into the battle."

It is in the chapter covering the battle of Cho La that the richest tributes are paid to some of the bravest men who fought in the conflict. Especially moving are the stories of the Gorkhas who ended up fighting Chinese guns with their *kukris*. While the Indian media and its film industry have ensured brilliant army commanders such as Kuldip Singh Chandpuri, Jagjit Singh Aurora and Sagat Singh remain etched in public memory, does anyone know of Debi Prasad Limbu's role in the battle of Cho La? Why did the Chinese officer who handed over his body after the war ask his Indian — counterpart, "Who the hell was he?" Mr Dasgupta's book tells the reader that and a lot more.

Making global strides

With distributor-driven expansion strategy, Bajaj Auto plans to end the fiscal with 2.2 mn units of exports

SHALLY SETH MOHILE

GAINS & PAINS

	Mcap in ₹ crore	
	Mar 29, '19	Feb 26, '20
Hero MotoCorp	51,041	42,767
Eicher Motors	56,028	47,046
TVS Motor Company	22,541	20,678
Bajaj Auto	84,352	85,362

EXPORTS (in million)

Date	Three-wheelers	Motorcycles
FY2011	0.23	0.97
FY2012	0.31	1.27
FY2013	0.25	1.29
FY2014	0.26	1.32
FY2015	0.28	1.52
FY2016	0.28	1.46
FY2017	0.19	1.22
FY2018	0.27	1.39
FY2019	0.38	1.70
*FY2020	0.26	1.59

FY2020 Till Jan 2020 Source: SIAM, BSE

At Bajaj Auto's corporate headquarters in Akurdi near Pune one cannot miss an installation of a globe with flags of as many as 70 countries. These are export destinations for company's two- and three-wheelers.

At a time when the domestic market has been reeling under a prolonged slowdown, a strong order book from the export markets has offered a good buffer and has helped Bajaj outperform its peers in terms of gains to the shareholders and margins.

In line with the broader slowing trend in the domestic market, however, Bajaj's volumes skidded 14 per cent to 1,833,060 units in the first nine months of the fiscal, according to Society of Indian Automobile Manufacturers (Siam). The overall two-wheeler market fell 15.8 per cent to 15,255,979 units in the same period.

But, in the quarter that ended in December, the company reported an Ebitda margin (earnings before interest, tax, depreciation and amortisation) of 17.9 per cent against 16.3 per cent a year ago. It was largely aided by an increased realisation from exports.

As on February 26, Bajaj Auto's market capitalisation (marketcap) was ₹85,362 crore, up from ₹84,352 crore on March 29, 2019. All its peers including Hero MotoCorp, TVS Motor and Eicher Motor have seen marketcap getting eroded in the same period (see chart).

The largest exporter of motorcycles and three-wheelers from India envisages closing the current fiscal with a record overseas shipment of 2.2 million units, a year-on-year increase of 6.2 per cent, says Rakesh Sharma, executive director at Bajaj Auto. This will be the second consecutive year of 2 million plus exports for the motorcycle and three wheeler maker.

Currently, Africa is the single largest export destination for Bajaj's motorcycle accounting for 50 per cent in exports share, followed by South Asia and Middle East which constitute 20 per cent. Latin America and Asean(Association of South East Asian Nation) account for 18 per cent and 12 per cent respectively. In each of the regions Bajaj has followed the strategy of "start small and then go deep and wide," and it has mostly paid off, says Sharma.

In all these markets the company has chosen a distributor-driven model — it has appointed a dealer which has taken responsibility to import the vehicles and distribute. In other words, Bajaj doesn't have a manufacturing or assembling base in any of these markets.

That said, it was a different story 27 years ago. In the early 1990s when Rajiv Bajaj joined Bajaj Auto and asked his father Rahul Bajaj what the latter wanted him to do with the company, he told him: "Bajaj Auto should be world class and that can happen when the company exports 20 per cent of its products."

Bajaj's latest share of exports in overall production mix indicates the engineer from University of Warwick executed the advice from the father to the tee — exports currently accounts for 47 per cent in revenue and 41 per cent of volume.

Its stellar performance hasn't gone unnoticed by the analysts. "The growth in exports is firm and would offset the domestic weakness. This makes Bajaj a good defensive play during times of uncertain domestic demand," wrote Joseph George, analyst at IIFL in a research report on Bajaj Auto after the December quarter earnings. Strong growth in exports and potential currency gains provide a hedge against the weak demand scenario in the domestic market, he added.

Bajaj's Sharma says his firm has always been export-oriented. But the real thrust came after the transition from scooters to motorcycles — 2005-06 onwards. The success of the Pulsar gave lot of confidence to the company, says Sharma. "From then to the next decade was our teenage," he adds. There was no looking back from then onwards.

Sharma, who has been steering the company into newer markets over the past decade, remains confident. "Unless there are big things, the outlook is fairly steady. More of what we have seen in the recent past is what's going to unfold in the future," he said.

The firm is now executing another phase of its exports strategy that will help the maker of Pulsar and Discover models make deeper inroads into the Asean region — a market it has struggled to break into in the past because of a tough competition from the Japanese brands. It also plans to set foot in Europe.

After its initial bid to establish presence in Asean failed forcing the company to withdraw, it re-entered the region a couple of years ago piggybacking KTM and things have started looking up in some countries like Malaysia and Philippines. Bajaj's alliance with UK-based Triumph Motorcycle will also help in making inroads into mature markets like Europe where the former has a strong presence.

The small steps the company took in each of the regions—Africa, South Asia and Middle East, Latin America and Asean in the first phase of the export strategy offered insights which in turn helped it firm up the go-to-market strategy, says Sharma.

It is not motorcycle alone which has made inroads in markets outside India. Company's RE branded three-wheelers in goods and passenger carrier also has its share. It has created 16 new markets for three-wheelers which never had a three-wheeler, claims Sharma.

Over the past decade Bajaj has worked on all the crucial dimensions—choice of products, platforms, price and developed a template which in turn has helped the firm expand quite dramatically, says Sharma.

More on www.business-standard.com

GUEST COLUMN

Find mentor with right attitude and skill sets

In the concluding part, the author talks about how mentoring can impact the growing-up process

Opportunity spotting is only the first step in the process of creating of an enterprise. Very often, the journey that involves many turbulent steps take unexpected turns. Entrepreneurs who are on a discovery-driven journey often fail if they do not know how to manage the baby steps successfully. A good mentor can help in every step of the startup process and minimise the risks of failure. Mentors are major strength for any entrepreneur. A good mentor can help the entrepreneur discover oneself and move towards stability and growth. So, the entrepreneurs should start early their search for a mentor with right attitude and skill sets.

What does mentoring involve?

Mentoring is the process of enabling and empowering the other person (mentee) to acquire the right attitudes, skills and knowledge to achieve a goal, like setting up of an entrepreneurial venture, where the mentee does not have all the necessary capabilities. It is not about giving instructions as in training, but enabling the mentee to learn to run.

KAVIL RAMACHANDRAN

In that sense, the entrepreneur hugely benefits from mentoring in the initial days that is full of experimentation and trial-and-error method, all of which involve burning the scarce finance available. One of the major reasons for startup failures is cash crunch!

Some of the generic weaknesses of startup entrepreneurs include blind faith in the potential and attractiveness of their idea. They look for support to confirm their belief and discount those do not, losing objectivity in the process. With super confidence in themselves, they take risks that are not always manageable. They do not give up hope in repeated failures as they expect better things waiting around the corner.

A good mentor, shows a mirror to the mentee and helps him or her in recognising the realities around, whether good or bad. The mentor helps manage the risk better by looking at the challenges differently.

Mentors also help in opening doors, one of the toughest parts of tapping into any network of resources such as skills, space, technology and customers who would not easily take bets on unknown entrepreneurs.

Startup journey is a roller coaster ride with ups and downs and unexpected jerks all along. Those who know to keep their cool and hold on to their seats make the full ride. Entrepreneurs go through huge emotional turbulence and benefit immensely from a mentor who is compassionate and convincing, who should be able to build confidence and give emotional support to the mentee.

In the process of mentoring, one of the biggest capabilities a mentee acquires is to possess "detached passion". Since passion involves blind faith, detached passion sounds like an oxymoron, which it is not. Entrepreneurs need very high level of passion for whatever they are undertaking, but the journey can be dangerous unless one can take a dispassionate look at everything from time to time. One should take two steps back to see if the speed and track are fine, and needs 'detached passion' to remain relevant. Good mentors build this capability when they engage the mentees in conversations sometimes involving uncomfortable questions, particularly from the angle of implementation of an idea.

Mentor as guru

Mentoring is not easy and finding a good mentor is tough. Patience and logic have to go together with intuition for a mentor to be effective.

Besides, technical and managerial capabilities, a mentor should have helping attitude without expecting any rewards. This implies sincerity and accessibility with a compassionate mind as minimum requirements to be a good mentor. The mentor should show maturity in handling turbulent situations and occasional tantrums of a passionate entrepreneur. All these qualities will enable a mentor to command respect.

A good mentor will have the qualities of a true guru who is there to help students to dispel darkness and move into light. And a mentee's gratitude will be *guru dakshina* for the mentor.

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

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SNIPPETS

Companion coffee

Indian millennials see coffee as a companion and source of comfort during a conversation, says Rachna Anbumani, vice-president of marketing, Lavazza India. This was found in a survey "Brewing Conversations" by Lavazza, an Italian roaster brand, as part of its Valentine's week project, aiming at gathering insights on whether coffee is a companion or motivator for Indian millennials and Gen-Z population. Over 3,000 young people from across all major Indian cities responded to this survey. "The results show that while coffee is a definite motivator in the mornings or at working, an overwhelming 69 per cent have said that they see the beverage as a companion," says Anbumani. Also it was found that coffee is the go — to beverage in a professional environment — a massive 94 per cent prefer it during an interview and 50 percent during client meetings.

Digital manufacturing

Artificial intelligence (AI), 3-D printing, online and on-demand manufacturing, 5G and Industrial Internet of Things (IoT), and business-to-business-to-consumer (B2B2C) model are the most significant global trends which are expected to dominate digital manufacturing in 2020. Several manufacturers are turning to AI-assisted smart algorithms to monitor and improve their outputs in more efficient manner and thereafter take informed decisions whilst minimising the risks. New-age additive manufacturing (popularly known as 3-D printing) technologies like CNC milling, fuse filament fabrication, laser and electron beam printing have made manufacturing notably faster, efficient and accurate. In wake of rising volatility across markets alongside the meteoric rise of e-commerce, both "online" and "on-demand" manufacturing have now become extremely relevant. Further, on-demand digital manufacturing has drastically improved output and product design, plus enabled manufacturers to cut down costs and efforts in terms of managing inventory.

CORRECTION

In the Strategy section (page 15) published on February 24, Pawan Munjal, chairman of Hero MotoCorp, was wrongly identified.

The error is regretted.

STATSPEAK

SOCIAL RESPONSIBILITY

The *India CSR Reporting Survey 2019* by KPMG provides a comprehensive analysis of compliance and good practices of N100 companies with respect to Corporate Social Responsibility (CSR) Policy and reporting in annual report. Santhosh Jayaram, partner and head, sustainability and CSR advisory at KPMG in India, says while the overall CSR spending is increasing, the number of companies going beyond the 2 per cent mandate is also increasing. "Also the companies, which are not required to spend allocated budgets, are spending. The overall governance indicators around CSR have shown a steady improvement in the last five years," he says.

ABSOLUTE CSR EXPENDITURE (2018-19)

Top three sectors
- Energy and power
- Banking, financial services and insurance
- IT Consulting

Sectors which spent less than prescribed 2 per cent amount
- BFSI
- IT
- Services
- Aviation
- Telecom
- Media & entertainment

Accounting for 66 per cent of the total expenditure by N100 companies.

HELPING HAND

More companies are complying to requirements of Section 135 of the Companies Act, 2013

- **325%** increase in the number of companies that have disclosed details of outreach in annual report
- **150%** increase in the number of companies that have committed to carry forward 2 per cent of unspent amount
- **30%** companies have had more than three CSR committee meetings
- **220%** increase in expenditure towards Schedule VII (3) - 'reducing inequality' at companies with 'women as Chairperson of CSR committee'
- **76%** companies have spent 2 per cent or more during the current year
- **75%** CSR projects implemented through partnerships
- **41%** companies have aligned CSR projects for sustainable development goals in their annual report
- **18%** companies have a CSR Foundation

Source: KPMG

'The age of integrated planning is upon us'

As traditional media agencies are upscaling digital capabilities, they are also battling consultancies foraying into the space, Chakravarthy tells Anchita Ghosh

At a time when traditional advertising agency structures are breaking down and there is demand for new skill sets, how should media agencies prepare themselves to make things easy for the consumer — in terms of messaging and delivery mechanisms?

