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Business Standard

THE MARKETS ON THURSDAY		Chg#
Sensex	39,745.7▼	143.3
Nifty	11,633.3▼	45.2
Nifty futures*	11,629.3▼	4.0
Dollar	₹71.6	₹71.7**
Euro	₹78.3	₹78.0**
Brent crude ($/bbl)##	50.4##	52.7**
Gold (10 gm)###	₹42,442.0▼	₹42.0

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

ECONOMY & PUBLIC AFFAIRS P15

THIS SUMMER COULD BE HOTTER THAN USUAL: IMD

ECONOMY & PUBLIC AFFAIRS P6

TYAGI STANDS OUT FOR HIS BALANCED APPROACH

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

INDUSIND BANK NAMES SUMANT KATHPALIA CEO

Private sector lender IndusInd Bank on Thursday said Sumant Kathpalia would be the next managing director and chief executive of the bank from March 24, 2020, for a three-year term. He will succeed Romesh Sobti, who has been at the helm of affairs for over a decade now. 15▶

THE SMART INVESTOR P10

Correction may continue amid global sell-off

The Indian markets may continue their slide, following the fall in the US markets. The Dow plunged as much as 950 points early on Thursday, after US officials warned of virus spread. It partially recovered to 26,523, down 434 points, as of 12:05 am (IST). The US indices were set for their steepest weekly pullback since the global financial crisis. Meanwhile, oil prices tumbled for a fifth day on Thursday to their lowest since January 2019.

BS SPECIAL ON FRIDAY

OPINION: Understanding Budget policy 9▶

Its objectives are clear. But the reality in recent years has not cooperated with the government's plans, write **ARVIND SUBRAMANIAN & JOSH FELMAN**

COMPANIES P2

CCI looks into allegations against TaMo, two units

The Competition Commission of India (CCI) is examining allegations that Tata Motors and two finance firms of its $100-billion parent group abused their market position while selling commercial vehicles, according to three sources and legal documents seen by *Reuters*. Tata firms have denied any malpractice.

'We've beaten Wall Street estimates for 3 quarters'

Cognizant sees 2020 as a year of execution to get its bellwether tag back. Cognizant's CEO **BRIAN HUMPHRIES** spoke to **T E Narasimhan & Gireesh Babu**, elaborating the IT firm's growth plans and how India remains critical for its growth

Q&A Page 2

COMPANIES P3

Shree Cement starts world's largest kiln

Shree Cement has surpassed ACC to come up with the world's largest cement kiln at Ras Al Khaimah in the UAE. "We have operationalised the plant and now it is the world's largest cement kiln with a capacity to produce 14,500 tonne per day (tpd)," H M Bangur, managing director, Shree Cement told *Business Standard*.

Temasek eyes controlling stake in LVB

May rope in its banking arm DBS Bank India to co-invest

HAMSINI KARTHIK
Mumbai, 27 February

Temasek Holdings, the Singapore government's investment company, has furthered its talks with Indian authorities to acquire a controlling stake in capital-starved Lakshmi Vilas Bank (LVB).

According to persons aware of the development, Temasek has approached the corporate affairs and finance ministries for their approval to buy a 51 per cent stake, which will give it controlling rights in LVB. "Temasek already has an interest in several financial sector firms. Hence, it is seeking consent on whether it can take a controlling stake in one more Indian bank, which is LVB," said one of the persons.

In the listed financial space, Temasek owns shares in HDFC Bank, while it exited Axis Bank and YES Bank last year.

Once approval from the government comes through, Temasek is expected to make a binding offer to acquire the stake. "As LVB was placed under prompt corrective action by the Reserve Bank of India in September 2019, talks with the regulator have helped the bank firm up its capital infusion structure, which will be similar to the one executed by CSB Bank (earlier Catholic Syrian Bank) in February 2019," said a highly-placed source.

Also, as the bank is looking at ₹1,500-2,000 crore of capital infusion, investors looking to pump in the funds are said to be keen on taking a controlling stake.

LVB's capital adequacy ratio stood at 3.46 per cent as of December 31, 2019, well below the regulatory level of 9 per cent and may be classified as the weakest bank in India. Its advances stood at ₹17,535 crore and deposits at ₹23,565 crore on this date, both of which have shrunk by over 20 per cent year-on-year.

It is understood that Temasak may initially rope in its Indian banking unit, DBS Bank India, a subsidiary of DBS Singapore, to acquire the stake in LVB. DBS Bank India was the first to remodel its operations as an Indian subsidiary in March 2019. Turn to Page 17▶

TEMASEK'S INDIA BETS

Exposure to listed entities	₹ crore
TCS	52
HDFC Bank	27
Reliance Industries	25
Larsen & Toubro	19

Investments in financial services space	₹ crore
Pine Labs	875
Utkarsh Micro Finance	395
BTI Payments	150
Snapbizz	50

Other key investments	₹ crore
ANI Technologies	1,575
Etechaces Marketing & Consulting	1,400
GMR Infrastructure	1,136
Macrotech Developers	500
Dr Agarwal's Health Care	270

Major exits in 12 months
Bharat Electronics, Motherson Sumi, Bharat Forge, Axis Bank, Biocon, YES Bank

Source: Bloomberg

BUSINESS STANDARD INSURANCE ROUND TABLE 2020

PHOTO: KAMLESH PEDNEKAR

▲ *(From left)* SBI Life Insurance President Abhijit Gulanikar, IndiaFirst Life Insurance MD & CEO R M Vishakha, Life Insurance Corporation MD Raj Kumar, *Business Standard* Consulting Editor Tamal Bandyopadhyay, ICICI Prudential Life MD and CEO N S Kannan, HDFC Life ED Suresh Badami, and PolicyBazaar co-founder and Group CEO Yashish Dahiya

◀ *(From left)* Marsh India Country Head and CEO Sanjay Kedia, Religare Health Insurance MD and CEO Anuj Gulati, ICICI Lombard MD and CEO Bhargav Dasgupta, and Future Generali MD and CEO Anup Rau

PAGE 16 'NO MAJOR IMPACT OF TAX CHANGE' | SANDBOX OPENS UP AVENUES FOR BUNDLING SERVICES

DCC MEETING TODAY MAY DISCUSS RELIEF TO TELECOM OPERATORS

The Digital Communications Commission (DCC), the apex decision-making body in the telecom sector, is expected to meet on Friday to deliberate on a relief package for the financially stressed industry. As directed by the Supreme Court, telcos need to pay ₹1.47 trillion to the government as licence fees and spectrum charges linked to adjusted gross revenue. 15▶

BROOKFIELD-RIL InvIT MAY RAISE MORE DEBT TO ATTRACT INVESTORS

With the Budget 2020-21 levying dividend distribution tax in the hands of recipients, the Reliance Industries-Brookfield infrastructure investment trust is looking at the option of raising more debt from foreign and ultra-high net-worth investors and offer attractive interest to them. These investors will be able to save on tax by investing via jurisdictions which have lower withholding tax rates on debt instruments, **DEV CHATTERJEE** writes 18▶

China virus pushes govt to fast-track tech manufacturing

Cabinet likely to take up new scheme for consideration soon

ARUP ROYCHOUDHURY & NEHA ALAWADHI
New Delhi, 27 February

The Union Cabinet is soon expected to take up for consideration a scheme that will aim at boosting the manufacturing of smart phones, semi-conductors, and other high-value tech goods.

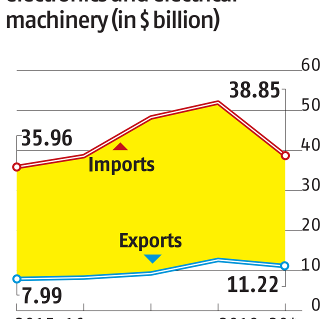
This proposal is likely to replace existing schemes like the Modified Special Incentive Package Scheme (MSIPS), Electronic Manufacturing Clusters (EMC), and Electronics Development Fund (EDF), *Business Standard* has learnt.

The scheme was first announced by Finance Minister Nirmala Sitharaman in the Union Budget this year. Work on the scheme is being speeded up because India sees opportunities in the light of companies looking to shift their manufacturing base from China due to the coronavirus epidemic.

"The process of drafting the scheme, deciding its contours, and getting it started are being expedited in the light of the situation in China. Based on our conversations with companies that are interested in moving their manufacturing bases out of China, we do see opportunities," said a senior finance ministry official. Turn to Page 17▶

WIDENING GAP

India's trade in all forms of electronics and electrical machinery (in $ billion)

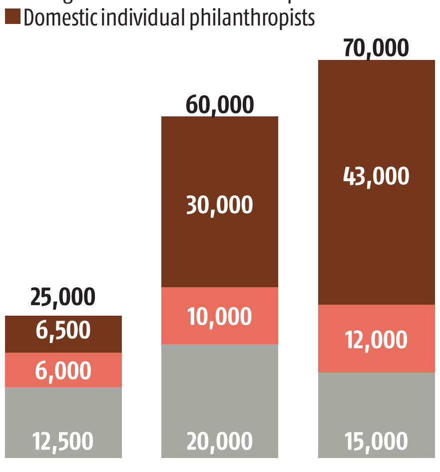


*Apr-Dec

Individuals lead the way in philanthropy

FUNDRAISING FOR A CAUSE

Private funds raised for the social sector in India (Figures in ₹ crore)



Sources: Bain & Co, Dasra, and industry estimates

Contribution from foreign sources, domestic corporations has slowed

SURAJEET DAS GUPTA
New Delhi, 27 February

Private funds raised for philanthropy and the social sector in India hit a record high of ₹70,000 crore in 2017-18 (FY18), growing at a compound annual growth rate (CAGR) of 14-18 per cent over the last eight years. While both the share and the amount from foreign contributions fell dramatically owing to the government crackdown on foreign NGOs, it was more than made up for by individuals, whose philanthropic contributions in FY18 accounted for a sizeable ₹43,000 crore. However, the contribution of domestic corporations to the social sector is slowing.

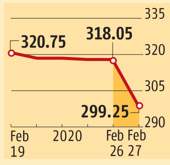
According to exclusive extracts from the latest "India Philanthropy Report 2020", to be released by Bain & Co, funds from foreign sources in FY18 contributed to only 21 per cent of the funding, down from 50 per cent in FY10. In FY15, their share was 33 per cent. The reason: The government launched a massive crackdown on NGOs for violating Foreign Contribution Regulation Act (FCRA) norms.

Biocon CMD Kiran Majumdar-Shaw, Wipro founder Azim Premji, and Infosys co-founder Nandan Nilekani are among Indians who contributed to the upward trend in private funding

The good news is that individuals' share in the funds raised for the social sector shot up from a mere 26 per cent in FY10 to over 61 per cent in FY18. The report says that landmark commitments by 11 Indian-origin families, including that of Kiran Majumdar-Shaw, Dr Romesh and Kathleen Wadhwani, Azim and Yasmeen Premji, and Nandan and Rohini Nilekani, contributed to the huge spike in private funding. Turn to Page 17▶

STOCKS IN THE NEWS

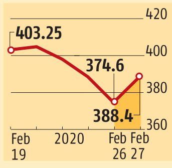
RITES



Government to sell 10% stake via OFS, fixes floor price at ₹298 per share

₹299.25 CLOSE
▼5.91% DOWN*

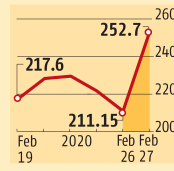
Sun Pharmaceutical Industries



Launches diabetes drug in the US market

₹388.40 CLOSE
▲3.68% UP*

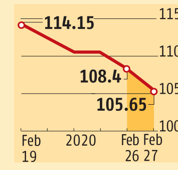
Mishra Dhatu Nigam



Top gainer among S&P BSE 500 index stocks

₹252.70 CLOSE
▲19.68% UP*

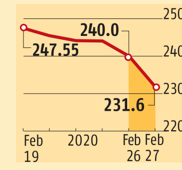
Indian Oil Corporation



Market-cap fell below ₹1-trillion; lowest level since May 2016

₹105.65 CLOSE
▼2.54% DOWN*

Wipro



Hits 52-week low as analysts don't see any revenue pick-up soon

₹231.60 CLOSE
▼3.50% DOWN*

*OVER PREVIOUS CLOSE

IN BRIEF

Apple to open first retail store in India next year: Tim Cook

Apple will open its first physical retail store in India in 2021, Chief Executive Tim Cook said on Wednesday. Responding to a question from a shareholder at Apple's annual shareholder meeting in Cupertino, California about the company's plans for India, Cook said Apple would start selling its products online in the country this year and will open its first Apple-branded store there next year. "We needed to get approval from the government to go in there ourselves" rather than with a domestic partner, Cook said. **REUTERS**

NCLAT sets asides Flipkart's insolvency proceedings

The National Company Law Appellate Tribunal (NCLAT) has set aside the order of the NCLT to initiate insolvency proceedings against e-commerce major Flipkart. A three-member bench directed the Interim Resolution Professional to handover the records and assets of the company back to its promoter immediately. **PTI**

Skoda launches Octavia RS 245 priced at ₹35.9 lakh

Skoda Auto India launched its limited edition Octavia RS 245 model priced at ₹35.99 lakh (ex-showroom) with online bookings scheduled to open on March 1. It can be booked against a fee of ₹1 lakh and a limited 200 units of the model 245 will be sold exclusively through its centralised platform, the firm said. **PTI**

Subhrakant Panda named chairman of Ficci unit

Subhrakant Panda, managing director of Indian Metals & Ferro Alloys (IMFA), has been appointed chairman of the national manufacturing committee of the Federation of Indian Chambers of Commerce & Industry (Ficci). **BS REPORTER**

US hedge fund asks Subhash Chandra to exit one of his firms

A US hedge fund, Moon Capital Management, has urged Subhash Chandra to sell his shareholding in his group's education arm Zee Learn to pave the way for a change in management, according to a person familiar with the matter. The person cited concerns about debt at the group, corporate governance and strategy as the reasons for the request. **BLOOMBERG**

Morgan Stanley France SAS sells Titan shares

Morgan Stanley France SAS on Thursday offloaded Titan Company's shares worth over ₹125 crore through an open market transaction. According to block deal data on the NSE, Morgan Stanley France sold 10 lakh shares at an average price of ₹1,255.1. This took the total deal value to more than ₹125.5 crore. **PTI**

Biocon gets two USFDA observations for Bengaluru plant

Biocon on Thursday said the US Food and Drug Administration has issued a Form 483, with two observations after inspecting its Bengaluru-based active pharmaceutical ingredients facility. The US FDA had conducted a post approval and GMP inspection of company's small molecules API manufacturing facility on its campus from February 20 to February 26, a spokesperson said. **PTI**

CCI lens on TaMo & two finance units

According to a complaint, firm dictated terms over the quantity & type of vehicles its former dealer should stock

More than a dozen lawyers representing the three Tata companies attended a private hearing at the CCI in January and argued there was no malpractice by the group's firms

REUTERS
New Delhi, 27 February

The competition regulator is examining allegations that Tata Motors and two finance firms of its $100-billion parent group abused their market position while selling commercial vehicles, according to three sources and legal documents seen by *Reuters*.

The Competition Commission of India (CCI) is reviewing a complaint which alleges the country's biggest seller of trucks dictated terms over the quantity and type of vehicles its former dealer in northern India — Varanasi Auto Sales — should stock.

More than a dozen lawyers representing the three Tata companies attended a private hearing at the CCI in January and argued there was no malpractice by the group's firms, said the three sources, who have direct knowledge of the matter.

The Tata Group has faced antitrust reviews in the past. A CCI investigation last year found units of Tata Steel and other firms colluded on prices of bearings. A final ruling on that case is pending.

The latest complaint, filed last year by a family member of the dealer, alleged Tata Motors broke rules by working in concert with Tata Motors Finance and Tata Capital Financial Services while advancing dealer credit.

The automaker would stop supplying vehicles to the dealer if repayment of loans advanced by the two finance firms was delayed, indicating they were colluding, said one of the sources privy to the complaint"

"(The) model of business adopted by Tata Group helped in sustaining and retaining the market share," the complaint document said.

In response to queries by *Reuters*, Tata Motors said it had made submissions to the CCI and would provide full support to the watchdog.

Tata Capital Financial Services denied the allegations and said it would also support inquiries, adding it had separately taken legal action against the dealer, which it said had defaulted.

Tata Motors ended relations with the dealership in 2017 due to poor performance, the documents showed.

The CCI did not respond to *Reuters* queries, but a fourth source aware of the case said the watchdog would reach a decision within six weeks, which could see a wider probe into the allegations or a dismissal of the complaint.

The details of the complaint and the ongoing proceedings are not public.

The CCI has powers to impose a penalty of up to 10 per cent of the relevant turnover of a company in the last three financial years if it is found to have abused a dominant position.

With an over 40% market share in India, Tata Motors is the biggest seller of commercial vehicles such as pickup trucks. It competes with firms such as Ashok Leyland and Mahindra and Mahindra and has over 3,750 sales and service points across India.

PRIVATE LABELS BOOST INTERNET ECONOMY

A just-released report by KPMG and the Retailers Association of India says that online private labels are likely to grow 1.6 times faster than e-commerce platforms and will generate two times higher margins than external brands within four years. The report also says that online private labels have the potential to develop into self-sustaining brands that have a captive base beyond the e-commerce platform that has nurtured it. The report adds that private labels foster customer retention leading to repeat purchases and better valuation for the platform

COMPILED BY VIVEAT SUSAN PINTO

SIZE OF E-RETAIL MARKET (figures in $ bn)

FY16	FY19	FY22*
640	1,400	3,077

CATEGORY-WISE E-COMMERCE PENETRATION

Figures in (%)

	FY19	FY22*
ELECTRONICS	22.0	27.0
COSMETICS	8.0	11.0
FASHION	7.0	12.0
JEWELLERY	3.0	4.0
WELLNESS	3.0	4.0
GROCERY	0.3	0.5

PRIVATE LABELS V/S BRANDED SALES

Margin comparison

Figures in (%)

	Brands	Private labels
FASHION	40	60
COSMETICS	30	70
ELECTRONICS	20	50
WELLNESS	18	25
GROCERY	7	10

*Estimated Source: KPMG, Retailers Association of India

Ikea Navi Mumbai store to open this summer

VIVEAT SUSAN PINTO
Mumbai, 27 February

Ikea, the world's largest furniture retailer, will open its store in Navi Mumbai this summer, India Managing Director Peter Betzel said on Thursday. He was speaking at the sidelines of the Retail Leadership Summit in Mumbai.

Alongside, Betzel, an Ikea veteran who took charge of the India market two years ago, said the retailer was lining up at least one more smaller store within Mumbai, as it sought to tap the potential of the city. This would rollout by the end of this calendar year, he said.

Industry sources said smaller stores targeting central business districts and residential areas in Mumbai were in the works by the retailer. The smaller stores would come up in South Mumbai and the western and central suburbs of the city. The Navi Mumbai store is coming up in Turbhe.

Betzel said Mumbai would be the first market in India to have the retailer's 'hybrid' model, along with the offline large- and small-format stores and the online store, which was launched in August 2019 in Mumbai.

Ikea had first indicated that it would adopt a hybrid retail model for India, for which it had set aside over $1.5 billion in investment, saying that a combination of online and offline retail would be the strategy for the company in the country rather than simply setting up large signature outlets.

Betzel said its hybrid retail model would be unveiled in Bengaluru, Delhi, and Hyderabad, where Ikea had set up its first store in India in August 2018. Since then, Betzel said the Hyderabad store had seen 6 million visitors and had done a business of over ₹400 crore, which had set a benchmark for the retailer as far its future large-format stores in the country went.

Betzel also said the retailer had no plans to increase product prices following the government's recent move to raise import duties on items such as furniture and kitchenware. Ikea imports over 75 per cent of the goods it sells in India from multiple places.

