Weekend Business Standard

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THE MARKETS ON FRIDAY		Chg#
Sensex	41,141.9▼	164.2
Nifty	12,098.3▼	39.6
Nifty futures*	12,095.9▼	2.4
Dollar	₹71.4	₹71.2**
Euro	₹78.2	₹78.3**
Brent crude ($/bbl)##	54.2##	54.5**
Gold (10 gm)###	₹40,503.0▲	₹167.0

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

WEEKEND SEPARATE SECTION
INDIAN SCREENWRITERS' FIGHT FOR DUE CREDIT

ECONOMY & PUBLIC AFFAIRS P6
VIRUS OUTBREAK MAY HIT IT FIRMS' CHINA OPERATIONS

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EASE OF LIVING, CIVIC PERFORMANCE INDICES LAUNCHED

The Centre on Friday introduced two indices to help improve the quality of life and civic amenities across major cities in the country. Apart from gauging the extent of civic services and quality of life in over 100 cities, the indices will also provide detailed data on each city. The ease of living index (EoLI) is aimed at providing a holistic view of the country's cities. The municipal performance index (MPI) will assess the performance of municipalities based on five enablers. 6

THE SMART INVESTOR P14
RBI to conduct first LTRO on Feb 17 for ₹25,000 cr

The Reserve Bank of India (RBI) will conduct its first Long -term Repo Operations (LTROs) on February 17 of ₹25,000 crore for three years, followed by one year–LTROs of an equivalent amount on February 24. In the monetary policy on Thursday, the RBI had said it would conduct LTROs of up to ₹1 trillion in various sizes.

ECONOMY & PUBLIC AFFAIRS P6
Delhi goes to polls today after searing campaign

New Delhi will vote on Saturday to elect a new government from the Bharatiya Janata Party, the Aam Aadmi Party, and the Congress. The number of candidates is 672, contesting 70 Assembly seats. About 14.7 million voters are eligible to exercise their franchise. Polling will begin at 8 am.

BS SPECIALS ON SATURDAY

WEEKEND RUMINATIONS
Don't duck the issues 13
Mr Modi and his cabinet colleagues need to get over their hostility to any and all criticism and frontally address the jobs problem because it is central to tackling the growing inequality, writes **T N NINAN**

NATIONAL INTEREST
A weapon called Nehru 13
For Modi, Nehru is a recurrent target to attack, even 23 times in one speech. Not just to chip away and finish Gandhi dynasty and Congress but also because he thinks he cast post-Independence India in his own 'flawed' image. **SHEKHAR GUPTA** writes

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 975 companies (results available of 1,133)

SALES		
Dec 31, '18	21.3%	₹13.66 trillion ↗
Dec 31, '19	1.7%	₹13.90 trillion ↗
PROFIT BEFORE TAX		
Dec 31, '18	–22.8%	₹1.13 trillion ↘
Dec 31, '19	51.3%	₹1.71 trillion ↗
NET PROFIT		
Dec 31, '18	–33.2%	₹69,792 cr ↘
Dec 31, '19	77.4%	₹1.24 trillion ↗

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

WhatsApp Pay gets all clear to go live

NPCI nod for phased launch comes 2 years after trial run

SOMESH JHA & NEHA ALAWADHI
New Delhi, 7 February

Facebook-owned messaging service WhatsApp has secured regulatory approval for launching its digital payment platform — WhatApp Pay — in a phased manner, close to two years after the US-based company's pilot run.

The National Payments Corporation of India (NPCI) granted permission to the California-headquartered company on Thursday to operate WhatsApp Pay, which will cater to 10 million users in India during the first phase, a person in the know said.

The NPCI approval follows the Reserve Bank of India's go-ahead. WhatsApp has assured the RBI and NPCI that it will comply with the data localisation norms, a source said. WhatsApp's resistance to the government's stand on data localisation was a key reason behind the delay in the company's payment service launch.

"If WhatsApp is able to fulfil the compliance requirements, the messaging platform will be able to do a full roll-out," the source said. Neither WhatsApp nor NPCI responded to *Business Standard* queries on the subject.

Once WhatsApp is able to do a full roll-out of the payment service, it's expected to capture the lion's share in that space. The messaging service giant, which was bought by Mark Zuckerberg-led Facebook for $21 billion in 2014, counts India as its biggest market with more than 400 million users.

Scale it slowly

WhatsApp's phased rollout of the payment service is linked to its large user base. The firm wants to scale up its payments operations once the infrastructure is equipped to handle the load of transactions, an official said. WhatsApp Pay, based on the Unified Payments Interface (UPI) standard, is different from other apps that offer payment services. UPI, developed by NPCI, lets bank account holders send or receive money electronically without entering their net banking user ID or password. Turn to Page 14

RINGING THE CASH REGISTER

- **1.3 billion** UPI transaction volume in January 2020
- **₹20,000 crore** Amount transacted through UPI till Jan 2020
- **67 million** Google Pay monthly active users (as of Sept 2019)
- **55 million** PhonePe monthly active users (as of June 2019)

KEY DIGITAL PAYMENT PLAYERS
Google Pay, PhonePe, Paytm, BHIM

Govt to reintroduce FRDI Bill, no timeline yet: FM

ANUP ROY
Mumbai, 7 February

The government is in the process of reintroducing the Financial Resolution and Deposit Insurance (FRDI) Bill, but the timeline has not been decided, Finance Minister Nirmala Sitharaman said on Friday.

FRDI was withdrawn in August 2018 after a backlash on a clause that put the onus on depositors to 'bail in', in case of bank failure. Considering that the deposit insurance cover was only ₹1 lakh at the time, the Bill led to a huge outcry as it said deposits could be used to nurse a failing bank back to health.

In the recent Budget, the government increased deposit insurance cover to ₹5 lakh. Besides, insolvency laws were also tweaked to address financial institutions.

"It (FRDI Bill) was once introduced and withdrawn for some reasons. We have started to work on it again. I don't know when I will introduce it," the finance minister said.