Today we cannot afford to not have a digital ecosystem. We have been upscaling our digital capabilities over the last four to five years. Now, digital accounts for 27 paisa of every ₹100 spent on media. But in a market of the size of India offline (analogue) skills continue to be very important. Television, for example, continues to get 42-43 per cent share of the total advertising spend and print, despite declining, is still at 22 per cent. One thing that happened in 2019 was that digital overtook print in terms of the share of spends. The fact is that agencies have already been changing in terms of their structure; today a good agency has 40 per cent employees in some form of digital planning, data analytics, technology and engineering. It is also important that in the age of automation, tasks that are not really value-adding but are time-consuming, need to be automated so that our teams can focus on more important things like strategy, understanding consumer behaviour better and experimenting with new emerging platforms.

Evolution of skill sets is also happening in our group. We are enabling a transition to, say, a media planner from a television planner, a person who can plan across any screen, not just TV. One who can plan on web display as well as print. I think the age of a truly integrated planning has begun.

Q&A

ANAND CHAKRAVARTHY

Managing director, India, Essence

With all the tools you have at your disposal, how are media agencies helping consumers build a better "understanding" as opposed to "awareness" of a product on the digital platform?

More and more marketers are being held responsible not just for brand health, but business outcomes. It all starts with identifying what is the key task of a particular campaign and the business objective the brand is trying to chase. For example, the task may be making consumers aware about the benefits of the product. When that needs to be done, a combination of communication and media tactic is used. One can use view sketches, multiple short videos and multiple static communication. The second area where digital really allows you to do well is customising messaging skills. The products and services for different consumers at different life stages are very different and therefore the communication should be different. While you can't do that on TV, digital allows you to target different consumer sets with different messages. Customised creative is one way to do it. The second way is dynamic creative where to the same audience on digital, you can serve multiple messages with different benefits of a product. For example, Google Pay. There are multiple benefits. You can't talk about all of them in one ad, so we have multiple short ads that highlight different benefits, communicate different messages.

Many ad tech and consultancy firms have entered the space that was once the exclusive preserve of media firms. How prepared are you?

Yes, Accenture and Deloitte came into the media space sometime back. Running a good media business is not just about having people, machines and money. Most important is to have capital, knowledge of consumers, category marketing/communication and how they can work together. One of the things that consultancies don't have is the deep knowledge of how media works, how media translates into brand objectives and specific outcomes. It's going to take them a while to learn. If you look at them, they are all focused on the "ecosystem" and executing digital campaigns for clients. Our biggest strength is the capital knowledge that is invaluable to clients.

But it's an interesting battle, there are challenges on both sides. As the consumer and the media ecosystem evolve, agencies are also accelerating their own revolution and combined with our capital knowledge, the depth of understanding of multiple categories really give us an advantage. It would be stupid of us if we think they are not a threat. We are going to build our defence.

What are you doing with regard to brand safety?

Our first priority is to help clients understand that it's very important to buy quality impressions and not ones at the cheapest rate because, as you can't control the quality of the content available out there, you can definitely control where your ads are placed. So, we have a strong focus on what we refer to as the three aspects of BAV (brand safety, ad fraud and viewability).

More on www.business-standard.com

P2P lending is for risk-takers

It is a good opportunity for HNIs as returns can be extremely attractive

BINDISHA SARANG

In the past few years, many high net worth individuals (HNIs) have begun to dabble with peer-to-peer or P2P lending. And reports suggest that the attractive returns, of as much as 10 per cent or more a year, are drawing HNIs towards this route. According to ResearchAndMarkets.com, the global P2P lending market is poised to grow at a compound annual growth rate (CAGR) of over 19 per cent and will surpass $44 billion by 2024. Newbies need to know a few things before taking the plunge.

Lender-borrower connect: P2P lending platforms connect borrowers with individual lenders, who come together to meet the former's loan requirements. Says Rajiv Ranjan, founder and CMD of PaisaDukan.com: "P2P platforms use different models. Some have salaried individuals as borrowers, some have MSMEs, and so on." Emergencies such as medical, rent, advance salary are leading reasons for borrowing on P2P platforms, says a LenDenClub study.

P2P platforms remove financial institutions as direct intermediaries. Says Ranjan: "Unlike in traditional retail banking, P2P platforms are not lenders themselves. They provide a loan matching service by connecting prospective borrowers with lenders who provide the cash."

Many are increasingly finding it more comfortable to borrow from P2P lending platforms compared to traditional personal loans from banks or NBFCs as the process and the disbursement of loan is quicker. Says Manu Sehgal, business development leader, emerging markets, Equifax: "P2P lenders are now categorised and registered with the Reserve Bank of India (RBI). They submit loan performance data to credit bureaus. So, P2P loans will reflect on the credit report and will impact the credit score, just like any other loan."

ONE FOR THE RICH

Name of the P2P platform	Interest rate (% per annum)	Loan amount (₹)	Repayment tenure	Listing/ registration fee (₹)
Lendbox	12 onwards	25,000 to 5 lakh	6-24 month	500
i2ifunding	12 onwards	Up to 10 lakh	3-36 month	100
Faircent	9.99 onwards	10,000 to 5 lakh	6-36 month	500
OMLP2P	10.99 onwards	25,000 to 10 lakh	3-36 month	500
i-lend	15 onwards	25,000 to 5 lakh	6-36 month	-

Source : BankBazaar.com

A regulated space: A typical P2P borrower is one who may not be able to get bank funding. Either he is a sub-prime borrower with lower than optimal credit score, or he doesn't have easy access to credit, like a small business, mom and pop store, etc. Says Rajat Gandhi, founder and CEO, Faircent.com: "The RBI regulates P2P lending platforms to protect the interests of lenders and borrowers." According to RBI, the maximum a borrower can take at any point of time, across all P2Ps, is ₹10 lakh. The exposure of a single lender to the same borrower, across all P2Ps, can not exceed ₹50,000. The aggregate exposure of a lender to all borrowers, across platforms, is capped at ₹50 lakh. Says Ranjan: "All such interest income is taxable under 'other sources'. Also, there's no tax deduction at source."

Choosing borrowers: To register, go to the platform, fill the online form, and submit your KYC details. Some platforms charge an on-boarding fee, others change a fee later on. Once you have opened your account, you can see the profiles of borrowers. Some platforms allow you to choose the borrower and negotiate the interest rate. Others don't permit you to decide the rate but allow you to choose the borrower. Says Bhavin Patel, CEO and co-founder of LenDen Club: "Choose a platform that allows you to diversify by lending to several borrowers at a time. If you have ₹50,000, instead of lending to one borrower, lend ₹500 to 100." Once you firm up the terms like interest rate, tenure, amount and the like, you start to get your money back in the form of EMIs. Some platforms charge a one-time fee at this stage. Interest rates range from 11-36 per cent. The processing fee usually varies from 3-5 per cent for borrowers and 1 per cent for lenders.

Understand the risks: According to an RBI notification, P2P platforms need to get an explicit declaration from the lender stating that he has understood all the risks associated with the lending transactions and that the platform does not assure a return of principal or payment of interest. The declaration also states that there exists a likelihood of loss of entire principal in case of default by a borrower. The platform does not provide any assurance regarding recovery of loans. Says Patel: "Diversification of investment is the key. Spread your money across several borrowers." Adds Gandhi: "Lend across risk profiles and geographies."

A high-risk debt opportunity: P2P investing can offer mouth-watering returns, but do not go overboard while investing in them. Says Bengaluru-based certified financial planner Lovaii Navlakhi: "We have not recommended P2P investing yet. But in future if we do, we won't allow investors to put more than 1-2 per cent of their portfolio there." The average industry default rate is 7-8 per cent.

Some advisors recommend P2P to their investors, but with caveats. Says Sousthav Chakrabarty, co-founder and CEO, Capital Quotient: "Anyone who understands the risks can invest. As in equities, the returns come over time. Diversify your investment across borrowers. On one exposure, you may make 23-24 per cent, and on another it could be zero. An average return of 11-13 per cent is achievable." Those with low risk appetite should avoid it as it is essentially a high-risk opportunity in the debt portfolio.

Complain within the time limit

CONSUMER PROTECTION

JEHANGIR B GAI

Punjab State Federation of Co-operative House Building Societies was to construct super-deluxe flats at Mohali. Many people applied for these flats which were allocated in 2004. The date of possession was not mentioned.

After considerable delay, possession was given to the purchasers between July 2014 and January 2015. The excess stamp duty, which had been collected in advance, was also refunded to the flat purchasers by October 2015.

In 2019, several flat purchasers filed individual complaints before the Punjab State Commission. Since excess money towards stamp duty had been collected by the builder and retained for a long time till it was finally refunded, the flat purchasers sought interest on refund. They also claimed compensation for undue delay in possession.

As the builder had given possession and refunded the excess stamp duty in 2015, the limitation period would start then

The builder contested the case, pointing out that a complaint under the Consumer Protection Act ought to be filed within two years from the date when the cause of action arose. As the complaint was filed nearly four years from the date of possession and refund, the builder argued that the complaints were time-barred, and ought to be dismissed.

The State Commission upheld the builder's objection and dismissed the complaint as being barred by limitation. The purchasers appealed against this order to the National Commission, contending that the cause of action should be considered to be continuing in respect of housing construction disputes.

The National Commission, relying on the Supreme Court decision in the State Bank of India v/s B.S. Agricultural Industries case, pointed out that an obligation is cast on the consumer forum to scrutinise a complaint at the stage of admission to ascertain whether it is within limitation. If not, the consumer would have to make an application giving the reason for the delay and the consumer forum would have to give a reasoned order for either accepting the explanation or rejecting it.

The National Commission observed that the cause of action would be considered to be continuing in the matter of disputes regarding a delay in construction and failure to execute conveyance granting the right, title and interest in the property, as the purchase process remains incomplete and pending till the property is conveyed by the builder. Similarly, the cause of action would continue for defective construction and other statutory breaches.

In contrast, limitation would begin to run as soon as the entire transaction is completed. So, in this case, as the builder had handed over possession and refunded the excess stamp duty in 2015, the period of limitation would commence from that date, requiring the complaint to be filed by the year 2017. The Commission concluded that the complaint filed in 2019 was rightly dismissed as being time-barred.

Accordingly, by an order dated February 24, 2020 delivered by Justice V.K. Jain, the National Commission dismissed the appeal filed by the flat purchasers.

The writer is a consumer activist

BUDGET: ₹1.5 CRORE -₹2 CRORE

REALTY CHECK

Business Standard brings you a snapshot of average current rates and unit sizes in localities that offer property in the price range of ₹1.5 crore and ₹2 crore. If you are looking at buying real estate, an idea about prevailing rates would come in handy

	Avg price (₹/sq ft)	Avg unit size (sq ft)
MUMBAI		
Mulund(W)	15,72	1,419
Powai	20,057	1,142
Andheri(E)	17,071	1,305
Goregaon(W)	15,946	1,400
Chembur	17,636	1,254
Borivali(E)	15,538	1,510
Jogeshwari(W)	15,539	1,366
Andheri(W)	18,696	1,183
NEW DELHI		
Okhla Phase I	16,000	1,513
BANGALORE		
Kanakpura Road	7,701	2,738
White Field	7,071	3,138
Hennur Road	6,975	2,890
Rajajinagar	10,767	2,004
Sahakara Nagar	8,300	2,633
Jayanagar	11,930	1,897
Koramangala	11,179	2,052
Outer Ring Road-SE	6,900	3,080
CHENNAI		
Adyar	12,099	1,911
Saligramam	9,999	2,294
K.K Nagar	12,250	1,640
Vadapalani	11,150	1,925
Thiruvanmiyur (OMR)	14,800	1,516
Anna Nagar	10,900	2,062
Guindy	11,268	1,977
Thiruvidandhai	6,154	3,700
HYDERABAD		
Kondapur	7,488	2,985
Hitech City	8,800	2,614
Nanakramaguda	6,333	3,334
Banjara Hills	8,682	2,479
Manikonda	6,991	2,984
Kothaguda	9,999	2,484
Kokapet	6,420	3,459
Gachibowli	6,818	3,108
PUNE		
Baner	8,432	2,485
Kharadi	7,705	2,839
Bibwewadi	7,834	2,739
Bavdhan	7,916	2,888
Lullanagar	8,000	2,818
Hadapsar	7,829	2,928
Kalyani Nagar	11,310	1,885
Gokhale Nagar	13,500	1,586

NOTE
- The ticket price range considered for the above data points is between ₹1.5 crore and ₹2 crore
- All the data points discussed in the above table refer to primary market only
- Above residential data set comprises of residential apartments only
- Above residential data is representative of organised real estate developers only
- The top performing micromarkets based on sales during last year (November-2018 to October-2019) is represented on the above table
- Data points are updated till October 2019

Source: PropEquity

You can't build wealth with FDs

The post-tax return from most fixed-income instruments marginally beats, or lags behind, the inflation rate

SANJAY KUMAR SINGH

Indian investors turned more risk-averse in their investment choices in 2019 compared to the previous year, according to a survey conducted by UBS Global Research. The third urban consumer survey covering 1,064 participants found that respondents' ownership of lower-volatility instruments like bank fixed deposits (FDs), post office savings schemes and pension plans rose. On the other hand, their ownership of riskier products like shares and equity, balanced, and debt mutual funds fell.