"We will not increase prices of our products for now because we want to stay affordable," Betzel said. "We are disappointed by the import tariffs and it will have a negative impact on our business. We are talking with the government on the tariffs," he added.

Jet Airways lenders to seek fresh EoIs

PRESS TRUST OF INDIA
Mumbai, 27 February

The CoC extended the last date of submission of resolution plan to March 9

Defunct airline Jet Airways' Committee of Creditors has decided to issue fresh Expression of Interest (EoI) for the carrier, which is undergoing insolvency proceedings, according to a regulatory filing.

"We wish to inform that the 8th CoC meeting of Jet Airways (India) was held on February 18 and in the e-voting concluded on February 25, the CoC passed the resolution to issue fresh Invitation of EoI (Round) for the corporate debtor," Jet Airways said in BSE filing on Wednesday.

Against this backdrop, the CoC extended the last date of submission of resolution plans to March 9. The earlier deadline for submitting the bids was February 18.

The decision to call for fresh bids was taken after a team from Russia's Far East Asia Development Fund along with Enso Group met the Committee of Creditors (CoC) earlier this month and expressed interest in Jet Airways, a source said earlier.

The airline which was grounded in April last year, owes more than ₹8,000 crore to banks, with those from the public sector having significant exposure.

Set up in 2011, the Far East Asia Development Fund is a state finance development institution which warrants a flexible approach to projects' structuring and financing, as per its LinkedIn profile.

Mumbai-headquartered Enso Group has reportedly been roped in by the fund to find an Indian partner to form a consortium that would later put in a formal bid.

It has interests in diverse sectors, including oil and gas, metal mining, healthcare, infrastructure and real estate, as per its website.

Earlier, South American conglomerate Synergy Group and New Delhi-based Prudent ARC were given time to submit resolution plan. Reportedly, they failed to meet the deadline.

'Wall Street is beginning to see renewed vigour in Cognizant'

After showing signs of a revival in growth in its last quarterly earnings, IT services company Cognizant sees 2020 as a year of execution to get its bellwether tag back. In Chennai recently to attend the company's board meet, the firm's CEO **BRIAN HUMPHRIES** spoke to **T E Narasimhan & Gireesh Babu** about the company's plans and how India remains critical. Edited excerpts:

Q&A

Is Q4 performance indication of a turnaround for Cognizant? When can the company match its industry peers in revenue growth?

We have beaten Wall Street estimates for three quarters in a row now. In fact, after our most recent earnings announcement on February 5, the stock went up 10 per cent the next day. I think our owners in Wall Street are beginning to see a renewed vigour in Cognizant. They are seeing a clear strategy and seeing us executing it well. But of course, to realign a company and get back to industry bellwether growth (level), it takes a lot of work. It takes a lot of motivation, highly engaged employees, and requires finding savings that we can reinvest in growth. And that is what we are doing in 2020. I think growth should pick up this year and accelerate into 2021. So, we are entering 2020 (on) an optimistic (note). This will be a year of execution. We have really aligned ourselves now to go and attack 2020, 2021 and beyond that, and reaccelerate our growth.

Will India remain a key delivery centre for Cognizant?

India will play a huge role — it always has and always will. India is the heart and soul of Cognizant. We have around 200,000 employees here, which is two-thirds of our total employee base. The headcount growth in the country will continue. This year, we are hiring 23,000 freshers in India and our (offer) acceptance rate is extraordinarily high. Cognizant brand remains very strong in India. We will continue to invest here, and that is why I am here every six to eight weeks. That is why, we held our Board of Directors' meeting in India this week.

What is the strategy behind growth revival? Will you diversify your portfolio or increase company's presence in newer geographies?

We have been diversifying our portfolio. I do think that the future of Cognizant is ultimately three-fold. One, you will see us as a much more global company. Today just 24 per cent of Cognizant revenue comes outside of North America. Our strategic ambition is to accelerate and make that a bigger portion of our (revenue) mix. Three of the five acquisitions the company has made ever since I came onboard were European companies. My ambition is to see a CAGR (compound annual growth rate) of 20 per cent in international markets. Our strategy also has two parts — we want to protect and optimise our traditional business, and within that, we have to optimise our delivery. We have to accelerate internationally, and have to grow the technology consulting business. The second portion of the strategy is based on the four key digital battlegrounds — cloud, data analytics, digital engineering and Internet of Things.

Could you elaborate on Cognizant's hiring plan? Also, what is the status of employee optimisation initiatives announced earlier?

We plan to hire or reskill around 25,000 people this year with digital skills. Some of them would be freshly hired, while some would be reskilled. This year, 23,000 fresh graduates will join us, which is 30 per cent more than last year. You see acceleration in our hiring and it is a

very strong indicator of the future. We have increased our entry level salaries by about 18 per cent, from ₹3.38 lakh on an annual basis to around ₹4 lakh now.

Given the difficulties in getting visa, what will be the mix of offshore versus onshore for the new hires?

We are ultimately a global company and 76 per cent of our business is in North America. We continue to embrace India and the skills we get here. The visa situation is such that we also need to create much more near-shore and off-shore jobs. We have built rich capabilities in Eastern Europe as well as onshore capabilities. I think, India will be a part of the promise of the future in a distributed agile world.

A political leader has recently filed a petition against Cognizant in the Madras High Court, alleging it of paying bribes to develop facilities in India. What is your response?

I don't want to comment on any individual litigation or news in India. The most fundamental question is, am I confident that we have a world-class ethics and compliance team? The answer is 'yes'. Am I confident that we have zero tolerance for anything that goes against the principles of our ethics and compliance team? And the answer for that also is always 'yes'.

Lodha's UK arm launches $225-mn bond issue

Realty firm Lodha group's UK subsidiary on Thursday launched a $225 million-bond issue in the Singapore market to refinance part of its outstanding debt. The issue has been opened and the closing date will depend on market response, sources said. Lodha Developers International, a subsidiary of Mumbai-based Lodha Developers (which has been renamed Macrotech Developers), proposes to offer $225 million (around ₹1,611 crore) aggregate principal of senior secured notes maturing in 2023.

The bonds will be listed on Singapore exchanges. JP Morgan, UBS and CLSA are the merchant bankers for the issue. The company would use the proceeds of the issue to refinance a part of its outstanding $324 million (around ₹2,320 crore) senior notes due to mature in 2020. **PTI**

Shree Cement starts world's largest kiln in UAE, pips ACC

AVISHEK RAKSHIT
Kolkata, 27 February

Shree Cement has surpassed ACC to come up with the world's largest cement kiln at Ras Al Khaimah in the UAE. "We have operationalised the plant and now it is the world's largest cement kiln with a capacity to produce 14,500 tonne per day (tpd)," H M Bangur, managing director, Shree Cement told *Business Standard*.

It is 2,000 tpd higher than ACC's Wadi II Plant in Karnataka. ACC said one of its lines in its Wadi II plant has the company's largest kiln with a capacity of 12,500 tpd. Industry officials noted that ACC's Wadi II plant had held the distinction of being the largest cement kiln in the world, which now has been overtaken by Shree Cement.

Against ACC's total installed capacity of 33.41 mtpa, Shree Cement's current installed capacity stands at 41.90 mtpa.

Kiln volume is essentially a plant's capacity to produce portland and other types of cement. A kiln is used for pyroprocessing stage in the manufacturing process where calcium carbonate is reacted with silica-bearing minerals to form a mixture of calcium silicates.

Shree Cement has invited Sheikh Saud Bin Saqr Al Qasimi, ruler of Ras Al Khaimah, to Kolkata as well.

"I had invited Qasimi to come to Kolkata and he has responded to my request. We met over lunch at our home today (Thursday) and discussed various things including the state of the economy," Bangur said.

In January 2018, Shree Cement had acquired 93 per cent stake in the 4-mtpa Union Cement Company at an enterprise value of $305.24 million, which is the largest and most profitable cement company in the UAE.

At the time of acquisition, Bangur had said since Union Cement was 40 years old, two of the kilns were discarded and another kiln was shut that left Shree Cement with only one kiln, which was set up in 2006. However, the plant is located within 1 km of Saqr Port in the UAE that gives it access to key export destinations like Gulf Cooperation Countries, Africa and South Asia.

Sources said feasibility study had also been undertaken to revive the third closed kiln as well. Though analysts remained sceptical about Shree Cement's foray into the UAE, they argue that a low return on equity is possible.

STRONG HOLD

- Shree Cement acquired Union Cement in 2018 at an enterprise value of $305.24 mn
- Of four, only one kiln line is active in Union Cement
- Union Cement kiln can produce 14,500 tpd, making it the largest kiln in the world
- In 2018-19, Union Cement made a net profit of $9.79 mn, with a turnover of $114.6 mn

More on business-standard.com

Hindustan Oil to start production from Mumbai block by December

SHINE JACOB
New Delhi, 27 February

The output from discovered field comes at a time when several blocks under the first and second rounds of DSF are stuck

Chennai-based Hindustan Oil Exploration Company (HOEC) will start commercial production from its discovered small field (DSF) block in Mumbai by December. The company successfully drilled its first well in the block earlier this month and will become the first to start production of crude oil under the DSF auction rounds.

"Our focus is on monetising the discovered resources. We expect to start production in B-80 (the block) by December. The overall production is expected to double once discovered field production starts," said P Elango, managing director of the company. Drilling of a second well is expected to be completed by April.The production from discovered field comes at a time when several blocks under the first and second rounds of DSF are stuck. The field development plan for B-80 consists of drilling two wells to produce oil and gas. HOEC bagged the block under the DSF Bid Round 2016, when 22 firms were given 31 contract areas. It saw 15 entrants in the sector.

Earlier, HOEC was reported to have been in talks with Oil and Natural Gas Corporation (ONGC) for sharing the state-run major's pipeline infrastructure for evacuation of oil and gas from the block. The plan was to transport gas to ONGC's Hazira plant and oil to its Uran plant. HOEC holds 50 per cent participating interest in the block, along with Adbhoot Estates. The companies had reportedly lined up an investment of $60 million for the block. DSF auctions were done under the Hydrocarbon Exploration & Licensing Policy (HELP) regime that replaced the New Exploration and Licensing Policy. During the second round of DSF, 25 contract areas were awarded. The firm is targeting a doubling of its net production to around 5,000 barrels of oil equivalent per day (boepd) by the second half of 2020, from 3,233 boepd reported at the end of the third quarter of the current financial year.

The production from its Dirok field in Assam was curtailed last year because of agitations and partial shutdown of major consumers like Brahmaputra Valley Fertilizer Corporation.

Sequoia India leads $16-mn funding round in Qure.ai

Sequoia India has led a $16-million funding round in AI-based health care start-up Qure.ai. MassMutual Ventures Southeast Asia also participated in the round. Qure.ai will use the capital to drive geographical expansion, expand product portfolio in two more areas and support regulatory clearances.

"The sophistication of Qure.ai's algorithms and predictive analytics tools, coupled with their expert team of data scientists and physicians positions them very well versus their global competitors," said Anjana Sasidharan, principal at Sequoia Capital India.

SAMREEN AHMAD

"Tremendous progress was made in terms of ties — our relationship with India is extraordinary. We're going to be doing a lot of business with India, they are sending billions and billions of dollars to the US"

DONALD TRUMP
US President

"No one can stop BJP from growing. It is the only party based on ideology. We know who will be the next chief of Congress, NCP, SP, BSP, TDP and YSR Congress. No one knows who will be next BJP chief"

J P NADDA
BJP president

"I think it (economy) will bounce back. It has tremendous potential. I see light at the end of the tunnel, it is not far. The economy will kick-start soon"

ANIL AGARWAL
Chairman & founder, Vedanta

IN BRIEF

IOC invests ₹3,000 cr to upgrade Haldia refinery for BS-VI fuel

State-owned Indian Oil Corporation (IOC) has made an investment of around ₹3,000 crore to upgrade its refinery at Haldia to meet BS-VI emission norms, Pritish Bharat, ED (West Bengal, Sikkim and A&N), said on Thursday. The oil marketing PSU will invest another ₹388 crore for setting up a grassroot bottling plant at Kharagpur, diesel exhaust fluid plant at Budge Budge and lube blending unit at Paharpur in West Bengal. The new norms will come into force from April 1. He said the new BS-VI compliant fuel will have very low sulphur content as compared to BS-IV petrol or diesel. The company has incurred a total expenditure of around ₹17,000 crore across its refineries in India to manufacture BS-VI compliant fuel, Bharat said. PTI

Axis Bank appoints Puneet Sharma chief financial officer

Axis Bank on Thursday said its board had approved appointment of Puneet Sharma as chief financial officer (CFO). His appointment will be effective from March 6, the lender said in a regulatory filing. Sharma replaces Jairam Sridharan, who has resigned as the group executive and CFO of the bank, with effect from the close of business hours on March 5, it said. PTI

Indian Overseas Bank allots 3.85 bn equity shares to Centre

Indian Overseas Bank has allotted 3.85 billion equity shares for an issue price of ₹11.32 a piece, including premium of ₹1.32 per share, to the central government through preferential allotment. The Centre has infused ₹4,360 crore during the December quarter. With this, the Centre has increased its holding in the bank from 94.56 per cent to 95.84 per cent. BS REPORTER

46 mn watched Namaste Trump event: BARC data

Forty-six million people watched the 'Namaste Trump' event on 180 TV channels across India on Monday, according to the data provided to the the Broadcast Audience Research Council. US President Donald Trump and First Lady Melania Trump were given a rousing welcome in presence of over 100,000 people at the Motera stadium in Ahmedabad. PTI

Report: Gas demand at inflection point, to rise by 66% in 5 years

India's domestic gas demand is at an inflection point and is expected to see a 66 per cent volume growth over the next five years, primarily driven by sustained weak LNG prices, according to an Elara Securities report. Gas demand is likely to rise from 148 million standard cubic meters per day in 2018-19 to 250 mmscmd by FY25. PTI

Highway project award at slowest pace in 6 yrs

NHAI order book muted for next fiscal year due to land acquisition delay

MEGHA MANCHANDA
New Delhi, 27 February

The pace of project award for highways is the slowest in six years due to delays in land acquisition. This will slacken the pace of construction in the next two years.

Both the Ministry of Road Transport and Highways and the National Highways Authority of India (NHAI) are struggling to award more highway projects. The NHAI has awarded projects across 3,700-4,000 km during the current fiscal year so far.

"Road project award is the lowest in the last six years and is expected to remain muted in FY21," said Rajeshwar Burla, vice-president, associate head-corporate ratings, ICRA.

The order book for the next fiscal year remains muted for the NHAI. However, the highway project execution is currently on track. "This is because the pace of award in the past four years was significantly higher, which created a strong pipeline of projects that are being executed," he said.

While the decline in project award is evident, it will start reflecting in execution by 2022, as the project award started slowing in 2019. Some experts, however, feel land acquisition is not a problem anymore as the compensation is very attractive.

Former road transport secretary Vijay Chhibber said part of the delay in award of projects was because of the appraisal process. "It is mainly funds that hamper the execution, as the finance ministry has started appraising the road projects, which causes delay," he said.

A project goes to the finance ministry for appraisal through the Standing Finance Committee channel, which gets delayed by six to nine months, he said. Sometimes, most of the projects find it difficult to get the approval as the ministry does not give approval until 90 per cent of the land is in possession.

Practically, the work can begin even with 80 per cent land in possession. The remaining 10 per cent can be done after the commencement of the work as the entire acquisition process takes three to four months, Chhibber said.

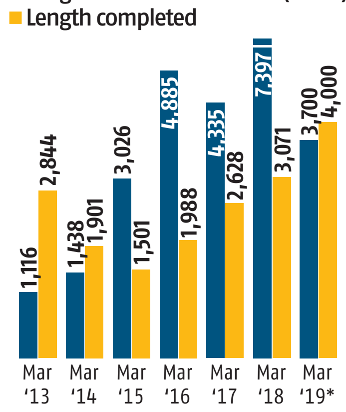
Union Road Transport and Highways Minister Nitin Gadkari had last year told Parliament that the national highway projects were delayed reasons ranging from utility shifting, non-availability of soil and aggregate, environment and wildlife clearances, road over bridge and road under bridge issues with the railways.

Public agitation for additional facilities, arbitration and contractual disputes with contractors, hurdles in land acquisition, and poor performance of contractors also impacted construction, he said.

According to the minister, the government has taken measures to expedite land acquisition for road projects. The higher value amongst prevailing circle rates or average of highest 50 per cent of sales-transactions of the past three years is the market value of land. Value of land in rural areas is multiplied by a factor determined by the 'appropriate' government and an interest rate of 12 per cent per annum is paid on market value of land from date of 3A/3D notification till the date of taking possession or payment of compensation, whichever is earlier.

The Centre has constituted high-powered committees under state chief secretaries to resolve the land acquisition issue. Regional officers have been assigned to take decision faster, while retired personnel of revenue department are engaged at regional officer and project director level as well as in the Competent Authority for Land Acquisition level to assist in the work.

EXECUTION ON TRACK



*Provisional figures Source: Research reports

MP, ODISHA AND MAHARASHTRA AMONG TOP 5 PERFORMERS IN NATIONAL LAND RECORDS INDEX

Madhya Pradesh, Odisha, Maharashtra, Chhattisgarh, and Tamil Nadu are the five best-performing states in the NCAER Land Records and Services Index (N-LRSI 2020) that assesses the extent of digitisation of land records and their quality across 33 states and Union Territories (UTs).

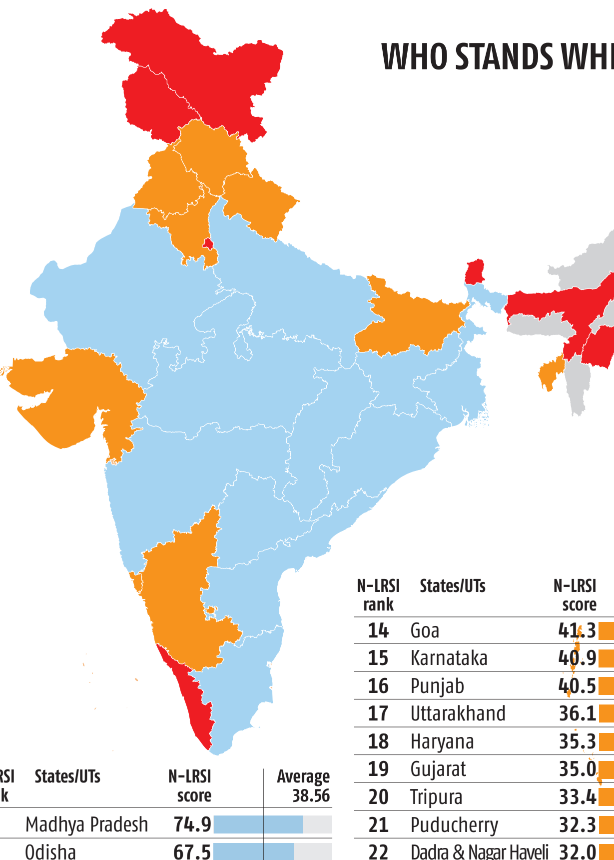
The top five states scored anywhere between 60 and 75 points in the index, while West Bengal, Jharkhand, Rajasthan, Telangana, Andhra Pradesh, and Uttar Pradesh occupied the next six positions in the 50-60 point category.

Interestingly, the performance of several industrially-developed states, such as Karnataka, Punjab, Haryana, and Gujarat, was middling on the Index.

"Given that land and housing account for nearly 77 per cent of household assets in India, we hope research like this can better inform more effective policy making," said Shilpa Kumar, investment partner, Omidyar Network India that funded the NCAER research.