Sitharaman said meeting depositors of PMC Bank during her last visit to Mumbai was "heart-wrenching". Turn to Page 14

Finance Minister Nirmala Sitharaman at a press conference in Mumbai   PHOTO: KAMLESH PEDNEKAR

KEY TAKEAWAYS

- No comment on whether PMC Bank would be brought under higher deposit insurance cover
- DDT at the hand of receiver will be beneficial for the middle class, says FM

Will onboard retail investors for LIC IPO: FM P4

SBI cuts deposit rates by 10-50 bps

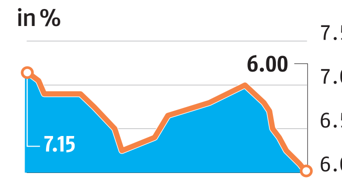
ABHIJIT LELE
Mumbai, 7 February

State Bank of India (SBI) has decided to reduce its marginal cost of funds-based lending rate (MCLR) by 5 basis points (bps) across all tenors. The 1-year MCLR comes down to 7.85 per cent per annum from 7.90 per cent, with effect from February 10. This is the ninth consecutive cut in MCLR in FY20, SBI said in a statement. This will lead to a reduction in home and auto loan rates.

The lender also decided to slash interest rates on term deposits — retail and bulk — by 10-50 basis points (bps) across various tenors, as it is sitting on a pool of surplus funds. The revised rates will come into effect from February 10, 2020.

The bank's credit grew 6.8 per cent to ₹23 trillion in the 12 months ended December 2019, driven by retail-personal advances, which clocked growth of 17.49 per cent. SBI Chairman Rajnish Kumar in January had said that the bank had given a guidance of 10-12 per cent growth in advances for FY20. However, it would be difficult to reach the 10 per cent-mark, reflecting weak demand for corporate credit. Turn to Page 14

SBI 1-YEAR DEPOSIT RATE
in %



*Effective date
Source: SBI   Compiled by *BS* Research Bureau

FPIs sweat over new withholding tax

SACHIN P MAMPATTA
Mumbai, 7 February

Foreign portfolio investors (FPIs) may have to face challenges related to the withholding tax on dividend income, because of changes in the Budget.

The tax applies even to FPIs that might otherwise have been protected from a higher tax rate because of existing treaties. They may require special certificates from the revenue department or have to wait for a refund after filing their returns, say experts. Firms will be required to withhold tax at the rate of 20 per cent (plus applicable surcharge and education cess) on dividend to FPIs once the Budget changes come into effect.

At present, they do not appear to have the flexibility to deduct tax at a lower rate, even if the FPI invests from a treaty country that provides for a lower rate based on India's double tax avoidance agreements (DTAA) with that country, noted Suresh Swamy, partner (financial services), PwC.

This applies even if the FPI satisfies all conditions for availing of treaty benefits, according to him. For example, an FPI from Hong Kong should be entitled to a 5 per cent rate under the India-Hong Kong treaty, but the tax deducted will attract a rate upwards of 20 per cent. "Like other non-resident entities, FPIs should also be given an option to approach the tax department for obtaining a lower withholding tax certificate, in case they satisfy treaty conditions," he said. Turn to Page 14

TAXING TIMES

- Firms have to deduct tax on FPI dividends
- Budget has set withholding amount at 20%
- Lower deduction may need revenue department certificate
- FPIs may otherwise have to wait for refunds
- Measure to apply despite tax treaties

My net worth is nearly zero, Anil Ambani tells UK court

Court rejects 'poverty' claim, directs him to pay $100 million in six weeks

AGENCIES
London, 7 February

A UK court on Friday directed Reliance Group Chairman Anil Ambani to pay $100 million within six weeks towards a conditional order granted to three Chinese banks pursuing the recovery of over $680 million as part of a loan agreement.

In what is, in effect, a deposit to be paid to court pending a full trial in the case, Judge David Waksman has set a six-week timeline for such a payment as he concluded that he did not accept Ambani's defence that his net worth was nearly zero, or that his family would not step in to assist him when "push came to shove".

Earlier, Ambani had pleaded poverty in his dispute with the three Chinese banks . "The value of my investments has collapsed," Anil Ambani said, according to a court filing by the banks in a London lawsuit. "The current value of my shareholdings is down to approximately $82.4 million and my net worth is zero after taking into account my liabilities. In summary, I do not hold any meaningful assets which can be liquidated for the purposes of these proceedings."

The lawsuit was filed by the three Chinese banks, which argued that they had provided a loan of $925 million to RCom in 2012, on condition that he personally guarantee the debt. The comments were disclosed on Friday as Ambani sought to avoid depositing funds with the court ahead of a trial.

A spokesperson for Ambani said he was reviewing the Order of the UK Court, and would take legal advice as to further remedies in appeal. "The Order pertains to an alleged personal liability of Ambani and will have no bearing on the operations of the Reliance Infrastructure, Reliance Power and Reliance Capital." Turn to Page 14

The judge also did not accept Ambani's claim that his family would not step in to assist him when "push came to shove"

"THE CURRENT VALUE OF MY SHAREHOLDINGS IS DOWN TO $82.4 MN AND MY NET WORTH ZERO AFTER TAKING INTO ACCOUNT MY LIABILITIES"
ANIL AMBANI, Reliance Group chairman

IN BRIEF

Maruti Suzuki India Managing Director & Chief Executive Officer Kenichi Ayukawa (*right*) and Executive Director (marketing and sales) Shashank Srivastava launch the all-new compact SUV IGNIS with a 1.2-litre BS-VI petrol engine during the Auto Expo 2020, in Greater Noida on Friday. It also opened the pre-launch booking of the vehicle at its Nexa showrooms across the country PHOTO: PTI

Ashok Leyland, investors acquire stake in Hinduja

Ashok Leyland and other investors have entered into a supplemental share purchase agreement with Everfin Holdings to acquire the latter's 7 per cent stake in Hinduja Leyland Finance Limited. The cash deal is valued at around ₹390.49 crore. Other investors have agreed to acquire collectively, 328,14,401 shares, each of ₹101 at an agreed price of ₹119 per share. BS REPORTER

