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Business Standard

THE MARKETS ON THURSDAY

		Chg#
Sensex	41,306.0▲	163.4
Nifty	12,138.0▲	48.8
Nifty futures*	12,136.3▼	1.6
Dollar	₹71.2	₹71.2**
Euro	₹78.3	₹78.5**
Brent crude ($/bbl)##	54.5##	55.0**
Gold (10 gm)###	₹40,336.0▲	₹287.0

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

COMPANIES P2
PRODUCT PRICES INCH UP IN WEAK FMCG MARKET

BACK PAGE P24
TRUMP ACQUITTED OF ALL IMPEACHMENT CHARGES

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

RBI goes off the beaten track on cheaper loans

▶ REPO RATE REMAINS AT 5.15%, THE STANCE 'ACCOMMODATIVE'

▶ CENTRAL BANK TAKES UNCONVENTIONAL ROUTE TO LOWER BANKS' COST OF FUNDS

ANUP ROY
Mumbai, 6 February

The Reserve Bank of India (RBI), in its sixth bi-monthly monetary policy of 2019-20 on Thursday, kept its policy rates and stance unchanged but adopted unconventional measures to lower banks' cost of funds so that they could reduce their lending rates further and boost retail advances to revive consumption demand.

The six-member monetary policy committee (MPC) voted unanimously to keep the rates unchanged because the inflation outlook remained "highly uncertain."

While the repo rate remained at 5.15 per cent and the stance "accommodative", the central bank said there would be rate cuts as and when opportunity came.

Right now, with inflation being 7.4 per cent, the rate cut scope was not there.

"Definitely. We have the policy space, but it will depend on the evolving situation and as the MPC was proactive in 2019, it will be very, very proactive even in 2020," RBI Governor Shaktikanta Das said during his post-policy press conference.

In his opening remarks, the governor cautioned that while the status quo policy was expected, the RBI's ability to steer growth should not be doubted.

"While this decision may be on expected lines and perhaps widely discounted, it is important not to discount the RBI! It has to be kept in mind that the central bank has several instruments at its command that it can deploy to address the challenges that the Indian economy currently faces in terms of sluggishness in the growth momentum," Das said.

PAGE 11
EDIT: BEYOND RATE CUTS

"Consequently, even though the present monetary policy decision is constrained by elevated inflation pressures, there are other ways in which the RBI can strive to revive growth."

Accordingly, the RBI introduced novel concepts, which analysts hailed as noteworthy experimentations.

Turn to Page 21 ▶

"WE HAVE POLICY SPACE (TO CUT RATES), BUT IT WILL DEPEND ON THE EVOLVING SITUATION. AND AS THE MONETARY POLICY COMMITTEE WAS PROACTIVE IN 2019, IT WILL BE VERY, VERY PROACTIVE EVEN IN 2020"

SHAKTIKANTA DAS, RBI GOVERNOR

MONETARY POLICY REVIEW

BANK LENDING RATES MAY SEE 30-BP CUT

Banks will have the incentive to give loans of almost ₹2 trillion and cut interest rates by up to 30 basis points (bps) because of micro, small and medium enterprises coming out of the purview of the cash reserve ratio. 4 ▶

LIQUIDITY MANAGEMENT FRAMEWORK RECAST P4

MSMEs, REALTORS GET A HELPING HAND P6

Q&A
'POLICY HAS FOCUSED ON IMPROVING TRANSMISSION' P4

Nirma arm to buy Emami Cement for ₹5,500 crore

Emami inks deal with Nuvoco Vistas for sale of 100% stake

ISHITA AYAN DUTT
Kolkata, 6 February

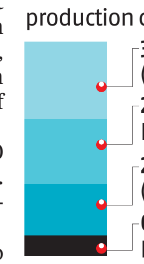
Kolkata-based diversified conglomerate Emami Group announced on Thursday that it had entered into a binding agreement with Nuvoco Vistas Corp, part of the Nirma group, for divesting its 100 per cent equity stake in Emami Cement for an enterprise value of ₹5,500 crore.

Emami Cement has a debt of ₹2,000-2,200 crore and loans against shares of ₹1,000 crore. The net gain for Emami from the deal, therefore, will be around ₹2,500 crore.

The move is part of Emami's efforts to reduce debt at the group level. A clutch of companies — Shree Cement, Dalmia Bharat Cement, UltraTech, and Ambuja Cement — and private equity investors were understood to have evinced an interest in acquiring Emami Cement. The company operates an integrated cement plant and three grinding units with a cement grinding capacity of around 8.3 million tonnes per annum. Turn to Page 21 ▶

KEY NUMBERS

8.3 mtpa Emami Cement's total production capacity



₹2,000-2,200 cr Debt

₹1,000 cr Loan against shares

₹2,500 cr Estimated net gain for Emami from the deal

Mtpa: Million tonnes per annum
Source: Company

TOTAL SA TO INVEST $510 MN IN JV WITH ADANI GREEN

Adani will be in a second partnership with French oil major Total SA — this time for its solar energy business. Total will invest $510 million for a 50 per cent stake in a 2,148 megawatt solar capacity, owned by Adani Green Energy. In an announcement, AGEL said it had entered into a binding arrangement with Total Gas & Power Business Services SAS for an investment of approximately $510 million for acquiring 50 per cent and other instruments in the JV. 2 ▶

COGNIZANT'S LAST CO-FOUNDER STEPS DOWN FROM BOARD

After spending nearly two and a half decades in the company he co-founded with three others, Francisco D'Souza, vice-chairman, has decided to sign off. The company announced his departure from the board effective March 31. The company also announced the appointment of Vinita Bali to its board as a new independent director, effective February 24. 3 ▶

ALL DISTRACTIONS ARE BEHIND US, SAYS CEO BRIAN HUMPHRIES 3 ▶

ECONOMY & PUBLIC AFFAIRS 22

All China evacuees test negative for coronavirus

All 645 people evacuated from Wuhan, who were kept in isolation at an Army base and Indo-Tibetan Border Police camps, tested negative for coronavirus, the Union health ministry said on Thursday. India has so far reported three confirmed cases from Kerala.

Voda Idea to drop 'Idea' from postpaid services

Telecom operator Vodafone Idea will drop brand name 'Idea' from its postpaid services, according to an announcement made by the company on Thursday. The company's prepaid customers will, however, continue to get services under both Vodafone and Idea brands.

Sebi issues guidelines for benchmarking AIFs

The Securities and Exchange Board of India has issued guidelines for benchmarking performance of alternative investment funds with a view to streamline disclosure standards and help investors in assessing scheme performance. 12 ▶

AUTO EXPO 2020 PAGE 2

Gadkari lauds automakers on BSVI progress

"I would like to thank the industry for its efforts in leapfrogging to BSVI in record time. I can see you are about to succeed in a very challenging mission," he said.

Q&A
'Tata Motors will change customer mindset on EVs'

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 864 companies (results available of 1000)

SALES		
Dec 31, '18	21.8%	₹12.81 trillion ↗
Dec 31, '19	1.6%	₹13.02 trillion ↗
PROFIT BEFORE TAX		
Dec 31, '18	-24.9%	₹1,05 trillion ↘
Dec 31, '19	54.3%	₹1.63 trillion ↗
NET PROFIT		
Dec 31, '18	-35.4%	₹65,860 cr ↘
Dec 31, '19	81.1%	₹1.19 trillion ↗

Companies with zero sales excluded; Given the change in corporate tax rates, to give a fair comparison the profit before tax has been considered; Compiled by BS Research Bureau; Source: Capitaline

DBS, Capri Global among suitors for Lakshmi Vilas Bank

HAMSINI KARTHIK
Mumbai, 6 February

Capital-starved private sector lender Lakshmi Vilas Bank (LVB) may soon have a suitor willing to pump money into it. According to sources, top executives at the Chennai-based bank submitted a list of potential investors to the Reserve Bank of India (RBI) on Wednesday. The list included Singapore-based DBS Bank and Capri Global.

At a 6.46 per cent capital adequacy ratio and the gross non-performing assets (NPA) ratio at 17.3 per cent as of June 30, 2019, LVB was placed under prompt corrective action (PCA) by the RBI in September 2019. The following month, the RBI declined its proposal to merge with Indiabulls Housing Finance, and the bank has been functioning on thin capital since then.

A source aware of the development said the bank had been in talks with Capri Global and DBS Bank India in early 2019, though these were abandoned when Indiabulls Housing came knocking at the bank's door for a merger. "The bank wouldn't have undergone so much of capital strain had the deal with either of these names fructified," said the person.

Turn to Page 21 ▶

IN NEED OF CAPITAL
- LVB placed under prompt corrective action in September last year
- Weeks later, RBI rejected its plan to merge with Indiabulls Housing
- At 5.56% capital adequacy ratio and 21.25% gross NPA ratio, LVB's financials are weakest among private lenders

Current architecture of GST my brainchild, says Modi

PM defends extended questionnaire for NPR

ARCHIS MOHAN
New Delhi, 6 February

Prime Minister Narendra Modi on Thursday told Parliament that the current architecture of goods and services tax (GST), including greater weighting to manufacturing states, was his brainchild, which he had suggested as chief minister of Gujarat to then finance minister Pranab Mukherjee, but eventually Arun Jaitley, the finance minister during his government's previous term, included it into the law.

Replying to the discussion on the motion of thanks to the President's address, the PM sought to defend the numerous amendments to GST, and said any reform of such magnitude should have space for a corrective mechanism. He said even the Constitution had been amended several times.

Prime Minister Narendra Modi during the ongoing Budget Session of Parliament PHOTO: PTI

On the National Population Register (NPR), the PM defended the extended questionnaire. Contrary to recent statements by other ministers on the issue that the extended NPR questionnaire was voluntary, Modi said "small changes" were part of any normal administrative exercise of a government. The PM said data was needed, including on the contentious question on place of birth of the father of a respondent, to track increased migration and determine the respondent's mother tongue.

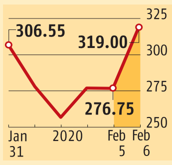
Congress leader Jairam Ramesh said the PM was "misleading the House". Later, Ramesh said the "cat was now out of the bag" with the PM himself indicating that none of the new NPR questions was "voluntary".

The PM underlined the need for working together to make India a $5 trillion economy. He said the government had been able to maintain macroeconomic stability amid tough global environment. He also exhorted all members to give suggestions on ways to take advantage of opportunities thrown up by the current global economic situation.

Turn to Page 21 ▶

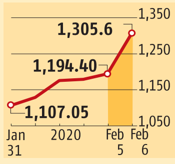
STOCKS IN THE NEWS

Indiabulls Housing Finance



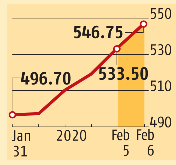
RBI eases CRR to boost lending to auto, housing and MSMEs
₹319.00 CLOSE
▲15.27% UP*

Ajanta Pharma



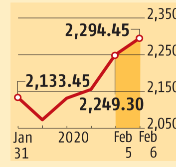
Q3 profit before tax up 88 per cent at ₹175 crore; YoY
₹1,305.60 CLOSE
▲9.31% UP*

Bharti Airtel



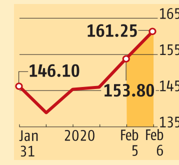
Market capitalisation crosses ₹3 trillion
₹546.75 CLOSE
▲2.48% UP*

Avenue Supermarts



Launched QIP issue to raise at least ₹4,000 crore
₹2,294.45 CLOSE
▲2.01% UP*

Granules India



Subsidiary received USFDA approval for Colchicine tablets
₹161.25 CLOSE
▲4.84% UP*

*OVER PREVIOUS CLOSE

IN BRIEF

Payments in high-value deals not a bribe, says Mahathir

Malaysian Prime Minister Mahathir Mohamad said on Thursday payments received to offset the costs of a high-value order could not be constituted as a bribe. Mahathir was replying to questions by reporters on the controversial sponsorship deal that executives of Malaysia's AirAsia Group Bhd struck with the budget carrier's sole plane supplier Airbus. REUTERS

DoT approves Bharti Airtel, Tata Teleservices merger

Tata Teleservices said the Department of Telecom (DoT) has approved the merger of its consumer mobile business with Bharti Airtel. Tata Teleservices said the DoT has conveyed approval of the authority for taking on demerger of consumer mobile business undertaking into Bharti Airtel (BAL). PTI

AB InBev gets relief against sales ban in New Delhi

A tribunal in New Delhi has put on hold a sales ban imposed last year on Anheuser-Busch InBev, allowing the world's largest brewer to resume sales of its beer products in the city for now. Authorities in New Delhi barred AB InBev in July from selling its beer products for three years. REUTERS

SoftBank's Kirthiga Reddy joins WeWork board

Office sharing start-up WeWork said that Kirthiga Reddy, partner at SoftBank Investment Advisers since 2018, would join its board. Reddy's appointment comes nearly a week after WeWork named Sandeep Mathrani chief executive officer. Reddy was previously managing director of Facebook's operations in India and South Asia. REUTERS

PhonePe goes live across 1 mn offline shops in the east

PhonePe has emerged as a live payment option across one million offline shops in the eastern region. PhonePe is also creating the world's biggest ATM network of 2 million in India by the end of the year. This would help it to take on rivals such as Alibaba-backed Paytm, Google Pay and Amazon Pay to dominate the digital payments space. BS REPORTER

Total to invest $510 mn in JV with Adani Green

AMRITHA PILLAY
Mumbai, 6 February

Energy conglomerate Adani will be in a second partnership with French oil major Total — this time for its solar energy business. Total will invest $510 million for a 50 per cent stake in 2,148 megawatt (Mw) solar capacity, owned by Adani Green Energy (AGEL).

AGEL said it had entered into a binding arrangement with Total Gas & Power Business Services SAS for an investment of approximately $510 million for acquisition of 50 per cent stake and other instruments in a joint venture (JV) company. The JV, the statement said, would house 2,148 Mw of operating solar projects — presently 100 per cent owned by Adani Green. The balance in the JV will be held by AGEL. The solar portfolio is spread across 11 states in India.

The deal is expected to be complete before the end of FY20. AGEL looks to utilise the funds generated from the deal for equity funding of new projects. "We are delighted to extend our long-term partnership with Total to our renewable energy business in AGEL. The investment reinforces the immense potential in India's renewable energy sector, as well as Adani Group's commitment towards sustainable development," said Gautam Adani, chairman, Adani Group.

The 2,148-Mw portfolio is AGEL's total operating portfolio in solar. The company has another 475 Mw of solar capacity under construction.

In the wind energy space, AGEL has an operational portfolio of 347 Mw. The company aims to operate 15 gigawatt (Gw) of renewable energy portfolio by 2025. People in the know said there were no plans to move the under-construction portfolio to the newly formed JV with Total as of now.

This is Total's second partnership with the Gujarat-based conglomerate. In October last year, Total signed a definitive agreement to acquire 37.4 per cent stake in Gautam Adani-led Adani Gas for ₹5,700 crore. The deal is to be executed in two parts — an open offer to public shareholders and a stake purchase from the promoters of the company. Adani Gas is hopeful of completing this deal by March this year.

For Total, the investment is a step towards meeting its own goal of 25 Gw as a renewable energy portfolio by 2025. "This interest in over 2 Gw of solar projects represents a real change of scale of our presence in India's renewable energy sector, which has very significant growth potential in the coming years. It will contribute to our ambition to deploy 25 Gw of renewable energy by 2025," said Patrick Pouyanné, chief executive officer for Total.

According to Total's website, the group's interest in operation renewable power generation stands at 3 Gw.

Adani Electricity concludes bond issuance

Adani Electricity Mumbai (AEML) has completed issuance of $1 billion bonds with an over-subscription of 5.9 times. The order-book at $5.9 billion was the largest ever for a private infrastructure transaction in India, the company said. The bonds were subscribed by investors from across the globe. The company in said US accounts picked up 29 per cent of bonds, alongside 43 per cent allocation to Asia and 28 per cent to Europe, the Middle East and Africa. BS REPORTER

Product prices rise in a weak FMCG market

VIVEAT SUSAN PINTO
Mumbai, 6 February

A slow-moving consumer goods market will have to contend with price hikes in the next few months as input cost pressures steadily increase. The first to see price hikes will be soaps, say executives at Godrej Consumer (GCPL) and Hindustan Unilever (HUL), two of the country's top soap makers.

Sunil Kataria, GCPL's chief executive officer for India and SAARC regions, said on Thursday the firm had introduced a 5 per cent price hike in soaps recently and will look at more in the coming months.

"Inflationary pressures have been high within soaps," he said. "One round of price hikes has just happened. Further price hikes will be done, but we will take a calibrated approach to it."

Last week, Srinivas Pathak, HUL's chief financial officer, said a 5-6 per cent price hike in soaps would be undertaken by March to mitigate input cost pressures.

In the past six months, domestic palm oil prices have increased by 46 per cent. Palm oil is a key input for soaps. While crude oil prices have eased in the past one month by 20 per cent, it still hasn't brought much relief, Pathak said. "Commodities and currency remain volatile. They are the key factors to watch out for at a time when market growth is sluggish."

On Thursday, the Reserve Bank of India raised its retail inflation projection for the January-March 2020 period to 6.5 per cent amid volatility in the price of crude, milk and pulses. It also said the overall outlook on price rise remained 'highly uncertain' in the months ahead, saying that consumers would have to deal with inflated product prices as a result.

Already, the fast-moving consumer goods (FMCG) market has been grappling with its slowest growth in six quarters for the October-December 2019 period, touching 6.6 per cent only. In July-September 2018, the FMCG market had seen its highest growth rate of 16.2 per cent, implying that sentiment remains weak, experts say.

While Nielsen as well as ratings agency CRISIL had indicated that there would be a rebound in FMCG market growth rates going ahead, company executives remain sceptical. "There are structural demand issues and a recovery will show up with a lag, starting with urban and then rural areas," Kataria says.

According to Nielsen, rural growth rates slipped to 5.2 per cent in the December quarter from 18 per cent a year ago. Urban growth rates were also falling, it says, touching 7.4 per cent in the December quarter versus 14 per cent a year ago.

RURAL vs URBAN FMCG GROWTH
(In %)

	Oct-Dec 2018	Oct-Dec 2019
Rural	18.0	5.2
Urban	14.0	7.4

Source: Nielsen

RISING PRICE TREND

	Aug 19	Feb 19	Growth
Palm oil*	526	768	46%
Palm fatty acid#	375	667	78%

*In ₹ per 10 kg; # In $ per tonne

MCA orders SFIO probe into Castex Tech affairs

RUCHIKA CHITRAVANSHI
New Delhi, 6 February

The Ministry of Corporate Affairs (MCA) has ordered the Serious Fraud Investigation Office (SFIO) to look into the affairs of Castex Technology, a subsidiary of automotive component maker Amtek Auto, currently undergoing a corporate insolvency resolution process.

A senior government official told *Business Standard* the investigation had been ordered on the basis of the findings of an audit report of Castex Technology during the resolution process. The details of the report could not be accessed. SFIO is in the process of constituting a team to start the probe into the matter.

Manufacturer of iron cast automotive components in India, Castex Technology started its resolution process in December 2017 with a debt of ₹6,000 crore.

State Bank of India, the lead bank with a total exposure of ₹1,191 crore towards Castex, had told the tribunal it had tried to revive the company by putting in place a corrective action plan in March 2016. The National Company Law Tribunal (NCLT), while admitting Castex to insolvency, had said even after being granted sufficient time, the corporate debtor (Castex) had not replied or objected to the notice issued by the lender.

According to the disclosures made by the company, declared Deccan Value Investors as the preferred bidder. The resolution process of the company was delayed as potential bidders wanted to submit a plan for Amtek Auto and Castex together.

Castex Tech started its resolution process in December 2017 with a debt of ₹6,000 crore

Amtek Auto was among the top 12 non-performing assets (NPAs) referred by the Reserve Bank of India for insolvency resolution under the Insolvency and Bankruptcy Code.

Granting more time for the resolution, the appellate tribunal in its order had noted: "It is stated that Amtek Auto is the holding company of the present corporate debtor (Castex) and the prospective resolution applicants want to bid for both the companies as both the companies are undergoing the CIRP albeit, separately."

A statutory audit report of Castex technology by Raj Gupta & Co said: "The company has been continuously making losses, consequently its net worth is negative and the firm's total liabilities exceeded its total assets. This indicates the existence of material uncertainty that may cast significant doubt on the company's ability to continue as a going concern."

For 2018-19, the annual report mentioned that Castex Technology earned revenue of ₹460.7 crore and made a net loss of ₹749.4 crore.

The firm's product portfolio consists of a range of components for two and three wheelers, cars, tractors, light and heavy commercial vehicles and stationary engines.

AUTO EXPO

Tough on you, but you did it: Gadkari lauds automakers

SHALLY SETH MOHILE & ARINDAM MAJUMDER
New Delhi, 6 February

Four years ago, a tweet by Minister of Road Transport and Highways Nitin Gadkari had set the cat among the pigeons in India's automobile industry. "My colleagues — Prakash Javadekar, Anant Geete, Dharmendra Pradhan — and I have taken the unanimous decision to leapfrog from Bharat Stage (BS)-IV to BS-VI directly from April 1, 2020," read the post.