Black swan events tend to trigger a flight to safety. "After the IL&FS episode and the subsequent challenges in the shadow banking space, there was a flight of capital towards perceived safe havens," says Saurav Basu, head of wealth management, Tata Capital Financial Services.

Slowing economic growth, rising job uncertainty, low salary growth, and difficulty in accessing borrowed capital have turned households more conservative. "When investors perceive greater uncertainty around their jobs and income growth, they are less willing to take risks with their investments," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

YOUR MONEY

In 2019, select large-caps did well, but the downturn in the broader markets continued. Many investors, who had started their systematic investment plans (SIPs) in mid- and small-cap funds in 2017 or 2018 have had a poor experience. "Many such investors may have stopped their SIPs or even pulled money out," says Sousthav Chakrabarty, co-founder and chief executive officer, Capital Quotient.

With many debt funds getting hit by delays and defaults in repayment, investor confidence in these funds was dented, prompting many to exit.

FALLING RATES POSE REINVESTMENT RISK

Date	1-year fixed deposit rate (%)
28-Mar-18	6.40
28-May-18	6.65
30-Jul-18	6.70
28-Nov-18	6.80
09-May-19	7.00
01-Aug-19	6.80
26-Aug-19	6.70
10-Sep-19	6.50
10-Oct-19	6.40
10-Nov-19	6.25

Source: sbi.co.in

Higher investment in bank FDs, says Basu, is natural in such an environment, since they are regarded as the safest investment option by traditional investors. Inflows into small savings schemes also rose. The total outstanding in these schemes was up 15.4 per cent year-on-year in August 2019 (Source: RBI bulletin, February 2020). Declining interest rates got transmitted to bank FD rates, but small-savings rates did not come down by the same extent. "Many investors have substituted bank FDs with post-office schemes," says Dhawan. Investment flows into gold have risen with investors trying to benefit from the bull run in the yellow metal (one-year return is 30.33 per cent) and also because it is regarded as a safe haven.

Investors who have tilted their portfolios towards fixed income should remember that these instruments will enable them to safeguard their capital, but are not suited for wealth creation over the long term. Consumer price index (CPI) based inflation has averaged 5.87 per cent over the past 10 years. "Over a longer period, after you take taxation into account, fixed-income instruments will only marginally beat inflation, or even lag behind," says Chakrabarty. Fixed-income instruments also come with reinvestment risk—the lack of surety about the rate you will get when you reinvest your money. And while many small-saving schemes offer higher returns, they come with a lock-in.

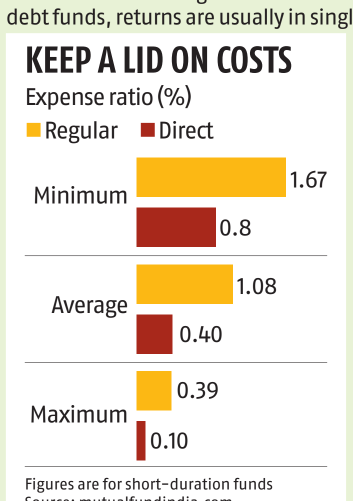
Build your portfolio using a variety of instruments, so that poor performance in one part is balanced by good performance in another. Avoid going overweight on one asset class when it is doing well, and exiting it when it hits a lean patch. Also, segregate long-term investments, of more than seven years, from medium- and short-term ones. Put that money in equity mutual funds using the SIP route to meet longer-term goals. Do not stop these investments even amid adverse conditions.

Ultra-conservative investors may put their longer-term money in fixed-income instruments. Interest generated by them can be put into the SIP of a Nifty-based index fund. This will ensure safety of principal and still allow these investors to earn market-linked returns.

TIPPING POINT

Minimise expense ratio in debt funds

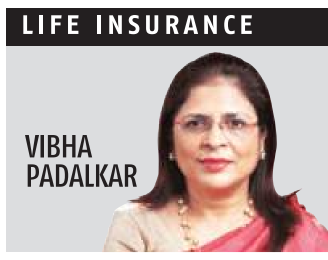
Avoiding a high expense ratio is more important in debt than in equity funds. In the latter, returns can run into double digits. A fund house can justify the high expense ratio if its fund manager is able to deliver high returns. In debt funds, returns are usually in single digit, so minimising cost is crucial. Short-duration funds (regular), for example, have given an average return of 5.79 per cent over the past three years. The category's expense ratio ranges from 0.39 per cent to 1.67 per cent. Go for a steady performer with a below-average expense ratio. Going for a direct plan is one option for reducing cost.



Figures are for short-duration funds
Source: mutualfundindia.com

READER'S CORNER

LIFE INSURANCE



VIBHA PADALKAR

When is a life insurance claim rejected? Can one challenge such a rejection?

Life insurance is about securing your loved ones in the event of your absence. To ensure that this objective is met without any hassle to our loved ones, we should be aware of the reasons that typically lead to claim rejection.

The first reason could be non-disclosure during the purchase of insurance. Information and disclosures mentioned in the proposal form are critical and material for the issuance of an insurance policy. Hence, applicants should ensure that all information and declarations are truthful and complete.

The second reason could be non-payment of premium. Regular premium policies require premiums to be paid at defined intervals, as mentioned in the policy. In the event of non-payment, policies lapse, and the benefits cease. Claims made on such lapsed policies will be rejected.

The third reason could be an eventuality during the waiting period. If a waiting period for benefits to start is mentioned in the policy provisions, insurance companies can reject the claim during that period. The suicide clause is a typical example.

The nominee can challenge a claim that is denied. First, approach the insurer to understand and then place any additional information or evidence for review. If the claimant is still not satisfied, he can seek legal help or approach the insurance ombudsman.

I am a 45-year-old life insurance policyholder. I am divorced and do not want my ex-wife to be the nominee. Instead, I want to nominate a friend. Can I do that? What else can I do to ensure my friend gets the money?

The objective of purchasing a life insurance policy is to provide financial support to one's family and loved ones, in case something happens to the policyholder. A nomination is essential as it makes the claim settlement process smooth and hassle-free. Changing the nominee can be done at any time during the term of the policy. In most cases, the nominee is a family member such as the spouse, children, parents or siblings. It is in the interest of the policyholder, and hence life insurers recommend nominating a blood relation to ensure there is no moral hazard and there is sufficient insurable interest. However, if you want to nominate someone other than a blood relation, you can submit the request to your life insurance provider. The insurance company will evaluate your request and take an informed decision based on its underwriting guidelines.

Another way you can ensure that your friend gets the insurance proceeds is by naming your friend as the beneficiary of the proceeds via a Will.

I have a seven-year-old money back policy. Is it possible to change the due date of the premiums?

While there is no provision for changing the premium due date for a money-back policy, you can alter the premium paying frequency (to annual, half-yearly, quarterly or monthly), depending on the terms and conditions of your policy. Timely payment of premiums ensures that your policy continues uninterrupted and enables you to enjoy the benefits it offers. You will typically receive a premium payment reminder well before the due date. If for any reason you have missed a premium due date, you can make the payment within the grace period, which is usually 15 days for monthly premium payments (regular) and 30 days for more extended payment options, such as yearly or half-yearly. Most companies have a host of premium payment options. You can choose one, depending on what you find convenient.

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

MCA's new audit rules to shield firms against fraud

Companies (Auditor's Report) Order to enhance disclosures on part of auditors

RUCHIKA CHITRAVANSHI
New Delhi 26 February

In a bid to bring greater financial discipline in audits, the government has asked auditors to provide details like loans given by a company for reporting whistleblower complaints and assessing internal audit mechanisms of firms.

In a press statement issued on Wednesday, the corporate affairs ministry said it had notified the Companies (Auditor's Report) Order, 2020, (CARO) on Tuesday to enhance due diligence and disclosures by auditors and bring greater transparency into the financial affairs of companies.

The rules will apply to audit reports for the financial years commencing on or after April 1, 2019.

The revisions have also put greater onus on companies to share information with the auditors.

With auditing under the scanner and two of the Big Four firms stopping non-audit services for audit clients, auditors will now be subjected to a more stringent standard of reporting.

Expanding the scope of audits beyond their current limits, auditors will now also have to specify the aggregate amount of loans taken without any terms for repayment, their percentage to total loans granted, and loans granted to promoters and related parties.

"Government has taken lessons from fraudulent activities to plug the loopholes being used by the companies to misguide investors and regulators," said Ankit Singhi, partner, Corporate Professionals.

The clauses of CARO 2016 have been redrafted to ask auditors to provide details such as immovable properties whose title deeds are not held in the name of the company but are disclosed in the financial statements.

Disclosure of details of proceedings against the company for holding benami property and whether the company has disclosed the details in its financial statements is also to be mentioned by the auditor.

Taking a cue from cases such as IL&FS, where the holding company investor did not know the goings-on of its over 300 subsidiaries, the government has asked auditors to mention any qualifications or adverse remarks by the respective auditors of the companies included in the consolidated financial statements.

While earlier rules required the auditor to report any fraud by the promoter or the officials of the company, the audit report will now have to report any fraud by or on the company.

The auditor will also be required to provide their opinion on the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities.

"These revisions to enhance reporting requirements are intended to bridge the expectation gap and will provide useful information to users about the underlying financial statements and the findings of the auditor," said P R Ramesh, former chairman, Deloitte India.

To keep the evergreening of loans in check, auditors will have to file disclosures on whether the company has taken funds from any entity to meet the obligations of its subsidiaries or joint ventures and if it has raised loans during the year on the pledge of securities held in such entities.

Auditors will also report if the company is a declared wilful defaulter by any bank or financial institution and consider the issues, objections or concerns raised by the outgoing auditors before forming an opinion.

Besides, all statutory dues that have not been deposited on account of any pending dispute are also required to be disclosed.

The new rules have also covered the disclosure regarding inventory.

The auditor has to provide specific details of whether the company has been sanctioned working capital limits in excess of ₹5 crore from banks or financial institutions on the basis of security of current assets.

"Discrepancies of 10 per cent or more in the aggregate of each class of inventory noticed during physical verification of inventory would have to be reported," the press statement said.

To reduce the manipulation of books, auditors will have to verify if quarterly statements filed with such banks are in agreement with the books of accounts.

"Auditors are now required to comment on 50 matters in CARO including sub-clauses, as against 21 matters in 2016," said Sanjeev Singhal, partner, SR Batliboi and Co.

"These steps may act as early warning signals both for the management as well as the regulators," he added.

The auditor also has to report if the company has conducted any non-banking financial or housing finance activities without a valid certificate of registration from the Reserve Bank of India (RBI).

CARO applies to all companies except those mentioned in its negative list.

CHECKS AND BALANCES

New disclosures will cover a range of subjects...