SpiceJet appoints Shilpa Bhatia chief commercial officer

Low-cost carrier SpiceJet has appointed Shilpa Bhatia its new chief commercial officer. Bhatia will report to Ajay Singh, chairman and managing director, and will look after revenue management, sales and network planning, the airline said in a statement on Friday. Shilpa has worked with IndiGo, Sahara Airlines, Amadeus and GMG Airlines in leading roles in the past. PTI

IndiGo flight with P&W engine returns after engine snag

An IndiGo flight heading to Kolkata returned to Ahmedabad after one of the Pratt and Whitney (P&W) engines in the Airbus A320neo aircraft faced a snag mid-air, according to senior officials. "One of the engines of 6E125 flight developed high vibrations mid-air. Therefore, pilot returned the aircraft to Ahmedabad," the officials stated. PTI

Start-ups need to think of opting for IPO: Gopalakrishnan

Infosys co-founder and Axilor Ventures Chairman Kris Gopalakrishnan made a strong case for start-ups to think of Initial Public Offering (IPO) in order to tackle the fund crunch situation and provide longevity to their fledgling enterprises. "Start-ups are hesitant to do IPO, which is not difficult. Let the Indian public own these firms. They get the wealth being created," he said. PTI

Sangeeta Prasad resigns as MD, CEO of Mahindra Lifespaces

Mahindra Lifespaces on Friday announced resignation of its managing director and chief executive officer Sangeeta Prasad. She became the company's MD and CEO in October 2018, following the resignation of Anita Arjundas as MD. She joined the group in 2008 as chief operating officer of Mahindra World City Developers. PTI

Religare Enterprises to divest stake in RHICL to Kedaara

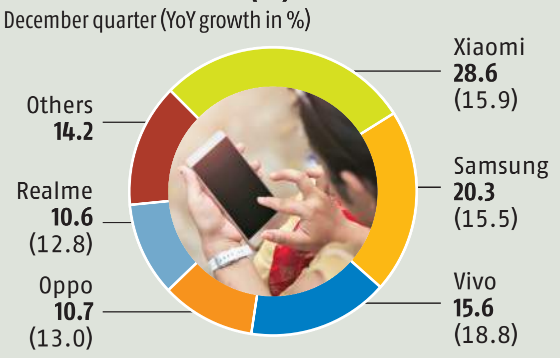
Religare Enterprises on Friday said it made a pact with Kedaara Capital for divesting 6.76 per cent stake in its arm Religare Health Insurance Company for ₹200 crore. The deal is subject to regulatory approvals and fulfilment of other conditions precedents, it said. PTI

XIAOMI BECOMES LEADER IN INDIAN SMARTPHONE MARKET

About 152.5 million smartphones were shipped in India in 2019 registering "modest" 8 per cent growth over last year, positioning the country as the second-largest smartphone market after China, IDC said on Friday. The overall mobile phone market, with annual shipments of 282.9 million units, declined 12.3 per cent year-on-year (YoY) in 2019 due to fewer 4G feature phones. A total of 36.9 million smartphone units were shipped in the fourth quarter of 2019, registering 5.5 per cent YoY growth, but a 20.8 per cent sequential decline. Xiaomi registered shipments of 43.6 million units in 2019, the highest made by any brand in a year, with a growth of 9.2 per cent YoY PTI

Brand market share (%)

December quarter (YoY growth in %)



Indian pharma to beat FY19 exports despite US woes

April–December exports rise 11.5%; estimates peg FY20 numbers at $22 billion

SOHINI DAS
Mumbai, 7 February

Indian pharmaceutical companies are set to beat 2018-19's (FY19's) exports this financial year, despite the strict regulatory action by the US Food and Drug Administration (USFDA), its largest market.

The data from the Pharmaceutical Exports Promotion Council (Pharmexcil) shows exports clocked 11.5 per cent growth during the April to December period of 2019-20 (FY20).

The December quarter was particularly good for Indian pharma, clocking 14.6 per cent growth. It was a sharp improvement from the 8.69 per cent growth during the second quarter of the financial year. The March quarter is likely to witness a similar high growth trend, Uday Bhaskar, director general of Pharmexcil, feels.

At this rate, total exports for the financial year are estimated to touch $22 billion. Bhaskar says for FY20 so far the exports stand at $15.5 billion, growth of 11.5 per cent over last financial year's $13.9 billion for the same period.

He expects that for the full year 2019-20 pharmaceutical exports may touch $22 billion. This would be significantly higher than last fiscal's $19.1 billion.

The top five countries for Indian drug exports are the US, Russia, South Africa, the UK, and Germany for this year so far. According to Bhaskar, the top five export destinations in FY19 comprised the US, the UK, South Africa, Russia, and Brazil.

In terms of growth, the Netherlands has clocked maximum growth in exports in FY20, at 66.5 per cent, followed by Iran at 45.3 per cent and Tanzania at 44.4 per cent.

Exports account for nearly half of the Indian pharma industry, including the domestic market, the Indian drug industry is estimated to be around $39-40 billion.

While big companies like Sun Pharma are struggling to grow their US sales, some others have managed to register decent growth in the recent quarters. For example, Dr Reddy's Laboratories (DRL) posted an eight per cent year-on-year (YoY) jump in US sales in the third quarter. On the other hand, Sun Pharma saw its US sales fall 3 per cent to $350 million in the December quarter.

Rating agency CRISIL had recently noted that the woes of the Indian generic pharma companies are likely to continue as regulatory action by the USFDA would delay launches in that market.

CRISIL has predicted that 18 per cent of the launches by Indian drug firms would be delayed in the US. In the first 10 months of 2019, the number of warning letters issued by the USFDA to large pharma companies more than doubled, compared to the previous year.

PERFORMANCE OVER TWO YEARS

April to December
FY19 $13.9 bn
FY20 $15.5 bn

FY20 estimates
$22 bn

FY19
$19.1 bn

Q3 clocked
14.6% growth vis a vis 8.6% growth in Q2

Strides to buy 18 ANDAs from Pharmaceutics

Strides Pharma Science on Friday said its arm had entered into a pact with Pharmaceutics International to acquire 18 abbreviated new drug applications (ANDAs) for the US market. With access to these products, Strides will significantly expand its niche offerings on its front-end, which has grown multi-fold to attain a quarterly revenue size of $66 million. PTI

Myntra cuts 80 jobs at Gurugram centre

PEERZADA ABRAR
Bengaluru, 7 February

The company has told the employees that it is committed to helping them with a smooth transition to new employment

Walmart-owned online fashion retailer Myntra is laying off at least 3 per cent or about 80 employees of its workforce, at its Gurugram centre to streamline operations and drive better efficiencies, according to the people familiar with the matter.