COMPILED BY SUDIPTO DEY

WHO STANDS WHERE



N-LRSI rank	States/UTs	N-LRSI score
1	Madhya Pradesh	74.9
2	Odisha	67.5
3	Maharashtra	65.3
4	Chhattisgarh	64.1
5	Tamil Nadu	63.0
6	West Bengal	61.8
7	Jharkhand	59.2
8	Rajasthan	56.5
9	Telangana	55.3
10	Andhra Pradesh	53.9
11	Uttar Pradesh	52.2
12	Lakshadweep	47.9
13	Himachal Pradesh	47.5
14	Goa	41.3
15	Karnataka	40.9
16	Punjab	40.5
17	Uttarakhand	36.1
18	Haryana	35.3
19	Gujarat	35.0
20	Tripura	33.4
21	Puducherry	32.3
22	Dadra & Nagar Haveli	32.0
23	Daman & Diu	30.1
24	Bihar	28.8
25	Andaman & Nicobar	25.4
26	Delhi	22.1
27	Manipur	21.9
28	Assam	19.4
29	Kerala	10.7
30	Chandigarh	6.0
31	Sikkim	5.9
32	Jammu & Kashmir	4.3
33	Ladakh	2.0

Average 38.56

KEY TAKEAWAYS

Only nine states/UTs have the provision for getting a digitally signed copy of Records of Rights (RoR); just **three states/UTs** have this provision in case of Computerisation of Registration

In seven states/UTs, repeated attempts were required to retrieve RoR data, posing a severe access issue

In 12 states/UTs there were instances of mismatches in the spelling of village names

Ten states/UTs still insist on a person visiting a departmental office for a legally usable copy of the RoR

Twenty-five did not have any on-screen facility to help users access records at ease

THE RECOMMENDATIONS

How governments could help improve the extent of digitisation of land records and access by users...

- Quickly survey the unmapped inhabited areas, especially urban land that records high intensity of transactions
- Standardise the terms and indicators against which states and UTs could upload authenticated data
- Real-time attestation of mutations, linking database like birth and death registers and genealogical tables
- Have easily navigable websites and updated portals; make digitalised record available on the Internet
- Incentivise states that perform better in the index

Source: The NCAER Land Records and Services Index 2020

With more disclosures, audit fee may rise

RUCHIKA CHITRAVANSHI
New Delhi, 27 February

Auditors may seek higher compensation for their work, with the latest rules significantly increasing the number of disclosures to be made in audit reports from this financial year itself, industry sources said.

"The implementation of the new guidelines will involve higher fee, even though the negotiations have already happened for this year," a senior executive with one of the big four network firms said.

The government notified the Companies (Auditor's Report) Order, 2020, on Wednesday. It more than doubled the number of disclosures to be made by auditors to improve financial discipline.

Audit companies are entitled to a higher fee than stipulated if there are changes in the work. The request for a fee hike is then considered by the company's audit committee, which consists of its board of directors. The rules will apply to audit reports for the financial years commencing on or after April 1, 2019.

An executive with one of the Big Four audit companies, said: "We might ask for a slight increase but since fee has already been decided, we are not expecting an increase at least for this year."

However, the demand for change in fee will be on a case-to-case basis. "Larger companies will witness the most impact because of the scale of work involved," said Ankit Singhi, partner, Corporate Professionals.

Audit companies are still assessing the increase in their workload because of the new rules and the rise in the fee that they would demand.

While some of the changes, such as commenting on financial ratios, do not increase the job of an auditor by much, there are several new disclosures which would require extra work. Auditors now have to verify quarterly returns or statements filed by a company with banks or financial institutions and ensure they are in agreement with the books of account of the company, with respect to sanctioned working capital limits and inventory.

A new format for reporting details of immovable properties not held in the name of the company is now far more exhaustive than before and requires auditors to put in extra work. Not only do they have to furnish details, such as gross carrying value, name of the person it is held by, and the period of ownership, but also state the reason for the asset not being held in the name of the company.

The rules also require companies to provide much deeper details of the workings of their businesses. Auditors will be obliged to qualify any instance of misinformation or non-cooperation by the company in its final assessment.

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

Auditors also have to keep in check any ever-greening of loans by filing disclosures on whether the company has taken any 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.

With auditing profession under the scanner and two of the Big Four stopping non-audit services for their audit clients, there is also pressure on the way audit companies make money. A recent consultation paper by the corporate affairs ministry has raised concerns around the issue of remuneration, which is decided by the management of the company. "The reliance on clients' fee may affect the independence of an auditor," the paper has said.

IMPROVING FINANCIAL DISCIPLINE

- According to the Companies (Auditor's Report) Order, 2020, the government has more than doubled the number of disclosures to be made by auditors
- Audit firms are entitled to more fee than stipulated if there are changes in their work
- There are several new disclosures that would require extra work and the firms are assessing the increase in workload
- The rules require companies to provide deeper details of the workings of their businesses
- Auditors have to keep in check any ever-greening of loans by filing disclosures

India Ratings revises domestic steel sector outlook to negative

ADITI DIVEKAR
Mumbai, 27 February

India Ratings and Research (Ind-Ra) has revised its outlook on the domestic steel sector to negative for 2020-21 (FY21) from stable, given the modest steel demand growth expectations of 5 per cent (FY20: 4 per cent estimate) and margin pressures, led by iron ore price risks.

High iron ore premiums for new mine owners (both captive and merchant) could shift the cost positions of steel mills, it said.

The slowing economic activity as reflected in Ind-Ra's GDP estimates of 5 per cent and 5.5 per cent for FY20 and FY21, respectively, would continue to affect demand growth in the steel sector and any significant pick-up is unlikely.

Ind-Ra believes steel demand growth to remain modest, in line with gross factor capital formation of 5.3 per cent in FY21 (FY20 estimate: 1 per cent, average FY16-FY19: 8.5 per cent).

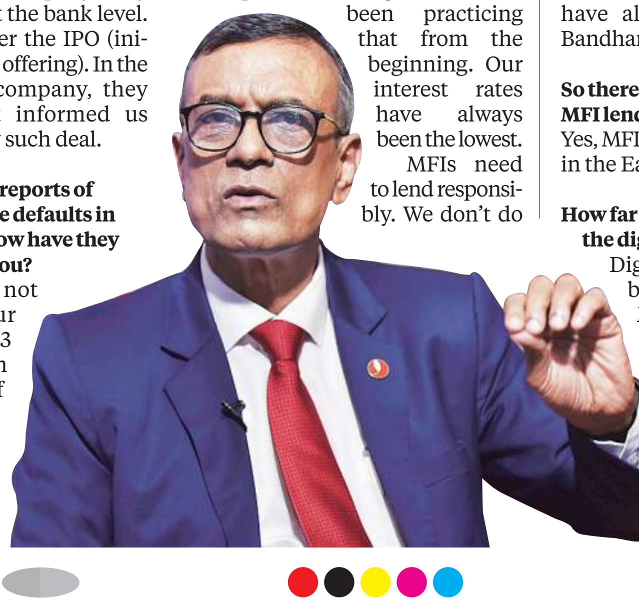
Considering cues from higher competition among bidders and final premiums in the recently auctioned mines, Ind-Ra expects cost pressures to build up majorly for non-integrated and new captive steel producers. This is because average premiums for about a quarter of India's newly auctioned iron ore mines could be above 100 per cent, resulting in a significant increase in iron ore prices, even if some of it is absorbed by merchant miners.

'Microfinance institutions need to lend responsibly'

With the Reserve Bank of India lifting restrictions on branch opening, Bandhan Bank is looking to add about 250 outlets in a month. This comes at a time when the microfinance industry is showing signs of stress. With close to 60 per cent of Bandhan's portfolio being in microfinance, it is being pushed to sign a common code of conduct. In an interview, **CHANDRA SHEKHAR GHOSH**, managing director and chief executive of the bank, tells **Namrata Acharya** why the code is not fair. Edited Excerpts:

Q&A

CHANDRA SHEKHAR GHOSH
Managing director & CEO, Bandhan Bank



How will RBI's decision to lift restrictions on branch opening translate into growth for you?

Earlier after board approval, every time we wanted to open a branch, we needed RBI permission. That used to take time. Now, growth will not be impacted in terms of time. For Bandhan, growth is always normal. Confidence will be boosted. With confidence, business will improve automatically.

What is your branch opening target?

We will open 250 outlets by end of March.

How do you plan to comply with RBI norms on promoters' stake?

We have a good plan in place. Our first target is compliance.

There were reports that Sidbi (Small Industries Development Bank of India) was looking to exit the bank. Has there been any discussion?

Sidbi had a stake in the bank and in [Bandhan's] holding company. They have already sold at the bank level. It was after the IPO (initial public offering). In the holding company, they have not informed us about any such deal.

There are reports of large-scale defaults in Assam. How have they affected you?

It has not impacted us. Our repayment rate is 93 per cent there. Even at the worst of times, like in December, repayment was 80 per cent. These are temporary problems and will not affect the bank's business.

The lobby group MFIN (Microfinance Institutions Network) is pushing for a common code of conduct for all lenders in the field. Are you planning to be a part of it?

No. They are trying to pressure us to sign the code. We cannot join that, as we are a universal bank. The code calls for responsible lending. Bandhan has been practicing that from the beginning. Our interest rates have always been the lowest. MFIs need to lend responsibly. We don't do target-based lending. Every year, we are adding 20 per cent of new customers. In the code, MFIs are saying, two out of three lenders should be MFIs. Why will MFIs decide if borrowers should go for three banks or three MFIs?

Is there overlending in the MFI segment?

Bandhan cannot be blamed for this. MFIs are selecting customers who have already taken loans from Bandhan for further lending.

So there is a lot of malpractice in MFI lending?

Yes, MFIs are using Bandhan's name in the East for selling loans.

How far have you progressed on the digitisation front?

Digitisation is needed in the banking industry. Microcredit loan is a high touch model. However, how long can a microcredit borrower continue in the group loan? So, now they have started to move from microcredit to MSME (micro, small, and medium enterprises) segment. When they graduate to become MSME, information technology helps analyse data, take quick decisions and mitigate risk.

How many women borrowers at Bandhan have graduated to avail MSME loans?

It is a good number. Not only are women graduating, they are also bringing in their husbands to convert their venture into a family business.

How will your loan portfolio mix change?

In the next three years, 50 per cent of our loans will be to affordable housing and MSME. As of now, as Gruh has 195 branches and we have opened 106, we have dedicated 301 branches for housing loan. In the past couple of years, the average amount of Gruh's loans was ₹10 lakh. Now it is increasing to ₹12 lakh. So, affordable housing is an area with potential.

Are political disruptions a concern for rural lending?

No, in general, such situations don't last for more than a week. The situation was worse during demonetisation than what we see today in Assam. For us, this is not a problem.

Tyagi stands out for his balanced views

SHRIMI CHOUDHARY
New Delhi, 27 February

THE HITS

- Orders in RIL, PwC, and NSE co-location case
- New corporate governance code
- Ensures autonomy and independence of Sebi
- Action against CARE, ICRA, and Ind-RA in IL&FS matter
- Bars P-note investors from taking naked positions in derivatives
- Postpones Budget proposal of increasing 35% public float

CONTROVERSIES

- Postpones mandate of splitting posts of CEO, MD, and chairman
- Bars Karvy Stock broking from acquiring new clients
- Implementation of extended trading hours
- Reclassification of mid-cap and small-cap MF schemes
- Pending action in ICICI Bank-Chanda Kochhar quid pro case
- Suspends trading of 331 shell firms

Securities and Exchange Board of India (Sebi) Chairman Ajay Tyagi, whose three-year tenure ends this week, will be remembered for his balanced approach.

Tyagi, who joined the Indian Administrative Service (IAS) in 1984, largely shied away from doing anything disruptive but at the same time didn't hesitate to take action against large entities such as Reliance Industries, the National Stock Exchange (NSE), and PwC.

During his tenure, Sebi overhauled key regulations in areas such as corporate governance, foreign portfolio investors (FPIs), insider trading, mutual funds, and credit-rating agencies. Most of them largely saw smooth implementation.

Recently, when Tyagi was asked how he would rate his Sebi stint, he said "it was quite a good experience". He said he believed in public consultation and tried to work in a transparent manner.

People in the know said Tyagi worked with the right intensions. However, he often had to make adjustments to accommodate the views of key stakeholders. Some of these instances include the last-minute withdrawal of a circular asking companies to disclose bank-loan defaults within 24 hours, or the deferment of the deadline meant for companies to separate the posts of chairman and managing director.

Tyagi also had to struggle to preserve the autonomy of the market regulator.

In July, Tyagi, who is usually calm and composed, appeared agitated in North Block. The Budget 2019-20 had amended the Sebi Act, 1992, to ensure that the market regulator's three-fourth of surplus funds were transferred to the government. Tyagi tried to oppose the move and argued how the move was anti-investor and -market.

Previously, also Tyagi had friction with the government to the extent that then Department of Economic Affairs (DEA) secretary Subhash Garg exited the Sebi board and appointed an officer of lower rank in his place.

Since then, there has been a finance ministry representative on most of the Sebi committees, which some saw as an attempt to reduce the stature of the regulator.

Things improved between Sebi and the government after DEA Secretary Atanu Chakraborty joined the board. Sources say they share a good bonding and have a consultative approach.

Often Tyagi's "balanced approach" was put to the test. For instance, the market regulator ended up hurting lenders when it ordered depository participants return the client securities wrongfully pledged by Karvy Stock Broking. Also, Sebi had to abruptly tag over 300 listed firms as "suspected shell companies".

Under Tyagi, Sebi probed the red flag against large companies such as Infosys, Sun Pharmaceuticals, and ICICI Bank, and there were allegations against Tata group firms during the Ratan Tata-Cyrus Mistry feud. Also, the regulator showed its heavy hand in matters such as the Religare fund diversion and fraud at Gautam Thapar-led CG Power & Industrial Solutions.

Market watchers said Tyagi, whose tenure was cut short from five years to three, had made his intentions clear when within a month of taking charge he passed an order in the long-pending case against Reliance Industries, asking the firm to disgorge over ₹1,000 crore.

During his tenure, Sebi issued orders against the NSE, asking the exchange to stump up more than ₹1,000 crore for lapses at its co-location facility. The regulator also banned global accounting firm PwC for its role in the Satyam scandal. Sebi's move raised questions over its jurisdiction over accounting firms. Tyagi held his ground, making it clear that Sebi had powers in regulating entities that could have a bearing on the interests of investors.

Most market observers Business Standard spoke to praised Tyagi and said he deserved a longer tenure.

Prithvi Haldea, founder of Prime Database, said: "Tyagi has been an outstanding regulator, tough yet pleasant, willing to hear and learn, with zero arrogance, and very consultative in decision making, always focused on the greater good."

Amit Tandon, founder and managing director, IIAS, a proxy firm, said under Tyagi, Sebi had a consultative approach and took consensus-driven decisions. He said Tyagi deserved more time at Sebi because "he now understands the nuances and the market dynamics".

J N Gupta, former Sebi official, said: "I am surprised that he was not given a five-year tenure."

Sandeep Parekh, founder, Finsec Law firm, said: "As his term comes to an end, it is time to rethink some big changes to the regulatory architecture. The next 10 years should be focused on simplified regulations and harsher penalties. At the same time, mistakes and minor violations should meet with simple warning letters."

IBA, unions to meet tomorrow to close wage pact

RAGHU MOHAN
Mumbai, 27 February

The Indian Banks' Association (IBA) and United Forum of Bank Unions (UBFU) will meet on Saturday to close the eleventh bipartite settlement. Among the key discussion points are an 18-20 per cent raise in wages and a five-day work week.

The tenth settlement elapsed in October 2017, and a deal was reached with IBA that a new pact will be effective from November 2017. The finance ministry, too, had instructed that negotiations begin six months earlier from the date of expiry of the last settlement.

Pressure is mounting on the both the IBA and UBFU as the three-day bank strike called from March 11 will see banks remain shut for six days in that week —March 10 is a holiday on account of Holi, and March 15 is a second Saturday. Bank unions have also threatened an indefinite strike from April if the wage pact is not closed.

"The meeting of UFBU held at Mumbai on (February) 13… came to the unanimous and inescapable conclusion that intensified (agitation has) to be resorted to press our demands for reasonable resolution and satisfactory settlement," said a bank union office-bearer.

TALKING POINTS

- Wage hike of 20%
- Five-day work week
- Merger of special allowance with basic pay
- Scrapping of new pension scheme
- Updation of pension
- Improvement in family pension
- Allocation to staff welfare fund based on banks' operating profits
- Exemption from income tax on retiral benefits sans ceiling
- Uniform definition of business hours
- Introduction of 'leave bank'
- Defined working hours for officers
- Equal wage for equal work for both contract employees and business correspondents

The talks come just ahead of the mergers of four sets of state-run banks, effective from April 1. The mergers are of Punjab National Bank, Oriental Bank of Commerce and United Bank of India; Canara Bank and Syndicate Bank; Union Bank of India, Andhra Bank and Corporation Bank; and Indian Bank and Allahabad Bank.

"Wage issues will have a bearing on the merging banks in a big way. So, we want this to be settled ahead of fiscal year end," said a bank official. Mergers in the recent past — be it the State Bank of India's merger of its five associate banks with itself, or that of Bank of Baroda, Dena Bank and Vijaya Bank — had come well within the indicated time frame for hammering out the wage settlement.

The IBA has so far refused to entertain UBFU's demand for a 20 per cent wage hike, and has insisted that it will be 10 per cent at best, refusing even the 15 per cent that the unions had asked for in the earlier round of talks.

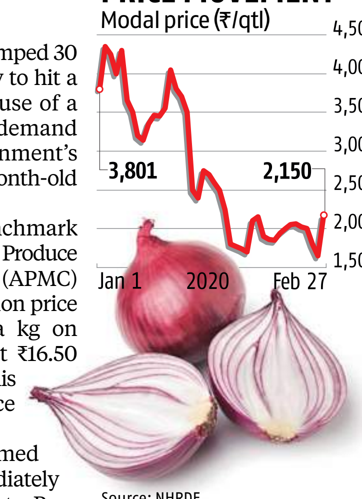
UBFU's revised demand was on the grounds that the gap between what bank employees earn when compared to those in the government's equivalent grade has widened. And even after a 20 per cent pay hike, this difference will stand reduced only at the beginning of the scale, but will still be at about half of the same at the end of it.

Onion price up 30% after govt lifts export ban

DILIP KUMAR JHA
Mumbai, 27 February

The price of onion jumped 30 per cent on Thursday to hit a two-week high because of a sharp increase in demand following the government's decision to lift a six-month-old ban on exports.

At the benchmark Lasalgaon Agricultural Produce Market Committee (APMC) mandi, the model onion price shot up to ₹21.50 a kg on Thursday, as against ₹16.50 a kg on Wednesday. This was the highest since February 11.



Source: NHRDF
Compiled by *BS* Research Bureau

Exporters resumed their business immediately after Union Food Minister Ram Vilas Paswan tweeted about the withdrawal of the onion export ban on Wednesday evening. However, the decision would be effective only after notification in this regard by the Directorate General of Foreign Trade (DGFT).

"Since the price of onion has stabilised and there is bumper onion crop, the government has decided to lift the ban on the export of onions. Expected monthly harvest in March is over 4 million tonnes (mt), compared to 2.84 mt in the corresponding month last year," Paswan had tweeted.

Trade sources believe the decision to lift the export ban was taken after a high-level meeting of a Group of Ministers on Wednesday which also discussed reducing the minimum export price (MEP) of $850 a tonne.

Both decisions (export ban and MEP) were taken about six months back when the onion price shot up to ₹80 a kg in wholesale and ₹140-160 a kg in retail. The vegetable had become costlier because of damage to kharif crop following floods in major onion growing states of Maharashtra, Gujarat, Andhra Pradesh, Karnataka, and Madhya Pradesh.