Four years since, a lot has changed. Automakers in India have nearly completed the onerous task Gadkari had chalked up.

In his address to industry leaders at the AutoExpo in Greater Noida, Gadkari, who has often pulled up automakers for showing resistance in complying with the government's regulations on emission and sustainable mobility solution, was all praise for the industry. "I would like to thank the industry for its efforts in leapfrogging to BSVI in record time. I was tough on you. Many of you had reservations. But all of you cooperated. I can see you are about to succeed in a very challenging mission," he said.

Amid a dawdling economy that has put India's auto sales in reverse gear, automakers are ready to take the leap from April 1 and transition to the strict emission regime.

Over the past four years, automakers and their suppliers have made a combined investment of ₹27,000 crore in the switchover. The switchover is set to increase prices of automobiles across all segments and mount further pressure on the already slothful sales.

Gadkari said the government is fully cognizant of the industry's contribution in India's manufacturing growth and the fact it's the biggest employment generator. He said electric vehicles (EVs) have strong growth potential. "I am confident that in times to come, India's automobile industry will be the No. 1 exporter and manufacturer of EVs," he said.

The confidence reposed in the industry was in stark contrast to his remarks in September 2017. "Switch to clean vehicles or get bulldozed," he had warned the industry.

His comments on Thursday come against the backdrop of the Centre's consistent policy push for EVs. After initial resistance, two-wheeler makers and passenger vehicle makers are firming up plans and ready to launch EVs — many of which are on display at the Expo.

Updating on the scrappage policy, Gadkari said, "I have cleared it," adding it will be a blessing for the industry, as all the copper and aluminium imported can be substituted by smelting the scrap.

As the Expo opens to the general public from Saturday, one question hangs heavy: Will the new launches be able lift sagging customer mood, essential to recovery from the slowdown's vice-like grip?

1


2


3


1. **Martin Schwenk, CEO, Mercedes-Benz India, poses with the V-Class Marco Polo**
2. **Shahrukh Khan at the unveiling of the new Creta by Hyundai Motors**
3. **The Renault Future Electric Vehicle SYMBIOZ**

PHOTOS: SANJAY K SHARMA, PTI

Kia confident of volume growth despite slump

SHALLY SETH MOHILE & ARINDAM MAJUMDER
New Delhi, 6 February

Kia Motors India is confident of strong volume growth in the Indian market despite the slowdown and onset of competition in the SUV market, a top official of the company said.

The late entrant in India's passenger vehicle market has been encouraged by the strong order book of the Seltos and of the recently launched Carnival, a premium multi-purpose vehicle, which is priced between ₹24-33.94 lakh.

Bookings for the Carnival have risen to about 3,500 units, up from 1,410 units on January 21, when the company opened bookings, said Manohar Bhatt, head sales and marketing at Kia Motors India.

'We plan to embark on a journey to change customer mindset on EVs'

Market leader Maruti on Day 1 of the AutoExpo 2020 had made it clear it doesn't believe in the feasibility of electric vehicles (EVs) for the India market just yet. On Day 2, Tata Motors Managing Director and Chief Executive Officer **GUENTER BUTSCHEK** in conversation with **Arindam Majumder** said there is a difference between his company and the market leader. Edited excerpts:

Auto shows are losing sheen globally. Companies find it lucrative to do their own launches. But you have a grand stand here. What drove that?

The global discussion is motivated by different considerations — budget and the impact on consumers that it can't attract enough eyeballs compared to the investment made. Does it actually fit in today's context where customers expect solutions?

I think there are reasons why companies kept away from this edition of the AutoExpo — the underlying industry slowdown and a sluggish economic environment. We, too, had a similar dialogue: Should we participate or not?

India is our home market. As an industry, it is our duty to simulate the market. The expo is a perfect forum for that. Our pavilion caters to both the product and the solution, with greater emphasis on electrification.

When the slowdown started, we thought it to be cyclic; that it wouldn't last long. It has been 18 months since. It largely stemmed from subdued economic activity. The stimulus needs to come from the government. The Centre did take steps — starting from infrastructure booster shot to steps in the recent Budget to drive economic revival.

Do you think these steps are sufficient to trigger demand?

I am not the right person to make a judgement. The government has its constraints. I think the government did a fine job strike the right balance between the wish list and the constraints. The steps announced in the Budget will not yield results overnight. We are in the midst of a major transition from BS-IV to BS-VI. By April 1, a big confusion which held back customers will get cleared.

Market leader Maruti has said that it will go slow on EVs as there is no customer appetite. You have taken a contrasting stand. Is there a different perspective that you are seeing the market EV with?

I think there is a difference between Maruti and us. This player always thinks about how to meet a certain price point to stay relevant to his customer base, which is largely budget-driven. Ours is different: We think we need EVs to drive investment in the ecosystem which will finally determine the speed of adoption to electrification. That's why we are different as a group.

Does the Indian customer think about a clean planet or the price?

I can take the customer thinking for granted or I can embark on a journey to change the customer thinking.

You are one of the prime cogs in the wheel of Tata Sons Group. But currently, you are having a rough ride. The promoter group is having to invest cash. When do you think you can give it back?

When I joined four years back, we initially thought that in three years we will be future ready. All issues were effectively sorted in three years. Steps were taken to lower cost, improve efficiency or to drive new products. Then came 2016-17 — goods and services tax, demonetisation, transition from BS-IV to VI brought us to ground zero again. With Chandra as the chairman, we decided to change the plan from transformation to turnaround.

What has been the result?

Everything is under our control. Productivity, efficiency, cost, and reduction of supplier base to 300 from over 450. We have been able to increase dealer profitability, maintain optimum stock levels. That's the reason why we performed quite well in the third quarter. What we didn't do was put unreasonable metals into the system for a higher market share, increasing pain of dealers.

More on business-standard.com

Cognizant beats Street with 4.2% rise in revenues

Firm projected to grow 2-4% as exit from content business hits top line

DEBASIS MOHAPATRA
Bengaluru, 6 February

IT services major Cognizant beat Street estimates with better-than-expected revenue growth numbers for the quarter ended December 2019 (the firm follows January-December cycle). However, revenue guidance for 2020 remained tepid as it is estimated to grow the top line by 2-4 per cent in the current year.

The estimates took into account an impact of 110 basis points owing to the IT firm's decision to exit the content services business, the Teaneck, New Jersey-based IT firm said. This revenue growth projection could also be the lowest compared to TCS, Infosys, Wipro and HCL Technologies, though these firms are yet to give their estimates for financial year 2020-21 (FY21). The firm's net profit declined 39 per cent at $395 million for the fourth quarter (Q4) compared to $648 million a year ago. The fall in net profit was attributed to increase in restructuring charges, which rose to $101 million from $7 million a year earlier.

Revenues stood at $4.3 billion, an increase of 4.2 per cent in constant currency term (YoY) in Q4. Operating margin remained flat at 17 per cent during this period. The company is projected to grow its revenues in the range of 2.8-3.8 per cent in constant currency terms during Q1 2020. The subdued revenue growth estimates are because of its exit from content services business, which is likely to have a 60 basis points impact in the quarter.

"Our steady progress against key initiatives is increasingly evident in our commercial and financial performance," said Brian Humphries, CEO at Cognizant. "We enter 2020 with renewed vigour and optimism." In calendar year 2019, Cognizant's net profit declined 12 per cent YoY to $1.8 billion, while its revenues rose 5.2 per cent to $16.8 billion in constant currency terms.

'All distractions behind us'

After undergoing leadership transition and portfolio restructuring last year, Cognizant is optimistic about its growth prospects in 2020. While the company plans to add 20,000 graduates, it is focusing on high-growth areas such as digital technologies and the international market. **BRIAN HUMPHRIES**, CEO of the Nasdaq-listed IT services firm, told **Debasis Mohapatra** that the firm didn't face any client-specific issue. Edited excerpts:

Cognizant has once again given a conservative outlook for 2020 with a revenue growth guidance of 2-4%. Why such pessimism?
We are committed to accelerate our revenue growth but the reality is, we have exited the content servicing business, which impacts the revenue growth by one per cent (100 basis points). So, without exiting that business, the growth could have been around 5 per cent. But we are optimistic about growth as there is a lot of momentum.

Will there be any new revenue stream to compensate for the loss arising from the exit of content servicing business?
We always try to achieve whatever we guide as you have seen in this quarter. That is essential for the shareholders as we deliver what we promise to them. We have deliberately built our strategy to focus on high growth areas like digital space and international market. That will give us a better canvas in which we play.

Cognizant's operating margin which used to be in the range of 18-19%, now hovers around 17 per cent. For 2020, you are expecting this to be 16-17%. Will this help you in winning more deals?
In an increasingly digital world, it is less about large deals and more about projects. The world is evolving more towards digital, which is project-based. We have seen increase in our win rates (as compared to last year) and the pipeline is building (up). So, I feel confident that we are on the right path.

Q&A

So, the concern regarding losing business to competitors is kind of over now?
We didn't have any strategy to lose momentum to competitors. Our strategy has always been to focus on our clients and to reinvest into our portfolio to grow both organically and in inorganic way. This week, we have announced our intent to acquire a firm with Salesforce practice. All the distractions of 2019 is behind us and our 100 per cent focus is on clients now.

Is the cost optimisation strategy on track for the firm?
Yes, that is on track. But, we don't pursue cost as a strategy as our focus is on growth. We continue to reinvest our cost savings into growth. As you have seen, we continue to grow our headcount. We will add around 20,000 fresh graduates in the coming year alone. It is about making the investment needed to facilitate our growth.

Last co-founder D'Souza to quit

DEBASIS MOHAPATRA
Bengaluru, 6 February

After spending nearly two and a half decades in the company he had co-founded with two others, Francisco D'Souza, currently the vice-chairman at Cognizant, has decided to sign off. The Nasdaq-listed firm on Thursday announced his departure from the board effective from March 31.

D'Souza was the last of the three Indian and Indian origin co-founders of Cognizant, which initially started as a captive unit of Dun & Bradstreet-back in 1994 through a joint venture with Satyam Computers. It became an independent company after being spun off from the parent two years later. The other founder, Kumar Mahadeva, who served as the CEO for the first five years, retired from the board in 2003.

Lakshmi Narayanan who succeeded him as the CEO before handing over the baton to D'Souza who was in his late 30's that time, one of the youngest professional to hold any global tech firm at that time. Narayanan, who continued in the board, resigned from the company in 2017. When D'Souza assumed the role of CEO in 2007, Cognizant's revenue stood at $2.1 billion, which grew to $14.8 billion in 2017.

"Frank has been an extraordinary leader. He deserves enormous recognition for his achievements at Cognizant. On a personal level, I am fortunate to have him as a trusted confidant and sounding board," said Brian Humphries, CEO at Cognizant.

The Teaneck, New Jersey-based IT services firm also announced the appointment of Vinita Bali to its board as a new independent director, effective 24 February.

Hero Moto pre-tax profit skids 9.14%

Hero MotoCorp has posted a decline of 9.14 per cent in profit before tax (PBT) for the quarter ended December, at ₹1,044.4 crore compared to ₹1,149.6 crore reported in the corresponding period last year. The company said there are early indicators for growth of rural economy helping the industry to grow and expectations are to see a turnaround in second half of FY20-21.

Niranjan Gupta, CFO, Hero MotoCorp, said the two-wheeler industry continues to face challenges amid economic slowdown. Early indicators like the positive Rabi crop augur well for the rural economy, which, in turn, is likely to help the industry. "The slew of measures announced by the finance minister in the Union Budget this week would also go a long way in reviving the economy. However, it will take sometime for the two-wheeler industry to see a sustained recovery. We expect to see positive turn in the second half of the new financial year (FY21)," said Gupta.

T E NARASIMHAN

Arcelor made $1.6-bn equity contribution for Essar acquisition

ISHITA AYAN DUTT
Kolkata, 6 February

ArcelorMittal's equity contribution for the acquisition of Essar Steel India (now AM/NS India) is $1.6 billion, the company said while announcing its 2019 financial results. Described as its biggest achievement in 2019, ArcelorMittal said the acquisition of Essar formed a fifth steel pillar for it.

Even with its equity contribution to the acquisition of Essar, Arcelor's net spending on merger and acquisition (M&A) in 2019 was offset by portfolio optimisation, including formation of a shipping joint venture. Shortly after completion of the $5.7-billion Essar deal, it had signed a deal for sale of 50 per cent of its shipping business stake, to pare debt.

The company said on Thursday its past two years' net M&A spending was $0.2 billion. Arcelor holds 60 per cent in AM/NS India; the rest is with Nippon Steel.

The two are financing AM/NS India through a combination of one-third partnership equity and two-thirds debt. The debt is held by the JV.

On Thursday, ArcelorMittal reported its lowest level of debt at $9.3 billion as of December 31, 2019, since its merger (of Arcelor with Mittal Steel, in 2006).

"Our target of $7 billion net debt is now within sight, assuming working capital release at current market conditions and we make more progress on portfolio optimisation. Then, we are optimistic that we can achieve this target by year-end 2020," the firm said.

Gross debt remained stable at $14.3 billion as of December 31, compared to September 30; it increased compared to the $12.6 billion at December 31, 2018.

For the quarter ended December, it has reported a net loss of $1.9 bn, compared to a net income of $1.2 billion in the year-ago period. However, the global steel major beat Street expectations on earnings before interest, taxes, depreciation and amortisation (Ebitda), at $925 million for the quarter.

FACT FILE

7.4 mn tonnes
Production running annually

$0.6 billion
Ebitda run rate

Cash flow positive

(January 2020 estimates annualised)

Sun Q3 PBT drops 22%

SOHINI DAS
Mumbai, 6 February

The country's largest drug firm Sun Pharma posted a 22 per cent year-on-year (YoY) dip in profit before tax (PBT) for the third quarter of the financial year to ₹1,351.3 crore even as sales came in at ₹8,039 crore, a growth of 5 per cent over the same quarter last year.

While the company's domestic sales posted 13 per cent growth, the US market remained tough, witnessing a fall of 3 per cent YoY.

The net profit for the quarter was ₹914 crore down 26 per cent YoY due to other expenses, reduction in forex gains and higher taxes, the company clarified. The earnings before interest, tax, depreciation and amortisation came in at ₹1,725 crores, with resulting Ebitda margin of 21.5 per cent.

Expenses were up mainly due to increase in R&D spend, consolidation of Pola Pharma as well as increased marketing costs for the speciality business in the US. There is an increase in staff costs (around 3.6 per cent YoY) due to inflation and addition of the Pola Pharma business in Japan.

DLF Q3 PBT rises 55%

ARNAB DUTTA
New Delhi, 6 February

Realty major DLF on Thursday reported 55 per cent year-on-year growth in profit before tax in the third quarter of FY20 at ₹368.6 crore, compared to ₹237.5 crore posted in the corresponding period last year.

Its net profit stood at ₹335.15 crore in the year-ago period. The total income fell 36 per cent to ₹1,533.34 crore in the third quarter of 2019-20 from ₹2,405.89 crore in the corresponding period previous year, DLF said.

Despite the fall in income, the company's net profit increased due to an exceptional gain of ₹231 crore during the December quarter. DLF declared an interim dividend of ₹1.20 per share.

"The company received good response for its ready to occupy premium project — The Ultima in Gurugram. It clocked sales of about ₹800 crore from the Phase-II launch; the project now is 90 per cent sold out. The firm continues to remain focussed on monetisation of its completed inventory," DLF said.

DAS DOES A DRAGHI

MONETARY POLICY

Taking a cue from the European Central Bank (ECB), RBI Governor Shaktikanta Das said the central bank would inject ₹1 trillion into the banking system through one- and three-year repurchase agreements (repos). Years ago, then ECB chief Mario Draghi had announced similar long-term repos

Loans may become cheaper by 30 bps

Move to exempt banks from maintaining CRR in select areas may free up to ₹2 trn for lending to retail and MSMEs: ICRA

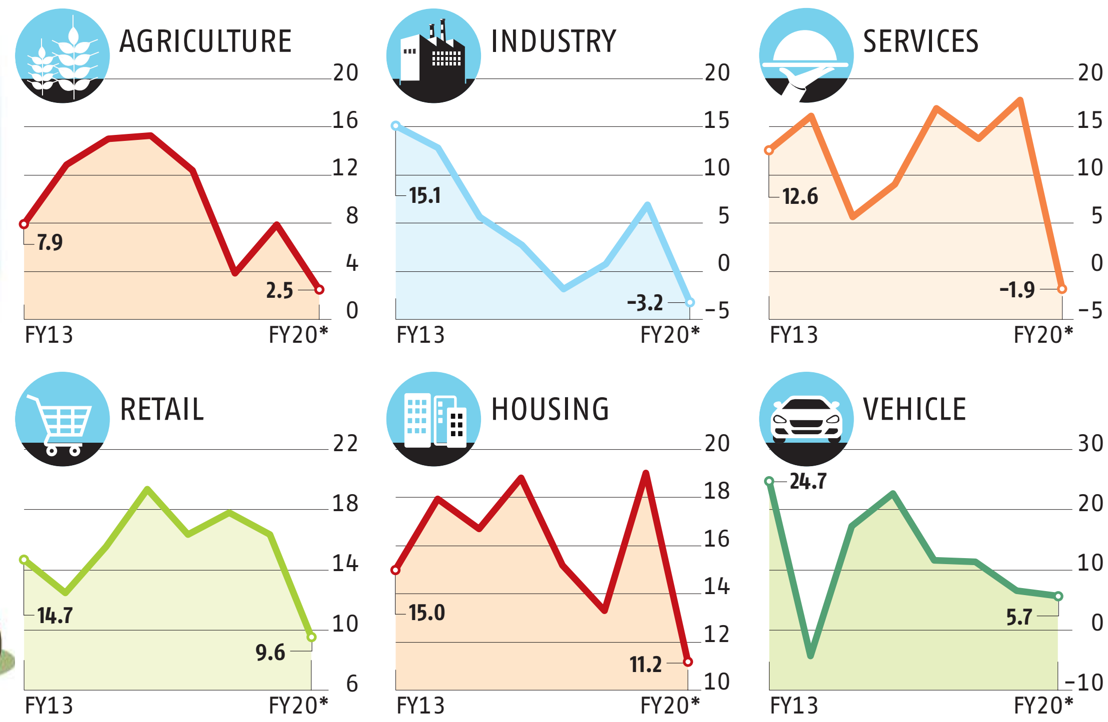
ABHIJIT LELE & NAMRATA ACHARYA
Mumbai/Kolkata, 6 February

Banks will have the incentive to give loans of almost ₹2 trillion and cut interest rates by up to 30 basis points (bps) because of micro, small and medium enterprises coming out of the purview of the cash reserve ratio (CRR).

Lenders said the move would make banks focus more on retail and SME segments at a time when demand from corporate and infrastructure is tepid. These measures are also expected to propel banks to put in extra efforts to fill in the space vacated by finance companies and housing finance firms facing liquidity challenge.

ILLUSTRATION: BINAY SINHA

CREDIT GROWTH TRAJECTORY ACROSS MAJOR SECTORS
% Change over previous FY



*FY20 is till Dec 2019; housing loans and vehicle loans are key components of retail loan

Source: RBI; compiled by *BS* Research Bureau

The Reserve Bank of India (RBI) said commercial banks can deduct the equivalent of incremental credit in retail and MSMEs segment over and above the outstanding loans at the end January 2020 from deposits for maintenance of CRR. This exemption will be available for incremental credit extended up to July 31.

The RBI also announced steps under long-term repo operations (LTROs) for improving monetary transmission to assure banks about the availability of durable liquidity at reasonable cost, relative to prevailing market conditions. The RBI will conduct term repos of one- and three-year tenors of appropriate sizes for an amount of ₹1 trillion at the policy repo rate. At present, policy repo rate is 5.15 per cent.

A banking sector analyst said the CRR cut could help banks save up to ₹5,000 crore for the entire system, which can be passed on to customers. This is not much, considering the housing loan portfolio of banks is at ₹13 trillion and vehicle loans at ₹2 trillion. These sectors are also growing at 17.6 per cent and 7.2 per cent, respectively.

Karthik Srinivasan, group head of financial sector ratings, ICRA, said banks may be in a position to give additional loans worth ₹2 trillion in retail and MSME space due to CRR exemption and liquidity tools. The relief due to CRR exemption could be ₹4,000 crore.

"CRR frees us some amount of cash, and if that can be deployed gainfully, it will add to bank's profitability," said Mrutyunjay Mahapatra, MD and CEO, Syndicate Bank. Ashok Kumar Pradhan, MD and CEO, United Bank of India, said foreign banks are likely to benefit more. "Those banks, which have low CASA mobilisation, will benefit from this move. Banks will be able to pass on up to 15 bps benefit to borrowers on reduction in cost of funds," he said.

RBI Governor Shaktikanta Das said transmission of 135 bps cut in repo rate to the credit market is gradually improving. RBI's Monetary Policy Committee has cumulatively reduced the policy repo rate by 135 bps since February 2019.