Myntra has a strength of 3,000 employees and the lay-offs have taken place across functions such as business operations, product and technology, and marketing.

According to an email sent to employees, Myntra said it was consolidating its resources and scaling down operations. "As a result, roles of some of our friends and co-workers will be impacted. We have had to make some tough calls but we are confident that we are taking the right steps towards our aspirations," read the email.

When contacted on Friday, Myntra head Amar Nagaram said the company was committed to supporting these employees with compensation packages, extended health benefits, and access to outplacement services. "This was a tough decision, but we believe this move is critical to ensure the sustainable growth of our business in a rapidly changing business environment," said Nagaram.

People aware of these developments said the company had told the employees it was committed to helping them with a smooth transition to new employment. The compensation packages will include three to eight months full salary, based on tenure, extended health benefits and access to outplacement services.

Myntra will continue to have a smaller presence in Gurugram and will have approximately 165 people or 5 per cent of the workforce, including catalogue operations and supply chain teams working out there.

According to sources, the lay-off decision was not a sudden. From the past one year, Myntra had been analysing the roles that were redundant or not contributing to the overall vision of the firm and building a profitable business.

Last May, during the final leg of the restructuring process after its parent company Flipkart was bought by Walmart for $16 billion, Myntra had announced creation of a unified workforce by bringing all of the employees of its other fashion unit Jabong into its fold. Jabong had around 400 staff in 2018, of which 180 were laid off the same year and 200 were absorbed by Myntra. The majority of them were located in Gurugram.

Byju's gets $200-mn funding, valuation goes up to $8.2 bn

PEERZADA ABRAR
Bengaluru, 7 February

As part of its ongoing funding round, ed-tech firm Byju's has raised $200 million from US-based growth equity investor General Atlantic.

The funding comes just a month after it raised $200 million from Tiger Global Management, which valued the Bengaluru-based start-up at around $8 billion. With the fresh funding, the company's valuation has slightly gone up to $8.2 billion, according to sources in the know.

"General Atlantic has been one of our strongest partners and this additional investment shows their confidence in our vision, growth and future," said Byju Raveendran (*pictured*), founder and chief executive of Byju's.

"Today, over 65 per cent of our students are from outside the top 10 cities. This is a validation of how technology can make high-quality learning content more accessible to students, irrespective of their geographies," he said.

At the current valuation, Byju's has replaced ride-hailing firm Ola as the third-largest unicorn, next only to digital payments company Paytm and hotel network Oyo, which are valued around $16 billion and $10 billion, respectively.

Byju's said the funding would help the firm towards creating personalised learning programmes to transform the way students learn globally. Byju's, which has 42 million registered users, tripled its revenue to ₹1,480 crore in FY19, apart from becoming profitable on a full-year basis.

ITC to take chocolates all-India

SAMREEN AHMAD
New Delhi, 7 February

Food-to-hospitality major ITC is laying the ground to go national by expanding its chocolate business into smaller cities.

The company's chocolate products, which were launched in 2016, are available only in six cities — Bengaluru, Delhi, Mumbai, Kolkata, Chennai, and Hyderabad.

"We are the top players in all the categories that we have entered. Our ambition is to put ourselves in that position in chocolates segment too over the next decade," said Anuj Rustagi, chief operating officer (chocolates, confectionery, coffee & new categories), food division at ITC.

The Kolkata-headquartered conglomerate, which has set a target to achieve ₹1 trillion from the FMCG business, says food will form 60-70 per cent of that revenue. The company expects chocolates to become one of the top five categories in the food business.

The ₹11,000-crore Indian chocolates market is dominated by Mondelez, which commands over 60 per cent share, followed by Nestlé and Ferrero.

Experts are of the view that ITC is preparing itself well to become a national chocolates player five-six years down the line. "Yes, it is likely (to happen), given that ITC has done quite well in most of the food segments, (while it) has dairy sourcing capability, and has ability to spend on advertising," said Abneesh Roy, executive vice-president at Edelweiss Securities.

According to Rustagi of ITC, the top metros are the biggest consumers of chocolate products. For example, the demand from Bengaluru alone is on par with the rest of Karnataka. Hence, the company wants to go deeper into these metros before expanding to other cities.

ITC is setting up kiosks in malls to increase the outreach of its luxury chocolate products which were only available at the company's boutique hotels until now. It also has plans to take the kiosk model to airports as well.

The company is coming out with newer variants of chocolates to create a unique identity. Apart from dark, milk and white chocolate, it has brought a fourth variant of ruby chocolates, which has a mild fruity taste and pink in colour. "We do not want to bring a 'me too' product but unique offerings," said Rustagi.

ITC, which entered the mass premium chocolate range in October 2018 with a price point of ₹70-200, is eyeing to widen its access through lower price points. Its luxury offerings cost anywhere between ₹350 and ₹15,000.

Presently, the company produces mass premium chocolates from its Haridwar plant, which has a capacity of 5,000 tonnes per year. For future demand, it is identifying newer sites to set up production plants.

IN A SWEET SPOT

₹11,000 cr India chocolate market size

13% YoY growth

10% CAGR expected in 2019–2023

Top players' revenues (₹ cr)

Mondelez	6,746
Ferrero	1,473
Nestlé	1,400

Sources: Company websites

Amazon infuses ₹2,500 crore into Indian businesses

PRESS TRUST OF INDIA
New Delhi, 7 February

Amazon has infused over ₹2,500 crore into two of its Indian businesses, Amazon Seller Services and Amazon Data Services India, according to regulatory filings. The investment comes just days after its founder and the world's richest man Jeff Bezos announced $1 billion investment in digitising small and medium enterprises (SMEs) in the country. An e-mail sent to the company did not elicit a response.