"Exporters have started booking onion in large quantity for future shipments. Despite huge arrivals, the onion price shot up today as there was an increased demand from exporters," said Narendra Savaliram Wadhavane, secretary, Lasalgaon APMC, Asia's largest onion wholesale mandi.

Onion arrivals at the mandi were reported at 1,500 tonnes on Thursday, as against 1,000 tonnes on Wednesday.

Wadhavane said this increase in the price of onion was un-sustainable. "Currently, onion arriving at the mandi is of late kharif season and has a short shelf life. Hence, traders need to sell it within a couple of days of its purchase," he added.

Meanwhile, the stock limit imposed by the Maharashtra government irked traders and stockists. In December 2019, the state government had halved the stock limit to 5 tonnes for retailers and 25 tonnes for stockists.

Manipulating individual atoms

The results of a new experiment by a team from the University of Otago can have huge applications in nanotechnology in the future

QUANTUM LEAP

DEVANGSHU DATTA

In an incredible experiment, a six-member team from the University of Otago, Dunedin (New Zealand), has successfully isolated and observed the interactions of three individual atoms in the process of molecular bonding. This chemical activity was zoomed and recorded on a special camera and it offers unprecedented detail about molecular processes.

The experiment as described in *https://arxiv.org/abs/2001.05141* (Direct Measurements of Collisional Dynamics in Cold Atom Triads) involved trapping and cooling three atoms of rubidium down to nearly absolute zero. The research team consisted of Mikkel Anderson, Luke Reynolds, Marvin Wayland, Eyal Schwartz, Ulrich Ebling and Joachim Brand.

Rubidium molecules contain two atoms but a minimum of three atoms is required to start the chemical process of molecular bonding. When a molecule is formed, all three atoms may receive "a kick of energy" in what's called a three-body recombination.

Prior to this experiment, scientists have often modelled the interactions of large "clouds" of atoms to understand the processes of molecular formation. So this process has been studied in statistical terms, and there's data when it involves interactions of many atoms. But new details were revealed in this study of the interactions of the minimum number of three atoms.

The three cold atoms were trapped with laser beams known as optical tweezers within a vacuum chamber, about the size of a toaster. Optical tweezers as they are called are "single beam gradient force traps". A highly focussed laser beam is used to hold and manipulate microscopic objects.

The laser beam creates a field, which holds the target particle. The shorter the wavelength of the laser, the smaller the objects it can be used to trap and manipulate. Optical tweezers have been used to trap individual molecules before, and their use in the studying of bio-molecules is common. Optical tweezers have been used to isolate, and study individual viruses for example.

This phenomenon — that laser beams can trap small objects — was discovered in the early 1970s by Arthur Ashkin, then a scientist at Bell Labs. Ashkin and his team at Bell Labs succeeded in building the first optical tweezers in 1986. In 2018, Ashkin was awarded the Nobel Prize for physics.

This experiment in New Zealand was the first time individual atoms had been trapped and forced to interact in a "few-body regime". After the atoms had been cooled to near absolute zero, three separate traps were used to isolate the three atoms inside the vacuum chamber. Then the three traps were brought very close together to allow the atoms to interact. Two of the traps were removed, leaving the three atoms to collide within the remaining trap.

This was done multiple times with the collision dynamics being observed on each occasion. The results varied from a three-body recombination (with all the atoms being scattered from the trap by the energy "kick"), to the formation of a two-atom molecule with no kick of energy imparted to the third, leaving the unpaired atom in the trap.

The experiment also apparently measured a longer-than-predicted recombination rate. The data indicates it took much longer than expected to form a molecule compared to theoretical calculations. This discrepancy cannot be explained, which means that it could certainly be a rich area of research.

Rubidium is an alkali metal with an atomic number of 37. It's highly reactive, catching fire in atmosphere, which means it is never found isolated in nature. The most stable isotope, Rubidium-85 is quite abundant. It is a favourite element in quantum mechanics experiments. Rubidium has already been extensively studied in Bose Einstein Condensates (BEC). BECs are a special state of matter created when bosons (a type of particle named after Satyendra Nath Bose) are cooled to very low temperatures.

The existence and behaviour of BECs was predicted in 1924 by Bose and Einstein but the existence was only confirmed in 1995 when a BEC of Rubidium-87 (another isotope of Rubidium) was first created. That demonstration led to the 2001 Nobel for Physics.

According to Bose-Einstein statistics, a BEC sees many particles dropping into the same low-energy state in unison. Since 1995, BEC behaviour involving Rubidium has been studied in detail, leading to an understanding of "many-body" molecular processes involving the element.

But as the new Otago University paper explains, "there is currently no reliable theory for quantitatively describing three-body processes in an optical tweezer trap". The team captured the three-body interaction, and realised that the atoms did not unite as quickly as the theoretical models predicted. This is presumably a quantum effect but explaining it satisfactorily will involve developing new insights.

Apart from the theoretical implications and insights provided by this experiment, the demonstration shows that it is possible to manipulate individual atoms. That could have huge applications in nanotechnology in the future.

CHINESE WHISPERS

Protection from casinos

The Bharatiya Janata Party, the ruling outfit in Uttar Pradesh, recently faced embarrassment in the Assembly when its MLA from the Prayagraj (Allahabad)-North constituency, Harshvardhan Bajpai, suggested the Adityanath government legalise casinos to boost tax revenue and promote tourism. Bajpai said casino patrons in UP visited Nepal for gambling, leading to a flight of capital. In his written reply, the chief minister said he could not allow this because it was the state government's duty to protect "gullible" people and preserve the culture of the state. Nonetheless, Bajpai's suggestion caused consternation in the Treasury Benches. Later, UP Finance Minister Suresh Khanna talked Bajpai round.

Soap opera

Delhi Police Commissioner Amulya Patnaik is due to retire on February 29 but there has been no announcement on his successor. While that had prompted some speculation about another extension for Patnaik, the Delhi riots and the apparent failure of the police to contain them have virtually removed that possibility. So will it be S N Shrivastava, the next senior-most officer in the AGMUT (Arunachal-Goa-Mizoram Union Territory) cadre, who has just been repatriated from the Central Reserve Police Force? That National Security Advisor Ajit Doval did not take Patnaik with him during his visits to the riot-affected areas after Shrivastava's return has given credence to this theory. However, on Thursday a video surfaced, showing Doval speaking to Shrivastava in a tone and with hand gestures that look far from cordial. That video has made the prospects of some dark horse contender look brighter. With two days to go, sources at the police headquarters won't even talk about a farewell for Patnaik. Another twist in the tale?

Godse's newest victim

The January issue of *Madhya Pradesh Sandesh*, a monthly, has become a cause célèbre. In an essay, *Mahatma Zinda Hain*, published in the magazine, independent writer Shweta Rani said: "For some (Nathuram) Godse is a killer while for others he is a martyr." While the ruling dispensation seemed oblivious of that comment in the initial weeks of the magazine's publication, when academics, students, and some political leaders began making noises, it woke up and removed the editor of the magazine, Manoj Khare, who doubles up as joint director of the state's public relations department and is in charge of the state government's publications wing.

Welcome to the age of pandemics

We need to stop what drives mass epidemics rather than just respond to individual diseases

PETER DASZAK

In early 2018, during a meeting at the World Health Organization (WHO) in Geneva, a group of experts I belong to (the R&D Blueprint) coined the term "Disease X": We were referring to the next pandemic, which would be caused by an unknown, novel pathogen that hadn't yet entered the human population. As the world stands today on the edge of the pandemic precipice, it's worth taking a moment to consider whether Covid-19 is the disease our group was warning about.

Disease X, we said back then, would likely result from a virus originating in animals and would emerge somewhere on the planet where economic development drives people and wildlife together. Disease X would probably be confused with other diseases early in the outbreak and would spread quickly and silently; exploiting networks of human travel and trade, it would reach multiple countries and thwart containment. Disease X would have a mortality rate higher than a seasonal flu but would spread as easily as the flu. It would shake financial markets even before it achieved pandemic status.

In a nutshell, Covid-19 is Disease X.

Even as there are signs that the epidemic's spread might be slowing in China, multiple communities and countries have now reported sustained transmission in their midst. The number of confirmed cases has exploded in South Korea in recent days. In Italy, villages and towns are on lockdown, Fashion Week in Milan has been disrupted and festivals are being cancelled while public health authorities search for patient zero to identify who else is likely infected and may spread the disease in Europe. Iran appears to have become a new hub of transmission. The looming pandemic will challenge us in new ways, as people try to evade quarantines, and misinformation campaigns and conspiracy theorists ply their trade in open democracies.

But as the world struggles to respond to Covid-19, we risk missing the really big picture: Pandemics are on the rise, and we need to contain the process that drives them, not just the individual diseases.

Plagues are not only part of our culture; they are caused by it. The Black Death spread into Europe in the mid-14th century with the growth of trade along the Silk Road. New strains of influenza have emerged from livestock farming. Ebola, SARS, MERS and now Covid-19 have been linked to wildlife. Pandemics usually begin as viruses in animals that jump to people when we make contact with them.

These spillovers are increasing exponentially as our ecological footprint brings us closer to wildlife in remote areas and the wildlife trade brings these animals into urban centres. Unprecedented road-building, deforestation, land clearing and agricultural development, as well as globalised travel and trade, make us

supremely susceptible to pathogens like coronaviruses.

Yet the world's strategy for dealing with pandemics is woefully inadequate. Across the board, from politicians to the public, we treat pandemics as a disaster-response issue: We wait for them to happen and hope a vaccine or drug can be developed quickly in their aftermath. But even as Covid-19 rages, there still is no vaccine available for the SARS virus of 2002-03, nor for HIV/AIDS or Zika or a host of emerging pathogens. The problem is that between outbreaks, the will to spend money on prevention wanes, and the market for vaccines and drugs against sporadic viral diseases isn't enough to drive research and development.

During its World Health Assembly in 2016, the WHO set up the R&D Blueprint to bridge this gap and announced a priority list of pathogens that most threaten global health and for which no vaccines or drugs were in the pipeline. SARS made the list, as did MERS, Nipah, Ebola and other rare but serious diseases caused by epidemic viruses. The Coalition for Epidemic Preparedness Innovations — a global partnership between public, private, philanthropic and civil society organisations launched at Davos in 2017 — stepped up to the plate and sourced funding to develop vaccines and therapeutics against some of these.

To escape from the Age of Pandemics, we'll need to treat them as a public health issue and start working on prevention in addition to responses. Our first goal should be to broaden our armoury against potential mass epidemics. When some of us added "Disease X" to the WHO's priority list two years ago, we wanted to make the point that it's not sufficient to develop vaccines and drugs for known agents when the next big one is likely to be a different pathogen — a virus close to SARS, say, but not close enough that the same vaccine can work against both.

As Covid-19 strikes today and a spate of other pathogens are ready to emerge in the future, we continue to butt up against nature. Scientists estimate that there are 1.67 million unknown viruses of the type that have previously emerged in people. Discovering and sequencing them should be a priority — a simple case of "know your enemy." In the aftermath of SARS, research on coronaviruses originating in bats has discovered more than 50 related viruses, some of which have the potential to infect people; this information can now be used to test for broad-action vaccines and drugs. Scaling up this effort to cover all viral families, as the Global Virome Project proposes to do, is a logical first step toward prevention.

A radical shift is also needed in the way that tests, vaccines and drugs are designed so that entire groups of pathogens are targeted instead of individual pathogens that are already known. The National Institute of Allergy and Infectious Diseases in the United States is working on a universal flu vaccine that would cover all known strains of influenza; a universal coronavirus vaccine, an Ebola-virus vaccine and others will also be needed.

With a smaller investment, we can also try to get ahead of pandemics by working with communities in hot spots of emerging diseases. Disease surveillance should be focused on farmers, rural communities and anyone who has extensive contact with wildlife, to look for unusual illnesses, test for novel pathogens and work with people to develop alternatives to high-risk activities such as the wildlife trade.

Pandemics are like terrorist attacks: We know roughly where they originate and what's responsible for them, but we don't know exactly when the next one will happen. They need to be handled the same way — by identifying all possible sources and dismantling those before the next pandemic strikes.

From *vivad* to *samvad*, to gain *vishwas*

The culture of 'collect first, correct later' needs to change

MONEY MATTERS

JOYDEEP GHOSH

The Union government's Vivad se Vishwas scheme is a significant attempt at dispute resolution that can bring trillions of rupees to the exchequer. At least, the government seems to think so. After all, the total amount under dispute, shared almost equally by individual and corporation taxpayers, is a whopping ₹8 trillion. Reports suggest that the finance ministry has given a target of ₹2 trillion or around 25 per cent of the disputed amount to tax officials by March-end, with this additional incentive: "The performance of officers in respect of 'Vivad Se Vishwas Scheme' will be specifically commented upon by the Reporting and Reviewing officers and shall be an important factor in determining their future postings."

The question: What is the reason for this *vivad* (dispute)? The lion's share of the disputed amount, of over ₹7 trillion, are cases less than five years old. Of this, the maximum, or ₹4.8 trillion, pertains to cases less than two years old.

And *vivad* seems to have risen significantly in the last decade. In 2009-10, the disputed amount stood at ₹66,536 crore, when the number of assessees was 34.7 million. The latter has not even doubled in a decade, rising only to 67.3 million in 2018-19. Clearly, *vivad* is increasing at a much faster clip than the number of taxpayers.

It's not that the finance ministry is unaware. Since Budget 2019-20, and after imposing an additional tax on the "super-rich", Finance Minister Nirmala Sitharaman has held multiple press conferences across the country trying to placate frayed nerves. Even Prime Minister Narendra Modi has declared several times that the government is not against wealth creators.

There is some ground action too. Since October, the new "faceless" income tax assessment regime has been introduced. This is expected to eliminate direct interaction between taxpayers and tax officials. And possibly, corruption. Besides, the latest option of allowing taxpayers to give up exemptions for lower rates will definitely reduce paperwork for those who opt for it.

Vivad seems to have risen significantly in the last decade. In 2009-10, the disputed amount stood at ₹66,536 crore, when the number of assessees was 34.7 million. The latter has not even doubled in a decade, rising to 67.3 million in 2018-19. Clearly, _vivad_ is increasing at a faster clip than the number of taxpayers

But again, the Union Budget 2020-21 has introduced an element which has a good potential for future *vivad* – withholding tax on outward remittances. Called tax collected at source (TCS), this will be imposed on amounts of over ₹7 lakh under the liberalised remittance scheme (LRS), including overseas travel. Since the amount will have to be claimed, a lot of taxpayers might be asked to produce more documents, resulting further disputes. P C Mody, chairman of the Central Board of Direct Taxes (CBDT), has argued that a government study came across cases in which there were mismatches in the returns profiles of remitters, and it was just a case of cataloguing the remittances and matching returns. The remitter is not paying a second tax but gets credit on that, is the rebuttal.

The counter-argument: If there are dubious transactions, they are anyway being recorded because of transfers through bank accounts. After all, banks do data mining of transactions under the LRS. After the introduction of Aadhaar, it should be easy to match returns vis-a-vis transactions. Penalising everyone for the crimes of a few makes things more complex for the ordinary taxpayer. In addition, if it is just a question of tracing, why 5 per cent and not 0.5 per cent?

Also, sectors like education will feel some heat because many parents borrow to fund their children's overseas education. Paying tax on borrowed money would, well, not feel too good. Indians remitted as much as $3.5 billion abroad in FY2019, one-third of outward remittances, for educational purposes. The TCS collections, even if it is on 50 per cent of the total $13.7 billion remitted abroad under LRS, would be $300-odd million or around ₹2,000 crore.

The historical template of "collect now, correct later" lies at the core of most disputes. For years, tax officials were given unrealistic targets, not backed by good enough data. The result: Tax terrorism. The officer needed to simply collect for a good posting or promotion. Worse, a few years back, the CBDT introduced a 20 per cent charge on taxpayers who chose to appeal against any demand. It does not seem to have helped.

In the past six years, besides demonetisation, we have had three voluntary disclosure schemes, all to flush out black money. Maybe, it's time to move from *vivad* to *samvad* (dialogue), to truly bring *vishwas* (trust).

LETTERS

Look before you leap

This refers to "LIC's governance makes it a poor market bet" by Subhomoy Bhattacharjee (February 27). The writer

makes some interesting points about the governance structure and accounting methods, especially relating to profit calculation, which will be useful for potential investors as and when the IPO hits the market. LIC has been used as the government's white knight in rescuing many market offerings while saving it from financial stress by resorting to imaginative accounting at times. LIC's surplus has been built over decades, thanks to its monopoly status and these reserves belong to the policyholders and not the sovereign. Going by the experience and track record of IPOs of ONGC, Coal India and a dozen other PSUs, it is doubtful whether investors will reap reasonable capital appreciation and dividends.

There is an acute shortage of good quality stocks in Indian market with continuous flow of investors' money into mutual funds owing to depressed bank deposit rate and taxation issues. It is a classic case of too much money chasing too few stocks. Investors would do well to rethink while committing their hard earned money into IPOs floated by public sector undertakings, especially in sectors where competition is forcing the state behemoths to shed their market share in favour of the private sector.

Ganga Narayan Rath Hyderabad

No petty politics please

This refers to the editorial "While Delhi burns" (February 27). The violence over the Citizenship Amendment Act or CAA is a huge blot on the national capital's image. It started from the Jawaharlal Nehru University before moving to Shaheen Bagh and reaching the North East Delhi areas. And now at least 30 people have lost their lives. We need to remember that someone wielding a gun at policemen is as guilty as someone who is literally threatening to take law into their hands. Delhi Chief Minister Arvind Kejriwal may say that since Delhi Police is not under him, it is not the state government's duty to quell the violence and claim he is helpless but that does not work. It is time both the central and the state governments sit together and work in co-ordination to ensure that violence ends and all roads which are out of bound for the users are made protests free so that there is no inconvenience to anyone. We cannot let the sacrifice of a policeman get wasted like that. No one should be allowed to play petty politics on this issue.

Bal Govind Noida

Time to surpass China

A US-China trade war, the coronavirus outbreak and US President Donald Trump's visit to India are insisting factors for India to surpass China. Firstly, the trade war has negatively affected the trade relations between these two nations. The US has restricted imports from China through innumerable tariffs and duties. The US has been a major destination for goods manufactured in China so far. However, the share of Chinese goods going to the US has declined from 21.6 per cent in 2018 to 18.4 per cent last year. For India again, the US is a major exporting destination and India's share in US imports jumped slightly from 2.2 per cent in 2018 to 2.3

per cent in 2019. Secondly, the coronavirus epidemic has slowed China's growth and restricted it as a closed economy at present. The first quarter growth rate in China could be as low as 3.5 per cent due to the epidemic (Morgan Stanley, February 19). This outbreak has hindered the global supply chain as China is a major exporter across the globe. Thirdly, Trump visit to India is a felicitous opportunity for India to improve bilateral trade between the two countries. Trump signed three memorandums of understanding during his visit. This may also encourage US firms to start manufacturing in India, smoothen matters like tariffs, visas and policy stability that impede the ease of doing business. The discussion over 5G, a $3 billion defence deal and escalating exports of energy to India can be a boon for India to overcome from great economic slowdown and bring India on double-digit growth rate.