Banks have passed on the benefits of policy rate cuts to customers, especially retail and small enterprises. Marginal cost of funds-based lending rate (MCLR) for one-year tenor declined by 55 bps during February 2019 and January 2020. The weighted average lending rate (WALR) on fresh rupee loans declined by 69 bps and the WALR on outstanding rupee loans declined by 13 bps during February-December 2019.

Also, most banks have linked their lending rates for housing, personal and MSEs to the policy repo rate of the RBI.

During October-December 2019, the lending rate of domestic (public and private sector) banks on fresh rupee loans declined by 18 bps for housing loans. The cut was much higher at 87 bps for vehicle loans, and 23 bps for loans to MSMEs.

RBI PLAYS ITS PART, LENDERS GET A BREATHER P12

COMMENT

SAMIRAN CHAKRABORTY
Chief Economist, India, Citigroup

Delivering beyond expectations

There has rarely been a Reserve Bank of India (RBI) policy that has maintained the status quo on rates but delivered much beyond expectations. In a constrained optimisation environment, where space for policy rate cut was limited, the RBI has been able to maximise its support for growth through a series of unconventional monetary policy measures. While the focus has been on improving both the cost and availability of credit, the credibility of the inflation targeting framework has been preserved by keeping the policy rate unchanged.

The thrust of the announcements was towards altering the liquidity and macro-prudential frameworks to ensure better monetary policy transmission. The weighted average lending rate (WALR) on fresh rupee loans has declined 69 basis points (bps) and on 10-year G-sec by 76 bps in the last one year against policy rate cut of 135 bps despite several attempts, including external benchmarking of lending rates. Two changes in the liquidity framework should be emphasised. First, it appears that the earlier stance of banking system liquidity to be usually kept in deficit for better transmission has been abandoned. This implies that the banking system liquidity can remain in surplus mode much longer even if the economic cycle turns.

RBI has kept the door open for more easing, but a future rate cut can happen only after CPI comes down to around 5 per cent and transmission of past rate cuts is in place

Second, to provide durable liquidity at a committed low cost, the RBI will be offering to lend 1-year and 3-year money to banks worth ₹1 trillion at the policy repo rate. These announcements will buttress the RBI's commitment of keeping the accommodative stance for longer and has already led to a 15-20 bp drop in interest rates at the short end of the curve.

To incentivise credit flow the RBI has also announced that banks will be exempt from CRR requirement on incremental loans to MSMEs, autos and residential housing for a period till July 31, 2020. It is likely to reduce the borrowing costs for these troubled segments of the economy and improve flow of credit too. The decision to delay the classification of commercial real estate loans as NPA by one year and extend the restructuring of stressed MSMEs loans would also provide much needed respite.

While we remain fully supportive of these measures, the following financial stability risks will have to be closely watched. Extremely surplus liquidity conditions, maintained over a sustained period, could potentially lead to asset price bubbles, particularly if the liquidity cannot find its way into the real economy. Also, if the banks have to move down the credit quality ladder in sectors where there is already competition for providing credit then the consequent asset quality impact has to be monitored, particularly in a slow growth environment.

The RBI has kept the door open for more easing but, in our view, any future rate cut can happen only after consumer price index (CPI) comes down to around 5 per cent and transmission of past rate cuts is in place. This provides only limited room when near-term inflation outlook is so uncertain. However, the policy has clearly underlined RBI's growth focus and willingness to resort to unconventional steps to cap any up move in yields.

EXPERTSPEAK

"While keeping rates on hold was anticipated, the bouquet of developmental and regulatory steps is a positive surprise for the financial ecosystem"
RAJNISH KUMAR,
Chairman, SBI

"The crowning glory of all measures is the provision of long-term repos at the repo rate that is intended towards facilitating better transmission in the bond and loan markets"
B PRASANNA,
Head-Global Markets Group, ICICI Bank

"We anticipate that the stance will be maintained as accommodative as long as RBI perceives the output gap to be negative, regardless of the level of inflation. So we no longer expect the stance to be changed to neutral in the next few policies"
ADITI NAYAR,
Economist, ICRA

"We believe that all the policy decisions along with pro-consumption Budget corroborates that there would be better demand from the consumption side. Once that increases, automatically there will be better credit demand"
UMESH REVANKAR,
MD & CEO, Shriram Transport Finance

Liquidity management framework recast

RBI abolishes daily repo window

ANUP ROY
Mumbai, 6 February

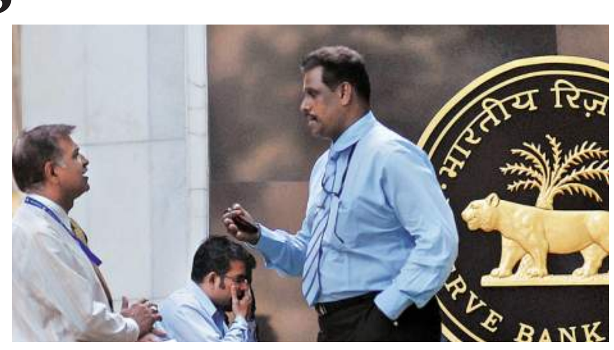
The Reserve Bank of India (RBI) on Thursday adopted a new liquidity management framework in which there would be no fixed daily liquidity injection operations, but the central bank would act whenever the banking system requires money.

The weighted average call rate (WACR) will remain the operating target of the monetary policy, the RBI said, which means it will ensure enough liquidity to anchor the call rate at around the repo rate. This means if the call rate inches above the repo rate, it would signal liquidity deficit and the RBI will bring its tools to infuse liquidity. Similarly, the call rate below the repo rate would mean the banking system has surplus liquidity. In that case, the RBI can operate to suck out the liquidity through its operations.

The liquidity management corridor will be retained at 50 basis points, which means the RBI can allow call rates to rise up to the marginal standing facility rate (currently at 5.40 per cent) and reverse repo rate (currently at 4.90 per cent), while the repo rate remains in the middle at 5.25 per cent.

"With the WACR being the single operating target, the need for specifying a one-sided target for liquidity provision of 1 per cent of net demand and time liabilities does not arise. Accordingly, the daily fixed rate repo and four 14-day term repos every fortnight being conducted, at present, are being withdrawn," the RBI said.

"However, the RBI will ensure adequate provision/absorption of liquidity as warranted by underlying and evolving market conditions — unrestricted by quantitative ceilings — at or around the policy rate."



Considering the banking system has a liquidity surplus of ₹4 trn, RBI will continue with the fixed rate reverse repo daily

Instruments of liquidity management will include "fixed and variable rate repo/reverse repo auctions, outright open market operations (OMOs), forex swaps and other instruments as may be deployed from time to time to ensure that the system has adequate liquidity at all times," the RBI said in its statement on Developmental and Regulatory Policies.

While getting rid of the 14-day fixed repo, the RBI said it will operate a 14-day term repo/reverse repo operation at a variable rate that would be conducted to coincide with the CRR maintenance cycle. This would be the "main liquidity management tool for managing frictional liquidity requirements".

Considering the banking system has a liquidity surplus of about ₹4 trillion, the RBI will continue with the fixed rate reverse repo daily. But the 14-day variable-rate repo and reverse repo auction will happen every reporting Friday.

The main liquidity operation would be supported by fine-tuning operations, overnight or longer, to tide over any unanticipated liquidity changes during the reserve maintenance period.

In addition, the RBI will conduct, if needed, longer-term variable rate repo/reverse repo operations of more than 14 days. It also introduced Long-Term Repo Operations for improving monetary transmission. These would be two repo windows for one year and three years, which can be used to raise up to ₹1 trillion from the banking system.

Using this window, banks can borrow at the repo rate, and lend to customers. The new facility will be available from the fortnight beginning February 15.

Deputy Governor Michael Patra clarified that the long-term repo operations are not intended to replace OMOs.

'Policy focused on improving rate transmission'

After the policy meet, RBI Governor **SHAKTIKANTA DAS,** deputy governors **N S VISHWANATHAN, MICHAEL DEBABRATA PATRA, B P KANUNGO, MAHESH KUMAR JAIN** and Executive Director **JANAK RAJ** spoke to the media on several issues, including the introduction of LTRO and possibility of rate cuts going ahead. Das also clarified that at the moment there is no plan to monetise government deficit. Edited excerpts:

(*From left*) Mahesh Kumar Jain, Janak Raj, N S Vishwanathan, B P Kanungo, Shaktikanta Das and Michael Debabrata Patra
PHOTO: KAMLESH PEDNEKAR

Q&A

You have come up with LTROs of ₹1 trillion and have exempted cash reserve ratio (CRR) for banks for incremental retail credit. Is this a kind of hidden interest rate cut?
Shaktikanta Das: Basically, it is an effort for better monetary policy transmission because we are giving it at the policy rate. So, the ₹1 trillion we want to inject into the banking system will enable banks to reduce their lending rates.

Will LTRO replace OMOs? Also, any detail on the inclusion of Indian bonds on indices?
Das: The LTROs are not intended to replace the OMOs. So, the idea is to somehow reduce the cost of funds for the banks for on-lending. That is why it is at the repo rate. Also, it gives them an assurance of durable liquidity in their hands and this should encourage the banks, especially when they are seeing that deposit rates are rigid downwards.

The Budget announcement that certain government bonds will have no limit with respect to non-resident participation reflects the robustness of the Indian economy now that we can accept higher foreign investment, mobilise higher foreign capital to meet our domestic requirement but that will flow in terms of rupees and not dollars. To considerable extent, foreign savings are being mobilised to meet our domestic requirement. Therefore, the pressure on domestic savings to meet the requirements of the government is also minimised.

You are saying you can't reduce rates due to inflationary pressure. But liquidity is in extreme surplus and continues to be so and between December and February you have introduced Operation Twist. So, what is the broader framework you are operating in and what were you trying to achieve with Operation Twist?
Das: The surplus liquidity is there to ensure better monetary policy transmission as notwithstanding our 135 basis points, there has to be adequate liquidity. So, it's only from June that the system became adequate in liquidity. Operation Twist is an instrument used to ensure better monetary policy transmission. The corporate bonds are benchmarked to the lending rates in the government securities segment. So, through Operation Twist if we are able to soften the yields on government securities at the longer end, then that acts as a benchmark for corporate loan rates. So, the effort was to ensure better transmission to the corporate bond market, not so much to manage the yield on government securities.

The three-year repo is supposed to improve transmission. What happens if a bank borrows at 5.15 per cent and one year later, you increase interest rates? Will banks be obliged to pass on the rates? Under the FRBM Act, once the trigger clause is exercised, the government can also monetise their deficit. Is that a concern for you?
Das: At the moment, there is no such plan of monetising the government deficit. The increase in borrowing in the current fiscal year, despite the fiscal deficit going to 3.8 per cent, remains the same and in the next year the increase is only by ₹70,000 crore. And, if it is calculated as a percentage of GDP, then it is lower than the current year borrowing.
N S Vishwanathan: This is a liquidity management thing that we are getting into. The banks will have to take a call as to what they see as the three-year interest rate scenario. But currently, what we are looking at is if the banks are just borrowing overnight then it comes back to us overnight into the reverse repo. So, we want them to borrow for a longer tenure which will move in the form of lending.
Michael Patra: These three-year repos will be given at the current policy rate of 5.15 per cent. So, repo locks that in. If we change the policy rate and undertake repos at that time, they will be at different rates. So, banks will get funds at 5.15 per cent, whereas the average cost of funds taking into account the deposits is higher.
Das: Banks will take in whatever they require. It's an option that we are giving to the banks.

Will the hike in deposit insurance increase cost of funds for banks?
B P Kanungo: The deposit insurance cover has been increased from ₹1 lakh to ₹5 lakh. The premiums will increase 10 paise to 12 paise per ₹100 for the time being. The impact on bank's balance sheet is not likely to be much.

"THE DEPOSIT INSURANCE COVER HAS BEEN HIKED TO ₹5 LAKH. THE PREMIUMS WILL INCREASE BY 10-12 PAISE PER ₹100 FOR THE TIME BEING"

The government is converting ₹2.7 trillion from short to long bonds. Does that mean the RBI will be supporting the government borrowing programme through Operation Twist?
Das: The objective of Operation Twist is to facilitate the transmission to the corporate bond segment and not to manage the yield for the government or supporting its borrowing programme. But, as the debt manager of the government, the RBI always has to ensure that the government borrowing programme goes through in a non-disruptive manner.

Is there space to cut rates?
Das: We have policy space, but it will depend on the evolving situation and as the MPC was proactive in 2019, it will be very, very proactive even in 2020.

MSMEs, realtors get RBI's helping hand

EXTENDS RESTRUCTURING WINDOW FOR MSME LOANS | ALLOWS EXTENSION OF DCCO OF PROJECT LOANS FOR COMMERCIAL REALTORS

SUBRATA PANDA & NAMRATA ACHARYA
Mumbai/Kolkata, 6 February

The Reserve Bank of India (RBI) on Thursday extended the window for one-time restructuring of loans given to micro, small and medium enterprises (MSMEs) to December 31. Earlier, it was on March 31.

Under this plan, lenders can essentially restructure the loans to MSMEs without reclassifying their asset class.

Also, in a major relief to the real estate sector, the RBI allowed extending the date of commencement of commercial operations (DCCO) of project loans for commercial real estate by a year without downgrading the asset.

The extension of restructuring window for MSME loans by the RBI comes after the Budget announcement, wherein Finance Minister Nirmala Sitharaman had urged the central bank to extend the window until March 31, 2021. She in her Budget speech had said the restructuring window provided by the RBI helped more than 500,000 MSMEs in the last one year.

"...It has been decided to extend the benefit of one-time restructuring without an asset classification downgrade to standard accounts of GST registered MSMEs that were in default as on January 1, 2020. The restructuring under the scheme has to be implemented latest by December 31, 2020", the RBI said.

This window given by the RBI will enable lenders to restructure MSME loans without re-classification of the accounts, which were in default as of January 1, 2020. Earlier, the RBI had allowed a one-time restructuring of MSME loans that were in default but "standard" as of January 1, 2019, without an asset classification downgrade. But the RBI has added a caveat — the restructuring window will only apply to good services tax (GST)-registered MSMEs. Experts believe had the restructuring scheme came without the GST caveat, the quantum of loans restructured under the scheme would have been much higher.

"Those MSMEs which are on the verge of becoming NPAs will be saved," said Ashok Kumar Pradhan, MD and CEO of United Bank of India.

According to Rajnish Kumar, chairman, State Bank of India: "Extending the date of restructuring of MSME advances will also help the sector navigate the current business downturn and is a logical corollary of the Budget announcement".

The RBI data suggests in the micro and small segment, credit growth has been negative (-3.4 per cent) in the first eight months of the current fiscal year (until November end). For medium enterprises, it was -3.6 per cent. On a year-on-year basis, credit growth until November end in micro and small, as well as medium enterprises, has been negative 0.1 per cent and 2.4 per cent, respectively. Also, the TransUnion Cibil data shows non-performing assets (NPAs) in the MSME segment rose from 11.7 per cent in September 2018 to 12.2 per cent in September 2019.

According to experts, the MSME sector has been grappling with issues like delayed repayments and muted demand in the current economic environment. Meanwhile, the RBI also said to further strengthen monetary transmission; it has decided to link pricing of loans by scheduled commercial banks for medium enterprises to an external benchmark, effective April 1, 2020.

"The move will accelerate the transmission of interest rate movement to the (MSME) sector and lighten interest burden on them (MSMEs). Further, the extension of the one-time restructuring window for MSMEs will bring some relief to the sector and keep sectoral NPAs under control," said Krishnan Sitaraman, senior director, CRISIL Ratings.

As far as extending the DCCO of project loans for commercial real estate by a year without downgrading the asset is concerned, the experts believe this will nudge developers to complete the stuck projects, rather than focus on their liquidity issues. "The extension of DCCO of project loans for commercial real estate by another year will allow the real estate sector to focus on project completion," Kumar said.

This move will come in handy for both developers and housing finance companies (HFCs), which have a considerable wholesale portfolio. Shares of HFCs rallied sharply after the RBI's relief to the real estate sector. Shares of Indiabulls Housing Finance gained the most (15.3 per cent), followed by LIC Housing Finance and PNB Housing Finance which rose 8.2 per cent and 4.9 per cent, respectively.

The RBI has said this move will complement the steps the government has taken to ease the stress in the sector. The government last year had announced the setting up of an alternative investment fund to give a cushion to developers for their unfinished projects. SBICAP Ventures, a fund management arm of SBI, is managing the realty fund.

Shishir Baijal, chairman and managing director, Knight Frank, said: The RBI has taken note of the concerns of the real estate sector. The long-standing industry demand for asset classification has been addressed. This will augment the liquidity situation for developers, too.

TAKING STOCK OF HOUSING FIN FIRMS

Companies	Feb 6 2020	Chg (%) over previous day
Indiabulls Housing Finance	319.0	15.3
LIC Housing Finance	437.7	8.2
PNB Housing Finance	444.5	4.9
Dewan Housing Finance	11.1	5.0
Repco Home Finance	350.8	4.7
Can Fin Homes	489.6	2.1
Housing & Urban Development Co	38.7	2.4
Housing Development Finance Co	2,435.5	1.8
GIC Housing Finance	147.9	1.6

Filtered for BSE500 companies
Source: Exchange
BSE price in ₹

Platform to track reach of digitisation of payments by July

NEHA ALAWADHI
New Delhi, 6 February

The Reserve Bank of India on Thursday said it would launch by July a Digital Payments Index (DPI) to capture the extent of digitisation of payments in the country.

"The DPI would be based on multiple parameters and shall reflect accurately the penetration and deepening of various digital payment modes. The DPI will be made available from July," the banking regulator said in its statement on developmental and regulatory policies.

The index, according to people in the know, will help the regulator understand the impact and spread of digital payments in rural, urban, and semi-urban areas, as well as understanding the impact of policy decisions made by the RBI.

For instance, the apex bank recently scrapped merchant discount rate (MDR) on Unified Payments Interface (UPI) transactions. MDR is the fees paid by a merchant to a bank for accepting payment from their customers via cards or UPI.

Finance Minister Nirmala Sitharaman had said in her Budget speech that no charge would be levied on UPI and RuPay transactions. There have been reports that MDR may be scrapped on all debit card transactions.

It also said a self-regulatory organisation (SRO) would be set up for "orderly operations in the payment system". And SRO will be set up by April for digital payment system for "fostering best practices on security, customer protection and pricing, among others. The SRO will serve as a two-way communication channel between the players and the regulator/supervisor," the RBI said in a statement.

To promote digital banking in rural areas, regional rural banks (RRBs) will now be allowed to act as merchant acquiring banks using Aadhaar Pay, the BHIM app and point of sale (PoS) terminals.

The RRBs will be allowed to deploy their own devices if they have permission for mobile banking from the RBI, and should fulfill other criteria specified by the regulator.

"The bank's IT systems and CBS (core banking system) should have been subjected to an IS (information system) audit not earlier than six months from the date of application to confirm that the system is adequately secure," it said.

In addition, the RRB must ensure necessary infrastructure for application development, safety and security of the transactions and handling of customer grievance, and a customer grievance redressal should be in place. The RRB should have had a net worth of ₹100 crore or more as of March 31 of the preceding financial year, and other criteria specified by the RBI.

POLICY IN 2 MINS

- **CPI projection revised upwards to 5.4–5.0%** for H1FY21 from 4–3.8% in December policy
- **GDP growth forecast for H1FY21 reduced to 5.5–6%** from 5.9–6.3% in the earlier policy
- **Revises liquidity management framework;** keeps weighted average call rate as operating target
- **Long-term repo operations to be conducted** fortnightly to improve monetary transmission
- **Incentivises banks to lend to productive sectors** by allowing some exemptions in cash reserve ratio
- **Extends external benchmarking of floating-rate loans** by banks to medium enterprises
- **Extends one-time restructuring scheme** for GST-registered MSMEs
- **Permits delay of commencement of commercial operations** of project loans by one year
- **Allows regional rural banks to act as merchant acquiring bank** using Aadhaar Pay–BHIM app, PoS terminals
- **Draft revised regulations on housing finance companies** likely by the end of February
- **Decides to issue directions for exchange** of variation margin for OTC derivatives
- **Proposes to account for all rupee interest rate** derivate transaction including foreign related entities, in India
- **Digital payments index to capture details related** to digital payments will be available from July
- **Proposes establishment of self-regulatory** organisation for digital payment
- **Cheque truncation system will be made** available by September

Death in a deep sewer

One sanitation worker dies every five days, but compensation is mostly denied

HUMAN FACTOR

SHYAMAL MAJUMDAR

Trust political parties to promise the moon to voters during election time. Just two days after a 24-year-old sanitation worker died while cleaning a deep sewer in North East Delhi, the Aam Aadmi Party's (AAP) election manifesto promised financial assistance of Rs 1 crore to the families of sanitation workers who die while performing their duties.

The AAP leadership perhaps doesn't know that just about half of the number of the workers who have died cleaning sewers in the country have received the Supreme Court-mandated compensation of ₹10 lakh. Before promising ₹1 crore, why not make sure that all pending compensation of ₹10 lakh is paid immediately to the families of workers who died in Delhi?