According to regulatory documents sourced from business intelligence platform paper.vc, the board of Amazon Seller Services has allotted shares worth about ₹2,208 crore to Amazon Corporate Holdings and Amazon. The resolution to this effect was approved on January 24. A separate filing by Amazon Data Services India said shares worth ₹355 crore have been allotted to A100 ROW and Amazon. This resolution was approved on January 31.

The move comes days after founder Jeff Bezos announced $1-billion investment in digitising SMEs in the country

Amazon had recently pumped in over ₹1,700 crore into its payments and wholesale business units in India, signalling opportunity that the US giant sees in the country. Amazon Pay India had received ₹1,355 crore, while Amazon Wholesale (India) allotted shares worth about ₹360 crore.

PhonePe sets out to create world's largest ATM network of 2 million

PEERZADA ABRAR
Bengaluru, 7 February

Walmart-owned digital payments firm PhonePe is creating the world's biggest ATM network of 2 million in India by year end. This will help it take on Alibaba-backed Paytm, Google Pay, and Amazon Pay in the digital payments space.

A week ago, Sameer Nigam-led PhonePe launched a first-of-its-kind service in India that enables neighbourhood stores to act as ATMs for PhonePe users. The service was launched on a pilot basis in the Delhi National Capital Region (NCR) to enable people to get cash from merchant partners through transactions with their mobile devices.

PhonePe has started rolling out the service at 500,000 offline shops in 300 cities across the country. This is already larger than the country's ATM network of over 200,000. This is the fewest ATMs per 100,000 people among BRICS (Brazil, Russia, India, China and South Africa) nations, according to the International Monetary Fund. The firm plans to roll out the service in around 2 million stores across the country by the end of this year.

"We are going way beyond payments and building connections between the consumers and our merchants. The value we are creating is that you as a consumer would be able to discover merchants (on PhonePe) and the merchants would be able to list themselves and build visibility to all the PhonePe users in the vicinity," said Vivek Lohcheb, head of offline business development at PhonePe.

"We would be able to enable discovery and commerce, where the customer can communicate with the merchants through the app or go to the store. This would promote the business of the merchants," Lohcheb said.

NEIGHBOURHOOD STORES TURN ATMs

- PhonePe ATM service enables neighbourhood stores to act as ATMs
- The firm is rolling out the service across **500,000** offline shops in **300** cities
- The service has already become larger than India's ATM network of about **200,000**
- PhonePe ATM is seeing a lot of traction from Tier-2 and Tier-3 cities like Bareilly, Vapi, Sangli, Chitradurga, and Puri
- Cash is still the king in India even after three years of demonetisation
- About **72%** of India's consumer transactions take place in cash, double the rate in China

PhonePe has around 9.5 million merchants on its platform. It said there no charges will be levied on either customers or merchants. The withdrawal limit for customers will be the same as that by their respective banks. To begin with, the company has started with a ₹1,000 limit and it intends to scale this up.

Customers are often inconvenienced because of unavailability of ATMs in their vicinity, the machines being out of order or short of cash. Now, a customer in need of cash can simply open the PhonePe app, go to the store tab and click on the PhonePe ATM icon to locate nearby shops offering this facility. Once there, customers need to click on the withdraw button and transfer the required amount to the merchant via the PhonePe app. After this amount is transferred, the merchant will give the customer the cash equivalent to the amount transferred.

PhonePe sees around 69 per cent of its overall transactions originate from tier-2 and tier-3 cities now. The ATM service is seeing a lot of traction from places such as Bareilly in Uttar Pradesh, Vapi in Gujarat, Sangli in Maharashtra, Chitradurga in Karnataka, and Puri in Odisha, the company said.

"Compared to metros, the density of ATMs is very less in tier-2 and tier-3 cities. We are creating the right type of financial inclusion, where people who have never seen an ATM, would now be able to withdraw cash," said Lohcheb.

Cash is still king in India and it has jumped back to its former stature, three years after demonetisation. About 72 per cent of India's consumer transactions take place through cash, double the rate in China, according to a report by Credit Suisse Group AG. Experts said in offline commerce, it goes beyond 80 per cent, where people operate on cash.

PhonePe is using geo-tagging, the process of adding geographical identification metadata, to make the experience of discovering and reaching the merchant offering ATM services seamless. It is also able to help navigate the consumer to reach the merchant's location. This ensures that the customer's experience is complete without any friction.

'Promoters' pledge will be down to 0'

Q&A

A day after Emami Group announced it would sell its cement business to Nuvoco Vistas, the group's director **MOHAN GOENKA**, tells **Ishita Ayan Dutt** & **Avishek Rakshit** that the firm will focus on FMCG, agro paper and real estate sectors. Edited excerpts:

What is the promoters' pledge now in Emami and by when will it come down?
Currently, the pledge is around 70 per cent. After we receive the money, post-regulatory approvals, which is expected by May-June, we would receive a total of ₹3,300 crore. This is a 100 per cent cash deal.

The promoters' debt, that is loan against shares, is ₹3,000 crore. What we are getting is ₹3,300 crore, but we have to keep aside roughly ₹800 crore for taxes and other requirements. So, there would be a debt of ₹500-600 crore. Otherwise, we would have fully paid.

For that, the pledge would be anywhere between 15-18 per cent. Besides, we are giving a pledge of 8 per cent to the buyer, Nuvoco, which is against some warranties. So, 8 per cent will be lying with Nuvoco and 15-18 per cent is another pledge; the total pledge would be around 25 per cent.

Is the 8 per cent pledge to Nuvoco for the transaction to go through?
In due diligence, there were some observations, on that basis they had requested some security from us. We had an option to reduce the money. But we decided to give Emami shares as security. Once regulatory approvals are through, and we are confident that we will get it freed by March 2021. It could be even earlier, but the matter is sub-judice.

Is there a case?
Yes, there is clarification that we need from lawyers, but we wanted to conclude the deal. So we said, let us settle it and as things progress, if it happens in six months, we will free our shares.