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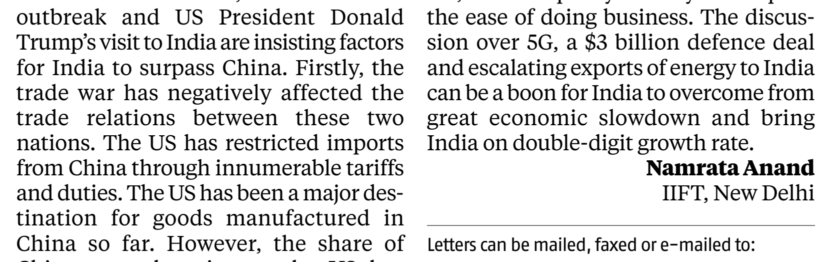
HAMBONE



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Reform PSBs

Time is up for directed lending approach

The state of India's public sector banks (PSBs) has improved in recent quarters. Gross non-performing assets (GNPAs), for instance, have come down from 14.6 per cent in March 2018 to 11.3 per cent in December 2019. The number of PSBs under the Reserve Bank of India's (RBI's) prompt corrective action has dropped to four, and 12 reported profits in the first nine months of the current financial year. The provision coverage ratio has also improved. Some of these indicators suggest that the worst may perhaps be over for PSBs as a group. However, they still have a long way to go before being able to freely lend to the productive sectors of the economy. One of the biggest problems for PSBs is the lack of a clear road map for reforms.

Union Finance Minister Nirmala Sitharaman unveiled the next fiscal year's PSB reform agenda for technology-enabled banking on Wednesday. Some of the steps such as facilitating loans to retail borrowers and micro, small and medium enterprises through digital modes and the use of analytics will help both the customers and banks. But these may not go far enough to put the PSBs on the desired growth trajectory and enable them to service the credit requirement of the productive sectors of the economy. At a broader level, statements from the government show that PSBs are still heavily influenced by it. For instance, asking PSBs to push credit supply at a time when economic activity and demand are weak could lead to asset quality issues at a later stage. This also reflects the difference between the objectives of the government and lenders. The government would want to see the flow of credit increasing, which will help push up economic activity. However, banks would prefer to be more cautious in a weak economic environment. Excessive directed lending without proper due diligence in the aftermath of the global financial crisis contributed significantly to the stock of NPAs in PSBs. Instead, the need is to build better risk-assessment capabilities. This will, to a large extent, also reduce the dependence on reports from credit-rating agencies.

In fact, PSBs need wider operational and governance reforms. While some of the operating indicators are now improving, the fundamental weaknesses of PSBs became more visible in recent years. As a result, the business is rapidly moving towards the private sector. A recent RBI report on the banking sector, for example, showed that the average share of PSBs in incremental term deposits declined from 77 per cent in 2011-15 to 13 per cent in 2016-19. Similarly, incremental credit is also moving away from PSBs. Since PSBs still dominate the Indian banking system, weak balance sheets and inability to extend credit directly affect economic activity. In this context, the finance minister has done well to clarify that the proposed merger of PSBs is on track. While the merger itself may not improve things, as the previous exercise suggests, uncertainty on this front will further affect the operational performance of the banks concerned. Even though the merger looks difficult in the given time frame, the government would do well to work on governance reforms. One proposal gathering dust is a structure where each PSB would either independently have its own holding company or collectively have one that hold its shares. The government would do well to accept such a structure.

Revamping farm insurance

New proposals may do more harm than good

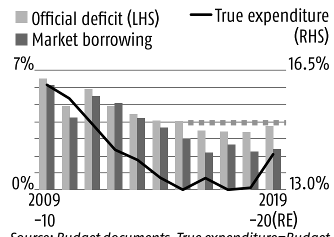
The package of measures announced by the government to revamp its flagship crop insurance scheme, the Pradhan Mantri Fasal Bima Yojana (PMFBY), may do more harm than good to this vital risk-hedging mechanism for farmers. No doubt, the package is not bereft of elements that may benefit the farmers, but many other mooted modifications in the format of the scheme are unlikely to go down well with insurance companies or the state governments.

On the upside, crop insurance has been made voluntary for all farmers. At present, it is mandatory for those who take bank loans and optional for others. This meets the long-pending demand of the farmers. The other welcome feature is the rationalisation of the procedure for damage assessment in a fixed period. The insurance companies would be allowed to settle the claims on the basis of the preliminary estimates if the state governments fail to provide yield data based on crop-cutting experiments within the deadline. This would help avert undue delays in claim settlement, which is one of the main complaints against this scheme.

However, the downside of the PMFBY is more formidable and worrisome. The new design blunts the scheme's unique feature that sets it apart from other agricultural insurance schemes, namely the coverage of all conceivable risks, ranging from prevented sowing to post-harvest losses. The states are proposed to be given the freedom to select the hazards to be covered under this programme. They would, therefore, be allowed to omit any relief to the farmers who are unable to plant the crops due to drought or other factors or suffer damage to the harvested produce lying in the fields. This curtails the utility of the scheme for the farmers.

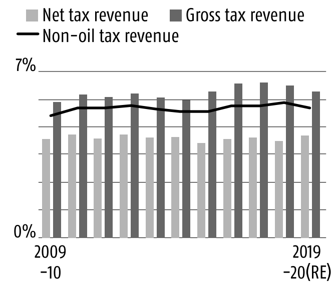
This apart, the new norms cap the Central subsidy on crop insurance premium at 30 per cent in unirrigated areas and 25 per cent in irrigated tracts. For northeastern states, it would be 90 per cent. The difference between the Central subsidy and the actual premium quoted by the insurance companies has to be paid by the state governments. Earlier, the subsidy used to be shared equally by the Centre and the states. Thus, it would reduce the financial burden of the Centre but raise that of the states, which may not be acceptable to them. The insurance companies, too, would not be able to seek the kind of high premiums these have been charging till now — as high as 75 per cent in the hazard-prone arid areas where droughts are fairly frequent. Since the state governments may not be willing to shell out more for this purpose, the insurers would have to either settle for low premiums or opt out of the scheme. The latter option seems more likely, considering that four private insurance companies have exited the PMFBY, maintaining that farm insurance is an unprofitable business. Similarly, three states have also stopped implementing the PMFBY and three more have given notice to the Centre to do it. Fortunately, the Union agriculture ministry does not seem to be unaware of this. It has already announced plans to come up with state-specific alternative risk mitigation programmes. Given the dismal track record of all farm insurance models tried out so far, non-insurance based risk-protection instruments are needed.

FIGURE 1. TRUE EXPENDITURE, OFFICIAL DEFICIT, AND MARKET BORROWINGS



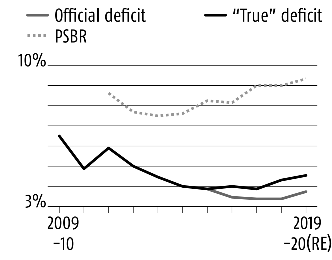
Source: Budget documents. True expenditure=Budget expenditure+Extra-budgetary resources (EBRs) which are available only from 2016-17

FIGURE 2. TAX REVENUES



Source: Budget documents

FIGURE 3. TRUE AND OFFICIAL DEFICITS



Source: Budget documents, HSBC. True deficit=official deficit + EBRs

Understanding Budget policy

Its objectives are clear. But the reality in recent years has not cooperated with the government's plans

ARVIND SUBRAMANIAN & JOSH FELMAN

What should we make of the recent Budget? The honest answer is we cannot really assess it until well into next year. Yes, not until 2021. The reason becomes evident when answering two key questions: What are the broad aims of the government's budget policy? What are the realities?

After more than five years in power, it is becoming clear that the government has three key objectives, captured in Figure 1. The first is to advance the prime minister's vision of New Welfarism. This comprises the public provision of essential private goods and services via various government schemes: Toilets, cooking gas, bank accounts, rural housing, power, targeted transfers to farmers, medical emergency insurance, and now water.

It is difficult to attribute and hence quantify precisely the amounts associated with the new schemes but a ballpark number would be somewhere between ₹1.5 and ₹2.5 trillion in 2019-20, around 1 per cent of GDP. And because these schemes have essentially supplemented existing programmes, rather than replacing them, overall government expenditure has also increased by around 1 percentage point, to at least 14 per cent of GDP today.

Even as the government has been launching spending schemes, it has been determined to establish a reputation as fiscally conservative. It—quite rightly—wants to be seen as a responsible and trustworthy guardian of taxpayers' money, after years of indiscipline and waste. Accordingly, its Budget announcements have consistently targeted an improvement in the fiscal deficit. The government has also ensured that ex post headline deficits remain close to 3.5 per cent of GDP and certainly less than 4 per cent of GDP, the number that this government inherited from its predecessor. This is the *Lakshman Rekha* which cannot be crossed (dotted line in Figure 1.)

The third objective is that bond markets must not be rattled. Accordingly, the government has ensured that the magnitude of market borrowing is kept on the safe side of a threshold, beyond which markets could be spooked, causing interest rates to spike. As Figure 1 shows, market borrowings have been kept in the range of 2-2.5 per cent of GDP, well below even the fiscal deficit targets. Bond markets still rule.

From objectives, turn next to the realities. Especially since 2017-18, reality has not cooperated with the government's plans. In particular, despite determined efforts to improve tax collections so as to finance the new spending, net tax revenues to the Centre have stagnated at about 7.25 per cent of GDP. Even gross tax revenues have only improved marginally, hovering between 10.5 and 11 per cent of GDP, while non-petroleum related taxes (which excludes the windfall from lower global oil prices since 2014-15) have remained flat at 9.5 per cent of GDP. In this light, the decision in 2019 to raise income tax thresholds to ₹5 lakh—thereby narrowing the base from 60 million to just 15 million taxpayers—seems a retrograde policy move, as T N Ninan has noted.

Stagnating tax revenues have posed an acute dilemma, for without additional resources and given the Fourteenth Finance Commission's huge devolution increase to the states, how can the three objectives be met? The answer has been the "50 ways" strategy. Paul Simon (of Simon and Garfunkel) has sung that "there must be 50 ways to leave your lover." Similarly, the government has found many means—policy and accounting—to meet budgetary objectives.

On policy, the government has conserved revenue for itself in many ways: By shifting taxation to cesses that are not part of the divisible pool shared with the states; deferring payments of IGST that were due to states (in 2017-18); and not paying the 14 per cent GST compensation due to states (2019-20).

On accounting, a growing share of public sector activities has been shifted off budget. Public enterprises have been asked to finance their own capital expenditure. Subsidy payments have been scaled back, forcing the FCI to step up its borrowing from the NSSF. And even some of the new welfare schemes are being financed in part through novel off-budget mechanisms such as "fully serviced bonds."

Taking these "50 ways" into account, "true" deficits (official deficits plus extra budgetary financing of expenditures) are now 4.6 per cent of GDP and could be as high as 5 per cent of GDP if agencies such as the NHAI are included. This level is higher than: The official deficit of 3.8 per cent, the FRBM target, and what the government inherited. A broader Public Sector Borrowing Requirement (PSBR) indicator that includes the financing of the central public sector enterprises (mentioned in statement 25 of the Budget) is close to 9.5 per cent of GDP, having increased by about 1.5 -2 percentage points since the government came to power.

Three important conclusions follow. First, the divorce of budgetary objectives and reality has had a serious impact on budgetary integrity. The government deserves considerable credit in this Budget for acknowledging the problem by listing off-budget expenditures in an annex. It should continue in this direction until the red and the black lines ("true" and official deficit) in Figure 3 become one. Indeed, transparency and integrity would get a real boost if next year's Budget included a similar table on the government's major arrears to the public and private sectors.

Why is integrity important? The answer is that the "50 ways" strategy has real costs. Some of these arise from the distortions created to finance the true deficits, such as high interest rates (to keep the NSSF flush with funds), financial repression (issuing non-marketable—"fully serviced"—bonds held by public sector entities), and complexity (NHAI issuing bonds whose interest is financed by the Budget). The cost of NSSF borrowing is not just the higher interest rates but the revenue foregone because these saving instruments are tax exempt.

At the same time, the associated lack of transparency and the over-optimistic revenue projections create uncertainty in the economy, especially toward the end of the fiscal year. Financial markets can't be sure how much the government is really going to borrow, taxpayers can't be sure how aggressively collectors will pursue their targets, spending ministries don't know whether they will really be able to spend the funds initially allocated in the Budget. Policymakers and analysts have problems assessing whether the fiscal stance is providing stimulus to the economy—or withdrawing it. The truth is that for the last few years, fiscal policy can only reliably be known well after the fiscal year is over! All of this uncertainty impairs decision-making, thereby impeding economic recovery.

Second, while headline deficits have improved, the actual fiscal position has deteriorated. The change is not huge—and deficits on average are still much lower than in the 2009-2014 period—but the change is steady and in a worrying direction (and we don't really know the states' true fiscal situation). Already, the debt-GDP ratio has begun to creep up. If growth remains weak, the fiscal situation will become another source of risk and vulnerability. In other words, the growth crisis of today could turn into a serious fiscal problem tomorrow if current trends are not reversed. And, of course, the first step to solving a problem is recognising transparently that the problem exists.

Third, in principle, this fiscal drift should be contained by the FRBM framework. But the framework is clearly broken. It is not just that the 3 per cent of GDP deficit target has repeatedly—across many different governments—been honoured only in the breach. It is also that the "50 ways" strategy has eviscerated the official targets of meaning, and unless that is corrected the framework cannot serve its intended purpose.

In the interim, the onus for keeping the debate tethered to reality will lie with outside participants—financial market analysts, think tanks, ratings agencies, international institutions, and academics. Will they be industrious and honest, showing the reality as their baseline numbers rather than as an after-thought? Or will they continue their complicity in perpetuating the spell that headline fiscal numbers—like headline numbers in other areas—always seem to cast?

To paraphrase the famous saying, "Fool us once, shame on you; fool us often, shame on us."

Subramanian is visiting lecturer at Harvard's Kennedy School and former chief economic adviser to the Government of India; Felman is former IMF resident representative in India.

Deregulate large-scale philanthropy

POWERPOINT

SHYAMAL MAJUMDAR

The income tax department is reportedly insisting on provisions that require charitable institutions which have held equity in companies prior to 1973 to wind up such investments. The reason for the move is the belief in certain quarters that a charitable trust should not be able to misuse its tax-exempt status to control companies.

But that's barking up the wrong tree. The question to ask is this: Should the issue be shareholding, its extent and, as a corollary, control over firms, or the purpose and performance these institutions demonstrate with such control?

The attention and law-making should focus on to what end control is being exercised. Is it for the benefit of the owning body or entity solely, or for the organisation's overall business goals, and shared prosperity of all connected stakeholders?

Let's consider shareholding patterns. In India, there are companies with a diversified shareholder base (L&T, for example), family-run businesses or a company like Tata Sons— which is majority-owned by a clutch of Tata Trusts and is the principal holding company of the Tata group — or foreign company-controlled subsidiaries like Hindustan Unilever.

The purpose and performance of these companies do not demonstrate that any one class, on a secular basis, is superior or inferior in these respects.

Similarly, many companies, with all types of shareholding patterns, are well-run, including those where charitable institutions, by dint of their shareholding influence, have a navigating role.

In fact, the government should think of a level playing field— by restoring the pre-1973 status, under which foundations could hold equity with income tax exemption, and bringing other foundations on a par with the Tata and Birla Trusts.

Successive governments have desired that companies should aggressively share the cost of providing social development inputs. It is this desire that is at the core of the mandate that companies must spend 2 per cent of their profits on corporate social responsibility.

What India needs is large-scale charitable giving or philanthropy. India's wealthy today have the means to do so. In the US, for example, charitable giving is close to 2 per cent of its GDP. If India Inc follows suit, it will be around $60 billion.

As elsewhere, India's entrepreneurs hold an overwhelming share of their wealth in the equity of their companies. Allowing promoters to donate their equity to charity and allowing such charities income tax exemption will give a fillip to the government's purpose of driving wealth towards social causes.

Just like the Tatas or the Birlas, some of the world's most renowned organisations — Heineken, Ikea, Robert Bosch, Carlsberg, etc — are owned by foundations. The Wallenburg Foundations themselves directly or indirectly via investment firms (Investor AB and FAM AB) own ABB, AstraZeneca and Atlas Copco, among others.

The thinking that a charity cannot run a business is at cross-purposes with the desire that businesses become more charitable. It takes us back to the 1970s' thinking in India. The fact that it was a regressive approach is well established today. The decision to disallow foundations from holding equity, without losing income tax exemption, was one such. Out of a mistrust of business, the government had also introduced Monopolistic and Restrictive Trade Practices ACT in 1969, following up with the Foreign Exchange Regulation Act in 1973. Eventually that led to the crisis of 1991, and deregulation.

But that total mistrust has given way to some trust. So, it is time to deregulate large-scale philanthropy as well. The government can learn a lesson from the post-1973 period. When IBM and Coke left, Unilever engaged with the government to allow a 51 per cent shareholding resting point, on the condition that such multinational corporations will engage in backward area development and in high-tech industries. The Janata Party government would have allowed that (the late George Fernandes was industry minister) but the government did not last a full term. Eventually, the succeeding Indira Gandhi-led government approved the proposal. The word "liberalisation" was first uttered by her industries minister, the late ND Tiwari.

So, the issue perhaps is not about the form of control, but the substance of results.

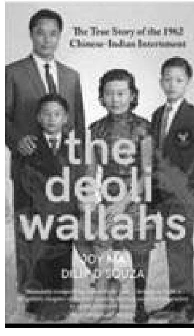
Take the Tata Trusts, for example. There is no denying that the trusts, through their participation in Tata Sons, helped establish many new businesses. The trusts own two-thirds of the stock holding of Tata Sons. The wealth that accrues from this asset supports an assortment of social causes.

So why try to fix something that is not broken?

Arrested development

BOOK REVIEW

RAJIV SHIRALI



THE DEOLI WALLAHS: The True Story Of The 1962 Chinese-Indian Internment
Author: Joy Ma and Dilip D'Souza
Publisher: Pan Macmillan India
Price: ₹650

Who precisely can legitimately claim to be an Indian citizen is now the subject of vigorous debate in the country following the enactment of the Citizenship (Amendment) Act and the internment in Assam's detention centres of those who have been designated "foreigners" after work began on compiling a National Register of Citizens (NRC). However, this is not the first time that people living in India for generations have been placed in internment camps . That happened in 1962 to people of Chinese origin who were living in Kolkata and other towns in Bengal and Assam, and whose ancestors had migrated to India over a period of several decades in search of better opportunities. This was done not by any Hindutva-spewing leader but by Jawaharlal Nehru's Congress government, following the outbreak of war between China and India on October 20, 1962.

The Deoli Wallahs is the story of these internees who were detained in a disused World War II prisoner-of-war camp in the town of that name in Rajasthan, written by California-based Joy Ma (who was born in the camp in 1963, had access to many of the internees and their descendants, and has recorded their stories) and the writer Dilip D'Souza, who has sketched the political and military background.

Few Indians know of this infamous chapter in their history, as is clear from Mr D'Souza's confession that he found out only in 2012, while researching an article he was writing to mark the 50th anniversary of the war. The internees numbered some 3,000 at their peak, a number admittedly dwarfed by the number of Boers who were detained in Lord Kitchener's concentration camps in South Africa during the second Anglo-Boer war (1899-1902, where the death toll of Boers and black Africans was nearly 50,000), or the 110,000 Japanese-Americans detained in 1942 after Japan attacked Pearl Harbour and brought the United States into World War II.

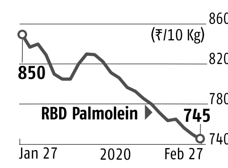
But there is a key difference between the American and Indian parallels. Forty-six years after the detentions in the US, then US President Ronald Reagan, while signing the Civil Liberties Act of 1988, which apologised and granted reparations to the Japanese-Americans, said that three things had led to the internment — racism and prejudice, wartime hysteria, and the failure of the political leadership to uphold the US Constitution. There has been no such apology from the Indian state. The sheer numbers and persistence of Japanese-Americans (who continued living in the US after their release), plus the fact that they found champions in the US Congress to lobby for their cause, helped them secure an official apology.