The central government hasn't done any better. Budget 2020-21 has set aside the same amount allocated last year for rehabilitating manual scavengers, although 2019 recorded the highest number of fatalities among sewerage workers in recent years, prompting experts to question if the government was serious about addressing the scourge.

It's impossible to get the actual number of people dying and not getting compensation but the number is obviously much more than stingy official estimates. In any case, nowhere in the world are people sent inside gas chambers without oxygen cylinders and masks. Unofficial estimates suggest that on an average, one sanitation worker dies every five days all over the country. For example, one of Mumbai's civic authorities directly employs around 30,000 people to keep the city clean, but the more difficult and dangerous job of unblocking sewer lines is usually done by casual workers who scoop out sludge with bare hands and are hired on a day-to-day basis through contractors. So they are not eligible for medical and life insurance benefits and hardly anybody keeps track of compensation in case of deaths.

It is inconceivable how even the country's top two metropolitan cities have little to show in terms of scientific sewerage and sewage disposal systems and their regular maintenance. Sewage disposal is in effect left to abjectly poor individuals exploited by contractors, with no official monitoring or regulation.

People's Union for Democratic Rights (PUDR) did a study last year on deaths of sewer/septic tank workers in the national capital. The report, which details the findings of investigations into six incidents of deaths of sanitation workers, draws attention to the lack of provision in urban planning for maintenance of sewerage systems; the lack of provision of safety gear and safety equipment or training for sewer/septic tank cleaners; and the lack of criminal prosecution of those guilty of sending them to do this hazardous work manually.

The biggest drawback of the Prohibition of Employment as Manual Scavengers and their Rehabilitation Act, passed in 2013, is this: while it defines cleaning of the sewers as hazardous only when done without safety gear and without safety precautions, it does not define what necessary measures would count as "safety precautions" and what "safety gear" is. Besides, it allows for manual cleaning of sewers if these requirements are met oblivious of the fact that in most cases the reason for death happens to be asphyxiation due to exposure to poisonous gases which cannot be helped with precautions.

The PUDR report also quotes a study conducted by the Sanitation Workers Project which says there are almost five million workers in the country employed to perform these tasks. The main reason for deaths in the process of sewage cleaning is the depletion of oxygen and presence of toxic gases, mostly hydrogen sulphide.

It is also widely known that most sewage cleaners suffer from tuberculosis.

This explains why many sewer workers die as young as 40, falling prey to multiple health issues. Repeated handling of human excreta without any safety equipment leads to several respiratory and skin diseases, anaemia, jaundice, trachoma and carbon monoxide poisoning. This affects women more as up to 90 per cent of sanitation workers are women. Households with dry latrines prefer women to clean excreta instead of men as they are located inside the house. There is also a huge gap in the wages of men and women workers.

A year ago, Prime Minister Narendra Modi washed the feet of safai karamcharis at Prayagraj and hailed them as "karma yogis". It will be better if he can at least ensure that the families of the karma yogis who die on duty get the compensation due to them.

CHINESE WHISPERS

Cost of information

Seeking information under the Right to Information (RTI) Act may soon become expensive in Madhya Pradesh. According to sources, a proposal to increase the fee 10 times has been mooted by the department concerned. The state government is examining the viability of the proposal. If passed, people may have to pay ₹100 instead of ₹10 they are paying now. The idea, say sources, was to put Madhya Pradesh on a par with some other states that have imposed big fees to process RTI applications. But RTI activists in the state say the government is taking the step to restrict the growing number of RTI applications.

Perfect fit for Parliament

Prime Minister Narendra Modi's reply to the motion of thanks to the President's address in the Lok Sabha was marked by ideological sparring as well as wit and humour. As the PM entered the Lok Sabha around 12.30 pm, the Bharatiya Janata Party MPs stood up to welcome him, shouting "Jai shri Ram" and "Bharat Mata ki jai", to which the Congress MPs responded with "Mahatma Gandhi ki jai". Congress leader Adhir Ranjan Chowdhury said, "It is just a trailer". Never at a loss for words, the PM responded, "Mahatma Gandhi may be trailer for you, but he is life for us". Later, Modi, took a dig at Chowdhury for frequently rising from his seat and interrupting him, saying that he is publicising the government's 'Fit India' campaign in the Parliament.

Comic timing

During the address, responding to Congress leader Adhir Ranjan Chowdhury on the issue of unemployment, PM Modi said he will resolve the problem of joblessness in the country, but not his or that of his party's. On one occasion, without naming Rahul Gandhi, Modi referred to the Congress leader's comments he had reportedly made about "youth beating up Modi with sticks over the lack of jobs", and said he would increase the number of Surya Namaskars (a yoga exercise) so that his back can bear the sticks. When Gandhi questioned Modi about unemployment, the prime minister said he was waiting for the Congress leader's reaction, but it took him 30-40 minutes. "I have been speaking for 30-40 minutes, but it took this long for the current to reach. Many tube lights are like this," Modi said, prompting the ruling NDA members to burst into laughter. Later, Congress leader Manish Tewari said the PM indulged in "stand-up comedy, half-truths and rank communalism" in his speech.

RBI does what Budget could not

It's not a monetary policy; it's a credit policy of a governor who is not shy of experimentation when the space for monetary easing is limited

BANKER'S TRUST

TAMAL BANDYOPADHYAY

The Reserve Bank of India's (RBI) latest monetary policy rushed in where the Union Budget feared to tread. On the expected lines, it refrained from a rate cut but unleashed a stimulus package with a mission to support growth through a string of actions that should bring down the cost of money for banks and encourage them to lend to the stressed sectors such as real estate, automobile and micro, small and medium enterprises (MSMEs).

In some sense, it is an extension of the Budget. But, unlike the Budget, both the bond and equity markets lapped up the status-quo and yet action-packed policy. They could not have asked for more. It is one of the rare policies where the Indian central bank has demonstrated that without cutting the policy rate, it can try out other unconventional instruments to boost economic growth which is its top most priority now.

For the records, the policy rate remains unchanged at 5.15 per cent. There is no change in the stance of the policy too — it continues to be accommodative and will remain so, as long as it is necessary to revive growth. The monetary policy committee (MPC), the central bank' rate setting body, has opted for no change in the policy rate with a 6-0 voting but recognised that the policy space is available for future action. So a rate cut is not off the table as yet.

It will happen, if the growth does not pick up and inflation is tamed. But the RBI does not want to wait for that. Making use of the abundant liquidity in the system, Governor Shaktikanta Das has been continuing with his experiments on the policy turf. It started with dollar-rupee swap auctions in March 2019 and continued with the Operation Twist, launched in December.

So, what has the RBI done to kick-start growth which the Budget could not do?

There are four pillars on which the latest policy rests:

■ First, the RBI is closing its window for the fixed-rate daily and 14-day repo. Beginning February 15, it opens a new repo window for long-term one-year and three-year tenures as part of its long-term repo operations (LTRO). Commercial banks borrow money from the central bank's repo window, offering government bonds as collateral. Instead of overnight and fortnight money, they will now be able to borrow one- to three-year money at 5.15 per cent. This will bring down the cost of money for them and push down the bond yields in the short term.

The limit for such a facility is capped at ₹1 trillion.

The bond market instantly reacted to this move, pushing down short-term bond yield by 15 basis points (bps) and long-term 6 bps. One bps is hundredth of a percentage point.

KAMLESH PEDNEKAR

***(From left)* RBI deputy governors Mahesh Kumar Jain and N S Vishwanathan, executive director Janak Raj, governor Shaktikanta Das and deputy governors B P Kanungo and MD Patra during a press conference in Mumbai on Thursday**

The European Central Bank had some time back used LTRO to bring down the yields of German bonds. Later, it made it TLTRO or targeted long-term repo operations, linked to banks' lending.

The Bank of England too had a funding for lending scheme (FLS).

■ Second, for six months, between January 31 and July 31, banks are freed from maintaining the so-called cash reserve ratio (CRR) from their net demand and time liabilities or NDTL — a loose proxy for deposits — used to give fresh retail loans for automobiles, residential housing and MSMEs.

Under the norms, banks are required to keep 4 per cent of their NDTL in the form of CRR with the RBI on which they do not earn any interest. By freeing them from this obligation, the RBI is boosting their income as they can lend and earn on this 4 per cent resources which otherwise would have been kept with the regulator.

They could even pass on the benefit to the borrowers.

■ Third, banks were allowed a one-time restructuring of loans given to MSMEs that were in default but did not turn bad as on January 1, 2019. For such restructured loans, the banks were not required to set aside money for provision as they continue to remain "standard". The restructuring of the borrower account was to be implemented by March 31, 2020.

This one-time regulatory dispensation has now been extended to the loan accounts of those MSMEs that pay the goods and services tax (GST) and were in default as on January 1, 2020. The restructuring under the scheme has to be implemented latest by December 31, 2020.

■ Finally, the RBI has allowed an extension of the date of commencement of commercial operations (DCCO) of project loans for commercial real estate, delayed for reasons beyond the control of promoters, by another year without downgrading the assets. This, in sync with the treatment accorded to other project loans for non-infrastructure sector, is something which the real estate sector has been crying for long.

For the records, retail inflation rose to 7.4 per cent in December 2019, the highest since July 2014, and it could rise further. The December policy had projected the retail inflation at 5.1-4.7 per cent for the second quarter of the current fiscal year that ends in March and 4-3.8 per cent for the first half of 2021. The latest policy raised it to 6.5 per cent for the fourth quarter of the current year; 5.4-5 per cent for the first half and 3.2 per cent for the third quarter of 2021, with risks "broadly balanced".

The GDP growth for 2020-21 is projected at 6.0 per cent – in the range of 5.5-6 per cent in the first half of the year (down from 5.9-6.3 per cent, estimated in December) and 6.2 per cent in the third quarter.

The message of the latest policy is clear: It's a credit policy and not a monetary policy. The MPC has nothing much to do with it. It is the policy of a governor who is not shy of experiments when the space for monetary easing is extremely limited.

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INSIGHT

As coronavirus spreads, so does fake news

Facebook's new "physical harm" standard is one that Twitter and Google ought to adopt

BHASKAR CHAKRAVORTI

The news about the Wuhan coronavirus is bad and is getting worse. In terms of its potential for devastation, the current virus is in close competition with its 2003 cousin, the SARS coronavirus. China's economy is far more essential to the global economy now than it was in 2003, giving new meaning to the old nostrum, when China sneezes, the world catches a cold. And this time the world's capacity to catch that cold is far worse, in part due to the rise of social media.

Seventeen years ago, during the SARS scare, the world wasn't hooked to social media. Today, we can expect digital viruses — the re-tweets, likeable posts, shareable memes — to rideshare with the coronavirus. Viral misinformation could worsen the global public health emergency. No doubt, social media can help as a powerful tool for public health messaging, educating and debunking myths. Unfortunately, the myth-makers tend to beat the educators and debunkers; according to a recent MIT study, false news is 70 per cent more likely to be retweeted than true stories, with truth travelling six times slower than falsehood.

But during this outbreak, the social media industry has performed better than it's gotten credit for.

But it can do more.

Rumours have gone into hyper-drive across platforms: they have stoked waves of Sinophobia and racism, blaming the outbreak on false claims that the Chinese have a regular habit of eating bats. The short-video sharing app, TikTok, has been particularly active, with numerous posts spreading misinformation. One misleading video was viewed 2.4 million times before it was removed and yet video duets — reactions to the original — lingered on, showing how difficult it is to kill digital falsehoods. Other posts baselessly claimed that the virus was created by the government for population control. The conspiracy group QAnon falsely claimed in a video that the virus' creation was backed by Bill Gates.

Today, we can expect digital viruses — the re-tweets, likeable posts, shareable memes — to rideshare with the coronavirus. Viral misinformation could worsen the global public health emergency

Alarmist statistics have also been spreading — a tweet with over 140,000 "likes" predicted 65 million deaths, a debunked claim — along with false remedies, prophylactics and cures. Virality is assured when the misinformation jumps platforms.

The problem of containment gets worse when power users, such as politicians, give viral misinformation a boost. In the US, President Donald Trump helped amplify tweets from supporters of QAnon, the conspiracy group active in spreading coronavirus rumours.

Meanwhile, in China, doctors and frontline workers have been censored by authorities and some frontline reports were reportedly being taken down on WeChat. The Chinese state media even circulated a fake image of a building that it claimed was a hospital built in 16 hours.

Despite my healthy respect for the scale of the disinformation problem, I have to say that the lamest responses have come from Twitter and Google. Twitter prompts users searching for coronavirus to first visit authoritative sources, such as the CDC. A corresponding search on Google-owned YouTube, reportedly, links to a New York Times article. Neither seems ready to just take down patently false content.

Fortunately, other platforms have been more proactive. TikTok has removed some coronavirus misinformation and WeChat claims to have done the same. (They may find this easier because they have a history of censorship.)

The biggest and most pleasant surprise is Facebook. Its past strategy favoured labelling content as misleading rather than removing it. This time, it is limiting the distribution of posts rated false by third-party fact-checkers and using the News Feed to steer users to authoritative sites. It is giving free advertising credits to organisations running coronavirus education campaigns and has added a resource page for spotting falsehoods. However, the biggest change at Facebook is its announcement that it would remove content and block or restrict hashtags on Instagram that spread coronavirus misinformation.

I would quote Facebook's Head of Health: "We are doing this as an extension of our existing policies to remove content that could cause physical harm."

This elevated "physical harm" standard is one that all other social media platforms, including Twitter and Google/YouTube, ought to adopt. Of course, this requires establishing reliable fact-checking partnerships. There are 195 fact-checking organisations; so, that isn't impossible. YouTube has launched a limited fact-checking initiative, but urgently needs to expand it. Twitter needs to launch one.

Social media's response to this virus could not only slow the speed of viral falsehood, but also slow the rate at which the public is losing trust in the industry.

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LETTERS

Well done, Kerala

The Kerala health department under minister K K Shailaja has to be lauded for the exemplary and stupendous work done to contain the dangerous novel coronavirus, with three patients under treatment in isolated wards of hospitals in Trichur, Alappuzha and Kasaragod districts. The health minister who boldly led the medical team to encounter the deadly Nipah virus epidemic two years back is again back in action to fight yet another deadly virus.

Kerala's preparedness and response to coronavirus has been so comprehensive and swift that other states have started to take lessons from it. Two years ago, health officials and volunteers, police, panchayats and other local bodies, politicians, press and even the common people alerted and supported one another to contain the Nipah virus and now the same is being repeated for the coronavirus scare. Around 2,239 individuals are under surveillance and 84 are in hospitals. A tracking system monitors everyone coming to the state from high-risk destinations and also those who have come in contact with suspected cases. The five international airports in the state, seaports and railway stations have been put on alert and medical teams are ready 24x7 to trace, track and transport doubtful cases for check-up and treatment. Awareness, confidence, grit and determination undoubtedly help to overcome such health crisis. Half the battle is won when there is no panic and unnecessary pressure.

M Pradyu Kannur

Not a prudent decision

While the revenue secretary has justified making dividends taxable in the hands of recipients, the move will benefit foreign portfolio investments only. Most senior citizens/retirees with moderate taxable income of Rs 10-15 lakh would end up paying tax on dividends at the highest slab. It is highly unlikely that companies will fully pass on the entire 20.5 per cent dividend distribution tax not payable by them now to the shareholders as dividend and increase the dividend payout commensurately. With the inclusion of the dividend income, the total taxable income of many taxpayers will get pushed to higher slabs. It will disincentivise equity investment.

A K Gupta Ludhiana

160 mins, 1,325 words!

This refers to the editorial "Beyond numbers" (February 5). A Budget speech could be terrible or terrific. It is believed that a speech should be limited to 45 words as this is "what a mind can handle in one sitting". So a comment on the duration of the Budget speech will be relevant. Considering that this speech addresses different classes of people — Members of Parliament, experts, business community and masses — it is a challenge to stitch together a short speech, which holds the attention of all. Yet a speech lasting for about 160 minutes and with 1,325 words is bound to fatigue the listeners, if not the speaker.

One way to curtail the duration could be by changing the structure of the speech. The FM can briefly mention the main provisions of the Budget with short explanations in about 45-60 minutes and request the House to treat the entire Budget as read. The document could be uploaded immediately on the government portal. The main Budget speech, however, should be clear (fewer jargons), concise (yet covering all key points), complete (supported by reliable data and information) and if possible, interesting (using quotes).

Y G Chouksey Pune

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HAMBONE

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Beyond rate cuts

RBI's focus now is on improving transmission and lending

The decision of the monetary policy committee (MPC) of the Reserve Bank of India (RBI) to leave the policy rates unchanged is in line with market expectations. The evolving inflation dynamics played a key influencing role. Inflation based on the consumer price index jumped sharply to 7.4 per cent in December. While the vegetable prices, especially those of onions, have come down from their December highs, the decline in the inflation rate could be restricted in the near term by higher prices of pulses and other protein items. The adjustment in telecom prices is also putting cost-push pressure on core inflation, though it remains close to the 4 per cent mark.

The MPC has noted there is policy space available for future action. The central bank expects the inflation rate to come down to 3.2 per cent in the third quarter of the next fiscal year. Although there is significant uncertainty, if inflation moderates in line with the RBI's projection, it may be able to reduce policy rates by another 25 basis points, taking the repo rate to 4.9 per cent, which could become the floor. Supporting growth through monetary policy beyond that would become extremely tricky. More space can perhaps open up in the case of larger than expected disinflation, partly because of deceleration in global growth on account of coronavirus. The central bank expects the Indian economy to grow at 6 per cent in the next fiscal year.

Since the space for further monetary easing is fairly limited, the central bank is now focusing on transmission and increasing lending. For instance, it has given relief to banks in maintaining the cash reserve ratio against loans for automobiles, residential housing, and micro, small and medium enterprises (MSMEs) till July 31 this year. The central bank has also extended the one-time restructuring scheme for MSMEs and relaxed the rule for asset classification in commercial real estate. The RBI further decided to introduce external benchmarking of loans by scheduled commercial banks to medium enterprises from the beginning of the next fiscal year. Apart from these interventions, the central bank will conduct long-term repo of one-year and three-year tenor worth ₹1 trillion to infuse more money into the banking system and bring down the lending rates. Policy transmission has been slow in the case of long-duration bonds and bank-lending rates. Yields on 10-year government bonds, for instance, came down by 76 basis points till January 31, compared with the policy rate reduction of 135 basis points.

On balance, the set of policy interventions announced by the central bank on Thursday is intended to improve transmission and incentivise the banking system to lend. But whether these measures would improve lending remains to be seen. For instance, extending the external benchmarking could affect interest margins of banks because the deposit rates are sticky. Also, though yields came down after the announcement, it is not clear as to what extent the long-term repo will help the banking system when the liquidity is surplus to the tune of over ₹3 trillion. The longer-term rates are proving to be stickier because of higher government borrowings and declining household financial savings. The government now wants to import more savings by issuing special securities to non-resident investors. While this will potentially help reduce the cost of money, it can increase challenges for the central bank in currency and liquidity management.

A dangerous path

Political rhetoric has taken an unwarranted turn

The Bharatiya Janata Party (BJP) is in power not just at the Centre and in several states; it also dominates India's electoral politics through its mastery of narrative, its outsized purse, and the popularity of its leader, Prime Minister Narendra Modi. Such a position brings with it certain responsibilities. In particular, it must not seize on every possible method that appears available in order to win state elections. The behaviour of an insurgent opposition, with little to lose, cannot be adopted by a party that has taken on the burden of steering the ship of the state. Yet, the BJP's attitude in recent weeks, particularly following the growth of protests against the Citizenship Amendment Act and the National Register of Citizens, and leading up to the Assembly elections in the National Capital Territory of Delhi, suggests that it has forgotten this basic responsibility.

Certainly, the Delhi election is a high-stakes endeavour, and it is understandable if the BJP wants to pull out all the stops to win such an important contest. The BJP's mystique in recent years has been built on its desire for victory, and its ability to convince voters in the final weeks of a campaign. But this has now taken a dangerous turn, and is infecting national politics. Recently, two senior BJP politicians were banned from campaigning because of hate speech. Instead of accepting the Election Commission's strictures in the right spirit, the party instead chose to undermine them by allowing the two members to lead the discussion on the vote of thanks to the President's Address in Parliament. Parliament is the highest institution in India's democracy, and the vote of thanks has enormous symbolic power in that it is the highest level discussion about the direction the government seeks to give the country. What signal does it send when those who have been censured for hate speech are given responsibility in that context?

Even in the trenches of the political battle, there are lines that have been crossed. One Union minister called the chief minister of Delhi a terrorist — which is surely beyond the pale for acceptable political debate, particularly from a member of the Cabinet. A chief minister from the BJP, campaigning in Delhi, talked of feeding protesters "bullets, not biryani". The popularity of chants related to "bullets" has now expressed itself in lone wolf attackers firing guns in proximity at unarmed protest rallies in Delhi. No party of government should be satisfied by a situation in which its own rhetoric is giving rise to turbulence of this sort. It should seek to clamp down on violence while continuing to fight the rhetorical battles with protestors and official opposition that it has previously so easily won. India's stability, its self-image, and its profile overseas depend upon how the BJP manages these tensions. The prime minister himself has sought to portray India as a stable, growing country on the cusp of leading power status. But such behaviour by the party undermines these ambitions and imposes severe injuries upon the body politic. This is not the direction in which India should be going, and the BJP must draw back from the brink before it is too late.