Do you think, in hindsight, Emami Group had diversified too much?
From a business perspective, say for example, I invested around ₹1,000 crore in cement in the last four years. If I am making ₹2,500 crore on ₹1,000 crore, is it a bad deal? What more returns can one expect?

More on business-standard.com

EMAMI Q3 PBT RISES BY 5%

- In line with Street estimates, Emami on Friday reported flat revenue growth at ₹ 813 crore for the December quarter, even as its pre-tax profit increased by 5 per cent to ₹184 crore.
- The same in the third quarter (Q3) of the last financial year stood at ₹ 811 crore and ₹176 crore, respectively.
- Net profit also rose by 5 per cent at ₹144 crore, as against ₹138 crore in Q3 of the last financial year.

Tata Steel's consolidated loss before tax at ₹236 cr

Tata Steel reported a consolidated loss before tax of ₹236 crore in the December quarter, against a profit of ₹3,140 crore in the same period a year ago, on the back of lower sales. Consolidated net sales in the period stood at ₹34,774 crore, down 9 per cent from the same period a year ago, as lower steel demand and weak prices of the commodity hurt the top line. "Economic conditions remained very challenging during the quarter, which impacted the overall business performance. Tata Steel Europe reported a loss of ₹956 crore at Ebitda level, primarily due to £75 per tonne decline in realisations, which weighed on our consolidated performance," Koushik Chatterjee, executive director and chief financial officer, was quoted as saying. ADITI DIVEKAR

'GST rates are revenue negative; rejigging slabs will take time'

Many large companies stayed away from the Sabka Vishwas legacy dispute resolution scheme for excise duty and service tax (before the goods and services tax or GST regime) as they are confident of winning cases against the government, says **JOHN JOSEPH**. He was acting chairman of the Central Board of Indirect Taxes and Customs (CBIC) at the time of Budget presentation. Joseph tells **Dilasha Seth** that GST rates are revenue negative at the moment and are being re-looked at by the group of ministers, but implementation may take some time. Edited excerpts:

Q&A

What made the government impose the 5 per cent health cess on gross value of imports rather than basic customs duty? Will it not significantly increase medical cost?

I don't think so. It is just a 5 per cent increase. It is not very high. Medical equipment is being manufactured in India whereas most of the imported ones come from China. The cess will encourage domestic production, besides helping the government give free treatment to people under Ayushman Bharat.

A lot of money is required to create medical infrastructure and hence a cess on the basic customs duty would have given us just 0.5 per cent additional duty.

But we need high quantum of revenues. Therefore, we decided to impose it on the gross value of imports.

How much additional revenue is the government expected to collect on account of customs duty hikes on a range of items announced in the Budget?

We have not hiked customs duty as a revenue raising measure but to support Make in India. Therefore, we do not have estimates on how much revenue it will fetch.

Recently, in an industry interaction, Revenue Secretary A B Pandey spoke about moving to a three-rate GST structure. Will it be by way of clubbing the 5 per cent and 12 per cent slabs or combining the 18 per cent and 28 per cent slabs?

It will be what the GST Council wants it to be. The rates right now are revenue negative and not revenue neutral. Nothing has been planned as to what the rate structure would look like. There is a group of ministers looking into it. They will give a report and discussions will take place.

Rejigging of slabs will take time and not come immediately.

WE MAY FALL SHORT BY A MAXIMUM OF ₹5,000–6,000 CRORE (IN INDIRECT TAX COLLECTION TARGET), BUT NOT MORE THAN THAT AS WE ARE EXPECTING TO SEE GST COLLECTIONS OF OVER ₹1.1 TRN IN FEB ALSO"

Despite downward revision, the indirect tax collection target, according to revised estimates for the current fiscal year, appears quite high. About 30 per cent of GST target will need to be achieved in the last quarter and 40 per cent in case of excise duty.

I don't think the projections are off the mark. We may fall short by a maximum of ₹5,000-6,000 crore, but not more than that as we are expecting to see GST collections of over ₹1.1 trillion in February also. This is like the previous month. Collections from Sabka Vishwas will add to excise duty collections as payments for the applications made will start flowing in from February.

Although 190,000 taxpayers applied to avail the Sabka Vishwas Legacy dispute resolution scheme, the big companies chose to stay away. Why?

The big companies think they can fight it out. With only 10 per cent of cases going in favour of the government, the companies must have felt why pay 30 per cent.

Those that didn't apply think that they have a very good case of winning. But the scheme has been a success for the department.

LANKAN PM ARRIVES IN DELHI

Sri Lankan Prime Minister Mahinda Rajapaksa *(right)* with former Indian Prime Minister Manmohan Singh and Congress leader Rahul Gandhi in New Delhi on Friday. Rajapaksa will meet PM Narendra Modi on Saturday to explore ways to further boost bilateral ties further PHOTO: PTI

IN BRIEF

PMC Bank scam: SC stays HC order on sale of HDIL assets

The Supreme Court on Friday stayed the Bombay High Court order directing the sale of bankrupt Housing Development and Infrastructure (HDIL) to ensure repayment of dues of crisis-hit PMC Bank. A Bench comprising Chief Justice S A Bobde and Justices B R Gavai and Surya Kant took note of the appeal of the Reserve Bank of India against the Bombay High Court order. The top court also issued notice on RBI's plea to parties, including Sarosh Damania, who had approached the Bombay High Court for ensuring payment of dues to Punjab and Maharashtra Cooperative (PMC) Bank account holders. PTI

Manappuram Fin to raise up to ₹1,150 cr via debentures

Manappuram Finance on Friday said it planned to raise up to ₹1,150 crore through issues of debentures. "The financial resources and management committee of the board of directors of the company held on February 7, 2020 approved the issue and private placement of rated, secured, redeemable non-convertible debentures up to ₹1,150 crore," Manappuram Finance said. PTI

Govt moots steps to enhance audit independence

The government has proposed significant amendments to existing regulations to enhance independence and accountability of auditors. Against the backdrop of instances of many auditors and auditing entities coming under the regulatory lens for alleged misdoings, the government has come out with a consultation paper on proposed legal changes regarding audit. PTI