- Details of tangible and intangible assets
- Proceedings against benami property
- Loans given to promoters or related parties
- Over 10% discrepancy in inventory
- Comments on financial ratios
- Report whistleblower complaints
- Concerns raised by outgoing auditors

'HISTORY BUFF' NADELLA MEETS IT MINISTER

PHOTO: SANJAY K SHARMA

Microsoft CEO Satya Nadella called on the Minister of Electronics and Information Technology Ravi Shankar Prasad on Wednesday. Nadella was in Delhi for the Young Innovators Summit, attended by over 250 students and educators. He answered a few 'rapid fire' questions, and revealed that he was a history buff in school. When asked what superpower he would like to have, Nadella said: "If I could read all the books I bought, I would be so much better off... That's why I am excited about natural language progress." However, he took the safer route when asked about his favourite cricketer — Sachin Tendulkar or Virat Kohli. Saying the choice was as difficult as choosing religions, his reply was quite diplomatic: "I would say Sachin yesterday, Virat today."

NEHA ALAWADHI

"HAD A WONDERFUL MEETING WITH THE CEO OF MICROSOFT CORPORATION SATYA NADELLA. SHARED SUCCESS STORIES OF DIGITAL INDIA AND DISCUSSED A WIDE RANGE OF ISSUES PERTAINING TO THE IT SECTOR WITH HIM."
RAVI SHANKAR PRASAD

Merger of PSBs on course: FM

But in a meeting with the PSB brass, Sitharaman didn't discuss the merger process, said a banker

SOMESH JHA
New Delhi, 26 February

Finance Minister Nirmala Sitharaman on Wednesday reiterated that the consolidation of 10 state-owned banks is on course and will take place according to the schedule set by the government.

Her comments come even as the Union Cabinet didn't take up an important notification, supposed to be issued by the finance ministry, to take the process of the bank merger forward.

"There are no uncertainties about bank mergers. I am also conscious about the extra work related to core banking... I have asked bankers to do (it). But on merger, we are going as per the schedule. There are no uncertainties and I am on course. There needn't be any speculation," Sitharaman said during a press briefing on Wednesday.

However, in the meeting with the public sector bank (PSB) brass, Sitharaman didn't discuss the amalgamation process, a banker said. "Meeting April 1 deadline looks difficult from here on out," a chief executive officer of a PSB said, requesting anonymity.

The government's notification related to the amalgamation scheme has been delayed, sparking concern among the boards of banks about a possible delay in the merger process, which was supposed to take place by April 1, 2020 — the beginning of the next financial year.

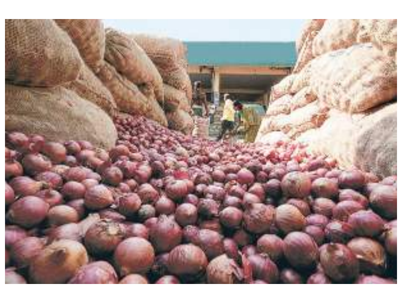
Business Standard reported on February 15 that the Union government was treading cautiously on the issue, even though the deadline to merge the balance sheets of these lenders was over a month away.

A senior government official said Prime Minister Narendra Modi wanted to see the "outcome of the amalgamation of Bank of Baroda (BoB)" before taking a final call on the merger of the 10 PSBs. The finance ministry is likely to give a presentation to the prime minister before a final decision is taken.

Finance Minister Nirmala Sitharaman (*left*) with MoS for Finance Anurag Thakur released the Enhanced Access & Service Excellence-3.0 Agenda and EASE 2.0 Annual Report during the Indian Banks' Association function, in New Delhi, on Wednesday PHOTO: PTI

Govt to lift ban on onion exports as prices are likely to fall sharply

PRESS TRUST OF INDIA
New Delhi, 26 February



The government on Wednesday decided to lift the nearly six-month-old ban on export of onions in a bid to protect the interests of farmers as prices are likely to fall sharply due to bumper rabi crop.

Sources said the decision was taken at a meeting of a Group of Ministers (GoM) headed by Home Minister Amit Shah.

"Since the price of onion has stabilised and there is bumper onion crop, government has decided to lift ban on export of onions. Expected monthly harvest in March is over 4,000,000 metric tonne (mt) compared to 2,840,000 mt last year," Food Minister Ram Vilas Paswan said in a tweet on Wednesday.

The lifting of ban would be effective once the Directorate General of Foreign Trade (DGFT) issues a notification in this regard.

The GoM on Wednesday also deliberated on whether to reduce or scrap the Minimum Export Price (MEP) on onion to facilitate outbound shipments, the sources said.

The MEP is the rate below which no exports are allowed.

Paswan, Agriculture Minister Narendra Singh Tomar, Commerce Minister Piyush Goyal and Cabinet Secretary Rajiv Gauba were present at the meeting. In September 2019, the government banned onion exports and also imposed a MEP of $850 per tonne. The move came after prices had started skyrocketing due to supply-demand mismatch.

There was shortage of onion as kharif crop was adversely affected due to excess rains and floods in key producing states, including Maharasthra.

Currently, the arrival of rabi (winter) crop of onion has begun in small quantities and would increase from mid-March.

In March alone, onion arrivals are expected to be as as high as 4,068,000 mt when compared with 2,844,000 tonne in the year-ago period, according to the sources.

The arrival is anticipated to be higher at 8,600,000 tonne in April compared to 6,100,000 tonne in the year-ago period, they added.

RBI: Link floating rate loans for medium enterprises with external benchmarks

All new floating rate loans given to medium enterprises will be linked with external benchmarks from April 1, according to the Reserve Bank of India. With respect to micro and small enterprises, floating rate loans are already linked with external benchmarks.

In a circular issued on Wednesday, RBI said it has now been decided that all new floating rate loans to the medium enterprises extended by banks from April 1, 2020, "shall be linked to the external benchmarks".

The move is aimed at further strengthening monetary policy transmission so that benefits of reduction in key lending rate (repo) can be passed on to medium enterprises also, the apex bank said. Floating rate personal and retail loans have already been linked to external benchmarks. RBI repo rate, treasury bill yields, and other market interest rate published by FBIL (Financial Benchmark India Private) are among the benchmarks.

According to the RBI, subsequent to the introduction of an external benchmark system, the monetary policy transmission has improved in respect of the sectors where new floating rate loans have been linked to external benchmarks.

PTI

Less than 4 in 10 Indians 'very comfortable' with woman as CEO or nation's leader: Study

AMRITHA PILLAY
Mumbai, 26 February

Less than 4 out of 10 Indians feel 'very comfortable' with a woman heading their government or a major company. This was the finding of a research conducted by consultancy KANTAR. Further, women in India and across the globe were more accepting of women holding leadership positions, compared to men.

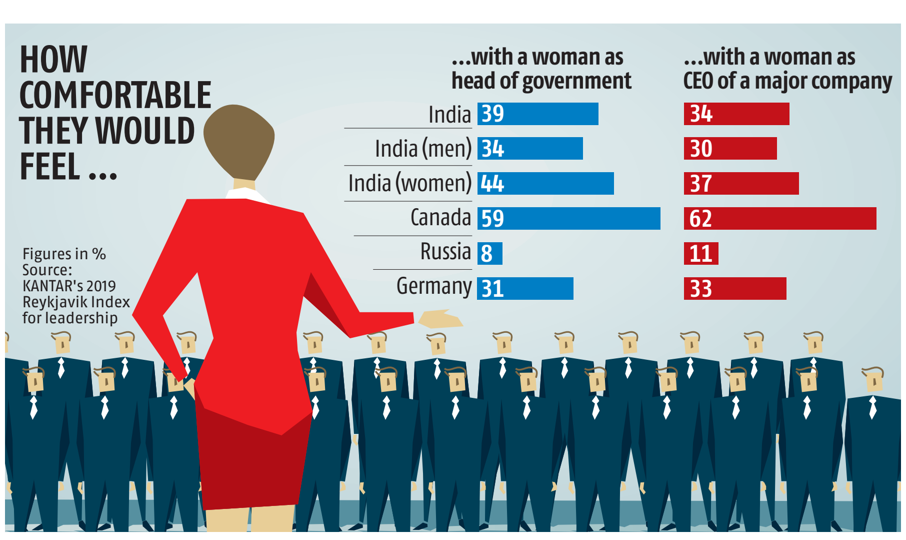
This is the first year that India was part of KANTAR's annual global exercise to rate countries on the extent to which men and women are viewed equally in terms of suitability for positions of leadership across sectors.

Named the Reykjavik Index for Leadership, the survey covers G7 (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) and BRIC (Brazil, Russia, India and China) countries this year. The index rates countries on a scale of 0 to 100 — a score of 100 means that there is complete agreement that women and men are equally suited for leadership across all sectors. "The Indices for India and Brazil are broadly in line with those for the lower-scoring G7 countries (Italy 68, Germany 69, and Japan 70), while those for Russia and China are much lower," said the KANTAR report, released on Wednesday. India ranks at 67. The higher the ranking on the index, the more acceptable is the country towards both men and women in leadership positions. The 2019 Reykjavik Index for Leadership also measures acceptability across various sectors. The findings suggest India's acceptability of both men and women in leadership positions for defence is higher than the global average. India's rank for defence and police was 68, higher than the overall index of G7 countries, which was 62.

As part of the survey, KANTAR asked a sample of 5,000 respondents in rural and urban India how comfortable they would feel with a woman as the head of government, and as the CEO of a major firm.

In India, 39 per cent of the sample said 'very comfortable' for a woman heading the government, higher than 34 per cent who replied with 'very comfortable' for a woman heading a company. However, men are less accepting of such appointments. Interestingly, less than half the women surveyed showed the highest level of acceptability for a woman heading the government or a major company. (See Chart)

India, however, ranks higher in its overall acceptability of both genders as leaders in government and politics. "India, which has had a female prime minister (Indira Gandhi) and a female president (Pratibha Patil), has an index score of 74 for this sector. Currently, 14 per cent of members of the Indian Parliament are women," the report said.



SEZs clear local sourcing test for retail chains

SUBHAYAN CHAKRABORTY & ARNAB DUTTA
New Delhi, 26 February

In a major boost to consumer electronic giants like Apple and Xiaomi, the government has relaxed the local sourcing norms. Issuing a clarification the Department for Promotion of Industry and Internal Trade (DPIIT) on Wednesday said, foreign retailers can now meet their local sourcing requirements by buying goods produced in units based in Special Economic Zones (SEZs).

While 100 per cent foreign direct investment (FDI) is allowed in single-brand retail, if the foreign investment exceeds 51 per cent, the 30 per cent mandatory local sourcing norm kicks in.

"As regards, sourcing of goods from units located in SEZs in India, it may be clarified that sourcing of goods from such units would qualify as sourcing from India for the purpose of 30 per cent mandatory sourcing from India for proposals involving FDI beyond 51 per cent, subject to SEZ Act, 2005," DPIIT said in the clarification.

This is seen as a move to further entice original equipment manufacturers (OEMs), especially for the mobile phone industry. Taiwanese OEMs such as Wistron and Foxconn, who supply to tech giant Apple are expected to benefit.

Electronics major Apple that is willing to set up its flagship Apple Stores here, has long been struggling to meet the local sourcing norms. With its key manufacturing partners – Foxconn & Wistron – having their India facilities located in SEZs, the relaxation will boost its fortunes. Currently, it procures iPhone XR from Foxconn's Tamil Nadu plant, while Wistron assembles iPhone 7 from Bengaluru.

Others like Xiaomi & Oppo — both are working to expand their branded offline store networks — source from Foxconn.

The SEZ sourcing issue was not clearly defined earlier and the industry had argued that the government was considering SEZ procurement made by retailers on a case-by-case basis, a senior functionary of the Federation of Indian Export Organisations, said. The DPIIT clarification has laid the matter to rest.

Remaking Kurkure in the *khiladi* mould

Actor Akshay Kumar is the new face for PepsiCo India's snack brand, but does he fit the bill?

The actor adds a touch of slapstick to the storyline where he plays three generations of consumers, all trying to figure out the ingredients that account for the brand's unique taste

"I love entertaining the audience and am looking forward to adding zing and liveliness (to the brand) in a memorable and unique way"

AKSHAY KUMAR

T E NARASIMHAN
Chennai, 26 February

In an age where actors and brands spend every waking hour under the glare of a billion spotlights, endorsements are a fraught issue. Ask PepsiCo India and Akshay Kumar, who have recently come together for Brand Kurkure, the corn puff snack that has traditionally spun its advertising narrative around fun and quirky tastes and targets young consumers across the country. Both have run into a cloud of criticism and some loud carping over their choices.