ILLUSTRATION: BINAY SINHA

Kashmir policy, at cross-purposes

By not engaging with those who condemn its actions, India is unwittingly putting Kashmir on the global stage

India has reversed its long-held and multiparty position that Kashmir not be internationalised and that the world be kept out of our internal affairs. This much is clear and visible, given the triggering of global interest in condemning our recent actions. What is unclear is whether this is deliberate and thought through. We will examine that another time.

First, let's consider in what ways the issues of Kashmir and of citizenship stand internationalised. On December 6, a US Congresswoman of Indian origin, Pramila Jayapal, moved resolution 745 in the House of Representatives. It was titled "Urging the Republic of India to end the restrictions on communications and mass detentions in Jammu and Kashmir as swiftly as possible and preserve religious freedom for all residents." The resolution summarises the history of violence in Kashmir and acknowledges that the government of India faces challenges in countering terrorist violence. However, it asks that India: (a) lift restrictions on communication and restore internet access; (b) refrain from the use of threats and excessive force against detained people and peaceful protesters; (c) swiftly release arbitrarily detained people in Jammu and Kashmir; (d) refrain from conditioning the release of detained people on their willingness to sign bonds prohibiting any political activities and speeches; (e) allow international human rights observers and journalists to access Jammu and Kashmir and operate freely throughout India, without threats; (f) condemn, at the highest levels, all religiously motivated violence, including that violence which targets religious minorities.

AAKAR PATEL

It could hardly be more damning because it accurately nails all of India's atrocities in Kashmir. On December 20, days after Jayapal moved this resolution, India's Foreign Minister S Jaishankar cancelled a meeting he had with the top leadership of the US House Foreign Affairs Committee because he didn't want to face Jayapal.

For decades, India has fought hard for our issues and especially for Kashmir to never come up in international fora. Now we are not only encouraging that it happens with our actions, but we are avoiding those who are raising the issue, which is astonishing. Diplomats are paid to defend India (as the saying goes, they "lie abroad for the country"), not to run away from problems.

India's view on this resolution is that it is not binding on us and so we can ignore it. The first part is true, the second is not.

On December 6, the resolution had two backers (the other one was a Republican from Kansas). By the time Jaishankar had decided to run away from his meeting it had 25. Today, it has 54, meaning more than 10 per cent of the total strength of the House of Representatives. The backers include Adam Schiff of California (prominent in the impeachment of Donald Trump) and Maxine Waters. India has had no response to this other than to wheel out the Howdy Modi lobby of mostly Gujarati Americans to unsuccessfully tell their representatives that this is "India's internal matter."

This week, the Seattle City Council voted unanimously to oppose the National Register of Citizens (NRC) and asked that India repeal the Citizenship Amendment Act (CAA). Of course, this is not binding and we may not care what the city, which is home to Microsoft, thinks. But the fact is that this is what internationalisation means — other countries, other people, in different fora, talking about our laws and our practices negatively.

Last week, the members of Europe's Parliament tabled a resolution to condemn the Citizenship Act. The joint motion of five different coalitions of MEPs said that "NRC marks a dangerous shift in the way citizenship will be determined in India, and may create a large-scale statelessness crisis and cause immense human suffering." It "condemns the violence and brutality that broke out in different regions of India following the adoption of the CAA; recalls the special responsibility of law enforcement services to show restraint and allow peaceful protest; calls for a prompt and impartial investigation into the events; calls on the Indian authorities to immediately and unconditionally release the protesters and human rights defenders currently held under arrest; it condemns the decision of the Indian authorities to shut down internet access to global networks". The vote on the resolution was delayed by six weeks, leading India to declare a great victory, but more trouble lies ahead.

We can call it our internal issue but the fact is that the CAA violates not just India's constitution, especially Article 14 ('The State shall not deny to any person equality before the law or the equal protection of the laws within the territory of India Prohibition of discrimination on grounds of religion, race, caste, sex or place of birth") and Article 21 on the deprivation of life and liberty to all persons (not just citizens). It also violates two charters we have signed. The Universal Declaration of Human Rights and the International Convention on Civil and Political Rights. Again, here India's position is that we may have signed these but nobody can enforce them if we choose to deliberately violate them. Is that the sort of thing we want the world to think about India?

Also, in the same period, Malaysia's prime minister criticised India's actions in Kashmir and on citizenship. India's response was to issue an official *fatwa* to its importers not to buy palm oil from Malaysia (we purchase a little over $1 billion worth a year) and instead to choose other nations, raising the price for Indian consumers. This is not mature behaviour and we will regret conducting foreign affairs in this sort of knee-jerk and petulant manner.

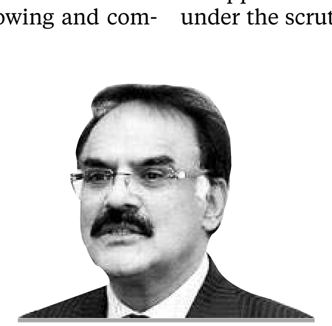
It is the reflection of the way our politics is run today — that our diplomacy has been sucked in. But as events in the US, Europe and elsewhere show, what India has done and is doing will have long-term repercussions and ramifications. And it is difficult to look at them and see them as being good or beneficial for India.

Is e-commerce really hurting competition?

At a time when Jeff Bezos has announced that Amazon would invest $1 billion in "digitising small and medium businesses" in India, the e-commerce sector has come under the spotlight once again: The Competition Commission of India (CCI) conducted a market study on goods, food services and accommodation segments and started investigation against Amazon and Flipkart over alleged anti-competitive practices. With increasing footprint of e-commerce in the consumer market, the recent cases against the two companies have evoked a lot of interest.

As e-commerce becomes a growing and commonly used model for distribution and allegations of anti-competitive practices like vertical restraints by e-commerce companies become more frequent, the CCI's "light touch" decision-making approach for this sector is likely to change.

As a relatively new regulator in India, the exposure of CCI to e-commerce is less compared to other progressive jurisdictions such as the US. Owing to the lack of adequate data on e-commerce sector, the CCI has not intervened strongly in the past. A recent e-commerce study by CCI is the first attempt at systematic market study-based regulation. It has recognised the benefits brought by these platforms to the industry, and has also identified several problematic issues like platform neutrality, deep discounting, platform-to-business contract terms, platform price parity clause and exclusive agreements. The CCI's recommendation for self-regulation indicates that it is not opposed to the existence of these platforms, but only seeks to reduce the information asymmetry and correct anti-competitive practices prevailing in the sector, as opposed to the more stringent idea of breaking up the tech giants being talked of in other parts of the world.



ARVIND MAYARAM

Light regulatory touch is evident in the e-commerce cases adjudicated by the CCI over the past decade. In the online shopping segment, in *Mohit Manglani v. M/s Flipkart India Ltd. & Ors*, the CCI concluded that the exclusive agreements did not lead to any appreciable adverse effect on competition and it seemed unlikely that an exclusive agreement between a manufacturer and an e-portal would create any entry barrier or adversely affect the existing players in the retail market. Similar judgments were passed in other cases.

App-based cab aggregators have also come under the scrutiny of CCI. In the two cases as yet decided, the CCI took a liberal approach, declaring innovation to be the key in developing new markets and noting that these practices did not restrict expansion or entry into the market.

However, in 2019 the Supreme Court directed a fresh investigation in the *Meru Travel Solutions v/s Uber* case with allegations of anti-competitive practices and abuse of dominance by Uber.

The CCI has also started looking closely at hotels, restaurants and hospitality service providers. A case filed against Oyo in 2019 was dismissed as not being violative of the competition law. However, the Federation of Hotel And Restaurant Associations of India filed another case against both Oyo and GoMakeMyTrip alleging predatory pricing, denial of market access, charging exorbitant commissions etc, in which *prima facie* Go-MakeMyTrip has been found to be dominant in the online travel market, while Oyo in the market for franchising services for budget hotels.

Big data has been in the news for several reasons. In the case of *Vinod Kumar Gupta v. WhatsApp Inc* it was alleged that WhatsApp is involved in predatory pricing by providing free services to its customers backed by Facebook (parent company's) funding, and compels the users to allow access to their personal data, which is, in turn, exploited for market dominance. However, the CCI noted that WhatsApp may be dominant in the "instant messaging services through smartphones" but it is not abusing it as they have not restricted the entry of other similar service providers in this segment.

Market dominance is established largely through mergers of rival players. The CCI has been looking closely at mergers, but so far all have been approved. A few major deals included Walmart acquiring a controlling stake of 51-77 per cent in Flipkart, and eBay Singapore acquiring 6.2 per cent shares of Flipkart. In these mergers, the CCI noted that the transactions did not raise any competition concern due to insignificant market shares of the merging parties and the presence of several other players.

It is interesting to note that merger regulation is based on certain asset and turnover thresholds specified under the Act. As digital markets are asset light and may not generate significant revenue for some years, the deals can easily escape scrutiny. Facebook's acquisition of WhatsApp was one notable instance that had a huge impact on the consumer base globally, but the transaction, falling short of the threshold, escaped CCI scrutiny. The Competition Law Review Committee, in its 2019 report, has recommended that government be empowered to introduce necessary thresholds including the deal-value threshold for combinations.

With rapid increase in the internet and smartphone penetration, the Indian e-commerce market, which was worth $38.5 billion in 2017, is likely to grow to $200 billion by 2026. It will be interesting to watch how the CCI increases its regulatory oversight over this segment of the market in the coming years.

The writer is former finance secretary & chairman, CUTS Institute of Regulation & Competition (CIRC). Garima Sodhi, senior fellow, and Siddhant Puri, intern, CIRC, contributed to this column

Abstinence from the news

BOOK REVIEW

KANIKA DATTA

This is not, strictly, a book that should be reviewed by a journalist. Yet *Stop Reading the News: A Manifesto for a Happier, Calmer Life* can by no means be described as irrelevant for any practitioner in the information industry, even if its premise is flawed. Rolf Dobelli is part of that growing breed of business professionals: A self-help guru.

The reason *Stop Reading the News* gave me pause for thought is that it was endorsed —sort of —by Alan Rusbridger, former editor of *The Guardian*, a journalist I admire. In the opening chapter, Mr Dobelli describes how he arrived to speak, at Mr Rusbridger's invitation, to *Guardian* journalists about his 2013 book, *The Art of Thinking Clearly* — or so he thought. Instead, Mr Rusbridger, then editor, asked him speak on an essay he had found on Mr Dobelli's website, titled "The News is Bad For You".

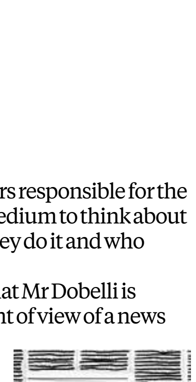
"The article Rusbridger had found on my website listed the most important arguments against consuming precisely what these internationally respected professionals spent their days producing: the news. …After twenty minutes, I'd reached the end of my argument, concluding with the words, 'Let's be honest: what you're doing here, ladies and gentlemen, is basically entertainment'.

"Silence, You could have heard a pin drop."

At Mr Rusbridger's direction, a condensed version of the essay was published on the newspaper's website, and it maxed out the 450-comment limit. The clear-thinking Mr Dobelli saw this as an opportunity to write a book-length exposition of that essay.

I get why Mr Rusbridger thought the topic worth discussing. It provokes journalists and editors responsible for the daily news on any medium to think about what they do, why they do it and who they're doing it for.

The problem is that Mr Dobelli is writing from the point of view of a news junkie (he uses the term news newsaholic) and speaks with the fervour of a reformed rake. But most people aren't obsessive about news, and, anyway, what's wrong with being well informed, even if the information doesn't impact you directly?



STOP READING THE NEWS: A Manifesto For a Happier, Calmer And Wiser Life
Author: Rolf Dobelli
Publisher: Hachette
Price: ₹399
Pages: 160

So why did he decide to go cold turkey on the news? A creeping recognition of something akin to attention deficit disorder and growing anxiety (true, an evening spent watching our home minister fulminate in Parliament — he rarely speaks normally — gave me nightmares). Also, when he asked himself whether he understood the world better today and took better decisions from tens or thousands of hours spent consuming the news, the answer was no.

Then he describes the rehab programme he created on the fly and reports the results: "Today I'm 'clean'. Since 2010 I've been entirely news-free, and I can see, feel and report first-hand the effects of this freedom: improved quality of life, clearer thinking, more valuable insights and vastly more time."

Mr Dobelli does not prescribe information abstinence. He says he relies on other people to keep him up to date — friends, family and associates. This system failed him just once, when he arrived at the airport only to discover that all flights had been cancelled because Eyjafjallajökull in Iceland had erupted. He also recommends you read the quality weekly journals to get up to speed. *The Economist* is a favourite, and he says you can Google for stuff you want to know (but avoid all hyperlinks).

There is some validity to Mr Dobelli's argument. Information overload is an acknowledged psychological problem that has grown in direct proportion to the explosion of the internet. He is right to deplore the disintegration of media corporation ethics, but fails to spot the problem embedded in the emergence of the profit motive (Rupert Murdoch's singular legacy to global journalism) in place of the earlier free-spending millionaire owners.

He also deplores the fact that news corporations focus on "facts, facts and more facts". Why this should be "marginalising" or a problem at all is a mystery. He says most journalists cannot explain "causal relationships that shape cultural, intellectual, military, political and environmental events are mostly invisible". True; if they could they'd be champions of academia.

Most egregiously, he says this is why "news corporations focus on the easy stuff: anecdotes, scandals, celebrity gossip and natural disasters". This is a breath-taking generalisation and it makes you wonder what just what Mr Dobelli was reading in his junkie days. You suspect it was exclusively the mass-circulation tabloids. Even if he had read *The Guardian*, he could have seen that this observation is untrue, as much as it is for *Financial Times*, *The New York Times* or *The Wall Street Journal*. I would even encourage him to read *Business Standard*. The real crisis in the media appears to have escaped Mr Dobelli, perhaps because he no longer reads the news. This is the rise of social media, fake news and the rank amorality of the entrepreneurs who own these platforms. There is an oblique reference to this in the penultimate chapter but it's mostly linked to the dastardly money-making proclivities of the media giants.

Fake news can be created by any kook or gook — such as the President of the United States and trolls and *bhakts* — on social media platforms in a matter of minutes. The explosion of Twitter, WhatsApp and their ilk has raised anew the challenge for ethical media organisations to produce credible, authentic information and analyses. If Mr Dobelli had devoted himself to social media abstinence, this would have been an unexceptionable book. Maybe, that's the next subject on his to-do list.

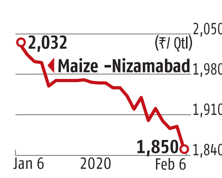
Business Standard

The Smart Investor

MUMBAI | FRIDAY, 7 FEBRUARY 2020

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: REVIVAL HOPES FOR MAIZE



Maize has declined 10% in one month on weak demand from the poultry sector and profit-booking by stockists. While the short-term outlook remains bearish, prices are expected to bounce back in the medium term on account of higher minimum support price and expectations of a demand recovery

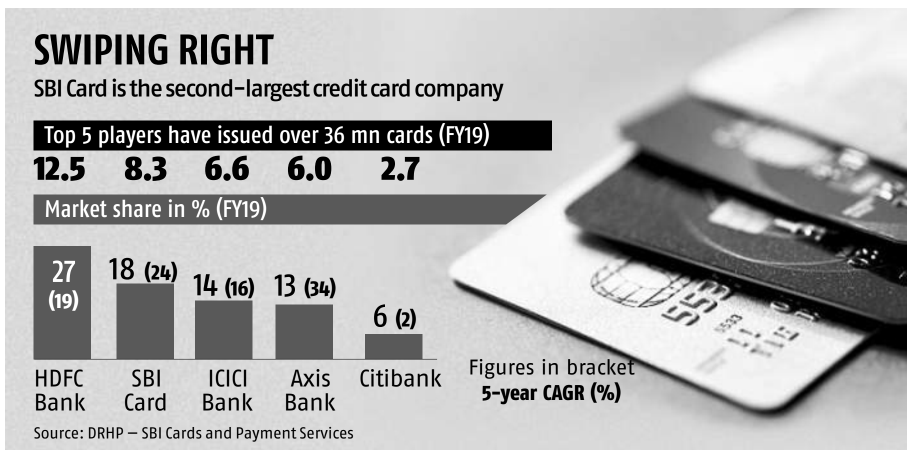
"When you've an emergency fund worth two years of expenses, you'll be less afraid of your boss. You'll have sufficient time to look for a suitable job. This is the first milestone in the journey of financial independence."

D MUTHUKRISHNAN,
Certified financial planner

Probe holds up SBI Cards IPO

Latest rule change may, however, clear decks for ₹9,500-cr offering

ASHLEY COUTINHO
Mumbai, 6 February



A regulatory guideline introduced more than a decade ago has resulted in an inadvertent delay in one of the most eagerly awaited public share sales.

The Securities and Exchange Board of India (Sebi) has held back from giving its observations on the draft prospectus of SBI Cards and Payment Services, the credit card arm of State Bank of India (SBI). The offer document was filed with the regulator in November, and the company completed its global roadshows by early January, expecting to hit the market the same month.

However, the regulator kept the share sale in abeyance because of an ongoing probe against group company SBI Mutual Fund, said two people familiar with the matter.

The latter is contesting insider trading charges levelled against it for trading in the Manappuram Finance scrip. SBI MF was reportedly among five asset managers to whom Sebi had issued show cause notices last year for alleged use of price-sensitive information for trading in the scrip in March 2013.

"One of our group companies, SBI Funds Management Private Limited, is involved in proceedings initiated against it by Sebi... While Sebi had issued show cause notices, which have been responded to by SBI Funds, no order has yet been passed by Sebi in relation to such show cause notices," SBI Cards' draft offer noted.

According to a general order put out by Sebi in 2006, observations on draft offer documents would be kept in abeyance for a period of 90 days from the date of the show cause notice, or filing of the draft offer document — whichever is later.

The appropriate authority shall — in a fit case — pass an appropriate interim or final order after hearing the person affected, within the period of 90 days. Sebi tweaked the norms for holding back approvals for proposed share sales on Wednesday — putting in place a broader framework but doing away with the abeyance period in cases where show cause notices were issued to entities in an adjudication proceeding.

It is unclear if the latest modification will hasten SBI Cards' approval timeline.

An email sent to SBI Cards, SBI MF, and Sebi did not elicit a response. People in the know said the observations may come this month.

Investment bankers say the delay will have no bearing on IPO prospects, which has got a stellar response from institutional investors.

SBI Cards is targeting a mop-up of ₹9,500 crore from the share sale, with a fresh issue size of around ₹500 crore. SBI and Carlyle Group are both divesting their holdings.

"This is the only stand-alone card business that is going to be listed and has the potential to generate superior RoE (return on equity). The market is underpenetrated and we expect significant growth in the business. With the backing of SBI, there is a strong case for reaching out to the untapped segment," said an investment banker.

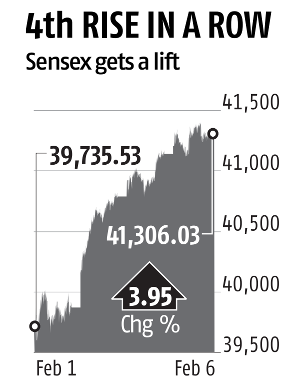
According to brokerage reports, the share sale could command premium valuations, given the firm is a strong play on the consumption and digitisation story.

Ambit Capital considers strong parentage and a good distribution network as its strengths and over-dependence on co-branded partners and an unsecured portfolio as weaknesses.

More on business-standard.com

Indices continue to rally, thanks to policy fillip

SUNDAR SETHURAMAN
Mumbai, 6 February



The markets rose for a fourth consecutive day after the Reserve Bank of India (RBI) stepped up efforts to support credit growth while keeping interest rates unchanged. The Sensex gained 0.4 per cent, or 164 points, to end at 41,306 — the highest since January 24. The Nifty rose 45 points, or 0.4 per cent, to close at 12,134.

The RBI kept policy rates steady for a second straight meeting, but left the option open for further easing. Surging inflation and faltering economic growth have made monetary policy action a tough balancing act for the regulator.

Investor sentiment was lifted by RBI's measures to improve monetary policy transmission and boost credit growth. The relaxation provided to housing finance companies for their commercial real estate exposure also helped. The regulator exempted banks from cash reserve ratio (CRR) requirements on incremental credit disbursed on automobile retail loans, housing mortgages, and loans to micro, small, and medium enterprises. The central bank also eased guidelines on project loans to the commercial real estate sector by allowing a one-year extension to the date of commencement of project loans that have been delayed for reasons beyond the control of promoters, without attracting a downgrade of asset clarification.