FDI in drugs, pharma sector rose to ₹2K cr in April-Sept : Govt

Foreign direct investment in the drugs and pharmaceutical sector in the country rose to ₹2,065 crore during April to September period of FY20. It was ₹1,842 crore in FY19, MoS for Shipping and Chemicals & Fertilizers Mansukh Mandaviya said in reply to a question in the Rajya Sabha. PTI

Forex reserves rise to $471.3 bn as of Jan 31

Foreign exchange reserves rose to $471.30 billion as of January 31 from $466.69 billion a week earlier, the RBI said on Friday. Changes in foreign currency assets, expressed in dollar terms, include the effect of appreciation or depreciation of other currencies held in its reserves. Forex reserves include India's Reserve Tranche position in the IMF. PTI

Sitharaman: Will involve retail investors in LIC IPO

HAMSINI KARTHIK & ABHIJIT LELE
Mumbai, 7 February

On Friday, Union Finance Minister Nirmala Sitharaman and Life Insurance Corporation Chairman MR Kumar sought to assuage concerns over the decision to list the government-owned insurer on stock exchanges.

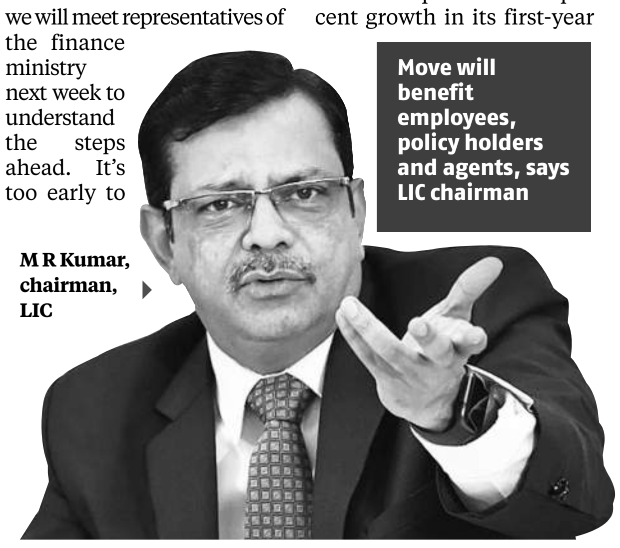
Sitharaman had said in her recent Budget speech that the government would sell part of its 100 per cent holding in LIC through an IPO in the next fiscal year. The finance minister, who was in Mumbai on Friday, told mediapersons: "At the moment we are looking at an IPO (of LIC). And the IPO will in a way bring in retail investors into the picture and also make issue more transparent for everybody to have a look at what is happening."

Meanwhile, Kumar said there was no question of privatisation, adding that the Initial Public Offering (IPO) will benefit employees, 29 million policy holders and 1.2 million agents. Unions have expressed reservations against the move.

The listing will help enhance the transparency and governance and it will work to improve perception of LIC, Kumar told media after presenting a performance review.

On the government's announcement of the IPO, Kumar said: "Perhaps I have been overruled on the IPO decision". Last October, Kumar said LIC wasn't ready for an IPO. "I won't say I was completely surprised because talks around IPO have been surfacing for a while, but we were not consulted when the announcement was made in the Budget," he said.

"It's only been seven days since the announcement and we will meet representatives of the finance ministry next week to understand the steps ahead. It's too early to comment on appointment of investment bankers and other steps," Kumar added.



Move will benefit employees, policy holders and agents, says LIC chairman

M R Kumar, chairman, LIC

According to the chairman, the government will have to amend the Life Insurance Nationalisation Act to enable the IPO. "Our financials will have to be compliant with the Companies Act, and to make an assessment on valuations we need to also consider the value of physical assets, including land and building," Kumar said, adding that he hoped to complete the valuations within a year.

At the end of January 2020 LIC posted 17.48 per cent growth in its first-year premium at ₹45,199 crore and also policy sold grew by 29.42 per cent at 19.58 million.

As on January 31, the composite market share in policies stood at 77.61 per cent, up from 73.54 per cent a year ago, and first-year premiums stood at 70.02 per cent, up from 66.26 per cent.

On reducing stake in IDBI Bank, which is a subsidiary, LIC chairman said: "We have 12-year time frame to reduce our stake in IDBI Bank, but we may not wait that long."

IDBI is doing well as a bancassurance partner for LIC and LIC Mutual Funds.

"We expect the bank to turn profitable by the March quarter. The government has spoken about divesting its stake in the bank. They will engage with investment banks and the efforts are towards bring in a private equity investor."

"We need to first create public float to generate interest in the IDBI Bank stock; float is now less than three per cent. LIC may not offload its stake in IDBI Bank in this round, but if we get a good offer, we may consider selling some stake. It depends on the kind of interest it generates," said the chairman.

PHOTO: KAMLESH D PEDNEKAR

PNB chief sees FY21 comeback

Merged entity likely to report 8-10% credit growth, better asset quality next fiscal; equity offering by Dec

SHREEPAD S AUTE & ABHIJIT LELE
Mumbai, 7 February

- Expects ₹2,450 crore loan recovery in March quarter
- Agri and MSMEs slippages of up to ₹5K crore in six months
- Merger process to be completed by March 2021
- Retail credit to grow by 20% in FY21
- Merged entity will have 11,500 branches

Punjab National Bank (PNB), which has lost investor support in the last two years after the Nirav Modi fraud, hopes to see a comeback in FY21 with 8-10 per cent credit growth for the merged entity. It will rationalise branches at 500 locations where PNB and merging banks (Oriental Bank of Commerce and United Bank of India) have overlapping presence.

"We agree that there has been a hit on the reputation. But it is past; after that the bank has done well," Ch S S Mallikarjuna Rao (*pictured*), newly appointed managing director and chief executive officer at PNB, said during the December 2019 quarter (Q3) analyst meeting on Friday. "I would like to assure you that the trend will change by June 2020. The reason is we would like to completely leave aside the legacy by March 2020."