Chinese-Indians in India are pitifully small in number, most of the Deoli detainees and their descendants having migrated to Canada and the US. Those still living in India are fearful of inviting the Indian government's wrath should they demand an apology, given the frequent stand-offs between Indian and Chinese soldiers on the borders. It was only in 2017 that some 50 Chinese-Indians living in Canada and the US drummed up the courage to travel to Ottawa, intending to hand over a letter addressed to Prime Minister Narendra Modi to the Indian High Commission, asking for an apology. (The High Commission refused to accept the letter, indicating how difficult it will be to secure redress.)

The two co-authors agreed on a neat division of labour. Mr D'Souza provides perspective and commentary on the border conflict, while Ms Ma has sensitively portrayed life at the camp and the extent to which the internees' lives and livelihoods were disrupted. Nearly 60 years later, the survivors' wounds are still raw, and the feeling of betrayal by India palpable, because they had lived in India for generations, spoke only Indian languages, and no longer had any connections with China. Most remained in detention long after China declared a unilateral ceasefire. Those who owned restaurants, sawmills and shoemaking businesses came back physically and mentally broken, to vandalised homes and businesses. Many are yet to come to terms with that chapter of their lives.

Business Standard
The Smart Investor
MUMBAI | FRIDAY, 28 FEBRUARY 2020
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: REFINED EDIBLE OIL PRICE TO REMAIN SUBDUED



Refined edible oil (RBD palmolein) prices have fallen 12 per cent over the past month, following higher output in major producing countries like Malaysia and Indonesia. Prices are likely to remain subdued, given demand uncertainty from major consumers like India, and coronavirus-affected China

"Total debt owed by US students ($1.5 trillion) is almost equal to the total debt owed by India Inc. Just think about the enormous size of USA"

NILESH SHAH,
MD, Kotak Mutual Fund

Virus pushes indices deeper into red...

SUNDAR SETHURAMAN
Mumbai, 27 February

The benchmark indices extended their losses and fell for the fifth consecutive session on Thursday, as the spread of coronavirus intensified across the globe. Analysts said investors were worried that it might turn into a pandemic and halt growth in the global economy.

This week, foreign portfolio investors (FPIs) have pulled out ₹10,000 crore ($1.4 billion) from domestic equities, dragging the index down about 4 per cent. On Thursday, the pull-out was more intense as their selling exceeded buying by ₹3,127 crore.

Market players said that besides the coronavirus outbreak, turmoil in the national capital has hurt investor sentiment and dented the country's image as a liberal democracy and go-to investment destination.

On Thursday, the Sensex fell 143 points, or 0.36 per cent, to end at 39,746. The Nifty dropped 45 points, or 0.39 per cent, to close at 11,633. Barring two, all BSE sectoral indices ended the session in the red.

"Markets have moved from complacency to fear with regard to coronavirus," said Andrew Holland, CEO of Avendus Capital Alternate Strategies, adding that investors are unsure how this will impact corporations around the globe.

Market players said that if not for the buying by domestic investors, there could have been a steeper decline. They bought shares worth over ₹3,000 crore in each of the last two trading sessions.

The number of new coronavirus cases detected outside China surpassed those inside the country for the first time since the outbreak. Analysts warned that the unabated spread would result in the global economy growing at the slowest pace in a decade. As of Thursday, the virus has spread to 47 countries. Moreover, investors are worried that policy responses, including easier liquidity conditions, will be insufficient to manage the supply side disruptions.

In a note to investors, Credit Suisse said authorities and businesses had been forced to take drastic measures given the high degree of transmissibility. "Although the mortality rate of coronavirus is much lower than for SARS, its transmissibility makes it much more difficult to prevent it from spreading. Furthermore, the short-term economic damage of the coronavirus is likely to be more profound," the note said.

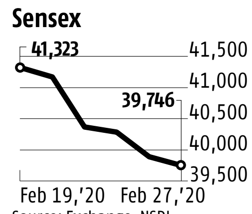
Indian markets are already on a sticky wicket because of issues like a slowdown in earnings and economic growth. Experts said the events in Delhi, which saw the worst communal violence in three decades, are adding to investors' woes.

Barring nine, all the constituents of the Sensex ended the session with losses. ONGC fell 2.6 per cent, Mahindra & Mahindra 2 per cent, SBI 1.9 per cent, and IndusInd Bank 1.7 per cent. Overall, 1,614 stocks declined, and 820 advanced on the BSE.

AT DALAL STREET

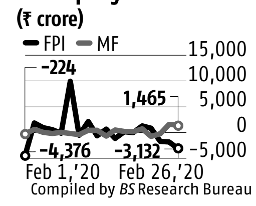
	BSE price (in ₹)		
LOSERS	**Feb 19,'20**	**Feb 27,'20**	**% chg**
ONGC	101.70	93.30	-8.26
Reliance Industries	1,504.20	1,385.80	-7.87
Maruti Suzuki	6,756.45	6,285.90	-6.96
Hero MotoCorp	2,251.95	2,111.20	-6.25
M&M	526.00	493.40	-6.20
GAINERS			
SBI	320.25	321.95	0.53

Sensex



Source: Exchange, NSDL

Net equity investment
(₹ crore)



Compiled by *BS* Research Bureau

...Correction may continue as global sell-off intensifies

Indian stocks could continue their slide following the sharp fall in US markets overnight.

The Dow Jones plunged as much as 950 points in opening trade on Thursday, after US officials warned of the virus spread. It, however, recovered to trade at 26,717, down 240 points, as of 11.20 pm (IST).

The US stocks pared early losses, after the initial surge in angst (over the virus spread) that pushed US indices to their four-month lows. Bond yields remained at unprecedented levels.

The S&P 500 and Dow Jones Industrial Average have tumbled this week by as much 10 per cent from their all-time highs set this month, a so-called correction.

Thursday's 3.5-per-cent drop put the S&P on pace for its worst week since the 2008 financial crisis. The MSCI All-Country World Index fell to the lowest since October, while the Stoxx Europe 600 also entered a correction.

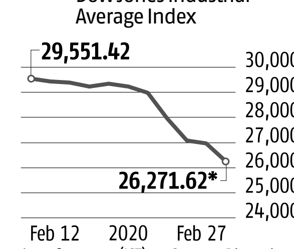
MSCI's broadest index of Asia-Pacific shares outside Japan closed 0.24 per cent lower, while Japan's Nikkei lost 2.13 per cent.

Hong Kong stocks, however, reversed earlier losses to end higher, after Beijing indicated more support to bolster its economy.

At the close of trade, the Hang Seng was up 82.13 points or 0.31 per cent to 26,778.62. Meanwhile, China's main Shanghai Composite index closed up 0.11 per cent, while South Korea's Kospi dropped 1.1 per cent to close trade at 2,054.89.

AGENCIES

SHARP SLIDE



*as of 9:25pm (IST) Source: Bloomberg

WORLD TAKES STOCK

	Country	27-02-2020	% change
America (21:50 IST)			
DOW JONES	US	26,486	-1.7
S&P 500	US	3,068	-1.6
NASDAQ COMPOSITE	US	8,808	-1.9
Europe (21:50 IST)			
FTSE 100	Britain	6,843	-2.8
CAC 40	France	5,547	-2.4
DAX	Germany	12,475	-2.4
Asia			
NIKKEI 225	Japan	21,948	-2.1
KOSPI	South Korea	2,055	-1.1
SHANGHAI SE COMPOSITE	China	2,991	0.1
HANG SENG	Hong Kong	26,779	0.3

Compiled by *BS* Research Bureau Source: Bloomberg

Sebi tells fund houses to step up vigil during stress events

JASH KRIPLANI
Mumbai, 27 February

G Mahalingam, whole-time member of the Securities and Exchange Board of India (Sebi), on Thursday pointed out that the risk-management practices of the ₹27-trillion mutual fund (MF) industry could improve further. He also urged MFs to create a framework that makes them gauge liquidity risks in a timely manner and mitigate liquidity pressure during stress scenarios.

The senior Sebi executive said that the tighter norms in liquidity and overnight schemes that came in last year should be seen as nudges by the regulator to improve risk management practices.

While speaking at the 14th edition of the CII Mutual Fund Summit, Mahalingam said that MFs need to play a more constructive role when it comes to monitoring corporate governance practices followed in investee companies. He questioned the practice of MFs staying away from casting their votes on company resolutions and pointed out that 'abstain' votes were still as high as 12 per cent. He directed the industry to reduce 'abstain' votes to 1-2 per cent in the next few years.

"WE DON'T WANT TO BE IN A SITUATION WHERE WE GET COMPLAINTS FROM INVESTORS THAT THEY WERE NOT WELL-INFORMED ABOUT THE RISK-PROFILE OF THE PRODUCT"

G MAHALINGAM
Whole-time member, Sebi

He mentioned cases such as Fortis, Religare, and Crompton Greaves, while pointing out the growing prevalence of corporate governance issues.

He also warned the industry about mis-selling of MF products. "We don't want to be in a situation where we get complaints from investors that they were not well-informed about the risk profile of the product," he said.

In the prevalent scenario, he added, investors will aggressively look for yields and 'alpha', and it is the duty of MFs and distributors to make sure there is no mis-selling.

Mahalingam cited the example of credit risk funds and said the industry has to make sure investors coming in are aware of inherent risks.

"We expect 'alpha' to become an obsession, as globally the returns generated are going down," said Mahalingam. He cited a Morgan Stanley study that showed a typical 60:40 equity-debt portfolio will only able to give 2.5 per cent returns over the long term.

The senior executive told the industry to take more efforts to facilitate the growth of direct plans. He pointed out that the recent move by Sebi to allow MF investors to buy and sell units on exchanges could contribute significantly to the growth of direct plans.

While acknowledging that a change in regulations could lead to further operational costs, he said the industry needs to look at the business as a volume-based one to absorb these cost pressures.

More on business-standard.com

Relief for Nippon MF as SAT sets aside Irdai order

Nippon India Mutual Fund (MF) was handed a huge relief by the Securities Appellate Tribunal (SAT) on Thursday, in a pledging case where the fund house had extended the maturity of NCDs of former group firm Reliance Home Finance (RHF), against the pledging of Reliance Capital's (RCap's) holding in Reliance General Insurance (RGICL).

The matter pertains to NCDs of RHF, which were maturing on June 28, 2019. The housing financier was unable to meet its payment obligations. Subsequently, the maturity was extended to October 31, 2019, against additional security of RCap's holding in RGICL. Further, a corporate guarantee was given by RCap and the 'put option' right was given to the NCD holders. This meant RCap would be required to buy the NCDs when the option was exercised. Nippon India MF exercised the 'put option' before the maturity of NCDs.

It wanted to sell 6,369 NCDs for approximately ₹331 crore and gave a notice to RCap on October 11, 2019, to purchase the NCDs. However, upon RCap's failure to buy, Nippon asked IDBI Trusteeship to invoke the pledge. This led to Irdai issuing a letter stating the transfer of shares was in violation of the Insurance Act and was "null and void ab initio".

JASH KRIPLANI

THE COMPASS

No comfort for Page as volumes stay weak

Street has cut FY21 earnings estimates by 10-16%

SHREEPAD S AUTE

The Page Industries (Page) stock has lost 16 per cent in a month, compared to a 3-4 per cent decline in the Nifty FMCG and the Sensex during the same period.

Concerns over volume recovery, after a feeble December quarter (Q3), has seen analysts cut their FY21 earnings estimates by 10-16 per cent.

Sentiment has been turning weak for the stock, which once used to command rich valuations due to its strong growth track record.

According to analysts at ICICI Securities, while the near-term pressure is likely to continue, a sustainable improvement in the volume trajectory remains a key monitorable. Volume recovery is not only important for top line growth but also for operating leverage that supports profit margin and overall earnings, say analysts.

In Q3, Page reported a 2.8 per cent decline in volumes — the worst showing in 21 quarters. The fall can be attributed to the overall consumption slowdown — which has seen consumers migrate to cheaper options — and a delayed winter.

A higher base in the year-ago quarter, which saw 12 per cent volume growth, also weighed on volumes partly. Lower volumes led to poor operating leverage. This, along with higher sales incentives and increased employee costs, dented Ebitda margin by 490 basis points YoY to 17.5 per cent.

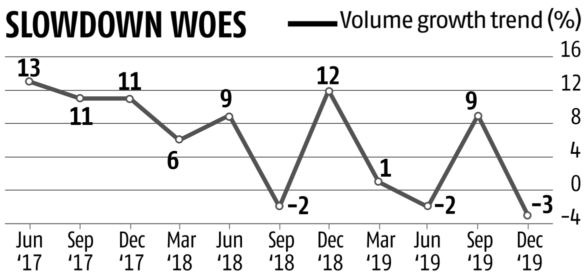
This was despite a 4-5 per cent price hike and a favourable product mix. Profit before tax, thus, fell a sharp 28 per cent YoY. Net profit fell 15 per cent YoY to ₹87 crore, even as the company benefited from lower corporation tax rates.

Focus on the kid's innerwear segment, expansion of its distribution network, higher marketing spends, and capacity expansion (management aims to double manufacturing in next five years) are factors indicating that the long-term visibility remains intact, despite near-term growth pressures.

These investments should yield good returns once the economy revives, believe analysts.

For now, investors are recommended to await signs of recovery in volumes, given that the valuation is still expensive at 52x its FY21 estimated earnings.

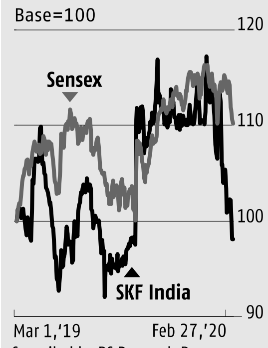
SLOWDOWN WOES



Source: Company and brokerage reports

SKF: Pressure to remain amid poor demand

Trading at 30x its FY21 earnings, there is limited upside



Compiled by BS Research Bureau

RAM PRASAD SAHU

The SKF India stock has shed over 16 per cent over the last month and a half, hit by a weak near-term outlook on its key segments, industrial and auto products. The subsidiary of Sweden's AB SKF Group, the global bearings major, could face pressure on revenue and margins, given the sluggish demand environment.

In the December quarter (Q3), the firm reported an 8 per cent fall in revenue. This was driven by the auto segment that fell an estimated 20 per cent, along with weakness in most of its sub-segments. Auto is the second-largest segment, accounting for about 38 per cent of revenue. Demand from automakers is expected to be soft on the back of higher product prices, given the transition to BS-VI norms.

Even in the industrial segment (53 per cent of revenues), barring the railways and wind businesses, demand has been sluggish. The impact on operating profit (down 40 per cent year-on-year or YoY) and margins, due to inferior products, was even more severe. Reported Ebitda margins fell a steep 560 basis points to a 17-quarter low of 10.3 per cent, compared to brokerage estimates of 15 per cent. A poor product mix, with a higher share of traded products, led to the weakness. A higher proportion of traded goods will keep margins under pressure in the near term.

The management is optimistic and expects the downturn to end, with recovery in revenue and margins coming in the next few quarters. Analysts are, however, cautious. Edelweiss Research believes a recovery in private sector capex, product launches, and growth in the aftermarket segment are key.

Analysts at the brokerage have cut their FY20 earnings estimates by 20 per cent, and those for FY21 by 17 per cent.

The target price stands reduced at ₹1,935 a share, from the earlier ₹2,146. Given the current price of ₹1,897, there is limited upside for the stock, which is trading at 30x its FY21 earnings estimate.

DCC may discuss telcos' AGR issue today; COAI presses for relief

MEGHA MANCHANDA
New Delhi, 27 February

The Digital Communications Commission, the apex decision-making body in the telecom sector, is expected to meet on Friday to deliberate on a relief package for the financially stressed industry.

As directed by the Supreme Court, telecom companies need to pay ₹1.47 trillion to the government towards licence fee and spectrum charge dues linked to adjusted gross revenue (AGR).

Of this, Bharti Airtel needs to pay ₹35,500 crore and Vodafone Idea more than ₹50,000 crore—they have paid just a fraction of the total till now.

The industry has made a string of demands including a moratorium, staggered mode of payment, lower licence fee and setting up of a tariff floor.

Sources said that any relief for the sector would come with riders.

"They (companies) cannot manipulate us, they have to make further payments before even seeking relief," a Department of Telecommunications (DoT) official said.

The DCC, formerly known as the Telecom Commission, comprises officials from the departments of telecommunications, electronics and information technology, revenue, and think tank NITI Aayog.

The DoT is expected to make a presentation to the commission regarding the possible relief scenarios.

Cellular Operators' Association of India, a body representing the telecom industry, on Thursday urged the Union government to step in so that the telecom sector can be brought back on track.

COAI, in a letter to Telecom Secretary Anshu Prakash, asked for easier terms for payment of statutory dues by telcos, including extension of loans at lower interest rates to cover the AGR liabilities, as also fast implementation of floor prices, to rescue the troubled sector.

The COAI has pressed for a floor price "to ensure the sector is sustainable"

The association has raised an alarm over banks' unwillingness to take any risk. It has said banks must get a clear message from the government to support the sector.

Banks are "constantly asking telecom service providers to reduce their exposures by refusing to issue new bank guarantees or even to renew bank guarantees", COAI Director General Rajan Mathews said in the letter.

It said the requirement of financial bank guarantees for securing licence fee payments should be done away with. In case the Telecom Department is of the view that financial bank guarantees are needed, the same should be reduced to one quarter of the licence fee, according to the association.

The COAI also sought an immediate cut in the licence fee levy to 3 per cent from 8 per cent, as well as a reduction in the spectrum usage charges.

Citing India's low average revenue per user (ARPU) compared to markets like China, Brazil and Russia, COAI has also pressed for a floor price "to ensure the sector is sustainable".

Earlier in the week, Vodafone Idea made it clear to the government that it wouldn't be able to pay the court-mandated AGR dues in its entirety, unless a bailout was extended immediately.

The Supreme Court, in October last year, upheld the government's position on including revenue from non-core businesses in calculating the annual AGR of telecom companies, a share of which is paid as licence and spectrum fee to the exchequer.

The Supreme Court, earlier this month, rejected a plea by Airtel and Vodafone Idea seeking an extension in the payment schedule. The court asked companies to deposit their AGR dues immediately.

Vodafone Idea, in a letter to the DoT, has even sought adjustment of goods and services tax (GST) refund to the tune of ₹8,000 crore against its AGR dues.

Voda Idea wants govt to raise minimum data tariff by 8 times

PRESS TRUST OF INDIA
New Delhi, 27 February

Vodafone Idea has demanded fixing minimum tariffs for mobile data at ₹35 per GB, 7–8 times the current prices, and for calls at 6 paise per minute along with monthly charges from April 1 to enable it pay statutory dues and make its business sustainable.

The loss-making telco is under pressure to clear adjusted gross revenue dues of more than ₹50,000 crore to comply with a Supreme Court order. The company has sought 18 years time to clear the dues, including a three-year moratorium on payment of interest and penalty, according to official sources.

"There are number of demands that Vodafone Idea has put across the government for its survival. The company wants minimum price of data should be fixed at ₹35 per gigabyte and minimum monthly connection charge at ₹50 from April 1, 2020. These are tough demands which is a problem for government to fulfil," an official said. Current mobile internet prices are in the range of ₹4–5 per GB.

According to the source, Voda Idea wants minimum price of outgoing calls should be fixed at 6 paise per minute.

The demand to raise call and internet rates from Vodafone Idea comes within three months of company raising prices by up to 50 per cent.

Sumant Kathpalia to be IndusInd chief

SUBRATA PANDA
Mumbai, 27 February

Private sector lender IndusInd Bank said on Thursday that it had appointed Sumant Kathpalia (*pictured*) the next managing director (MD) and chief executive officer (CEO) from March 24, for a three-year term.

Kathpalia will succeed current MD & CEO Romesh Sobti, who has been at the helm of affairs for over a decade now. Sobti's term as MD & CEO will end on March 23.