Where is the brand fit between a health food and fitness fanatic and a snack brand and; how does a 52-year-old actor appeal to the young Kurkure consumer? Dilen Gandhi, senior director and category head, Foods, PepsiCo India has no doubt that the brand and the endorser make a good team and is clear that the brand is harnessing the entertainer in Kumar. "We believe that Akshay Kumar, with his comic-timing and OTT (over the top) personality, personifies the brand tenets of Kurkure. Both have entertained Indian families for more than 20 years, in an endearing and fun manner," he says. Kurkure stands for a fun snack and, the company said that at the end of the day, everyone including a celebrity would like to indulge.

Valued at $104.5 million (Duff & Phelps, Celebrity Brand Valuation 2019) and the face of over 20 big brands and almost every big hit in Bollywood, it is Kumar's comic timing and sense of humour that the brand seeks as much as his mass appeal. Kumar who has a huge fan following and is well known for his comic capers in the popular *Hera Pheri* (movie) franchise says, "Kurkure for me has always been about fun and crazy times with family. The brand's quirky and unconventional campaigns have stood the test of time and are remembered by all. I love entertaining the audience and am looking forward to adding zing and liveliness (to the brand) in a memorable and unique way."

Kurkure, a brand born in and made for India, has built its persona around being rooted in local tastes. Its '*Tedha hai par mera hai*' (twisted but mine) campaign helped establish the premise and created huge recall for the brand. However in recent years, it has faced stiff competition from local and hyperlocal brands that have converted traditional domestic fare into packaged snacks. And experts believe that this is where Kumar can help the brand rebuild its pan-Indian appeal.

With Kumar, the company has launched two new flavours, *Kurkure Gazab Golmaal* and *Kurkure Hera Pheri Hungama*, both names draw on a hit comedy franchise and its characters. The ads are funny and have Kumar playing three generations of consumers. he brings a dash of slapstick to the storyline and the ads clocked one million views in a day, the company said. Kumar is also the face of the brand on digital and social media as well. "We believe the combination of Kurkure and Akshay Kumar's wide appeal cuts across geographies and town-classes and can weave magic across the country," says Gandhi.

Does Kumar's allure extend to the young consumers that PepsiCo wants to target? Sandeep Goyal, advertising and media practitioner and founder Mogae Media believes so. "He has the necessary appeal and the requisite connect with millennial audiences, in fact much better than that of younger, emerging heroes," he says. Using older heroes to reach out to the young is not just Kurkure's choice, Salman Khan for Pepsi and Shah Rukh Khan for Byju's are directionally similar, Goyal points out.

Brand fit, according to several experts, has to be redefined in the age of social media. Many older stars are extremely prolific with their tweets and posts and have managed to build a huge following on many platforms, brand are tapping into these spaces and not just the body of work or the age of the celebrity, they say. However, Kurkure must be careful as to how it uses Kumar, warns Goyal. The company must leverage the right attributes that represent Brand Kumar, which is beyond just humour and fun, he notes.

FROM PAGE 1

Voda Idea to govt...

The company has so far paid ₹3,500 crore in AGR dues. Its self-assessment showed that the firm was required to pay a total of ₹23,000 crore, of which ₹7,000 crore is the principal amount. The DoT calculation of Voda Idea's AGR dues is estimated at more than ₹50,000 crore, out of a total bill of ₹1.47 trillion to be paid by some 16 telcos, many of which have gone out of business.

"It is vital to ensure that the telecom industry remains financially strong. There is thus an immediate need to rationalise the regulatory cost burden of the telecom sector," VIL said. At a time when the government is looking at measures to bring the telecom sector back on track, the company has asked for a reduction in licence fee to 3 per cent from the current 8 per cent.

In 2016, the government had fixed the spectrum usage charge (SUC) at 3 per cent for future auctions and decided to allow a weighted average formula for all existing spectrum allocations with a floor of 3 per cent. Now, Vodafone Idea wants SUC to be reduced to 1 per cent from the current 3 per cent. "The root cause of the financial stress has been the below-cost pricing of the telecom services forced by competitive pressures. There was some increase in market prices in 2019, but that's far from enough to cover costs. Further increase in price is unlikely without a floor price regulation," the company said. Pressing for a floor price, a concept that is being considered by the Telecom Regulatory Authority of India (Trai), Vodafone Idea said it must be immediately made effective with elements such as fixed connectivity charge as well as outgoing voice and data price. Currently, telecom tariff is under forbearance.

FM warns banks...

"You want technology but have gone so far to blindly rely on rating agencies. A personal-level connect is no longer there. You are probably misjudging the customer based on the rating which, I do not know if, is exaggerated or underplayed," Sitharaman said. She added the Reserve Bank of India or the government had not issued any directive to "blindly" follow the credit rating agencies. "A good judicial mix of personal connect and data is required," she said.

The FM told the top bank executives to listen to the concerns of branch-level staff and create awareness among them related to the government schemes. "Give access to your own staff to speak to you. Hear them. Unless you do that, the flow of liquidity won't take place," she said. Sitharaman will be holding routine meetings at district-level branches of banks to listen to the grievances of field staff after the Parliament session ends on April 2.

After her speech, the FM held two set of meetings with the managing directors and chief executive officers of PSBs — one on the issue of micro, small and medium enterprises, and second on other areas of banking. In the meeting, she told the bankers to push the flow of credit, even as they apprised her about a lack of demand in the economy. "Banks should formulate some strategy for credit off-take. They cannot say there is a demand problem. You should reach out and push from the supply side. That's one of the points that the FM made," Financial Services Secretary-designate Debashish Panda told banks.

Walmart deal...

This concern was flagged in 2014 by analysts when Sobti's tenure was extended by a year (the retirement age for the heads of private banks was 65 then). A year's extension was given as then in-the-works P J Nayak Committee on governance in banks had initially deliberated on 65 as the age limit for bank CEOs. It was later decided to go by the Companies Act and the limit was extended to 70.

The RBI expects private banks to put in place a succession plan well in advance so that there is adequate time for the identified successor to settle down — be it an internal or external candidate. In the case of both Sobti and Puri, the year gone by has been about whether the central bank would align the age limit for directors in private bank boards to 75 from 70 to bring it in alignment with the Companies Act (2013). It did not budge, and wanted fresh talent to come in. HDFC Bank is yet to zero in on the candidates to succeed him, and had in January this year appointed head-hunter Egon Zehnder to identify potential successors. This is after an internal search committee set up in November 2019 failed to reach a consensus on selecting a suitable candidate to helm the bank after Puri.

AAR is a legally constituted body whose ruling is binding on the applicant as well as government authorities. Under the Income-tax Act, a foreign company or the Indian taxpayer can approach AAR and obtain a ruling on the taxability of the proposed transaction in India. "The authority has taken up some of the cases this month itself and may take four to five months to get a final order on the matter," said a tax official aware of the development. A SoftBank spokesperson declined to comment, while email questionnaires sent to Accel and Walmart on Tuesday did not elicit any response. Although some of the foreign investors of Flipkart had sought a lower deduction certificate under Section 197 of the I-T Act from the tax department, a few cases got rejected and others are under consideration. The I-T provision provides for a buyer to seek a withholding tax certificate from authorities after providing details of the transaction and make a case for availing lower or nil tax rates. The tax rate could be lower in case the non-resident seller invokes the provision of the double tax avoidance agreement.

Sabharwal of Tata...

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It's raining dividends

However, she said those receiving dividends would have to pay tax on it based on their personal income tax slab, which could be as high as 43 per cent. Currently, the dividend recipient has to pay a tax of 10 per cent if the total dividends exceeds ₹10 lakh in a fiscal year. This is in addition to the DDT paid by firms. "The new tax regime puts domestic shareholders in a disadvantageous situation because they would be required to pay a higher amount of tax. As a result, they would want to get as much dividend as possible this year," said S R Patnaik, partner & head (taxation), Cyril Amarchand Mangaldas. Experts said paying interim dividend was relatively faster as it could directly be declared by the board and didn't require shareholders' approval like final dividends.

More on business-standard.com

India added 3 billionaires each month in 2019; total tally 138

PRESS TRUST OF INDIA
Mumbai, 26 February

India added more than three dollar-billionaires every month in 2019, taking the tally to 138. This helped the country feature at the third position globally, says a report.

China and the US occupied the first and second spot, with 799 and 626 billionaires, respectively.

In total, India got 34 new billionaires to take the count to 138 on the list, topped by Mukesh Ambani of Reliance Industries with $67 billion in networth, minting ₹7 crore every hour.

The number jumps to 170 if Indian-origin billionaires outside the country are considered.

According to the ninth edition of the Hurun Global Rich List 2020, which has a list of 2,817 individuals across the globe having a net worth of $1 billion or more, the world has added 480 billionaires in 2019, more than one a day, while China added more than three a week and India did more than three billionaires a month.

However, according to the report, with 799, China is home to more billionaires than the US and India combined, and is set to add many more pharma billionaires this year as the communist nation fights the deadly coronavirus epidemic that has already killed more than 2,710 people since mid-January.

There is no surprise that Mumbai is the home to more than a third of the richest individuals in the country, with 50 of them living in the megapolis, making it the ninth richest city globally, followed by New Delhi with 30, Bengaluru with 17, and Ahmedabad with 12.

With $67 billion, Ambani is also the ninth richest in the world, which is topped by Jeff Bezos of Amazon with $140 billion.

The second in the list is SP Hinduja family ($27 billion), Gautam Adani (a little over $17 billion), Shiv Nadar & family (close to $17 billion), and Lakshmi Mittal with over $15 billion in networth.

At the sixth lot is banker Uday Kotak, with a networth of around $15 billion, making him the richest self-made banker in the whole world.

At the seventh slot is Azim Premji with ($14 billion), followed by Cyrus Poonawalla of Serum Institute ($12 billion) and Cyrus Pallonji Mistry and his son Shapoor Pallonji with $11 billion each.

Oyo founder Ritesh Agarwal, all of just 24 years, is the youngest Indian in the rich list with a networth of $1.1 billion.

Hurun Report India's Managing Director Anas Rahman Junaid said Indian billionaires are defying gravity as the deepening slowdown does not seem to hamper their growth.

It can be noted that 2019 was a good year for stock markets globally with the US bourses rallying 26 per cent and Indian and Chinese indices gaining 15 per cent and 14 per cent, respectively in the year.

50 billionaires of Mumbai control around $218 billion of wealth between them, followed by 30 in New Delhi holding $76 billion and 17 in Bengaluru worth $42 billion, while the 12 in Ahmedabad are worth $36 billion and the seven in Hyderabad are $13 billion, according to Junaid.

HURUN GLOBAL RICH LIST 2020


1 MUKESH AMBANI $67 bn
Ambani, the richest on the list, mints ₹7 crore every hour, and is the 9th richest in the world


2 SP HINDUJA $27 bn

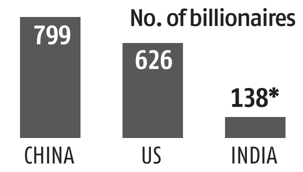

3 GAUTAM ADANI $17 bn


4 SHIV NADAR & FAMILY $17 bn


5 LAKSHMI MITTAL $15 bn


$1.1 bn Ritesh Agarwal is the youngest Indian who features in the list

INDIA THIRD GLOBALLY



"INDIAN BILLIONAIRES ARE DEFYING GRAVITY AS THE DEEPENING SLOWDOWN DOES NOT SEEM TO HAMPER THEIR GROWTH"


ANAS RAHMAN JUNAID
Managing director, Hurun Report, India

Mumbai is home to more than a third of the richest individuals in the country, with 50 of them living in the megapolis, making it the ninth-richest city globally

*Number jumps to 170 if Indian-origin billionaires outside the country are considered

Source: Hurun Global Rich List 2020

GAME, SET, MATCH: SHARAPOVA SIGNS OFF

PHOTO: REUTERS

Five-time Grand Slam winner Maria Sharapova, one of the world's most recognisable sportswomen, on Wednesday announced her retirement from tennis at the age of 32. "In giving my life to tennis, tennis gave me a life," Sharapova said. "I'll miss it everyday. I'll miss the training and my daily routine: Waking up at dawn, lacing my left shoe before my right, and closing the court's gate before I hit my first ball of the day. I'll miss my team, my coaches. Looking back now, I realise that tennis has been my mountain. My path has been filled with valleys and detours, but the views from its peak were incredible." PTI

"TENNIS — I'M SAYING GOODBYE. AFTER 28 YEARS AND FIVE GRAND SLAM TITLES, I'M READY TO SCALE ANOTHER MOUNTAIN — TO COMPETE ON A DIFFERENT TERRAIN"
MARIA SHARAPOVA

Auction of Nirav's assets postponed

Boys with Lemons, 1935, by Amrita Sher-Gil is part of the Saffronart Spring live auction on behalf of the ED

PAVAN LALL
Mumbai, 26 February

An auction of art, cars, sculptures, and valuables of diamond jeweller Nirav Modi, who is accused of bank fraud, which was set to be held on Thursday, has been postponed to March 5.