Market sentiment was also boosted from a global rally in risk assets, on speculation that the fallout from the coronavirus will be contained. China's tariff cuts on $75 billion worth US imports kept the mood buoyant.

News reports of possible medical advances to combat the coronavirus outbreak in China also helped in improving investor sentiments.

The domestic economic data released this week also cheered investors. Data released on Wednesday showed the services Purchasing Managers' Index (PMI) rising to a seven-year high at 55.5 in January.

Drop in crude oil prices also helped domestic markets recover. Brent crude hit a 52-week low on Tuesday at $53 per barrel. Markets have gained nearly 4 per cent this week, after dropping nearly 2.5 per cent on Saturday on account of Budget disappointment.

(With inputs from Bloomberg)

Sebi issues norms for AIF benchmarking

ASHLEY COUTINHO
Mumbai, 6 February

The Securities and Exchange Board of India (Sebi) has issued guidelines for benchmarking the performance of alternative investment funds (AIFs) with a view to streamlining disclosure standards and helping investors in assessing scheme performance.

The guidelines come two months after a consultation paper to this effect was floated by the regulator.

"As the industry needs flexibility to showcase its performance based on different criteria, benchmarking performance will help investors in assessing the performance of the AIF industry," the regulator said in a note put out on Thursday.

The regulator has proposed that an association of AIFs with representation from at least 51 per cent of the industry select one or more benchmarking agencies.

The agreement between the benchmarking agencies and the AIFs should cover the mode and manner of data reporting, specific data that needs to be reported, and terms of confidentiality.

Benchmarking will apply to all schemes that have completed at least one year from the date of "First Close". Funds incorporated overseas with India track record will also provide the data to the agencies when they seek registration as AIFs. Performance benchmarking will be done on a half-yearly basis, based on data as of September 30 and March 31 of each year. The performance and benchmark reports are to be available by July 1, 2020, on the outside for performance up to September 30, 2019.

"The introduction of performance benchmarking will enhance transparency among AIF investors, who can compare the performance of similar strategy schemes having the same vintage and thereby assess the relative performance of the management team while considering making investments," said Subramaniam Krishnan, partner, EY India.

The regulator has also introduced a template for a private placement memorandum (PPM) to ensure minimum disclosure in a simple and comparable format. The PPM is a primary document in which necessary information about AIFs is disclosed to prospective investors. Further, in order to ensure compliance with the terms of the PPM, it will be mandatory for AIFs to carry out an annual audit of such compliance. The audit will be done by either an internal or external auditor/legal professional. Angel funds and AIFs/schemes, in which each investor commits to a minimum capital of ₹70 crore or $10 million, will be exempt from the requirement of the PPM and audit.

"The introduction of performance benchmarking for AIFs will bring greater transparency to this growing asset class," said Vaneesa Agrawal, founder, Thinking Legal. "The exclusion of angel funds from performance benchmarking is the right approach since decision making in an angel fund is with the investors themselves."

Investments in AIFs have risen to ₹1.25 trillion as of September 30 last year, with 65 per cent of the assets coming from category II funds.

ASSETS MANAGED in ₹ crore

Category	Commitments raised	Funds raised	Investments made
I	36,140	15,733	12,418
II	238,500	102,117	82,427
III	42,223	36,912	30,961
Total	**316,864**	**154,762**	**125,805**

Net figures at the end of September 2019 Source: Sebi

THE COMPASS

Central bank plays its part, lenders get a breather

Easing of CRR on select loans could help improve margins by 50 basis points

HAMSINI KARTHIK

The Reserve Bank of India's (RBI) monetary policy seems to have played its part to push growth, at least in select important pockets like loans to retail, micro-small and medium enterprises (MSMEs) and real estate.

The Nifty Bank gained over 1 per cent, with IndusInd Bank, SBI, and Axis Bank among big gainers (up 1.8-4.9 per cent), while non-banking financial companies (NBFCs) like Indiabulls Housing, LIC Housing and PNB Housing surged 5-15 per cent.

To ensure retail loans remain growth drivers for banks, the RBI has incentivised credit to segments such as automobile, housing and MSMEs. Consequently, banks need not set aside 4 per cent of the loan outstanding as CRR (cash reserve ratio) for these loans.

Though this facility is available till July 2020, Pankaj Pandey, head (research) at ICICI Securities, says this presents an opportunity to earn more without having to increase the interest rate.

"This money was kept idle earlier," he adds. That said, in sync with the practice of benchmarking retail loans to external rates, loans to MSMEs will also have to be linked to external benchmarks, making them more affordable.

However, at a time when most banks have turned cautious on this segment, pricing the risks appropriately could be a challenge.

The realty sector also got a breather, as the date of commencement of commercial operations (DCCO) of project loans for commercial real estate — delayed for reasons beyond the control of promoters — was extended by a year without downgrading the borrower's asset classification.

In effect, these loans get another year for restructuring, taking the pressure off developers. For banks and NBFCs, real estate exposure may not cause asset quality problems just yet. However, Suresh Ganapathy of Macquarie Capital says this is at best a marginal dispensation.

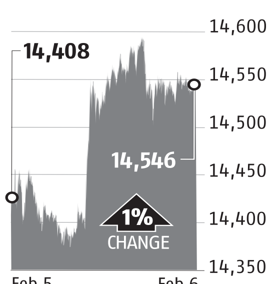
"The real challenge is where projects are operational and residential sales aren't happening and developers sitting on huge amount of inventory," he points out.

Among all, the one that stands out is the interest rate transmission under Long Term Repo Operations (LTRO). Under this, banks can access up to ₹1 trillion at repo rate at one- or three-year tenors from February 15, thereby capping interest rate volatility.

While finer details of the LTRO will be out soon, Pandey says such an option would give banks the leeway to curb their cost of funds.

In all, Edelweiss analysts estimate the rate transmission benefit to auto, housing and MSME loans at 25-30 bps besides credit push. For Ganapathy, the larger unaddressed question is that of risk-aversion. "Banks are unwilling to lend and are sitting on ₹3.4 trillion of excess liquidity," he says. Whether Thursday's monetary policy will move the needle, only time will tell.

NSE FINANCIAL INDEX



Eicher may face speed breaker on margin front

Hike in raw material costs adds to pressure

RAM PRASAD SAHU

The Eicher Motors stock rose 4 per cent on Thursday, following a steady performance in the December quarter (Q3). It gained market share despite a 6 per cent year-on-year (YoY) fall in two-wheeler volumes, given the fall in peer volumes was sharper.

Growth was strong on a sequential basis, led by expansion of its network both in the large format as well as studio stores. The firm launched variants and offered customised options to improve volumes.

From a small base, export volumes jumped YoY, led by new products such as the 650cc twins and the Himalayan.

The firm is expanding exports to markets such as Brazil, thereby boosting the overall touch points to over 600 outside India.

While future volume growth depends on the ability of customers to absorb higher prices, analysts are sceptical on the company passing on the entire rise in costs across models.

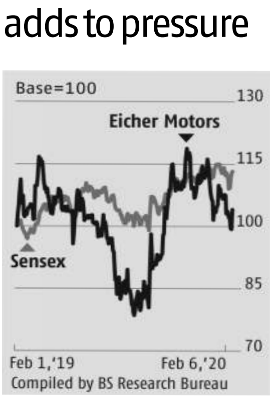
A sharp rise in price of precious metals, used in the catalytic convertors, could put additional pressure. This is even as the firm looks to balance volume growth while maintaining margins.

The Volvo Eicher Commercial Vehicle business continues to be weak, with revenues falling 23 per cent in the quarter, on the back of a 27 per cent fall in volumes. This was largely in the medium-to-heavy truck segment.

Even though volumes have been weak, the firm gained market share as the sector's volumes fell 37 per cent.

Eicher indicated there has been some pre-buying ahead of the BS-VI roll-out deadline. However, given the transition and higher prices of BS-VI products, analysts believe volume growth in commercial vehicles will be tepid.

The company, however, has indicated it has an edge over competitors as it has been making Euro VI engines for Volvo's global operations. Analysts say Royal Enfield is better positioned than peers, given its smaller BS-IV inventory, an affluent customer base, and lighter competition in its product segments.



Lupin faces regulatory challenges

High costs have hit Q3 margins, while multiple one-offs have impacted firm's bottom line

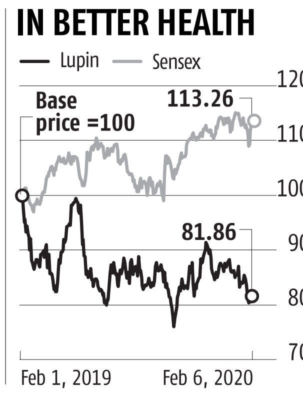
UJJVAL JAUHARI
Mumbai, 6 February

US REMAINS PAIN POINT

	Q3FY20 (₹ cr)	% change YoY	QoQ
North America	1,377	-2.9	3.9
India	1,297	9.0	-3.4
Asia Pacific	172	25.8	8.6
Emerging markets	291	4.0	-8.8
Latin America	180	15.4	24.3
Rest of the world	82	20.4	0.2
Total sales*	**3,716**	**-2.8**	**-2.7**

* Sales from continuing operations including API
Source: Company

IN BETTER HEALTH



Muted sales in its core markets of India and North America led to poor performance by Lupin in the December quarter. Sales in North America, its biggest market that accounts for 37 per cent of sales was down about 3 per cent. Domestic business, the other key geography, grew 9 per cent year-on-year (YoY).

Analysts at Motilal Oswal Financial Services were expecting 12 per cent YoY growth in India. Lupin indicated that tender sales from India declined and, adjusted for this, growth stood at 10.6 per cent. On sequential basis, India sales were down 3.4 per cent.

US sales were expected to be in the $190-200 million range in the quarter, helped by higher contributions from thyroid treatment drug levothyroxine. Sales missed this target coming in at $186 million. However, other geographies — such as Asia Pacific, Latin America, and rest of the world — grew about 15-26 per cent. Thus, at ₹3,716 crore, sales were lower than consensus estimates of ₹4,278 crore.

The major disappointment was on the margin front. Earnings before interest tax depreciation and amortization (Ebitda) were ₹522.7 crore, compared to street's estimate of ₹706 crore.

Higher remediation costs pertaining to company's Somerset plant, uptick in R&D (research and development) spends and higher other selling expenses led to the fall. Operating profit margins came in at 14.1 per cent, compared to 18 per cent estimated by the street.

US sales were expected to be in the $190-200 million range in the quarter, which the firm missed. Sales stood at $186 million. However, other regions like Asia Pacific, Latin America, and rest of the world grew at 15-26 per cent

Lupin's Q3 net profit was impacted by a number of exceptional items.

In view of changes in the pipeline value of Gavis portfolio, which it acquired, the company decided to take an impairment hit on certain intangible assets, leading to an exceptional loss of ₹1,580 crore.

Further, taxes also included additional tax of ₹294.1 crore on divestment of Japan operations (Kyowa) and deferred tax assets of ₹405.4 crore. The company reported losses of ₹868.5 crore from continuing operations.

The company had completed the divestment of its entire stake in Kyowa Pharmaceutical Industry in December 2019.

The transaction resulted in a pre-tax gain of ₹1,291.1 crore, which the firm said would lead to significant reduction in leverage and improvement in return ratios.

Lupin will continue supplies of certain products from its Goa plant as part of its sale agreement for Kyowa.

Moving forward, while the company expects profitability to rebound and hit the 18 per cent level on an annual basis, the street remains watchful as this would require its plants to be cleared. At least five of company's manufacturing facilities remain under USFDA scanner.

The growth in US sales is currently dependant mostly on ramping up levothyroxine brand Solosec (amoebic treatment drug). Progress in approval for respiratory product Albuterol will also be key. However, for a better product approval rate the clearance of its plants remains crucial.

Analysts at ICICI Securities said after the results were announced that resolution of Warning Letters and clearance of Official Action Indicated (OAIs) status on plants could be the near-term overhang along with progress on the margins front.

Growth in India remains consistent but lumpy for Asia Pacific.

FMCG on course for Nifty inclusion hat-trick

Dabur tipped to replace YES Bank in index; Nestlé, Britannia the last two entrants

SAMIE MODAK
Mumbai, 6 February

LONG AND SHORT OF IT

Reshuffle could make Nifty expensive but reduce volatility

	Free-float m-cap	P/E	P/B	Beta
Potential exclusion				
YES Bank	7,866	14.0	0.4	1.4
Potential entrants				
Dabur	28,819	46.4	16.0	0.7
Godrej Consumer	24,615	37.8	9.0	1.1
Shree Cement	31,571	40.8	9.0	1.1

Note: P/E for FY21; P/B for FY19 and Beta 3-year average
Source: ICICI Securities

Dabur India is the front runner to replace YES Bank in the Nifty, say analysts tracking index inclusion criteria. If the move materialises, the Ayurveda-focused firm will become the third straight fast-moving consumer goods (FMCG) stock to be added to the index.

Dabur, Godrej Consumer Products (GSPL), and Shree Cement are the front runners for inclusion in the Nifty based on their free-float market capitalisation.

"On the basis of the average six-month free float market capitalisation, Dabur, GCPL, and Shree Cement have marginal difference. However, Dabur is most likely to replace YES Bank in the Nifty50 in the forthcoming index constituents change on March 27," wrote Vinod Karki, head (strategy) at ICICI Securities, in a note.

During the previous reshuffle in August, multinational FMCG firm Nestlé India had replaced non-banking financial company (NBFC) Indiabulls Housing Finance. A year ago, Britannia Industries had replaced oil marketing company Hindustan Petroleum Corporation (HPCL) in the index.

The inclusion of consumer stocks comes at a time when valuations in the space have reached record levels. Over the past two years, investors have piled on to FMCG stocks, given their relative safety and high return ratios.

Analysts say inclusion of FMCG stocks will reduce volatility but increase valuations. Most FMCG stocks trade at a high price-to-earnings (P/E) ratio.

"On a FY20 P/E basis, Nifty is likely to become expensive from 17 times to 17.1 times, as the likely new entrant has a much higher FY20 P/E (46 times) relative to the likely exiting stock (14 times)," said Karki.

Over the year, the weight of consumer stocks in the Nifty has been on the rise. At present, the sector has the third-highest weight in the index, after banks (including financials) and information technology (IT). Following the likely inclusion of Dabur, the sector could pip the IT sector's weight.

The Nifty reshuffle could have a bearing on investor flows too.

"Index fund-related buying is ₹520 crore for Dabur, and that of selling is ₹160 crore for YES Bank. Active funds seeking to align their holdings with benchmark indices could further add to the buy/sell momentum," the report states.

Interestingly, life insurance stocks such as HDFC Life and SBI Life have a much higher free-float than the three potential entrants. However, these recently listed stocks don't qualify for index inclusion.

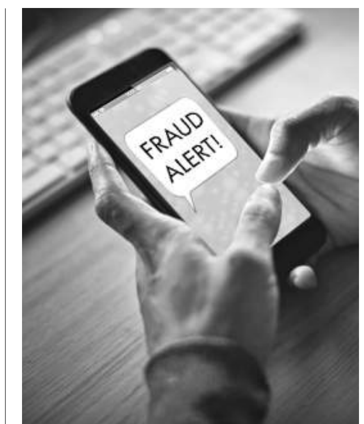
One of the key criteria for index inclusion is that the stocks should trade in the derivatives segment. Currently, both HDFC Life and SBI Life are not part of the list of stocks on which futures and options are available.

"HDFC Life and SBI Life have higher free float market caps, but are ineligible as they are not available for derivatives trading. In case this changes, both of these enter the index, replacing YES Bank and Zee," states the ICICI Securities report.

Essential precautions for e-wallet users

Since RBI has made KYC mandatory, many fraudsters use this as entry point

BINDISHA SARANG



Financial frauds are not new. They are a hydra-headed problem — cut one off, more spring in their place. For instance, a 73-year-old Paytm customer from Mumbai lost ₹1.7 lakh recently via know-your-customer (KYC) fraud.

Mandar Aagashe, founder, Sarvatra Technologies, a banking technology solutions provider, says, "Fraudsters are glib talkers. And senior citizens are the most vulnerable."

The latest type of fraud to hit e-wallets is the KYC fraud.

Modus operandi: The Reserve Bank of India has made KYC mandatory for mobile wallet users. Scammers have used KYC as an entry point. Usually, the victim gets a text message stating his e-wallet needs to be KYC compliant; he is asked to call the telephone number provided in the message. To update the KYC, he is asked to download an app, usually TeamViewer Quick Support or AnyDesk — these are remote access control mobile apps.

The phishers ask you to transfer ₹1 to check the status of the e-wallet. While the customer is entering a password or PIN for his e-wallet, the scammers are collecting details being entered alongside. They now have access to your mobile wallet ID and password. Soon, your bank account is linked to the mobile. The wallet is debited to other accounts using different transactions.

DELHI POLICE TIPS

- **No payment app** verifies KYC over a phone call
- **A call for e-wallet KYC verification** could be a potential fraud call
- **Don't share any financial details** with such callers
- **Don't install any App** on caller's advice
- **Don't do even a ₹1** transaction
- **Don't call on** the number given in KYC SMS
- **Immediately report** on https://cybercrime.gov.in

What to do: The KYC fraud has become so rampant that Delhi Police's Twitter account has issued a word of warning. Says Aagashe, "The KYC update will never happen via a third-party app. If it has to happen on any app, it will happen within the original e-wallet app itself."

YOUR MONEY

Some e-wallets like Paytm have blocked its users from using the platform if they have apps like TeamViewer and AnyDesk on their smartphones. Users get a pop-up message on Paytm, asking them to uninstall these remote access apps before they start using the wallet.

Tips to prevent other types of frauds: Unified payments interface (UPI) has a feature where you or the merchant can send the user a request to collect money.

Rajesh Mirjankar, managing director (MD) and chief executive officer, InfrasoftTech, says, "Use digital payment modes only on trusted and verified websites. Remember that for UPI transactions, the PIN is never asked on the merchant site. It is always entered on your PSP app. Also, note that the credit transaction does not need the client to provide a mobile PIN."

Remember you don't need to authorise a transaction if the money is being transferred to your account, but the fraudster makes you believe you do and you end up sharing the PIN, and your hard-earned money gets re-routed.

Sanjay Katkar, joint MD and chief technology officer, Quick Heal Technologies, says, "The mobile app claiming to speed up your smartphone actually wants to wrest control of your phone and sniff out all the stored passwords."

Another method fraudsters use is by spreading fake customer care numbers for banks or UPI platforms online. And when you run a search online, you often end up calling these numbers. Visit a bank or type out the whole URL to avoid being scammed.

COMMODITIES

PRICE CARD

As on Feb 6	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,688.0	-7.1	1,980.3	4.9
Copper	5,714.0	-3.4	6,334.3	2.9
Zinc	2,222.5	-12.1	2,486.0	-9.0
Gold ($/ounce)	1,565.3*	5.0	1,762.1	5.1
Silver ($/ounce)	17.8*	0.8	20.2	1.0
ENERGY				
Crude Oil ($/bbl)	54.8*	-11.7	53.9	-13.1
Natural Gas ($/mmBtu)	1.8*	-35.0	1.9	-34.8
AGRI COMMODITIES ($/tonne)				
Wheat	196.6	8.1	291.4	-4.7
Maize	184.2*	1.5	264.5	-9.3
Sugar	415.8*	22.7	491.9	0.1
Palm oil	690.0	11.7	1,165.7	21.7
Cotton	1,502.7	7.0	1,597.8	-0.4

* As on Feb 06, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 71.2& 1 Ounce = 31.1032316 grams.

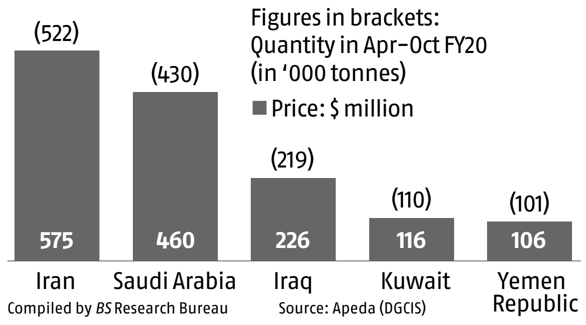
Notes:
1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and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

Source: Bloomberg — Compiled by BS Research Bureau

Rice exports set to decline

VIRENDRA SINGH RAWAT
Lucknow, 6 February

TOP 5 PURCHASING DESTINATIONS



Compiled by *BS* Research Bureau — Source: Apeda (DGCIS)

The US-Iran standoff and the recent coronavirus outbreak in China are among factors which, it is thought, could pull down Indian rice exports by about a fifth this year.

Export of rice, especially basmati, to Iran was valued at $1.5 billion (about ₹10,500 crore) in 2018-19. It accounts for 25-30 per cent of annual Indian rice shipment. Indian rice exports had a compound annual growth rate (CAGR) of nearly 14 per cent between 2010 and 2019. We account for a fourth of global rice export; it contributes two per cent to the overall Indian exports basket.