The bank's nomination and remuneration committee and the board had considered and submitted Kathpalia's name as a potential candidate for the role of MD & CEO to the Reserve Bank of India (RBI), seeking an approval.

"The bank has received a communication from the RBI on Thursday, approving the appointment of Kathpalia," the lender said.

At present, Kathpalia is heading the bank's consumer banking business and is based out of Delhi. Kathpalia used to head the consumer loans vertical at ABN Amro Bank, and had joined IndusInd Bank with Sobti and others in 2008.

Kathpalia is a qualified chartered accountant, and has over 20 years of experience in banking, having worked with foreign banks such as Citibank and Bank of America. He has a vast experience in consumer banking, project management, credit cards, bancassurance, wealth management, and consumer finance.

Kathpalia is credited with building the bank's consumer loans portfolio from scratch, as part of a strategy to diversify the loan book adopted by the bank. He takes over the reins of the bank at a time when the private lender's stock has been struggling due to concerns over its telecom exposure despite the bank clarifying on it.

On Thursday, the bank's stock slipped as much as 3 per cent intra-day, before ending the session down 1.71 per cent at ₹1,115.60.

With the Infrastructure Leasing & Financial Services and housing finance companies-related bad loan pressures hitting the bank, its gross non-performing assets (NPA) ratio touched a multi-quarter high of 2.2 per cent in the December quarter (Q3). In the past two months, IndusInd Bank has plunged 28 per cent on account of the risk of further asset quality deterioration. In comparison, the S&P BSE Sensex has gained 5 per cent during the same period.

On February 11, Moody's Investors Service had revised the outlook on IndusInd Bank's ratings to 'negative' from 'stable', while affirming its ratings, to account for the risk of further asset quality deterioration.

India to have better drug monitoring systems soon

SOHINI DAS
Mumbai, 27 February

India is stepping up its efforts to improve its quality systems and ensure better compliance in drugs as well as medical devices.

Apart from hiring manpower, the Central Drugs Standards Control Organization (CDSCO) would also invest in developing the Sugam portal that will list all the drugs made in the country, and its manufacturer details along with the licenses. This would make it easier to track the supply chain of drugs in India.

Speaking here at an event the Drug Controller General of India V G Somani said that the government has already earmarked ₹1,850 crore for the project that will primarily look at strengthening the quality systems for drugs and medical devices.

A significant portion of this money would go into upgrading the SUGAM portal, the e-governance solution for CDSCO. Data related to each and every drug manufactured in the country along with its dosage forms would have to be registered by the manufacturer on the website. Manufacturers would also have to upload their manufacturing licenses on the portal.

The CDSCO would thus have the entire information at its finger tips. There are plans to introduce an online procedure to trace the supply chain of drugs on the SUGAM portal. This would prove helpful to recall drugs in case of any crisis, for example, the recent cough syrup case that led to death of nine children in Jammu and Kashmir. Government can take speedier measures when it has a better monitoring and tracing system in place.

Somani said that the CDSCO is working to improve the monitoring of drugs that are made and sold across the country. As such the manufacturing plant (of Himachal Pradesh based drug maker Digital Vision) has been shut down and 50,000 bottles of cough syrup been recalled. Somani informed that an investigation is on and that a report is expected next week.

The CDSCO and the US Food and Drug Administration (USFDA) signed a memorandum of understanding this week to collaborate on capacity building for quality of medical devices.

Meanwhile, India will soon join the The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), an initiative that brings together regulatory authorities and pharmaceutical industry to discuss scientific and technical aspects of pharmaceutical product development and registration. "The regulators will discuss and agree upon the standards of inspection," Somani said. Harmonisation is difficult amongst various countries as there are differences between the regulations (in terms of legal framework etc).

This summer will be hotter: IMD

SANJEEB MUKHERJEE
New Delhi, 27 February

This summer is likely to be hotter than usual in most parts of northwest, west, central, and south India, according to the India Meteorological Department's (IMD's) forecast released on Thursday. In the remaining meteorological subdivisions, the average temperature is expected to be near normal in the summer months (March to May).

Northwest India comprises UP, Rajasthan, Delhi, Punjab, and Haryana. Madhya Pradesh and Chhattisgarh are parts of central India, while Gujarat and Maharashtra come under west India.

Day temperatures are likely to be above normal by 0.5 degree Celsius over Delhi, Jammu & Kashmir, Haryana, Chandigarh, western Uttar Pradesh, eastern Rajasthan, parts of Madhya Pradesh, Chhattisgarh, Odisha, sub-Himalayan West Bengal, the Saurashtra and Kutch regions of Gujarat, Konkan and Goa, Madhya Maharashtra, Marathawada, Vidharbha, north interior and coastal Karnataka, and Kerala. The rest of the country is likely to experience near-normal maximum temperatures (between -0.5 degree Celsius and 0.5 degree Celsius).

Regarding monsoons, there is good news: El Niño (a climate cycle in the Pacific Ocean with a global impact on weather patterns) is expected to be neutral in the March-May period, which precedes the rains. But a clearer picture on it is expected to come around April, when the IMD releases its official first monsoon forecast.

The water level in major reservoirs as of February 20 was 101.87 billion cubic metres (BCM) — 54 per cent more than in the corresponding period last year.

The southwest monsoon in 2019 (June to September) delivered 10 per cent above-average rainfall in the country, the highest in 25 years. In 1994, the rainfall was 110 per cent during the June-September period. Before that, more than 10 per cent above average rainfall was witnessed in 1990 (119 per cent).

The excess rainfall last year not only flooded several cities and towns, but also caused damage to standing kharif crop in states like Madhya Pradesh, Rajasthan, Maharashtra, Bihar, and Uttar Pradesh (its eastern part).

ONGC, HPCL buy out bankers in Petronet MHB for ₹371 crore

PRESS TRUST OF INDIA
New Delhi, 27 February

State-owned Oil and Natural Gas Corp (ONGC) and its subsidiary Hindustan Petroleum Corp (HPCL) have bought out lenders in Petronet MHB, the firm that owns a petroleum product pipeline in Mangaluru, for about ₹371 crore.

A consortium of eight public sector banks held 34.56 per cent stake in Petronet MHB, where ONGC and HPCL held 32.72 per cent apiece.

ONGC and HPCL bought 17.28 per cent stake each from lenders, the firms said in separate but almost identical regulatory filings.

The two firms paid ₹185.38 crore each for acquiring 17.28 per cent more share in Petronet MHB. The now hold 49.996 per cent each in the company that transports petroleum products from Mangalore Refinery.

Mangalore Refinery and Petrochemicals (MRPL) is also a subsidiary of ONGC. MRPL uses the pipeline of Petronet MHB for moving fuel.

In a regulatory filings, ONGC and HPCL said Petronet MHB had a networth of ₹796.30 crore as of March 31, 2019. "The acquisition will open up possible opportunities for synergy, better cost economics and revenue maximisation," they said, adding that no governmental or regulatory approvals are required for the acquisition. The acquisition is expected to be completed by March 31

CORONAVIRUS SCARE

WHO says outbreak at 'decisive point'

AFP/PTI
Geneva, 27 February

The World Health Organization declared that the new coronavirus epidemic was at a "decisive point" as countries across the globe battled to contain the deadly outbreak.

Alarm is growing as China is no longer the only breeding ground for COVID-19, with other countries including South Korea and Italy becoming hotbeds of infection, raising fears of a pandemic.

"We're at a decisive point," WHO chief Tedros Adhanom Ghebreyesus told a press conference in Geneva.

"If you act aggressively now, you can contain this virus, you can prevent people getting sick, you can save lives." The virus has already killed more than 2,760 people, mostly in China — where it first emerged in December — and infected more than 81,000 in over 45 countries.

But there are now more daily cases being recorded outside China, raising fears that poor countries with weak health infrastructures would not be able to cope.

"It's what's happening in the rest of the world that's now our greatest concern," Tedros said.

World financial markets have plunged on fears that widespread lockdowns could hamper business activity and dent global growth, while sports matches and festivals have been cancelled to try to stem infections. The EU said it was bracing for an economic hit, with tourism already feeling the pinch and supply chains reliant on China also being affected.

French President Emmanuel Macron said France, the world's most visited country which has recorded two deaths, was preparing for a jump in cases.


Indian nationals and foreigners stand in a queue after they were brought to New Delhi by the IAF's C-17 Globemaster III aircraft from Wuhan, at the Indira Gandhi International Airport, on Thursday PHOTO: PTI

Chicken sales drop 50% on rumours, says Godrej Agrovet

A false rumour that the coronavirus can be spread by chickens has slashed Indian poultry sales by almost 50%, top supplier Godrej Agrovet said on Thursday. "A lot of misleading posts on social media, especially on WhatsApp, have created a false impression that humans can contract the coronavirus through chickens," Managing Director B S Yadav said. Sales have fallen to around 40 million birds a week from 75 million about four weeks ago, he said. Other Indian poultry firms including Venky's have also cited rumours spread by social media for a fall in poultry-related sales. REUTERS

Saudi move to halt pilgrimages to hit Indian carriers

ANEESH PHADNIS
Mumbai, 27 February

Saudi Arabia's decision to halt religious tours to the kingdom to contain the spread of coronavirus will hit Air India, IndiGo, and SpiceJet.

The three Indian airlines, along with Saudi Arabian Airlines (Saudia), operate 98 weekly flights to Jeddah. Pilgrims account for over 50 per cent of the traffic between India and Jeddah.

The Saudi government on Thursday announced temporary suspension of Umrah (pilgrimage to Mecca that can be undertaken at any time of the year). Additionally, tourist visa holders from over 20 countries, including India, will not be allowed entry. The Saudi order does not prohibit labour and business travel to the country, but airlines and travel agents are seeking further clarifications, it is learnt.

Saudi Arabia is the second-largest air travel market for Indians in West Asia after the United Arab Emirates, and around 5.9 million passengers flew between the nations in 2019. Jeddah is the largest destination in the country for Indians, followed by Riyadh and Dammam. Typically, pilgrims to Mecca and Medina travel in 14-day group tours and are issued special Umrah visas.

"We may have to reduce the frequency on the Jeddah route, following the Saudi government's decision. However, the decision cannot be taken immediately, as pilgrims, who have already travelled to Saudi Arabia, need to return home," said an Air India executive.

Air India, IndiGo, and SpiceJet did not respond to emails from *Business Standard*. "The largest demand for Umrah tours is from south India, especially Kerala, and we are seeing cancellations in our forward bookings for the next few weeks," said Amey Amladi, chief operating officer of Akbar Group.

"All airlines are giving refunds, but there is no clarity on refunds from hotels. Currently, 500-600 passengers are traveling daily from Mumbai for Umrah. The figure will rise to over 1,000 daily during April and May," said Rizwan Patel, director of Atlas Tours & Travels.

India suspends Iran flights

The Directorate General of Civil Aviation also temporarily suspended Iranian carriers from operating flights to India. IranAir and Mahan Air operate flights to Mumbai and Delhi, respectively. No Indian airline flies to Iran. Sources said 350 Iranians are in India and booked to travel on IranAir till March-end. Similarly, there are 250 Indians stranded in Iran. They were supposed to return home via IranAir.

IranAir is offering refunds but has requested India to allow operation of two flights.

Trump: Risk to Americans low

US President Donald Trump said Americans face little risk from the coronavirus outbreak, seeking to ease public concern after lawmakers raised concern that the government is unprepared. He said that of 15 Americans initially infected by the virus, eight have returned home and one remains hospitalized. Five have fully recovered, he said.

Goldman sees gold at $1,800

Goldman Sachs Group boosted its gold forecast to $1,800 an ounce as the coronavirus, depressed real rates and increased focus on the US election continue to drive demand for the metal as a haven. The bank raised its 12-month projection by $200, and said "in the event that the virus effect spreads to Q2, we could see gold top $1800/oz already on a 3-month basis."

Air France to cut 1,500 jobs by '22

Air France is to cut 1,500 jobs, mostly ground staff, by late 2022, union sources told AFP, though the firm declined to confirm the figures pending talks with labour unions. Earlier on Thursday, Air France said it was taking cost-cutting measures, including a partial hiring freeze, to offset the impact of the coronavirus outbreak on the travel sector. AGENCIES

MUMBAI | FRIDAY, 28 FEBRUARY 2020 Business Standard

'No major impact of tax change'

Six top life insurance executives brainstorm on the impact of tax-exemption removal and the upcoming IPO of Life Insurance Corporation. Edited Excerpts:

Given that individual taxpayers have got the option to do away with tax incentives and pay a lower flat rate, what will be the impact for the life insurance industry?

Yashish Dahiya: I don't think the protection segment will be much impacted. But one of the reasons for buying an investment product was tax incentive. From the consumer perspective, some attractiveness will go away in the future years, not this year, and there'll be some continuity for a few years. It is both an opportunity for the industry to look more at innovation, look more at protection, but it's a challenge from a lot of investment points.

R M Vishakha: Tax incentive was actually some kind of a motivation to individuals to be more careful and to be more risk-aware and to protect their families. I think this is a disservice to customers at large. As a country, we're not very risk-aware, and if we take away even the incentives, I am worried about how we are going to create that entire risk management awareness to a customer. From an insurance company's point of view, we will find another way obviously, we will find different ways. We will figure out how to sell better.

Suresh Badami: The reason for which the Indian customer is buying life insurance is not tax saving. It could be in terms of planning for exigencies, improving the quality of life, or for child education. There's been a lot of innovation which has happened in terms of savings. Clearly on the annuity and the protection side there are a lot of products which people do go back and buy.

Abhijit Gulanikar: We have not received any pushback from our sales team or heard that tax is the first thing that gets pitched now, when insurance is getting sold.

N S Kannan: I actually don't see any impact whatsoever because of this change. In the short term, I think it makes sense for the bulk of the customers to continue with the exemption regime. The issue will only arise when we are forced to shift to a new regime of no exemptions at all. The protection product will have no impact, because it is always sold on the basis of need and not on a tax platform.

Raj Kumar: With 55 million income-tax payers and every year 30 million policies being sold, tax becomes irrelevant. High-net-worth individuals (HNIs) are not bothered about this. Then there are rural customers who are not supposed to file an income-tax return. Then there is the middle segment, which I believe has already been tapped and only the newcomers' may be interested in these exemptions. In the long term, we have to educate the customers that life insurance is for protection, not for the tax savings and the saving part was an added benefit.

N S KANNAN
MD & CEO, ICICI Prudential Life

"IN THE SHORT TERM, IT MAKES SENSE FOR THE BULK OF CUSTOMERS TO CONTINUE WITH THE EXEMPTION REGIME. THE ISSUE WILL ONLY ARISE WHEN WE ARE FORCED TO SHIFT TO A NEW REGIME OF NO EXEMPTIONS AT ALL"

RAJ KUMAR
MD, Life Insurance Corporation

"THERE IS A PERCEPTION THAT OUR INVESTMENTS ARE DETERMINED BY THE GOVERNMENT OF INDIA. NO, IT'S NOT LIKE THAT. THEY ARE DETERMINED BY THE LIC ACT AND IRDAI REGULATIONS"

SURESH BADAMI
Executive Director, HDFC Life

"LIFE INSURANCE AS A LONG-TERM SAVING PRODUCT LEADS TO A HUGE CORPUS WHICH THE GOVERNMENT CAN TAP. IF YOU ARE ABLE TO OPEN THE SECTOR TO A 74% FOREIGN INVESTMENT, IT WILL ADD A LOT OF VALUE"

ABHIJIT GULANIKAR
President, SBI Life Insurance

"IT IS BETTER TO HAVE AN OPEN ECONOMY WITH MORE COMPETITION COMING IF PROMOTERS NEED TO DIVEST 20%, AND NOT ENOUGH TIME IS GIVEN, I DON'T KNOW WHO HAS THAT MUCH MONEY TO INVEST"

R M VISHAKHA
MD & CEO, IndiaFirst Life Insurance

"AS A COUNTRY, WE'RE NOT VERY RISK-AWARE, AND IF WE TAKE AWAY EVEN THE INCENTIVES, I AM WORRIED ABOUT HOW ARE WE GOING TO BE CREATING THAT ENTIRE RISK MANAGEMENT AWARENESS"

YASHISH DAHIYA
Group CEO & Co-founder, PolicyBazaar

"ONE OF THE REASONS FOR BUYING AN INVESTMENT PRODUCT WAS TAX INCENTIVE. FROM THE CONSUMER PERSPECTIVE, SOME ATTRACTIVENESS WILL GO AWAY IN THE FUTURE YEARS, NOT THIS YEAR"

Only in the insurance industry has the FDI limit been capped at 49%. Do you think it should be relaxed?

Kannan: Increasing 49 per cent to a higher percentage is a reform that has happened in other sectors. The insurance industry will continue to consume capital. So if you can attract large pools of capital from abroad, it's a good thing for the industry as a whole. If you look at the three-four listed players here in life insurance industry, we have all grown anything between 40 and 60 per cent. It is good for us as a country to take advantage of this situation and attract foreign capital.

Gulanikar: It is better to have an open economy with more competition coming. We need to cross the bridge when it comes. But if 20 per cent plus needs to be divested, and not enough time is given, I don't know who has that much money to invest.

Vishakha: It is very important, especially for companies which are not yet listed. When they go in for listing, and if the FDI limit is capped at 49 per cent, they may not attract any FIIs.

Badami: Life insurance as a long-term savings product leads to a huge corpus, which the government can tap for infrastructure and many other such areas. I would think that, yes, if you are able to open the sector to 74%, like maybe some of the other sectors, it will add a lot of value. And maybe foreign players who come in will bring with them their core strengths, and it will add a lot more value in terms of what we can do in the industry.

Dahiya: If you don't run a business well, and you lose out because of that, that's one issue. But if it's because of just access to capital, I think that's a pretty sad situation. FDI has benefited every sector. So what's the big issue?

How will the LIC IPO impact the industry?

Kumar: Discussions were on for the last four-five years. But it was not known when the announcement will come. So, it was a bit of surprise because now the government has announced that it is going to divest between 5 and 10 per cent.

Is it easy for you to go for an initial public offering (IPO)?

Kumar: There is a perception that our investments are determined by the Government of India. No, it's not like that. Investments are determined by the LIC Act and Insurance Regulatory and Development Authority of India (Irdai) regulations.

Till now we have not received any formal kind of communication from the government, but I believe that they have started some exercise at the ministerial level. The government has very clearly said that "we would like it to happen in the second half of the next financial year".

For the first time LIC is doing an IPO and we don't have any expertise and experience of how the IPO works; probably so we have to get some information from the industry or the other segments of the market from where IPOs have happened. We have never calculated embedded value because we were not required to. It came on February 1 and we are on the job of managing internal perception. We have to talk to 1.2 million agents and 110,000 employees. On February 2 itself, the finance minister has gone on record saying that sovereign guarantee will not be affected.

How does the LIC IPO change the rules of the game?

Dahiya: LIC is a fairly competitive, very competent, very high-technology investment organisation. Usually, an IPO makes entities more competent.

Badami: Frankly, any listing will bring forward more disclosure and bigger transparency. Whenever an outfit like LIC lists, it will bring in a lot of innovation and dynamism in the market, because there will be a lot of push and pull.

Kannan: I feel that IPO or no IPO LIC is one of the toughest competitors in the industry. After about 20 years of liberalisation, even now, if you look at the receipt premium on a first-year basis, they have a 70 per cent market share. It is a behemoth and it's probably the best-known retail financial services brand in the country. We are minnows and they have done a fantastic job. So, I think the industry will be competitive and LIC will be a very, very significant player, IPO or not.