The delay comes under instructions from the Enforcement Directorate (ED) because a writ petition has been filed by Modi's camp to halt the sale, said a source aware of the auction and its related proceedings.

The auction is being conducted by Saffronart on behalf of the ED, and was expected to generate around ₹40 crore in proceeds. A separate 'Spring Online Auction' will take place as scheduled on March 3 and 4 as originally planned, said Dinesh Vazirani, chief executive officer of SaffronArt.

Legal experts said a delay was possible only if a stay had been issued and typically it takes much longer than just a day or two to vacate a stay order. In addition, no writ petition was filed as recently as Tuesday, the lawyer confirmed. This is not the first time that Modi has tried to delay an auction. Last year, days after the Income Tax Department was authorised to auction paintings owned by Modi and his shell firm Camelot Enterprises, Modi sent a legal notice to the authorities stating that the auction was unlawful. Saffronart was in charge of that auction as well.

The two sales will feature a total of 112 lots seized from Nirav Modi's Mumbai home, which include critically acclaimed works by master artists.

Leading that list are an untitled 1972 work by VS Gaitonde, whose high reserve is set at ₹9 crore; a 1935 Amrita Sher-Gil titled *Boys with Lemons*, with a high reserve of ₹18 crore; and, a 1972 MF Husain work titled *Battle of Ganga and Jamuna: Mahabharata 12*, whose high reserve is also pegged at ₹18 crore.

Other highlights include a 10-year-old Rolls Royce Ghost on sale for ₹95 lakh, and a diamond-encrusted Patek Phillipe sports watch for ₹70 lakh.

Nirav Modi came under scrutiny when he was accused of perpetuating a fraud that ran into billions of dollars and was orchestrated by using letters of undertaking, or LoUs, obtained from state-owned Punjab National Bank.

India was great, trip very successful, says Trump

US President Donald Trump on Wednesday said "India was great" and his whirlwind trip to the country was "very successful".

Trump was on his maiden official visit to India from February 24 to 25. He was accompanied by First Lady Melania and a high-powered delegation comprising senior US administration officials, including National Security Advisor Robert O'Brien.

They visited Ahmedabad, Agra, and New Delhi before leaving for Washington on Tuesday. "Just landed. India was great, trip very successful," Trump tweeted soon after he landed in the US after his 36-hour-long India visit.

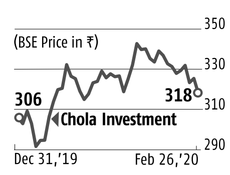
As Trump left for the US, Prime Minister Narendra Modi on Tuesday night thanked the American president for coming to India and said the visit has been a "path-breaking one".

"India-USA friendship benefits the people of our nations and the world," Modi said in a series of tweets. During the visit, India and the US on Tuesday finalised defence deals worth $3 billion under which 30 military helicopters will be procured from two American defence majors for Indian armed forces.

PTI

Business Standard
The Smart Investor
MUMBAI | THURSDAY, 27 FEBRUARY 2020
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: MORE UPSIDE FOR CHOLA INVESTMENT



Cholamandalam Investment, which has risen 4 per cent in 2020, could see more gains, say analysts. The lender recently raised ₹1,200 crore, which should be sufficient for 2-3 years of growth. A healthy outlook, good lending practices, and superior return ratios are other positives

"Mystery: We faithfully follow cues from the US market every morning. Then, how come S&P was up 30 per cent last year and India was up just 10-odd per cent?"

SAMIR ARORA,
Fund manager, Helios Capital

LIC agents pocket ₹14K crore

Earn 1.8x that of MF distributors; scrapping of upfront commission a major factor

JASH KRIPLANI
Mumbai, 26 February

Agents selling products of Life Insurance Corporation of India (LIC) have taken home ₹14,220 crore in gross commissions during the first nine months of FY20, which is 1.8x of what mutual fund (MF) distributors made during the whole of FY19.

According to disclosures made by the life insurance major, commissions paid on first year premiums grew at a sharp pace of 46 per cent in the December quarter, on a year-on-year basis. Commission on first year premiums for the quarter stood at ₹2,977 crore.

According to industry participants, the scrapping of upfront commissions by the Securities and Exchange Board of India (Sebi) — which incentivised MF distributors in the first year of selling MF products — has tilted the field in favour of insurers. "Insurance firms continue to offer high commission rates of 30-70 per cent to agents on first year premiums. This is likely to give a further boost to unit-linked insurance plans, while MFs could lose ground on account of the lower incentives following the regulatory changes," said the chief executive officer of a fund house.

The current payouts offered to LIC agents have grown 11 per cent, compared to the payouts made in the first nine months of the previous financial year. On the other hand, commissions offered to MF distributors have contracted by 7 per cent in FY19.

Numbers for the present financial year will be issued with a lag by the Association of Mutual Funds in India.

Industry players say there are concerns regarding the viability of MF distribution, with the capital markets regulator putting curbs on upfront commissions for systematic investment plans or SIPs, which are popular modes among smaller distributors and small-ticket investors. Sebi's new regulations allow upfront commission for SIPs, but only up to ₹3,000 per scheme and only for first-time MF investors.

"The lack of incentives is pushing MF distributors to consider switching to insurance products. Scrapping of upfront commission is making it difficult for individual players to cover initial costs of distribution," said Srikanth Matrubai, chief executive officer of SriKavi Wealth.

MF participants say that client acquisition costs tend to be higher in the industry and these can only be absorbed after a decent asset size is built over a longer period.

The number of new registrations by individuals for MF distribution is witnessing a declining trend. The sector has, so far, added 7,223 new individual distributors in the current financial year (during April 2019-January 2020), which is half the additions recorded in the corresponding period of the previous year.

In September 2018, Sebi introduced new slabs for the charging of total expense ratio (TER), which brought down the maximum ceiling on TER to 2.25 per cent from 2.5 per cent.

According to industry participants, larger fund houses passed the bulk of these cuts onto distributors.

LONG STRIDES

Gross expenses incurred to get new business through the agency route

	Payout to LIC agents (₹ cr)	% chg
9MFY17	10,251	2.85
9MFY18	12,005	17.11
9MFY19	12,748	6.19
9MFY20	14,220	11.55

Source: LIC disclosures

BONDS RALLY, EQUITIES NOSEDIVE AS CORONAVIRUS IMPACT INTENSIFIES

With the coronavirus (COVID-19) contagion spreading across Europe, indices have taken a hit in the last four sessions. Investors rushed to safe haven of fixed income and bonds rallied globally as a result. As bond prices rose, yields dropped. The US dollar index, which measures the greenback's strength against major currencies, have given up gains in the last few trading sessions, but it has been rising against other currencies since December after coronavirus threat started emerging in China. The stock markets are tanking on fears that companies will have to close operations temporarily, impacting their earnings. Meanwhile, the US has warned of a coronavirus outbreak in its shores. This further led to the fall of equity indices. Kristalina Georgieva, managing director of the International Monetary Fund (IMF) said at the Group of 20 meeting of finance ministers and Central Bank governors in Riyadh that countries must work together to contain the spread of COVID-19, but in any case, it can still have a negative economic impact. "Of course, we all hope for a V-shaped, rapid recovery—but given the uncertainty, it would be prudent to prepare for more adverse scenarios," Georgieva said. ANUP ROY

DAMAGE SHEET

	Currency vs $		10-year bond yield (%)		Equity indices	
	Feb 20	Feb 26	Feb 20	Feb 26	Feb 20	Feb 26
Hong Kong	7.78	7.79	-	-	27,609	26,696
Japan	112.09	110.39	-0.04	-0.09	23,479	22,426
China	7.02	7.02	2.88	2.80	3,030	2,988
UK	0.78	0.77	0.58	0.51	7,437	6,983
India	71.66	71.62	6.42	6.34	41,170	40,169
Singapore	1.40	1.40	1.66	-	3,199	3,129
South Korea	1,198.37	1,216.95	1.53	-	2,196	2,077
Eurozone	0.93	0.92	-0.44	-0.51	3,823	3,551
South Africa	15.13	15.24	8.86	8.85	52,033	48,582
Brazil	4.39	4.39	6.57	-	114,586	113,681
Germany	0.93	0.92	-0.44	-0.51	3,823	3,551
US	1.00	1.00	1.52	1.34	3,373	3,128

Compiled by *BS* Research Bureau — Source: Bloomberg

Bulls quarantined by virus spread, Sensex ends below 40K-mark

SUNDAR SETHURAMAN
Mumbai, 26 February

The benchmark indices fell for the fourth straight session on Wednesday, as investors across the globe shunned riskier assets with the virus showing no signs of abating. Experts say investors are fretting over the impact of the outbreak on the global economy.

The Sensex dropped 3.5 per cent, or 1,434 points, in the four sessions and is showing few signs of a reversal as foreign institutional investors (FIIs) continue to pull money out. In these four days, the total market capitalisation of BSE-listed firms has fallen ₹5.3 trillion.

On Wednesday, the index fell 392 points, or 0.97 per cent, to end at 39,889. The Nifty dropped 119 points, or 1.01 per cent, to close at 11,679, breaking key support levels. Barring one, all BSE sectoral indices ended the session in the red.

Major European and Asian markets fell an average 1 per cent on Wednesday. Germany's DAX fell 1.71 per cent, France's CAC fell 1.11 per cent, UK's FTSE fell 0.98 per cent, and China's Shanghai Composite fell by 0.83 per cent.

Foreign portfolio investors (FPIs) sold shares worth ₹3,337 crore, while domestic institutional investors (DII) tried to offset some selling by pumping in ₹2,786 crore into stocks.

Analysts said apart from the economic woes, the controversial citizenship law and the resultant unrest in the national capital over the past few days have hurt India's image of being the go-to investment destination.

Investors have moved from riskier assets to safe-haven assets, said experts.

Over the past four sessions, gold prices in India have risen by ₹990, or 2.2 per cent, per 10 grams to ₹42,284. Analysts said a global recession would be the likely consequence if the coronavirus becomes a pandemic.

"The outbreak in South Korea, Italy and Iran does not make sense and will spook the markets. These places are outside China and we do not know where it is coming from. The expectation that coronavirus was going to die down and there will be recovery is becoming less certain. When markets do not know what is happening, they factor in the worst," said Andrew Holland, chief executive officer, Avendus Capital Alternate Strategies.

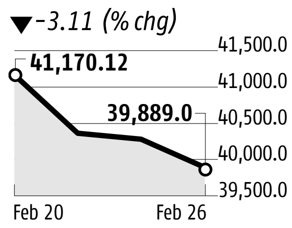
The outbreak has added to the woes of the Indian market, which is facing volatility because of issues like a weak economy, lacklustre earnings growth and lack of lending activity due to a crisis in the non-banking financial companies (NBFC) sector.

"Increasing concern regarding coronavirus the world over is impacting the global market. The economic impact is expected to be worse than thought earlier, forcing investors to stay away from risky assets. The domestic market is bracing for... subdued GDP (gross domestic product) growth, which is adding to the fear," said Vinod Nair, head (research), Geojit Financial Services.

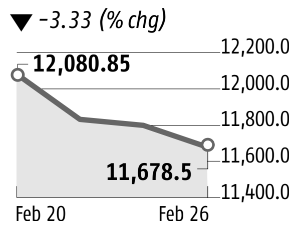
Barring seven, all the constituents of the Sensex ended the session with losses. Sun Pharma was the worst-performing stock and fell by 3.6 per cent, Maruti fell by 2.7 per cent, Larsen & Toubro fell by 2.5 per cent, and Infosys fell by 1.96 per cent.

On an overall basis, 1,655 stocks declined, and 808 advanced on the BSE. Market participants said concerns about coronavirus will affect the market movement.

SENSEX



NIFTY



Global indices fall for 5th day

World stocks tumbled for the fifth straight day on Wednesday, while safe-haven gold rose back towards seven-year highs after health authorities warned of a possible coronavirus pandemic and markets stepped up bets on interest rate cuts.

Adding to alarm, the World Health Organization said the epidemic had peaked in China, but urged other countries to prepare for virus outbreaks.