However, goes a report by US-based trade finance company Drip Capital, rice exports this year have fallen across the globe, with a major dip emerging from West Asia, due to geopolitical tensions. The report is based on analysis of proprietary data and on-ground conversation with exporters.

"YTD (year-to-date) export is so far looking bleak, with Iran, the biggest export market, seeing a 22 per cent fall in shipment," said Drip Capital co-founder and co-chief executive, Pushkar Mukewar. Devendra Vora, a Mumbai-based rice trader and exporter, said shipment to Iran had been tepid since October 2019 on account of the US-Iran crisis, with no respite in sight.

"Annual rice export to Iran is to the tune of more than 10 million tonnes (mt). There is a strong possibility of these falling by almost 2 million tonnes," he told *Business Standard*, adding traders holding stocks were staring at a loss.

Kohinoor Foods joint managing director Gurnam Arora said since Iran was the major destination for Indian rice exports, the situation would certainly reflect in lower shipment, stating: "I see a 20 per cent dip this year, given the adverse global market sentiments, accentuated now by the coronavirus outbreak and reflecting in slowing international trade." Many other international markets for Indian rice, he added, had been down over several months.

Haryana is India's top basmati rice exporting state, with a CAGR of 3 per cent during 2016-19, shipping $2.4 billion in FY19. Gujarat was second in FY19, with $1.1 billion and a CAGR of 47 per cent during 2016-19. Other major contributors are Delhi, West Bengal and Andhra Pradesh.

Arora suggests the central government discuss rice export with Brazil. "If it pushes the matter properly, there is a possibility of almost 1 mt of rice shipment; Brazil is a big consumer of food grain, including rice and wheat," he said.

Around 40 per cent of the export takes place in the four months from December to March. The UAE, Nepal, Yemen, Senegal and Bangladesh are other major destinations for Indian rice but have showed a dip in shipment this financial year. According to some countries has seen some growth — Saudi Arabia (4 per cent), Iraq (10 per cent), Benin (8 per cent) and America (4 per cent).

Cumin, sesame, groundnut exports on the backfoot

With the Chinese markets continuing to shut down amidst the outbreak of coronavirus, commodity export from Gujarat especially of cumin, sesame seed and groundnut, is expected to take a 10-15 per cent hit in a month or two. Traders say China annually takes 20-30 per cent of export from India for some key commodities. Each of these could fall 10-15 per cent.

Typically, Chinese markets were shut in January on account of their lunar new year holidays. Since the outbreak of coronavirus from Wuhan, precautionary measures have meant that markets are yet to reopen. With the Chinese authorities choosing to prolong this shutdown in a bid to control the outbreak, export of commodities from India has already been affected. "Usually, these holidays last for five days. But, it is now almost a fortnight since those markets closed. People are also choosing to stay home, wearing masks and not venturing out. We are in touch with fellow commodity traders in China via video calls. The situation could impact export by 10-15 per cent," said Vijay Joshi, president, Unjha Commodity Association.

VINAY UMARJI

Poultry prices fall on social media rumour

DILIP KUMAR JHA
Mumbai, 6 February

Rumours on social media regarding the spread of coronavirus through birds have beaten down poultry prices, which have declined 10 per cent over the past two days, owing to a sudden plunge in demand for the product in the country.

Broiler chicken per kg is now being sold to consumers at ₹65 in Pune and ₹72 in Delhi, against ₹73 and ₹80 a kg, respectively, last week. Similarly, egg prices have declined and are trading at ₹3.75 per piece.

CORONAVIRUS OUTBREAK

CAUGHT BY FEAR

- **Poultry prices declined** 10% in one month on rumours of virus spreading through birds
- **Demand for chicken and eggs** has slumped 10-15% in 2 days
- **Farmers say poultry demand** will revive by March-end
- **Prices continue to trade** below cost of production
- **Small farmers shut farms,** migrate to alternative means of livelihood

Since the epidemic broke out in a few cities in China and a couple of cases were reported in India as well, there were rumours that birds were the vector. Normally mammals are the likely origin of this virus, which spreads to humans. Coronavirus is feared to have originated from bats in China.

"Poultry demand has fallen by 10-15 per cent in the past two days. Rumours surrounding the spread of coronavirus through animals and chicken could be a reason. Prices of broiler chicken have declined by 10 per cent across all categories," said Balram Yadav, managing director, Godrej Agrovet.

He added coronavirus was different from avian influenza (H5N1), for which there was not even the remotest possibility of the virus spreading to birds.

Meanwhile, egg prices are facing squeezed profit margins.

The benchmark broiler chicken continues to trade below the estimated cost of its production of ₹80 a kg for a sustained period of more than a year now.

Many farmers in major producing states like Punjab, Andhra Pradesh, and Bihar are protesting intermittently, seeking the government's support on minimum support price and feed at a discounted price. But, there has been no favourable response yet.

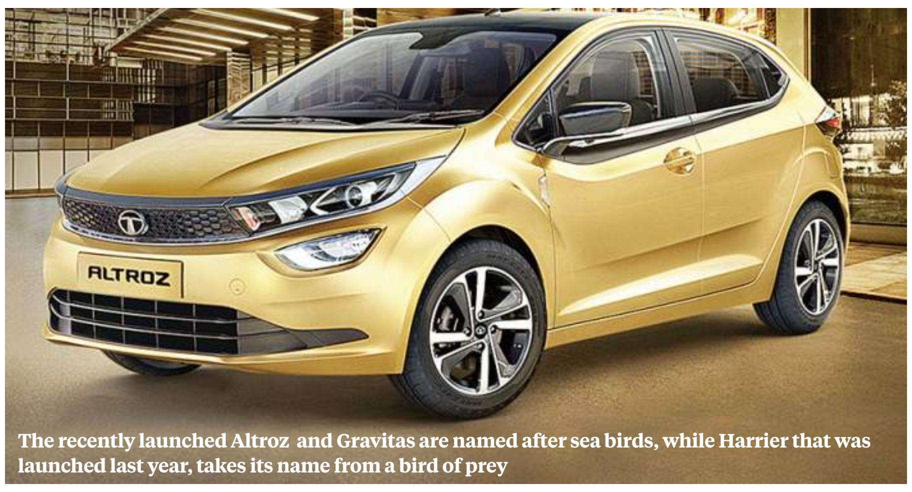
While small farmers have stopped farming and are now seeking other means of livelihood, large companies with deep pockets continue to incur losses in poultry farming.

"Poultry demand is very week due to a lean season. Normally, the six weeks between February 1 and March 15, demand for poultry products remains seasonally down due primarily to a slowdown in consumption during school examination period. Rumours of coronavirus worsened poultry demand. We hope poultry prices to decline further till demand resumes possibly by March-end," said K G Anand, general manager, Venkateshwara Hatcheries, the producer of Venky's brand raw and ready-to-eat chicken products.

Meanwhile, feed prices have jumped significantly over the last one year. The prices of maize, bajra, and oilmeal have gone up by about 60 per cent since January last year.

Tata Motors powers a brand facelift

The auto major is driving an ambitious image makeover



The recently launched Altroz and Gravitas are named after sea birds, while Harrier that was launched last year, takes its name from a bird of prey

T E NARASIMHAN
Chennai, 6 February

More than two centuries since an albatross in the skies inspired Samuel Taylor Coleridge's tragic ballad, 'Rime of the Ancient Mariner,' the bird is whirring up the wheels of imagination in an Indian auto company. The newly launched hatchback Altroz from Tata Motors, the company said, draws its name from the majestic sea bird.

Its doors opening as wide as the bird's wingspan, the name ticked several boxes—it met with the company's newly devised bird-influenced naming convention for passenger vehicles, its character mapped into that of Altroz and perhaps, also sparked the hope that the car, like the bird, would be a harbinger of good fortune in the midst of a storm.

The brand is being reimagined at Tata Motors to create an entity that stands apart not only from the rest in the market but also from the way it was perceived in the past. Be it the name, the design and communication campaign and the engagement processes being imagined between the brand and its buyers, the company is casting its cars in a new mould.

While it has not been an aggressive spender on brand building in the past and ranked seventh in terms of marketing spend in 2019, the company plans to invest heavily in the last quarter of this fiscal (January-March 2020). Vivek Srivatsa, head of Marketing, Passenger Vehicles Business Unit, Tata Motors estimates that they will spend as much in three months as they have in the past nine. A robust personality goes a long way, much further than the star appeal of brand ambassadors, the company believes.

"We have still not established a clear personality for Tata Motors Passenger Vehicle and this is the right time to do it"

VIVEK SRIVATSA
Head–Marketing, Passenger Vehicles Business Unit, Tata Motors

"It is a tougher route, but the right route. We have still not established a clear personality for Tata Motors Passenger Vehicle and this is the right time to do it," Srivatsa says. Here is where birds come into the frame. The obvious connections between flight and speed apart, fowl-inspired nomenclature allows for great flexibility. There is something for every car, "fast birds, economically flying birds, big birds, small birds, so it is a very good fit," he adds.

Harrier, the compact SUV launched last January is named after a bird of prey, the newly launched SUV Gravitas, like Altroz, is inspired by a sea bird Gravis. New names and an aggressive advertising strategy have been tied into the new campaign under the 'New Forever' tagline. Ranojoy Mukerji, automotive writer and analyst believes that the campaign is the need of the hour. "Tata Motors has managed to somewhat rid itself of its old image of bad quality cars and indifferent manufacturing. The brand is well entrenched in the Indian psyche, has multiple service centres all over the country and is known for honouring its warranty plans. (But) challenges come from well-established players that are positioned better in the Indian consumer's mind."

The new campaign must be seen in the context of the industry slowdown and the mandatory implementation of BS VI emission norms from April 2020. All auto majors have had to revamp their entire range and the showrooms are full of new cars. How does one stand apart? It is here that perceptions and brand image matter.

For Tata Motors the BS VI upgradation has been combined with defining a new design language for its passenger cars. A common design theme helps develop a unified personality and state what Tata Motors Passenger Vehicle stands for, says Srivatsa, besides identifying it as a premium label. "It is important to have newer and newer models dazzling consumers. It is the surest sign of life," says Harish Bijoor, founder, Harish Bijoor Consults.

Srivatsa adds more nuance to the design and brand thinking process. From being a single brand company (Indica), Tata Motors now has five. Tiago, Nexon, Harrier and now Altroz in the premium hatchback category with Gravitas in SUVs. It is time to tell buyers what they are buying into and "that's why we wanted to start this brand personality communication," he adds. The campaign is aimed at creating a brand that is tuned in to buyer needs. Altroz, for instance, comes with the possibility of factory-fitted customisation. Customers can customise their vehicle using a tool 'Imaginator' on the auto company's website. The company would rather have buyers pay for what they want, instead of forking out more for higher end variants that don't meet their needs, Srivatsa explains.

FROM PAGE 1

RBI goes off...

"The policy is extremely dovish. Without doing a rate cut, the RBI has achieved more than that," said Ananth Narayan, associate professor at S P Jain Institute of Management and Research.

The RBI told banks they could keep loans to automobiles, residential housing, and micro, small and medium enterprises (MSMEs) outside the purview of the cash reserve ratio, which is 4 per cent of their deposits. What's given to these sectors can be deducted from their deposits, and the banks will not have to maintain the CRR on it. The window of opportunity would remain active between the fortnight ended January 31 and July 31.

The RBI will not buy bonds directly from the government to finance the deficit, the governor said. The government exercised the trigger clause in the Budget to adopt a fiscal deficit of 3.8 per cent for the present fiscal, instead of 3.3 per cent estimated earlier. However, the rules also allow the government to tap the RBI to monetise its deficits by buying bonds and printing money. "At the moment there is no plan of monetising the government deficit," Das said.

The central bank also rejigged how it injected and absorbed liquidity in the banking system and did away with the daily liquidity window in favour of liquidity infusion on a variable rate basis every 14 days.

However, if the banking system is short of money, the RBI won't hesitate to undertake its traditional tools of liquidity management such as fixed and variable rate repo/reverse repo auctions, outright open market operations (OMOs), forex swaps and other instruments.

As part of the new framework, the central bank also introduced ultra-long term repo operations (LTRO). These will be two liquidity instruments that can be used by banks to borrow money for one year and three years at the existing repo rate. However, this instrument can be used to borrow up to ₹1 trillion of liquidity only, in different sizes. RBI Deputy Governor N S Vishwanathan said the idea was that banks should not sit on cash. After the policy, the government one-year bond yield fell 8 basis points (bps), the three-year bond 19 bps, and the five-year bond 15 bps. The 10-year bond yield fell 6 bps to 6.449 per cent from its previous close. SBI Chairman Rajnish Kumar said the special CRR dispensation as well as LTRO would bring down cost of funds for banks and "facilitate better transmission within the current constraints of downward rigidity of deposit rates".

The RBI said it was satisfied with the transmission so far. While the RBI lowered rates by 135 basis points between February and December last year, transmission to various money and corporate debt market segments up to January 31 ranged from 146 basis points (bps) to 190 bps. The 10-year government bond yields came down 76 bps and banks' MCLR came down between 55 bps to 69 bps. While onion prices would moderate going forward, pulses and protein prices may go up, it said. RBI, therefore, revised its inflation projection to 5.4-5.0 per cent for the first half of fiscal 2020-21 from 4-3.8 per cent in December policy.

"The MPC will remain vigilant about the potential generalisation of inflationary pressures as several of the underlying factors cited earlier appear to be operating in concert," the RBI's policy statement said.

The RBI also lowered the GDP growth forecasts for the first half of fiscal 2020-21 to 5.5-6 per cent from 5.9-6.3 per cent in the earlier policy. "Looking ahead, the pick-up in GDP growth in 2020-21 is likely to be led by private consumption, which should benefit from higher spending power on account of the reduction in GST rates and income tax rate reductions for middle-income slabs," Das said in his opening remarks.

BS SUDOKU # 2967

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SOLUTION TO #2966

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Easy: ★★
Solution tomorrow

HOW TO PLAY
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Nirma arm...

Manish Goenka, director, Emami Group, said the transaction was an important step in the group's stated objective of becoming debt-free.

Aditya Agarwal, director, Emami Group, said with this deal, the promoters' pledged shares would come down.

After adjusting for Emami Cement, the promoter-level debt will approximately be ₹600 crore.

The group has been trying various options to pare its debt. In June last year, the promoters had sold 10 per cent of their stake in Emami for around ₹1,230 crore to partially bring down the promoter-level debt. The debt then was ₹3,300 crore, which was brought down to about ₹2,200 crore.

Agarwal said Emami Cement had successfully established a very strong brand equity in the market for its highest standards of operation and high-quality products, which helped in getting a good value. "We strongly believe that Nuvoco and the Nirma group will continue from here and strengthen the business further," he said.

With the completion of the acquisition and the merger of the Nirma business in Rajasthan, Nuvoco would become one of the leading cement players in the country, and specifically in the East. This will bring its total cement capacity in eastern, northern and western India to 23.5 mtpa (which includes the ongoing capacity expansion project in its Jojobera plant) and over 60 ready-mix plants. The transaction is subject to customary approvals, including from the Competition Commission, and is expected to be consummated in the next 3-4 months.

DBS, Capri Global...

LVB's financials deteriorated to 5.56 per cent capital adequacy and 21.25 per cent gross NPA ratio in the September 2019 quarter. The bank has been suffering losses since FY18 and its market capitalisation has eroded by 83 per cent to ₹482 crore since April 5, 2019, when the deal with Indiabulls Housing was announced.

Another highly placed source said the investor's name could be announced by the end of FY20, and capital infused into LVB immediately. "There are more loan losses to be provided for and the bank needs capital to clean up its books," a source said.

It is learnt that DBS Bank and Capri Global are in the fray only to acquire a majority stake in the bank.

In 2016, the RBI eased the ownership norms for private banks which permitted a foreign bank to acquire up to a 10 per cent stake in an Indian private bank. "As in the case of CSB Bank, we expect some dispensation to come through for DBS Bank India," said another person closely associated with the deal. Prem Watsa-promoted Fairfax India acquired a 51 per cent stake in CSB Bank (Catholic Syrian Bank earlier) in 2018.

Modi...

In the Rajya Sabha, the Congress and most other opposition parties walked out to protest the PM using an "unparliamentary word" against them. Speaking in Hindi, the PM said the Opposition was indulging in falsehoods on the NPR issue. He said it was unconstitutional for state governments to pass resolutions against the Citizenship Amendment Act (CAA) and the NPR.

While ignoring the Opposition's initial protests, Chairman M Venkaiah Naidu said at the end of the PM's speech that no unparliamentary word would go on the House's records. Leader of Opposition Ghulam Nabi Azad said the PM was resorting to falsehoods to malign the Opposition on the CAA issue. He said no Opposition party was against Hindus from Pakistan, Afghanistan and Bangladesh being given citizenship of India. Congress MP Kumari Selja protested against the PM using a casteist slur in the context of the Opposition and the CAA.

With voting for the Delhi Assembly polls on Saturday, the PM spoke of his government legalising the national capital's unauthorised colonies and construct its infrastructure. On economy, the PM sought the opposition's suggestions on how best India can take advantage of the global economic situation.

AAP's power play: 50% received subsidy in FY20

Subsidy grant rises with increasing demand, net population availing free power in Delhi

SHREYA JAI
New Delhi, 6 February

Around 50 per cent of the population of Delhi have had subsidised electricity bills in the current financial year, which is a record of sorts.

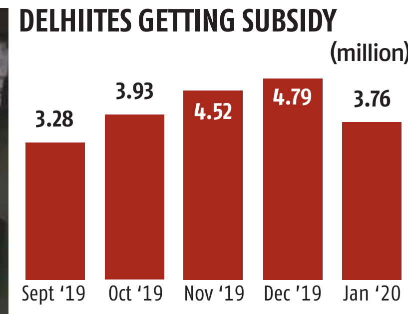
Half the subsidised population received zero electricity bills during the past five months. This is the highest number receiving subsidy in the last five years of the Aam Aadmi Party's (AAP's) governance in Delhi.

In 2014-15, the number of people availing of subsidy was close to 2.5 million. In the current year, the number has doubled.

Since it came to power, AAP has consistently pushed for reduction in electricity rates every year.

There were three consecutive reductions in energy charges by 50 per cent every year during 2015-18.

In July this year, the Delhi Electricity Regulatory Commission (DERC) approved a new model of subsidy over and above the existing scheme. Under it, the fixed charge was cut by more than half. The fixed charge for up to 2 kilowatts (kW) was decreased to ₹20 from ₹125. For the more than 2 kW and less than 5 kW bracket, it was reduced to ₹50 from ₹140. The fixed charge for the more than 5 kW and less than 15 kW was reduced to ₹100 from ₹175. The DERC also gave 100 per cent subsidy to the consumption bracket of 0-200 units.



Data pertains to three private power distribution companies of Delhi – Tata Power Delhi Distribution Company, BSES Yamuna Power, and BSES Rajdhani Power
Source: Discoms

An electricity bill comes with two components — a fixed charge, which remains the same every month, and energy charge, which is calculated in accordance with consumption.

As a result of this, the number of people coming under the subsidy net also doubled in the current financial year alone. The highest number of subsidised consumers was in December, touching 4.8 million. Delhi's population is 19 million, according to the Census of 2011.

For low-consuming households, these decisions came as a boon. So much so that during off-peak demand months (October to December), an estimated 2 million people got zero power bills. However, this did not ensure that low-income households received the benefit.

Experts have said this is an inefficient method of offering subsidy. Before the fixed charge reduction, the subsidy was in percentage but it has now worsened with such a low threshold for availing of subsidy, said Rahul Tongia, Fellow, Brookings India. "There are two problems with this model. First, the threshold for subsidy is very generous. So in some off-peak months it covers close to 90 per cent of consumers. This includes not just lower- and middle-class consumers but the rich. The second problem is that it gives zero incentive to a consumer to save energy."

AAP in its manifesto has declared it will continue with the "pro-people" policies of 200 units of free electricity if it comes to power after Saturday's poll but the economics of it would play up with rising demand. The Delhi power demand peaked above 7,000 Mw in July and December. This was higher than that of Bihar, Jharkhand and Kerala. Unlike these states, Delhi has primarily urban consumers.

In the 2019-20 Budget, the Delhi government set aside ₹1,720 crore for 50 per cent subsidy in power bills. It passed a supplementary demand for grants, including ₹535 crore to cover the additional subsidy announced in July. Industry executives estimate the cost of subsidy to be around ₹2,250 crore, which is likely to increase as consumption goes up every year.