Sandbox opens up avenues for bundling services and newer ways of distribution

A power-packed panel said AI is the game changer in the non-life insurance business and underlined the need to generate underwriting profits and rely less on investment gains

The insurance industry has been asked by the regulator to focus on the insurance business and get some money out of it. Your views

Bhargav Dasgupta: Pricing (for the industry) was freed up in 2008. We have grown well at a time when pricing has collapsed in a few segments, particularly in the corporate line. So one way to look at it is that underwriting losses was made up by investment income. But while the top line has grown at a compound annual growth rate of 17 per cent, the bottom line, which is profit after tax, has reduced by 12 per cent compounded. In the long term you have to focus on underwriting profits because that's the core of your business. If you earn a premium of ₹100, you must make at least ₹1 as profit, which means your combined ratio (for measuring profitability in the insurance business) must be 99 per cent, but the industry is operating at about 118 per cent (and running at a loss). Unfortunately, it does not leave enough capital to scale up, invest, and add new innovative products. Companies that keep on losing money will gradually become less and less relevant. The industry has to focus on underwriting profit. This will benefit not only the companies but also policyholders.

BHARGAV DASGUPTA
MD & CEO, ICICI Lombard

"COMPANIES WHICH KEEP ON LOSING MONEY WILL GRADUALLY BECOME LESS AND LESS RELEVANT AND THE INDUSTRY WILL GET MORE CONCENTRATED"

ANUJ GULATI
MD & CEO, Religare Health Insurance

"AS OUR SHARE OF THE HOSPITAL'S REVENUE INCREASES, OUR ABILITY TO WORK WITH THEM AND OFFER MORE STANDARDISED FARE SERVICES IMPROVES"

ANUP RAU
MD & CEO, Future Generali

"UNLESS YOU STAY FOCUSED ON INNOVATIVE PRODUCTS AND PROCESSES AND GIVE A BETTER CLAIMS EXPERIENCE, THE PROBLEM (PREDATORY PRICING) WILL PERSIST"

SANJAY KEDIA
Country Head and CEO, Marsh India

"CYBER RISK IS THE FASTEST-GROWING INSURANCE LINE ACROSS THE GLOBE. INDIA WILL CATCH UP. THE NEW DATA PRIVACY LAW WILL CREATE A DIFFERENT LEVEL OF DEMAND"

Will predatory pricing kill marginal smaller players?

Dasgupta: Yes.

Anup Rau: When you are fighting for your market share I think the laziest thing to do is to compete on pricing or to compete on commissions. At some level it also displays lack of imagination, innovation and customer focus. Unless you actually revisit the way we look at customers, this will continue to be a challenge. Unless you stay focused on having innovative products and processes and give the customers a better claims experience, this problem will persist.

What is your outlook on the industry?

Sanjay Kedia: There are always two sides to the story and what the policyholder says it wants is innovation. The regulator has allowed freedom in coverage to the insurance market, but the market is yet to take up this opportunity and offer tailor-made coverage for different industries and customers. Corporate India tremendously benefited after de-tariffing from 2008. The premium rates drastically fell. But what has happened in the last couple of months is a very big shock. They are going through a downturn and there has been a change in terms of GIC-led reinsurance (rates), which has made property insurance more expensive — from two times to 10 times. Corporate India is saying that the regulator allows competition, but this takes away competition completely from the insurance market. Also the challenge for customers is that there is no competition and no coverage improvement, and the complaint that claim settlement speed isn't good enough. So with this, mistrust in the insurance sector has increased in the last three months.

How do you see the regulatory sandbox, which IRDAI is experimenting with, pan it now?

Anuj Gulati: From time to time the regulator has allowed for some product innovation, but I don't think we have been able to take a big-bang approach. That's where sandbox becomes interesting. It opens up avenues for bundling a whole bunch of services and newer ways of distribution with insurance companies. With new-age technology being available, it will also open up new distribution avenues.

Rau: At Future Retail's Big Bazaar and other retail formats, customers can buy insurance at the billing counter. Somebody who is shopping can buy a product to protect himself or herself from mosquito-borne diseases. We call that a vector product. There's baggage insurance, where everything in the bag is covered. Innovation has been happening with respect to channels of distribution, more than for products.

Dasgupta: One of the products that we've got approval for is a motor insurance one, where you pay your premium based on the quality of your driving. It's not just about how long you drive or the number of kilometres but also the quality of your driving. And over the years, we've been experimenting with devices to figure out the quality of driving and correlate that with risk, in terms of claims.

Why is there mistrust when it comes to health insurance?

Gulati: Earlier when you went to a hospital to a TPA desk and said, I'm from insurance, typically the charges would be much higher. There is a realisation that as we account for a larger share of a patient's hospital bill and their overall revenue, our ability to work with them and offer more standardised fare services improves. From the regulator's side, there's been a lot of work that has been done, in terms of permanent exclusions and so on. The grievances (from patients and hospitals) help the industry review the products continuously and, with the regulator, continue to standardise the product. There's also a request to consumers — when you buy a product, please declare. Over declaration will not hurt you, but under declaration leads to unnecessary delay at the time of claim.

From the distributors' point of view, what are the risks?

Kedia: Property risks (are high) because of poor fire safety. But business interruption losses are going up. As a thumb rule, I can say in the last 10 years, two-thirds of the loss of the insurance market, for corporate consumers, come because of the business interruption losses, not because of the property damage. The need of the consumer is increasing on non-damage risk issues. Coronavirus is an example of a pandemic risk. Also, customers are concerned about supply-chain risk issues. When there is a risk in Japan (for example), businesses in India, in spite of having carried out supply-chain risk analysis, say if this issue continues they will run out of critical supply parts. Many businesses are on the verge of this supply-chain risk. This is a big opportunity for the insurance market. Cyber risk is the fastest-growing insurance line across the globe. India will catch up. The new data privacy law will create a very different level of demand. In the insurance market we will have certain areas of risk going away, but there are new areas coming up, particularly from the sectors such as technology, litigation, and (simply because of living in an) interconnected world.

What innovations do we need to ensure that we don't have lazy insurance in the country?

Rau: When it comes to any product or service, you're talking about the proposition which is very important. The second thing is, the buying or selling process has to be frictionless. Now, whether it's through technology or without technology, online, offline or using AI or not, it doesn't matter. For example, health insurance isn't really attractive for the younger age group because the proposition is weak. Secondly, certain kinds of products are just not accessible easily. We did a survey on our customers using some health products on why they bought the product. The answer was because nobody else came to us, which is not a great place to be in. It means, we have a problem with the delivery of the distribution channel. So the conduit is the issue.

LaLiga talks cricket in a football field

The Spanish football league turns to Rohit Sharma to kick one into the net for the brand, build its appeal among fans and young footballers

T E NARASIMHAN
Chennai, 27 February

For the first time ever in the history of the league, the Spanish born and bred LaLiga has turned to someone outside the game to further its brand. Where it has always had an iconic footballer as its face, a cricketer will now spread the word about the league and the game. In its first India-specific campaign since it set up office here almost four years ago, Rohit Sharma is drumming up the buzz around the league, its mentorship programme in local schools and, its new broadcast destination, Facebook.

Sharma's large fan base and social media following are expected to bring visibility and recall. José Antonio Cachaza, managing director, LaLiga India said they chose Sharma because he stands for excellence, teamwork, authenticity, respect, commitment and passion, as does the league.

It helps that Sharma is a football fan. Speaking at the launch of the campaign he said, "Football in India, is in its global growth trajectory and it is heartening to see that it is no more considered as the 'sleeping giant'."

Sharma will help drive LaLiga's on-the ground branding initiatives too. "We constantly organise events or launch different kinds of projects, so this (the digital campaign) is just another step in our strategy," Cachaza said.

He is referring to LaLiga Football Schools, a key component of the brand's expansion strategy across the globe. In many nations, the programme has helped nurture young footballers, who have later emerged as stars for the league. Sharma's involvement, the LaLiga team hopes, will help find more schools ready to welcome them into their fold.

"The message is clear; no matter how much you love cricket, you can love football and LaLiga"

JOSÉ ANTONIO CACHAZA
MD, LaLiga India

The choice of an endorser from outside the game is not an easy one for a football league, especially one that has had some of the best names on its list. But the truth is that all sports clubs, leagues and teams need stars, their heft on and off the field rests on the shoulders of the titans of the game. And in this context, the Indian market presented a dilemma. While there is a legion of football fans in the country, there is no international star that could become the face of the league. Hence, the need to ride on the coattails of a popular figure from a more popular sport, said several experts.

Ashish Mishra, CEO, Interbrand India, said, "(Internationally) it lost its sheen post Ronaldo's departure and of late, Messi has been out of form too. The India push is an attempt to shore things up, this is a good market and growing too. And (Sharma as ambassador) that's confirmation of the market's potential."

Sharma's choice was further clinched by his wide appeal on social media. The media-shy batsman has been a keen participant on several social platforms in recent years and that has helped him find favour with many brands. He also endorses Adidas, Hublot watches, Rasna, Dream 11 among many others.

The campaign has been launched digitally at present and plans are to roll it out across media platforms and other cricket playing countries such as UK, South Africa, Australia and New Zealand. The league has Santander (Spanish bank) as its title sponsor and among its global partners are Puma, Rexona and Budweiser.

LaLiga has adopted an aggressive digital marketing strategy, especially since its partnership with Facebook. It is offering all matches free for its Indian audiences, bringing a top European club, Girona FC to India for the first time and says it has many more plans up its sleeve. According to the league's spokespersons, audience data has been hugely satisfactory and there is a high level of engagement with fans during Facebook broadcasts.

In four years, LaLiga's social media following has exploded too. From under 500,000 followers to almost five million, the company said. "LaLiga has 10 million followers in the Indian subcontinent (India, Bangladesh, Nepal, Sri Lanka, Bhutan and Maldives), which is equivalent of 10 per cent of its followers worldwide" and Cachaza adds that by roping in Sharma, "The message is clear; no matter how much you love cricket, you can love football and LaLiga."

FROM PAGE 1

Temasek eyes...

In FY19, it posted a net profit of ₹14.5 crore and its capital adequacy stood at 19.69 per cent. In December 2018, its parent company, DBS Holdings, infused ₹1,300 crore of capital. DBS Bank India's advances and deposits stood at ₹18,108 crore and ₹33,828 crore, respectively, in FY19. In May 2016, the RBI allowed foreign banks to buy 10 per cent in Indian private banks. The circular allows foreign banks to take a higher stake in private banks in the case of restructuring of a weak bank or in the interest of consolidation in the banking sector, though subject to certain conditions.

It is learnt that DBS Bank India, which has operations across 12 cities, is exploring this regulatory leeway to acquire the stake in LVB and thereby expand its presence in the country. Apart from Temasak, Tilden Park, a US based fixed-income fund, is learnt to have shown an interest in taking a majority stake in LVB. The deal to acquire a controlling stake in LVB is learnt to conclude by June or July. Meanwhile, to augment its capital, LVB is also looking into the process of raising ₹500-600 crore of interim capital from smaller private equity funds, which, according to a person closely working on the deal, may come through in a month. "As a matter of policy, Temasek does not comment on market speculation and rumours," it replied by email. DBS Bank India did not want to comment on the development, while Tilden Park did not respond to emails sent, till the time of goingto press.

China virus...

It is learnt that the scheme will encompass multiple proposals that will require Cabinet approval, mostly from the Ministry of Electronics and Information Technology (MEITY).

"The proposals have to be sent to the Cabinet and may be approved in a few weeks. Because of the coronavirus situation, they might look at the proposals more favourably," said a MEITY official. "Because of the coronavirus, there is an overlap and some proposals are being discussed with the finance ministry," the person added.

Some details, like the outlay, are still being worked out, officials said. It is likely that the outlay of the new scheme will slightly exceed the allocations for those it will replace. In MEITY's budget, the three programmes have been allocated ₹980 crore for 2020-21, compared with the 2019-20 revised estimates of ₹690 crore and budgeted estimates of ₹986 crore.

"I propose a scheme focused on encouraging the manufacture of mobile phones, electronic equipment, and semi-conductor packaging. The details would be announced later," Sitharaman had said in the Budget.

In their meetings with Sitharaman last week, representatives of a number of sectors spoke about the need for India to build manufacturing capacity long-term for goods, raw materials, components and active pharmaceutical ingredients, for which they now have a huge dependence on China.

Earlier this month, at a post-Budget media interaction, Sitharaman had said 10-12 companies, among those searching for alternatives to China, had spoken to the government. "I feel their expectations from us are quite realistic and reasonable," she had said. It is learnt that these talks are being held by multiple government departments, including the finance ministry, commerce ministry, NITI Aayog and MEITY.

The MSIPS ran between 2012 and 2018, and promised multiple incentives for 10 years, including a capital subsidy of 20 per cent in special economic zones (SEZs) and 25 per cent in non-SEZs, and reimbursements of countervailing duty or excise on capital equipment for non-SEZ units. For some high-capital projects, it also offered reimbursements of central taxes and duties. Industry has been asking for an extension of the scheme.

The EDF was set up as a fund of funds to encourage research and development in areas like electronics, IT and nano-electronics to promote a component manufacturing ecosystem in the country that will go beyond making mobile phones.

The Electronics Manufacturing Clusters (EMC) scheme was notified in 2012 to provide support for creating infrastructure to attract investment in the Electronics Systems Design and Manufacturing (ESDM) sector.

The new scheme is expected to include features and sops from the schemes it will replace. MEITY Minister Ravi Shankar Prasad has said time and again a big focus of the government is to make India a big export hub for electronics.

The National Policy on Electronics, approved by the Cabinet last February, had a provision for "attractive package of incentives for promoting export of electronics goods, thereby empowering the exporters by facilitating global market access".

(With Inputs by Subhayan Chakraborty)

Individuals lead...

These families joined Giving Pledge, a commitment made by billionaires globally to donate a major part of their wealth to philanthropic causes. Individual giving has also become participative, through the Daan Utsav or the Joy of Giving Week, held in October every year, which engages 7 million Indians in philanthropy, the report states.

Dinkar Ayilavarapu, partner Bain & Company, says, "There has been a quantum growth in domestic philanthropic funding, with private giving leading the way. Yet there is a wide spectrum of vulnerabilities left unaddressed, driven in good measure by the systematic inequities and aggregation of problems that keep India's most vulnerable outside the mainstream development."

The report highlights certain areas of concern. One, the geographical concentration of philanthropic funding is not linked to poverty incidence or other indicators of vulnerability. For instance, Maharashtra has grabbed 34 per cent of the state-wise share of philanthropic investment even though its poverty rate is 17.35 per cent. In striking contrast, Jharkhand gets less than 1 per cent share of philanthropic investment though its poverty rate is 36.96 per cent.

Two, there seems to be no correlation between the use of funds and high-need investment areas. For instance, health and education account for 55 per cent of domestic Corporate Social Responsibility (CSR) funding. Yet gender equality gets a mere 1 per cent of the total funds — despite the fact that the country scores very low on gender equality. Similarly, education gets one-third of the resources despite the country's strong score in quality education in the sustainable development goal. The report also points out that an immediate investment of ₹11,000 crore is needed to enable India's 120 million adolescent girls to complete their secondary education.

Three, the philanthropic contribution from companies has seen a substantial slowdown. In 2018, for instance, they contributed only ₹12,000 crore, growing at a CAGR of 12 per cent from 2010, which is much lower than the overall growth of philanthropic funding (15 per cent) and individual contribution, which has grown by 21 per cent.

Deval Sanghavi, co-founder of Dasra, a strategic philanthropic organisation which worked on the report with Bain, says: "While the media has put a greater focus on CSR, one must recognise that this will remain at only 2 per cent of profits, whereas individual giving can be up to 99 per cent of someone's net worth. For example, Azim Premji has committed $21 billion to philanthropy, which will be far greater than what Wipro can donate to the sector."

DELHI RIOTS

Investor sentiment intact: FM

People leaving their houses following clashes over the new citizenship law, in Brij Puri area of north-east Delhi PHOTO: PTI

PRESS TRUST OF INDIA
New Delhi, 27 February

Union Finance Minister Nirmala Sitharaman on Thursday said that investor sentiment has not dampened after the anti-CAA protests and the recent Delhi violence. Addressing a press conference, she said the investors she met in her recent visit to Saudi Arabia expressed willingness to invest more in the country. When asked about the Delhi violence and anti-CAA protests, Sitharaman said: "The sentiments of foreign investors have not been dampened."

Sporadic violence was reported from riot-hit areas in north-east Delhi, even as an eerie calm prevailed across the neighbourhoods in Jafrabad, Maujpur, Chand Bagh, Gokulpuri and surrounding areas, with the death toll reaching 38 on Thursday.

Two Special Investigation Teams have been formed to investigate the rampant violence in parts of Delhi over the contentious citizenship law since Sunday.

A High Court Bench granted four weeks to the Centre and the police to file replies to the PIL seeking lodging of FIRs against alleged hate speeches by three BJP leaders.

In the meantime, Delhi HC Judge S Muralidhar was transferred to the Punjab and Haryana High Court. The judge was hearing the Delhi violence case. Law Minister Ravi Shankar Prasad on Thursday said the judge was transferred following the recommendation of the Supreme Court collegium. An FIR was registered on Thursday against AAP councillor Tahir Hussain for allegedly being involved in the killing of Intelligence Bureau staffer Ankit Sharma, police said. He has been suspended from the party.

Brookfield-RIL InvIT may raise more debt to woo investors

DEV CHATTERJEE
Mumbai, 27 February

With the Budget 2020-21 levying dividend distribution tax (DDT) in the hands of recipients, the Reliance Industries-Brookfield infrastructure investment trust, Tower Infrastructure Trust, is looking at the option of raising more debt from foreign and ultra-high net-worth investors and offer attractive interest to them.

These investors will be able to save on tax by investing via jurisdictions which have lower withholding tax rates on debt instruments. While some tax-treaty countries, such as Singapore, have a withholding tax rate of 15 per cent, there are a few jurisdictions where the withholding tax rate on a debt instrument is as low as 7.5 per cent. Therefore, investments via debt instrument may help save tax, said a source close to the development.

"After the Budget, the trust is looking at all options, and offering more debt with interest is one of those," said the source. ICICI Securities is the lead manager to the issue.

The change of plan was necessitated to attract investors to the fund, which has been planning to raise ₹25,000 crore from them as soon as the Securities and Exchange Board of India cleared its draft prospectus. The final prospectus will highlight the change in tax laws.

The Budget had made infrastructure investment trusts (InvITs) and REITs (real estate investment trusts) unattractive for equity investors, thus affecting the plans of these trusts to raise money.

CHANGING STRATEGY

- Brookfield–RIL InvIT looks to raise ₹25,000 crore
- The Budget makes dividend unattractive for equity investors
- Investors may look at jurisdictions levying lower withholding tax on debt
- Investments via debt instruments, will not offer valuation gains

Tower Infrastructure Trust, set up by Brookfield and RIL, had filed its prospectus just a few days before the Budget was announced. The trust currently holds 51 per cent of the equity shareholding in Reliance Jio's tower assets and plans to buy the rest from RIL using part of the issue proceeds. The plan is to list the units on stock exchanges.

Apart from repaying bank loans, part of the trust loan of around ₹13,171 crore will be used by the tower company to prepay and repay, in part or in full, certain borrowings and interest obligations of the tower company towards RIL.

InvITs are akin to mutual funds. They pool money from several investors for putting it in assets (infrastructure projects) which give cash flow over a period of time.

According to the Budget, dividends will now be directly taxed in the hands of shareholders/unit holders and the company/mutual fund/InvITs would be required to withhold applicable tax on the same — proposed at 10 per cent for residents and 20 per cent for non-residents.

This made prospective investors jittery and not many were attracted towards the units already sold to investors as equity. REITs and InVITs are considered as tax-efficient vehicles as they distribute 90 per cent of profits as dividends to their unit holders. This can be changed by raising funds as debt, rather than equity, though valuation gains will not be available to the investors if they invest in debt instruments.