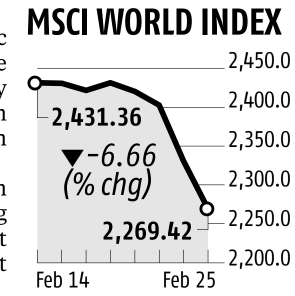
Fears of severe economic damage, even a recession, have sent MSCI's All-Country equity index to two-and-a-half month lows, wiping almost $3 trillion off its value this week alone.

Tokyo and Shanghai each ended down 0.8 per cent, having shed more than three per cent Tuesday, while Hong Kong lost 0.7 per cent.

Economic growth worries are reflected in steep drop in bond yields — 10-year US yields are down 60 basis points (bps) since the start of 2020. Moreover, US three-month T-bill yields remained some 18 bps above 10-year rates — the curve inversion that's considered a classic signal of recession.

The VIX "fear" index is now at its highest level in more than a year. **REUTERS**

MSCI WORLD INDEX



THE COMPASS

Speed breakers to keep Bosch in the slow lane

Market share loss, BS-VI transition key headwinds

RAM PRASAD SAHU

Concerns for Bosch, which has seen a sharp de-rating, are unlikely to end any time soon. Higher competitive intensity and BS-VI transition challenges have led brokerages to forecast further downside in the near term.

It has shed over 26 per cent in a year, with sluggish demand and weak operating leverage affecting its financials.

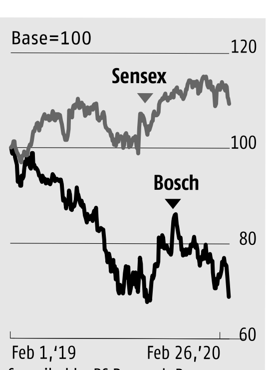
The December quarter was the fifth consecutive one to record a sales decline. Revenues fell 16 per cent, driven by lower sales in the medium and heavy commercial vehicles segment. Its domestic revenue decline, at 25 per cent, was steeper than the industry's (Bosch's segments) at 11.2 per cent.

Revenues from its non-auto segment also fell 13.9 per cent. Brokerages expect near-term pressures to remain. Analysts at Motilal Oswal Financial Services believe there is no end in sight to the slowdown, given that the near-term weak demand environment will be followed by the BS-VI transition. This poses a risk of further market share loss in commercial vehicles, and a decline in market share for its diesel passenger vehicles. However, the two-wheeler electronic fuel injection units may offset the impact.

The key worry for India's largest auto component supplier (by market capitalisation) has been the shift towards cleaner fuel options, which has disrupted its near-monopoly in diesel fuel injection systems.

Transition to cleaner fuels is a major challenge, as key components — like nozzles, injectors, and fuel pumps — that account for 70 per cent of its revenues, will be redundant in electric vehicles. Highlighting this, analysts at ICICI Securities say that rapidly changing strategies of auto makers on powertrain — with preference towards petrol and electric vehicles over diesel — is the reason for their bearish stance.

What adds to their 'sell' rating is the heightened competitive intensity across categories and increasing risk of obsolescence on past investments. The brokerage has cut its target price to ₹10,926 a share, which, given the current price of ₹13,602, indicates a 20 per cent downside. Valuations at 32x its FY21 earnings estimates are in the expensive zone.



Compiled by BS Research Bureau

Power brands give Sanofi a health boost

One-time dividend of ₹243 has given a leg up to sentiment

UJJVAL JAUHARI

The Sanofi India stock hit fresh highs on Wednesday, after it posted a better-than-expected December quarter (Q3) numbers.

Revenue growth continues to be driven by a large branded portfolio in the high-growth chronic segment. The tilt towards the more-profitable chronic segment, coupled with a leadership position in diabetes therapy, gives it an edge over its peers.

Revenues in Q3 grew 14 per cent year-on-year (YoY). The top five products have contributed about 57 per cent to revenues, and are likely to drive future growth, say analysts. Top brands like Lantus for diabetes, Allegra an anti-allergic, and Combiflam for pain relief reported strong double-digit growth.

Profits at ₹117.2 crore (up 48 per cent), adjusted for one-offs, impressed as well.

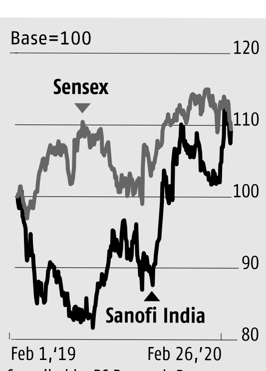
This momentum is expected to continue, with the firm's brands and line extension gaining regular traction. Analysts believe Lantus can become a much bigger brand than what it is, as power brands prevalent in under-penetrated therapies, such as diabetes, have the potential to generate a multiplier effect.

However, the share of exports — which continues to be the growth driver for Sanofi — may reduce, given the company is divesting its Ankleshwar facility to Czech-headquartered Zentiva for ₹262 crore. The agreement with Zentiva is valid till 2023.

It may also lose revenues, equivalent to ₹470 crore a year, over the next few quarters. However, the divestment of the facility is in line with the company's rationale to address excess and unutilised capacity. It will concentrate on core brands, which is a positive.

Given the focus on its domestic branded business, the stock will command higher valuations, say analysts. Further, cash flows are likely to improve as there are no large investments in building facilities.

What could boost investor sentiment is the one-time special dividend of ₹243 from the total dividend of ₹349 a share declared by the company. While analysts at Centrum have given a target price of ₹7,680, Elara Capital has pegged its target price at ₹7,300, which leaves little upside for the stock trading at ₹7,114-levels.



Compiled by BS Research Bureau

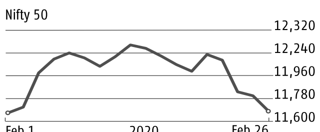
TODAY'S PICKS

BY DEVANGSHU DATTA

Nifty

Current:
11,679 (fut: 11,698)

Target: **NA**

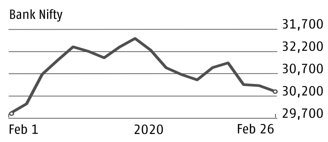


Stop long positions at 11625. Stop short positions at 11775. Big moves could go till 11825, 11575. Trend remains negative but short-covering could lead to a rally. A long March 5, 11500p (59), short 11400p (40) could gain 10–15 if the index tests 11550.

Bank Nifty

Current:
30,307 (30,377)

Target: **NA**

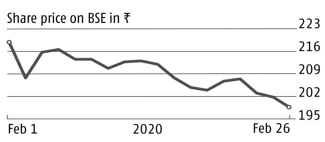


Stop long positions at 30225. Stop short positions at 30525. Big moves could go till 29950, 30800. Trend remains negative but shortcovering could trigger a rally.

ITC

Current: **₹199**

Target: **₹203**

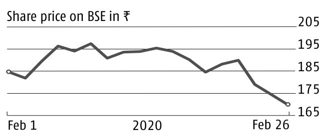


Keep a stop at 196.5 and go long. Add to the position between 201–202. Book profits at 203.

Hindalco

Current: **₹170**

Target: **₹166**

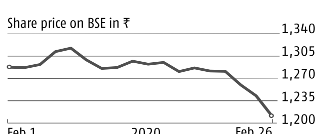


Keep a stop at 172 and go short. Add to the position between 167–168. Book profits at 166.

L&T

Current: **₹1,211**

Target: **₹1,190**



Keep a stop at 1,222 and go short. Add to the position between 1,197–1,202. Book profits at 1,190.

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

SBI Cards good bet, ticks right boxes

Stellar returns, growth profile pack a punch; improving asset quality will be key

SHREEPAD S AUTE
Mumbai, 26 February

Following robust returns by SBI Life Insurance within three years of its listing, the market is quite positive on SBI Cards and Payment Services (SBI Cards). Strong fundamentals, a healthy growth potential, and an attractive return profile makes the IPO —opening on March 2 — a good bet despite its premium valuation.

At 45-46x price-to-earnings and 15x price-to-book value (based on annualised numbers of April-December 2019), the valuation is way higher than global credit card peers and at a premium to domestic well-established lenders.

Rohan Mandora, vice-president at Equirus Securities, however, says: "SBI Cards' unique business model, strong growth visibility and healthy return ratios justify the premium valuation." Analysts at Narnolia Financial Advisors, who have 'subscribe' rating, believe SBI Cards' higher earnings growth as compared to global peers should command a higher premium.

SBI Cards has an 18 per cent market share in terms of outstanding number of cards, as of November 2019 (second to HDFC Bank at 27 per cent). Its strong 27 per cent CAGR or compound annual growth rate in credit cards from FY15-19 has helped it clock a 300-basis-point increase in market share.

Strong traction in total credit card spends, higher sourcing of customers from its parent (SBI), and cost efficiency (cost-to-income ratio declined by 204 bps over FY17-19) have helped drive up its financials. Total operating income and earnings expanded at a CAGR of 41-45 per cent during FY17-19 and by 35 per cent and 84 per cent year-on-year, respectively, in 9MFY20.

During 9MFY20, revenue from operations stood at ₹6,843 crore (up 35 per cent YoY), a tad lower than ₹6,999 crore for the entire FY19, and profit before tax at ₹1,619 crore (up 71 per cent YoY), visibly higher than FY19's ₹1,332 crore. Over two years, return on assets rose 80 bps to 5 per cent in FY19.

The trend of strong growth and healthy return ratios is expected to continue. Lower card penetration (3-4 cards per 100 people in India versus over 30 per 100 people in developed countries), expected sturdy retail credit growth, and digitation augur well for the credit card industry.

Credit Card spends, which witnessed a CAGR of 32 per cent over FY15-19 to ₹6 trillion, are expected to reach ₹15 trillion by FY24 (CAGR of 20 per cent), according to CRISIL Research.

Besides supportive macros, focus on tier-2/tier-3 areas, strong reach, its co-branding strategy and an untapped customer base of SBI should support future growth. "We started a relationship with SBI in 2017 in terms of looking at their data base in an organised way. This relationship is coming up now and there is a strong possibility that SBI Cards will generate higher numbers with SBI," says MD and CEO Hardayal Prasad.

While there are many growth opportunities, there are potential risks too, including competition from other digital channels like UPI.

However, Anil Gupta, sector head (financial sector ratings), ICRA, says the credit cards market is unlikely to get affected by other digital channels, given that these are typically used for small-ticket transactions unlike credit cards, which can be used for relatively higher amount as well.

Credit cards also offer limited free-credit to customers besides, incentives like reward points and cash backs. The jury, however is out on this.

Investors should keep an eye out for asset quality. Anand Dama and Neelam Bhatia of Emkay Global, say: "Asset quality risk is on the rise too, given the weakening economic and employment trends. Therefore, SBI Cards, with its already higher delinquency levels and a gross NPA ratio of 2.47 per cent versus 2.3 per cent in Q2 (industry average of 2 per cent), needs to be more vigilant."

Higher share of salaried customers (over 85 per cent) provides some comfort. Overall, the issue looks good for investors with long-term horizon.

HOUSE OF CARDS

	Return on assets (%)	2-yr loans CAGR (%)**	2-yr earnings CAGR (%)**	Price to book (x)	Price to earnings (x)
American Express (US)	3.5	10.0	17.7	4.1	13.4
Capital One Financial Corp (US)	1.3	2.1	22.6	0.7	7.8
HDFC Bank	2.0	22.0	18.1	3.9	24.4
Bajaj Finance	4.2	41.9	42.9	9.0	47.3
SBI Cards*	6.9	33.9	40.9	15.0	45-46

CAGR: Compound annual growth rate; Return on assets, price-to-book, and price-to-earnings are FY20 estimates; *For SBI Cards, numbers as of April-December 2019; profit after tax is annualised
** For FY17-19
Source: Bloomberg, brokerage reports, companies, *BS* Research Bureau

NSE inducts two into board

The NSE has inducted S Sudarshan, professor at IIT Bombay, and K Narasimha Murthy, partner at Narasimha Murthy & Co-Cost Accountants (Hyderabad), into its board. Both are set to join as public interest directors (PIDs).

Former Ministry of Corporate Affairs secretary and Sebi board member Naved Masood, Manipal Global Education Chairman T V Mohandas Pai, and Dhruva Advisors CEO Dinesh Kanabar have ceded their position on the NSE board, following the end of their tenure.

At present, the NSE has eight board members, including four PIDs and three shareholder directors. Under Sebi regulations, at least 25 per cent of a stock exchange's board should consist of PIDs.