IN BRIEF

IL&FS gets ₹707-cr claim award for Fagne Songadh

The IL&FS group has received approvals for a claim worth ₹707 crore, for its ILFS- Fagne Songadh Expressway project. With this, total claim approvals for the group now stands at ₹2,700 crore. "The NHAI Conciliation Committee has approved a claim worth Rs 707 crore for the expressway," said a person with direct knowledge of the development. The person added the approval was given couple of weeks back. The Union ministry of road transport and highways in March 2019 formulated a new set of guidelines for resolution of projects, which were incomplete or stalled for various reasons. The guidelines provided authorities to foreclose the project's concession agreement and pay a compensation based on value of work done or 90 per cent of debt due, whichever is lower. "The project claim has been resolved under these guidelines," the person said. BS REPORTER

AIIB plans to extend $3-billion loan to Andhra Pradesh

The Asian Infrastructure Investment Bank (AIIB) is willing to extend $3 billion loan to Andhra Pradesh for development projects, its representatives said after a meeting with Chief Minister Y S Jagan Mohan Reddy on Thursday. The CM told the AIIB officials his government planned to utilise these funds to construct ports in Srikakulam and Krishna districts, respectively. BS REPORTER

UCO Bank reports ₹960-cr loss before tax in third quarter

UCO Bank on Thursday reported a loss before tax of ₹960 crore for Q3 of FY20, against loss before tax of ₹1,018 crore in the year-ago period. Gross non-performing assets as a percentage of lending stood at 19.45 per cent at the end of Q3FY20, against 27.39 per cent in the year-ago period. BS REPORTER

EC notice to UP CM over 'biryani to terrorists' remark

The Election Commission on Thursday issued a show-cause notice to Uttar Pradesh Chief Minister Yogi Adityanath for his alleged 'biryani for terrorist' remarks. The poll panel has asked him to respond to the notice before 5 pm on Friday. Adityanath had made this remark during a speech here on February 1. PTI

United Bank of India posts pre-before tax of ₹129 crore in Q3

United Bank of India on Thursday reported a profit before tax of ₹129 crore in Q3 of FY20, against loss before tax of ₹1,585 crore in the year-ago period. The gross NPA as a percentage of lending stood at 15.48 per cent, against 21.27 per cent in the same period last financial year. Net NPA stood at 8.56 per cent, against 12.08 per cent in the same period last fiscal year. BS REPORTER

ED identifies ₹3K-cr assets of Wadhawan in DHFL case

SHRIMI CHOUDHARY
New Delhi, 6 February

The Enforcement Directorate (ED) has identified about 20 assets worth ₹3,000 crore belonging to Dewan Housing Finance (DHFL) promoter Kapil Wadhawan in India and abroad. It is assessing these properties for possible attachment in a few weeks.

The assets include a 12,000 square foot parcel of land in Melbourne, Australia, worth around ₹1,000 crore; a villa in Koshamui in Thailand worth ₹50 crore; flats and offices in the UK and US.

There are several properties in India as well — including four flats in Khar, Mumbai, valued at ₹125 crore, and a restaurant valued at ₹30 crore in the same area; a flat at Pali Hills and a villa in Juhu, mortgaged by a housing finance firm worth ₹10 crore and ₹15 crore, respectively; 570 unsold flats in Kurla worth ₹1,000 crore; and the Dreams The Mall in Bhandup worth ₹150 crore.

DHFL promoter's assets include a ₹1,000-crore 12,000 sq ft parcel of land in Australia, a ₹50-crore villa in Thailand, and flats and offices in the UK and US

During questioning, ED found that DHFL rigged its share prices on many occasions with the help of some dummy firms. The firm sanctioned loan to some front entities on paper, which later bought the company shares in bulk, to rig the share price, a source said. ED may seek market regulator assistance to understand the rigging. Sources say that some directors of these front entities are being questioned.

Meanwhile, the probe agency is believed to be examining some private sector banks' exposure in DHFL firms as it suspects the latter's promoters were involved in some deals to get rid of bank loans.

The ongoing investigation has found that DHFL diverted ₹12,773 crore worth of loans to 79 shadow companies, allegedly associated with its promoters, in the garb of retail loans to about 100,000 fictitious customers between 2010 and 2015.

Former chairman and managing director Kapil Wadhawan has been in ED custody in connection with a money laundering probe involving gangster Iqbal Memon alias Iqbal Mirchi. ED is trying to identify more such assets allegedly created out of proceeds of crime.

Patients at a temporary hospital in Wuhan. China on Thursday finished building a second hospital to isolate and treat patients of coronavirus in the city PHOTO: AP/PTI

Indians evacuated from Wuhan test negative for nCoV

AGENCIES
New Delhi/ Beijing, 6 February

All 645 people evacuated from China's Wuhan city, who were lodged at the quarantine facilities set up by the Army and Indo Tibetan Border Police (ITBP) in and around Delhi, have tested negative for coronavirus, the Union health ministry said on Thursday.

It said as of February 6, 138,750 from 1,265 flights had been screened for the nCoV illness but no new case has been detected. India has reported three confirmed cases from Kerala. Ten other Indians who wanted to return were unable to do so as they could not clear the health screening, the external affairs ministry said.

India 'can look into' evacuating Pakistanis

The ministry also said India can consider evacuating Pakistani students from the coronavirus-hit Hubei province "if such a situation arises" and resources are available.

Death toll climbs to 564

The Chinese mainland, so far, has seen 563 deaths because of coronavirus infection, and 28,018 confirmed cases. In addition, Hong Kong has had 22 cases, including one death.

In Japan, 10 more people on a cruise ship off its coast have tested positive for the new coronavirus, local media said, raising the number of infections detected on the boat to 20. Japanese authorities have tested 273 people among the approximately 3,700 passengers and crew on the ship after a man who got off the boat last month in Hong Kong tested positive for the new strain.

Whistle-blower doctor dead

Also, the Chinese doctor, reprimanded by police after warning colleagues about the disease emerging in Wuhan, has died after falling ill, said a person familiar with the matter.

China's diplomatic protests

Meanwhile, China has lodged diplomatic protests with countries whose airlines have cancelled flights to its cities alleging that they are spreading panic in the wake of deadly coronavirus. Several international airlines, including Air India and IndiGo, have cancelled flights to China over fears of the virus spreading across the world, a move which Beijing described against the WHO guidelines.

Govt asks pharma groups to ensure companies follow ethical practices

SOHINI DAS
Mumbai, 6 February

In the wake of the debate around unethical marketing practices allegedly adopted by pharmaceutical companies, the Department of Pharmaceuticals (DoP) has sent a directive to leading pharma associations in India to ensure that their members adhere to the Uniform Code for Pharmaceutical Marketing Practices (UCPMP).

The DoP has said it has received grievances that firms organise five-star hotel accommodation, local sightseeing, etc, in conferences that are conducted by doctors. It has, thus, requested associations to ensure that companies adhere to the UCPMP and that no "unethical" promotion of products is done during such conferences. The letter has been sent to leading industry bodies.

The DoP drafted the UCPMP has been voluntarily followed by drug firms since 2015. However, the code is not mandatory and there is no legislation that lays down norms for marketing practices.

Indian Pharmaceutical Alliance (IPA), which represents big domestic pharmaceutical firms, said it has asked all its members to abide by the UCPMP. Sudarshan Jain, IPA secretary general, said members (24 companies) wanted the government to make the code mandatory. "We only support science-driven activities and nothing else," he said.

He, however, said there were around 10,000 pharma firms in India and unless the code was made mandatory, it wouldn't be possible to ensure that all firms stick to it.

Meanwhile, the Organisation of Pharmaceutical Producers of India, which represents multinational drug firms in India, said it had a procedure to ensure that members stick to ethical practices. A Vaidheesh, OPPI president and managing director of GSK India, said OPPI members (25 firms) were signatories to the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA)'s code.

Vaidheesh said the code was very stringent. "Every company has compliance officers. Besides, if we get any complaint about any of our members not following the code, OPPI takes it up immediately. There is a five-member committee that meets to discuss the issue and there is also an appeal process," Vaidheesh said. There are levels of disciplinary matrix, he said.

IFPMA code mandates a total ban on gifts, promotional items for prescription drugs.

Vaidheesh felt a quasi judicial panel on the lines of the Advertising Standards Council of India should be formed to oversee the matter. It could have eminent personalities, including retired judges, apart from industry representatives.

Saudi Arabia evaluates Kalyani Group's artillery guns

AJAI SHUKLA
Lucknow, 6 February

The Pune-based Kalyani Group, which has made a major foray into the field of artillery gun systems, has made strong pitching for supplying these heavy weapons to the Saudi Arabian military.

It has been learnt that two types of gun systems — both designed and developed by Kalyani Group — are being sent later this year to Saudi Arabia for trial evaluation by the Royal Saudi Army in the forbidding Arabian desert.

The guns include the Bharat 52, a 155 mm, 52 calibre towed howitzer — the first gun that Kalyani Group produced. Saudi Arabia will also evaluate the Garuda V2, a 105 mm gun mounted on a light vehicle chassis for added mobility.

Saudi Arabia, so far, has not expressed interest in the flagship artillery gun that Kalyani Group is working on: The Advanced Towed Artillery Gun System (ATAGS). This futuristic Defence Research and Development Organisation (DRDO)-designed gun is being built by two private firms in parallel — Kalyani Group and Tata Advanced Systems (TASL). Kalyani Group, by virtue of its organic skills in metal castings and forgings, is playing the larger role, including producing barrels for its own, as well as TASL's gun.

Baba Kalyani, chief of Kalyani Group, makes no secret of his intention to sink whatever money it takes for dominating the artillery gun production in India. In this, his flagship company — Bharat Forge, the world's largest producer of forgings and castings — will play a leading role.

Defence Minister Rajnath Singh chairs the first India-Africa Defence Ministers Conclave 2020 on the sidelines of DefExpo 2020 in Lucknow on Thursday PHOTO: PTI

"Kalyani Group is well along in mastering gun production. We are the equal of the world's top two-three firms in artillery systems," Kalyani said.

Kalyani praised the government's initiative to boost defence exports, which have already multiplied over the last two years, to a total of ₹10,700 crore. The Defence Production Policy of 2018 has set an annual defence exports target of $5 billion by 2024. "Real efforts in export promotion started five-six years ago and to be fair to the system, we have made significant headway. We had a conference about six months ago on ways to boost exports. That was attended by India's military attaches posted in embassies abroad. Now, they are at the front end of export promotion in the countries to which they are posted," said Kalyani.

The hard-driving Kalyani Group chief is launching the development of new guns without waiting for the ministry of defence's orders. After the Army launched a programme to procure 145 ultralight howitzers from the international market — a $700 million contract that BAE Systems eventually won with its M777 gun system — Kalyani Group has unilaterally designed and built two different ultralight howitzers, which it intends to offer the Army. "We are offering the guns suo moto, under the "Make-2" category," said Kalyani. Under this procurement category, companies can offer the MoD defence products they have developed at their own cost.

Of these ultralight howitzers, one is a 155 mm, 39-calibre titanium gun that weighs a mere 4.8 tonnes. Kalyani Group has dubbed it mountain artillery gun Titanium (MArG-T). Its range matches the BAE Systems M777 gun, with conventional ammunition fired to a range of 25 km.

The other gun is a larger, cheaper, all-steel 155 mm, 52 calibre gun that weighs 7.8 tonnes and fires conventional ammunition to a range of 30 km. "The Army can choose what it wants: Less weight and higher cost; or more weight and lower cost. We are offering both options," said a Kalyani engineer.

Kalyani said: "Both these guns are truly indigenous, having been designed by our R&D centre in Pune. While Bharat Forge's metalworking skills are acknowledged worldwide, our Pune R&D centre develops the command and control systems, central computers, and automation that go into gun systems."

Kalyani Group's growing skills provide the military with options it could earlier only dream of. In December 2018, with the China-India border roiled by the recent Doklam confrontation, the then Army chief, General Bipin Rawat, visited Kalyani Group and asked whether it could build a truck-mounted 155 mm, 39 calibre gun that could move around on the narrow roads of northern Sikkim. The gun that the Group developed in response is on display at Defexpo. Based on a 4x4 vehicle produced by Bharat Earth Movers, the "Go Anywhere Vehicle" offers unparalleled mobility. It is going into firing trials after DefExpo 2020.

Kalyani Group has a growing relationship with BAE Systems and purchased the British company's barrel production unit located in the UK. This facility has been physically relocated from the UK to Pune. For any future artillery order BAE Systems gets from the international market — including a possible follow-on order from India for more M777 ultralight howitzers — it is likely to source barrels from the group.

UK eager to help India design aircraft carrier

AJAI SHUKLA
Lucknow, 6 February

The British minister for defence procurement, James Heappey, has affirmed the UK's eagerness to assist the Indian Navy with designing and building its second indigenous aircraft carrier, INS Vishal.

Asked whether the UK had offered carrier design cooperation at the political level, Heappey affirmed: "Very much so! At the very highest level." Cooperation on aircraft carrier design was also discussed on November 28 in an India-UK meeting in New Delhi.

Terming aircraft carrier design "the most totemic" of UK-India cooperation opportunities, Heappey told *Business Standard*: "The Royal Navy has world-beating electrical propulsion and operational experience of managing electrical propulsion. That is a real opportunity to develop capability and understanding together."

The Indian Navy wants INS Vishal to be a 65,000-tonne carrier with an all-electric propulsion system — both features that are common with the Royal Navy's two new aircraft carriers: Her Majesty's Ship (HMS) Queen Elizabeth and HMS Prince of Wales.

For several years, New Delhi has sought to design INS Vishal in partnership with the US Navy, the world's pre-eminent builder and operator of aircraft carriers. The US operates 11 of the world's 21 carriers and, by far, the most potent ones.

Towards this end, the Indian and American navies established a joint working group (JWG) on aircraft carrier cooperation in January 2015. India was considering a nuclear-powered carrier like the American vessels. It is also planning a state-of-the-art American "electromagnetic aircraft launch system (EMALS)" that can launch not just fighter aircraft, but also the game-changing E2D Hawkeye airborne early warning (AEW) aircraft.

However, with nuclear propulsion ruled out because India does not have a suitable nuclear reactor, and severe budget constraints casting a shadow over the EMALS, INS Vishal is increasingly looking like the British carriers.

But one feature that is being considered for INS Vishal would differentiate it from British carriers. Both HMS Queen Elizabeth and HMS Prince of Wales incorporate "short take-off but vertical landing" (STOVL) systems to operate their aircraft. Their on-board F-35B fighters take off from a ski-jump and land back by hovering like a helicopter and lowering itself onto the deck.

In contrast, fighters on INS Vishal would take off with the help of a catapult and land by snagging their tail hooks on arrester wires laid across the deck, which then unspool, dragging the fighter to a halt. This is called "catapult assisted takeoff but arrested landing (CATOBAR)".

Heappey argued India does not need to incur the expense of catapult launch systems. Meanwhile, the British carriers are being fitted with arrestor wires.

More on business-standard.com

Trump is acquitted

AP/PTI
Washington, 6 February

US President Donald Trump launched a post-impeachment victory lap on Thursday, brandishing a newspaper with the giant headline "ACQUITTAL" on television, ahead of a White House address on his "terrible ordeal." Cleared in the Senate of abusing his office and obstructing Congress, Trump now hopes to seize the momentum to push his reelection campaign against a divided Democratic party.

He began early with an appearance at the annual National Prayer Breakfast, a multi-faith gathering for Washington power brokers, business leaders and, especially, conservative evangelicals.

The theme of the breakfast was "love your enemy." But from the moment he entered to the strains of "Hail to the Chief," Trump made his feelings clear by holding up a copy of *USA Today* with the banner headline reporting his victory — with a broad grin on his face.

Then, in a tired, raspy voice, Trump indicated he was in no mood for forgiveness, saying he'd been "put through a terrible ordeal by some very dishonest and corrupt people." "They have done everything possible to destroy us and by so doing very badly hurt our nation," he said.

Trump noted that he would be giving a statement at the White House later and said he'd discuss his determination that what happened during the impeachment cannot be allowed to "go on." He also appeared to rip into Democratic leader Nancy Pelosi, who as speaker of the House led his impeachment, and Mitt Romney, the lone Republican senator to support the charges.

"I don't like people who use their faith as justification for doing what they know is wrong," he said in a clear reference to Romney, a devout Mormon who cited his faith as a reason for breaking ranks with Trump.

"Nor do I like people who say 'I pray for you' when they know that's not so," he added in a jab at Pelosi, who has often spoken of praying for Trump, and who was seated an arm's length away.

Right before Trump spoke, Harvard professor Arthur Patterson called on the audience to address the "contempt and polarization that is tearing our societies apart." Trump was impeached in the Democratic-led House last December over his attempts to push Ukraine into opening what would have been a politically damaging corruption probe into election rival Joe Biden.

But the Senate, where Trump's Republicans hold a majority, cleared him Wednesday in a party line vote illustrating the divisions running through the country ahead of the November polls.

Even though several conceded Trump's behaviour was wrong, Republicans ultimately stayed loyal, voting to clear the president of charges of abuse of power, by 52 to 48, and of obstruction of Congress, by 53 to 47 — far from the two-thirds supermajority required for conviction.

Romney, a longtime Trump foe, risked White House wrath to vote alongside Democrats on the first count, saying Trump was "guilty of an appalling abuse of public trust." He voted not guilty on the second charge.

Trump's impeachment and trial will leave a permanent stain on his record, as it did for the only two presidents to have encountered the same fate, Andrew Johnson in 1868 and Bill Clinton in 1998.

While the White House immediately declared that Trump had obtained "full vindication and exoneration," Pelosi warned that by clearing Trump Republicans had "normalized lawlessness." "There can be no acquittal without a trial, and there is no trial without witnesses, documents and evidence," said the top Democrat in Congress — who a day earlier ripped up her copy of Trump's State of the Union address on live television.

"Sadly, because of the Republican Senate's betrayal of the Constitution, the president remains an ongoing threat." But as he wound down the Senate proceedings, Republican majority leader Mitch McConnell said he was confident impeachment would ultimately damage the Democrats.

RECORD-SETTING ASTRONAUT RETURNS TO EARTH

Nasa's Christina Koch reacts after landing safely on Earth after shattering the spaceflight record for female astronauts with a stay of 328 days aboard the International Space Station. The Soyuz capsule carrying Koch parachuted down to the grasslands of Kazakhstan at around 2:42 pm IST. Her stay was 12 days short of the all-time US record set by Scott Kelly

Pizza-toting robots: US nod to driverless delivery vehicles

REUTERS
Washington, 6 February

In a first-of-its-kind approval by US. regulators, a federal agency on Thursday gave permission for autonomous vehicle startup Nuro Inc over the next two years to deploy up to 5,000 low-speed electric delivery vehicles without human controls like mirrors and steering wheels.

The rollout of the R2 vehicle will take place in Houston, with plans for it to deliver items like pizza and groceries. It is about half the width of a regular car, has no steering wheel or seating positions and boasts gull-wing cargo doors reminiscent of the time-traveling car in the *Back to the Future* films.

Nuro, a privately held robotics company based in Mountain View, California, said it will begin public road testing to prepare deliveries in Houston in the coming weeks. Nuro called the regulatory approval by the National Highway Traffic Safety Administration "a milestone for the industry". Americans "waste a lot of time running errands," Nuro said, adding it envisions "a future where everything comes to you, on-demand, for free."

The agency's approval of Nuro's petition will allow the firm to deploy the R2, a vehicle designed to have no human occupants and operate exclusively with an automated driving system, as part of a delivery service for restaurants, grocery stores and others.

China to halve tariffs on $75-bn American goods

BLOOMBERG
Beijing, 6 February

China will halve tariffs on some $75 billion of imports from the US later this month, reciprocating a US action and likely satisfying part of the interim trade deal.

The cut will be effective from 1.01 pm. on February 14 in Beijing, according to a Ministry of Finance statement on Thursday, the same time as when the US will implement reductions in tariffs on Chinese products. Punitive Chinese duties on American goods that were adopted from September 1 last year will be lowered, with the rate on some dropping to 5 per cent from 10 per cent, and the others to 2.5 per cent from 5 per cent.

US tariff reduction in China phase one to Take effect from February 14

Both nations agreed to cut tariffs on each others' goods as part of the phase-one deal signed last month. Even with the world's two biggest economies pausing their trade war, duties remain on large parts of their bilateral trade.

The ongoing coronavirus that has claimed more than 500 lives in China and sickened thousands is raising concerns that the Asian nation might have to cancel orders if the situation worsens.

China National Offshore Oil told some suppliers it won't take delivery of liquefied natural gas cargoes it has agreed to, invoking what's called force majeure to get out of the contracts. The January 15 deal has a clause that states the US and China will consult "in the event that a natural disaster or other unforeseeable event" delays either from complying. Chinese officials are hoping the US will agree to some flexibility on pledges in their phase-one trade deal, people familiar with the situation said, though it is unclear if such a request has been formally raised.

The US is monitoring developments on the virus carefully and will have "a much better idea over the next two weeks," Treasury Secretary Steven Mnuchin said Thursday on *Fox Business Network*. "Based on current information, I don't expect there will be any issues in them fulfilling their commitments."

Other retaliatory tariffs China has imposed on US goods will remain, according to the statement. In the meantime, the Asian nation will continue processing applications for tariff exemptions, it said.

"We don't see any impact from this tariff cut — the measures are in line with what the US side is doing," said Li Qiang, head of Shanghai JC Intelligence While China will continue to process waivers on farm product imports, it won't remove its punitive tariffs if the US maintains its duties, he said.

The yuan extended gains after news of the tariff reduction, with the offshore rate advancing as much as 0.3 per cent to 6.9573 per dollar.