Girish Chandra Chaturvedi, former petroleum secretary, is the chairman of the board. Chaturvedi and former SBI deputy managing director Anuradha Rao had joined as PIDs late last year.

These directors are tasked with upholding governance standards at bourses, and other market infrastructure institutions. Further, the initial tenure of PIDs has been lowered to three years, with extensions subject to a performance review by Sebi.

The board has a key role to play, given the bourse's IPO plans. SAMIE MODAK

Exchanges get nod to offer direct MF plans

JASH KRIPLANI
Mumbai, 26 February

Direct plans offered by mutual funds (MFs) have been handed a major boost, with the Securities and Exchange Board of India (Sebi) now allowing investors to use exchange platforms to buy and sell their units. The move could lead to exchanges offering such plans to MF investors.

"In order to further increase the reach of this platform, it has been decided to allow investors to directly access infrastructure of recognised exchanges to purchase and redeem MF units directly from MF and asset management companies," Sebi said in its circular on Wednesday.

"This is expected to provide a level-playing field to exchange MF distribution platforms vis-a-vis MF utility," said Ganesh Ram, head of BSE Star MF.

At present, assets under direct plans stand at ₹11.97 trillion, whereas those under regular plans stand at ₹15.89 trillion. Apart from BSE Star MF, NSE NMF II is another exchange platform presently used by MF distributors and other intermediaries for transactions. Earlier, the capital markets regulator had allowed exchange platforms to be used by MF distributors for buying and selling MF units on behalf of their clients.

Later, registered investment advisors were also allowed to use the platforms of exchanges.

The regulator has, in the past, expressed its interest in growing the asset base under direct plans.

With the view of investors using low-cost options, the regulator in the past has urged the MF industry to increase awareness for direct plans and exchange traded funds.

A direct plan is a mode of investment in which the MF investor bypasses any intermediary and makes a 'direct' investment. Such plans are available at lower expense ratios as the investor is not required to bear commission expenses that MFs pay to distributors.

According to industry participants the move could help the industry deepen penetration in smaller cities — also known as beyond the top 30 cities (B-30).

"In smaller cities, digital channels can help in onboarding investors. In these parts, we see lowered presence of intermediaries and such a move can make a larger impact," said the chief executive of a fund house.

Equities trump bonds, bills as asset class in 120-year streak

PUNEET WADHWA
New Delhi, 26 February

Adjusted for inflation, equities as an asset class have returned 5.2 per cent on an annualised basis over the past 120 years (since 1900), outpacing the returns by bonds at 2 per cent and bills at 0.8 per cent, says the latest Credit Suisse Global Investment Returns Yearbook 2020.

The countries included in the Yearbook represented 98 per cent of the global equity market in 1900 and still represent over 91 per cent of the investable universe at the start of 2020. In all, Credit Suisse has included 23 countries for the study as a part of this Yearbook.

Over the past 120 years (since 1900), equities have outperformed bonds, bills and inflation in 21 countries. For the world as a whole, equities outperformed bills by 4.3 per cent per year and outperformed bonds by 3.1 per cent per year.

However, over the last decade, global equities performed well with an annualised real return of 7.6 per cent, as compared to real return of 3.6 per cent from bonds, Credit Suisse says. As regards bonds, Sweden has been the best-performing country in terms of real bond returns, with an annualised return of 2.7 per cent since 1900, followed by Switzerland, New Zealand and Canada with annualised returns of 2.4 per cent, 2.3 per cent and 2.2 per cent, respectively, the Credit Suisse study says.

"2019 was a superb year for equities, with the Yearbook world index returning 28 per cent (measured in US dollar terms). The best performing market was Russia, with a return of 56 per cent (in US dollar terms), followed by Switzerland at 33 per cent. The US equity market gave a return of 30 per cent. Despite very low start-year yields, bonds also performed well in 2019, with returns of 12 per cent in the US, 9 per cent in the UK and Switzerland, and just over 10 per cent (in US dollar terms) on the world index," wrote Richard Kersley, head of global thematic research at Credit Suisse in the Yearbook 2020 co-authored with Nannette Hechler-Fayd'herbe, their chief investment officer for International Wealth Management.

RELATIVE SIZE OF GLOBAL MARKETS

	1899 end	2020 start
US	15	54.5
UK	25	5.1
Germany	13	2.6
France	11.5	3.2
Russia	6.1	NA
China	NA	4
Japan	NA	7.7

NA: Not available; All figures in %;
Source: Credit Suisse report

Region-wise breakup

Among regions, Australia's stock market achieved an annualised real return of 6.8 per cent per annum since 1900, in US dollar terms, making it the world's best performing stock market, ahead of the US, South Africa and New Zealand. India, Credit Suisse says, was added to this study in 1955, while China and Russia were added to the database in 2013.

The US, according to the study, remains the world's largest equity market and accounts for over 54 per cent of the world's investable, free-float market capitalisation (m-cap), followed by Japan at 7.7 per cent, the United Kingdom at 5.1 per cent, and China at 4 per cent.

COMMODITIES

PRICE CARD

As on Feb 26	International		Domestic	
	Price	% Chg#	Price	% Chg#
METALS ($/tonne)				
Aluminium	1,685.0	-3.7	1,967.6	5.8
Copper	5,663.5	-3.3	6,223.8	1.1
Zinc	2,038.0	-11.4	2,288.6	-13.4
Gold ($/ounce)	1,645.7*	12.6	1,844.0	12.1
Silver ($/ounce)	18.1*	5.7	20.5	6.3
ENERGY				
Crude Oil ($/bbl)	53.2*	-16.5	55.1	-13.4
Natural Gas ($/mmBtu)	1.9*	-24.7	1.9	-25.5
AGRI COMMODITIES ($/tonne)				
Wheat	191.1	3.3	303.9	1.5
Maize	185.3*	1.5	246.7	-7.2
Sugar	402.8*	17.6	484.4	-0.3
Palm oil	637.5	-2.3	1,046.6	1.6

* As on Feb 17, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 71.3 & 1 Ounce = 31.1032316 grams.

NOTES

1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no.2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.

Source: Bloomberg
Compiled by BS Research Bureau

Virus outbreak set to halt domestic steel price rally

Chinese hot-rolled coil prices have corrected by ₹1,000/tonne to ₹39,000

ADITI DIVEKAR & T E NARASIMHAN
Mumbai/Chennai, 26 February

Though the domestic steel industry is poised for a minor price hike in March, continued weak demand amid supply chain disruption because of the coronavirus outbreak is expected to keep prices under pressure.

Chinese hot-rolled coil prices have already corrected by ₹1,000 per tonne in the past few days to ₹39,000 per tonne. Prices had peaked to about ₹48,000 per tonne in October 2018.

"We are looking at a price hike of ₹500-750 per tonne from March 1, as global coking coal prices are up and we are about 10 per cent behind compared to March 2019. So, there is room to push up prices," said Jayant Acharya, director (commercial and marketing) at JSW Steel.

Domestic steel producers have continuously increased prices since November.

"Producers want to raise prices for March, but our sense is that there will be a roll over or eventually a rollback of price hike as the market is not in a position to take price increase at this juncture," said a Mumbai-based trader, speaking on condition of anonymity. The spread of coronavirus has also halted Chinese imports of intermediate materials used by domestic auto players and white goods manufacturers, impacting supply.

"Automakers are dependent on China for certain components. These shipments have not been coming because of coronavirus. This is the situation with white goods category as well. So, the demand for intermediate products is also affected," said Nikunj Turakhia, president of Steel Users Federation of India (SUFI).

Steel imports, which were already weak because of the economic slowdown, have dried up completely since the virus outbreak in December, said industry officials.

According to data from the Joint Plant Committee (JPC), India imported 5.07 million tonnes of steel in the April-November period, down 5.3 per cent from the corresponding period a year ago. The share of China in total finished steel imports declined to 18 per cent, with volumes slipping by 19 per cent, according to the data.

Meanwhile, domestic iron ore prices have also dropped because of a decline in imports from China.

According to an NMDC investor presentation, the outbreak has led to a drop in iron ore prices to $83 a tonne since the beginning of the month. Analysts at Emkay Research expect iron ore prices in the international market to remain weak as production in China is unlikely to rebound soon. Iron ore and coking coal are two key raw materials used in the making of steel.

Along with a drop in domestic steel demand, inventories of the alloy, too, declined on a year-on-year basis.

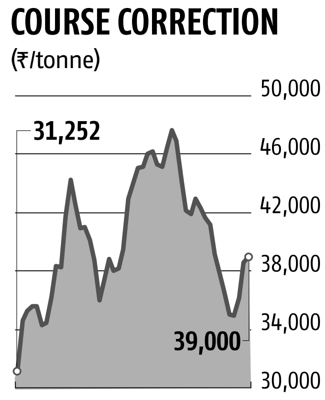
"It is the lower rate of growth of steel production that is showing [a] fall in inventory despite a dull demand scenario," said Sushim Banerjee, director general at the Institute for Steel Development and Growth.

At the beginning of February, domestic steel inventory was 400,000 tonnes lower than a year ago, and about 200,000 tonnes down from beginning of the financial year. "The rate of growth of production in [financial year 2019-20, or FY20] was 1-2 per cent as against 4-5 per cent in FY19," informed Banerjee.

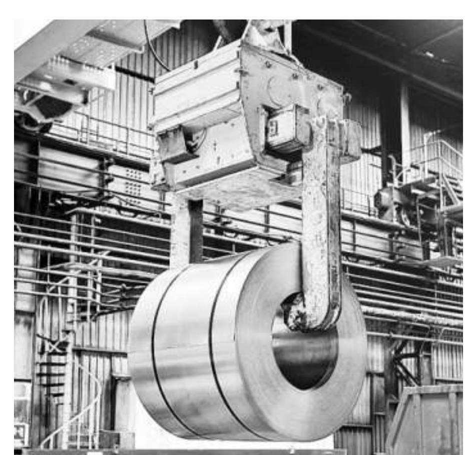
Industry officials said the domestic demand scenario would be clear by mid-March as government spending on infrastructure projects is expected to pick up.

COURSE CORRECTION

(₹/tonne)



Compiled by *BS* Research Bureau
Source: Edelweiss Securities



Diamond industry seeks direct rough allocations to SMEs

DILIP KUMAR JHA
Mumbai, 26 February

Diamond processors, under the aegis of the Gems and Jewellery Export Promotion Council (GJEPC), are in talks with leading global miners to directly allocate roughs to small and medium enterprises (SMEs) to deal with the short supply. The irregular supply of quality diamonds has been hurting domestic sales as well as exports.

Leading global diamond miner De Beers, which contributes nearly 20 per cent to the global rough supply, normally allocates this variety to pre-selected large processors across the world.

De Beers picks up between 70 and 80 global buyers, which it calls sightholders, through annual bidding every year for rough diamond allocation. The company also sells a small portion of its rough diamonds through online bidding.

India contributes 11 out of the 13 rough diamonds mined globally. So, the share of Indians in De Beers' sightholding goes up to 90 per cent, directly as well as indirectly.

Nearly half sightholders (around 35) from India find their names in the annual De Beers' rough diamond allocation list. Also, another 25-30 sightholders of Indian origin in Belgium, Antwerp and Hong Kong find place in the list of De Beers' sightholders.

"Unfortunately, SMEs do not have large sums to invest in De Beers' annual sightholding process. Even if 10-15 small SMEs join hands to participate in online tender and get allocation, the quality of rough diamond is not the same in the next bid. To assure supply of the same quality diamond for a long period, we are in talks with leading diamond miners, including De Beers and Alrosa, for a separate classification of SMEs in their annual supply list," said Manish Jiwani, convenor of micro, small and medium enterprises (MSMEs), GJEPC.

Apart from De Beers, Alrosa from Russia has emerged as a major supplier of rough diamond to India. But its supply again goes to large players which is then sold to SMEs and MSMEs in smaller quantity for processing.

"SMEs and MSMEs normally face three issues; rough supply, financing and market access. We are helping small enterprises in all the three aspects. We are in talks with banks for financing and also with small jewellery manufacturers for market access. We create awareness across the country about the incentives and benefits provided by the government for encouraging exports," said Jiwani.

Around 85 per cent of GJEPC members are from SMEs and MSMEs. Most of them lack professional efficiencies. GJEPC organised awareness programmes country to bring SMEs and MSMEs on a par with jewellery exporters.