After recovering over ₹2,000 crore from Essar Steel resolution, the bank is likely to see 17 National Company Law Tribunal (NCLT) cases worth over ₹8,700 crore getting resolved in March 2019 quarter. This would lead to around ₹2,450 crore of recovery and ₹1,300-1,400 crore provision write back for PNB, according to the management. Among others, two large non-performing asset (NPA) accounts, Bhushan Power and Steel (₹3,781 crore outstanding) and Aircel-Dishnet Wireless (₹2,863 crore outstanding) likely to get resolved by March.

However, agriculture and MSME (micro, small and medium enterprises) portfolio would continue to see pressure for the next couple of quarters, with expected slippages of ₹2,000-2,500 crore each in the next two quarters.

Even in Q3, PNB saw around 50 per cent of its total slippages coming from these two pockets. Its watch-list, or loans with potential to turn bad, stands at ₹4,900 crore out of which ₹2,900 crore is corporate exposure (funded and non-funded) and ₹2,000 crore from retail, agriculture and MSMEs.

Rao also expects PNB's credit growth to remain moderate in March 2019 quarter at around 4 per cent levels, but sees it improving to 8-10 per cent in FY21. This is for the merged entity.

Retail growth is pegged at around 20 per cent. In fact, the bank would utilise the benefits of cash reserve ratio exemption, as announced by the Reserve Bank of India, to scale up its retail portfolio during the next six months.

PNB's board is meeting on February 14, to review work on integration and fine tune plans, with respect to the merger. The bank will finalise plans in April for monetising surplus real estate — building and plots — of merged entity. The entire merger process, including human resource and core banking system integration, would be completed by March 2021.

For the proposed merged entity, 500 branches have been identified as having overlap. These branches will not be closed down but will be relocated and the merged entity will have 11,500 branches. Rao also said, the merged entity will look at raising equity capital from market in third quarter of next financial year. It could be a qualified institutional placement (QIP) or follow-on public offer (FPO), though the exact timing would be decided later.

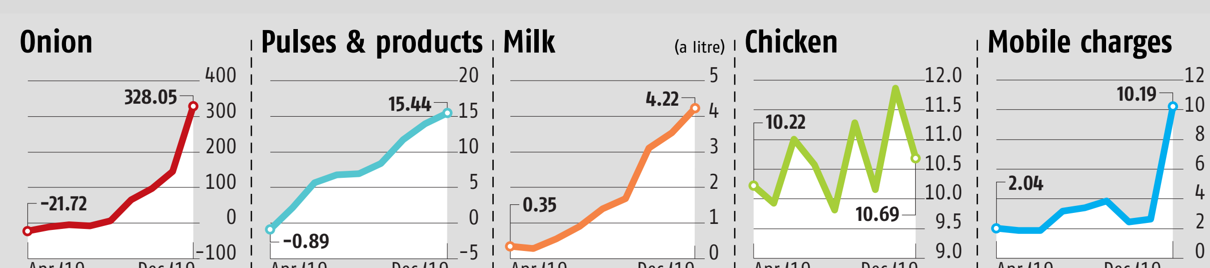
INFLATION IN ITEMS FLAGGED BY RBI

Most of the food and other items that the Reserve Bank of India (RBI) has flagged in its inflation outlook started the current financial year with low rates of price rise, except for chicken. As of December, most of these items have seen their prices rise in double digits, barring milk, for which the latest data is available.

Onion saw inflation at 328 per cent in December.

The RBI sees onion prices reducing in the coming weeks. The RBI, in its monetary policy statement, said a likely decline in the price of onion could be tempered by hardening of prices of other food items, notably those of pulses and proteins, and adjustments to telecom charges.

INDIVJAL DHASMANA



CPI Inflation Rate in % y-o-Y

Source: MoSPI

Days ahead of trade talks, US unhappy with cess on medical devices

US Trade Representative Robert Lighthizer is set to visit New Delhi next week

SUBHAYAN CHAKRABORTY
New Delhi, 7 February

Days before India and the United States start talks on a trade package, American trade officials have expressed unhappiness with New Delhi's decision to saddle medical device imports with an additional health cess.

While India has said it won't roll back the tax, other concessions are expected to be fiercely pushed by US Trade Representative Robert Lighthizer when he visits New Delhi early next week for talks, sources say. India is still considering allowing a trade margin policy for specific high-value items like coronary stents, they confirmed.

As part of the Budget, Finance minister Nirmala Sitharaman had announced a 5 per cent health cess on import of medical equipment, a move would make imported medical devices costlier for patients until the perceived rise in domestic production kicks in, industry experts say. The health cess would be imposed on imports of medical devices, except those exempt from basic Customs duty.

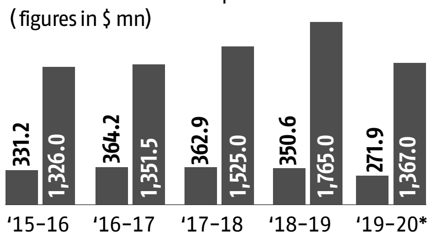
Price cap a worry

During his Washington DC visit in November, Commerce and Industry Minister Piyush Goyal had met Scott Walker, president of AdvaMed, the American medical device trade association. AdvaMed, considered close to Trump's political camp, has repeatedly lobbied with Washington DC to push India to dismantle its price cap regime for crucial medical devices.

India's medical device imports continue to rise at a fast clip as overall price of medical equipment sees a gradual decrease, making operations more accessible. But despite remaining the largest source of shipments, US-made devices have continued to lease market share in India to cheaper alternatives from other nations. Imports from the US hit a high in 2016-17, but have stagnated at a lower level since. Of the $1.7 billion worth of medical devices imported into India in 2018-19, products from stateside had a 19.8 per cent share, down from 23.7 per cent, a year back.

US PUSHES TO CONTROL INDIA'S MEDICAL DEVICE MARKET

Imports from US have stagnated despite demand shooting up



Imports from China & Germany catching up

Largest source of medical devices (In '18-19)	Amount ($ million)
United States	350.6
China	260.0
Germany	230.0
Singapore	141.0
Netherlands	123.0
Japan	117.0

Note *April to Dec (Latest data available in currrent financial year so far)

Source : Commerce and Industry Ministry

Trade deal planned

India had earlier prepared plans for a mutually acceptable "comprehensive trade package" that provides an amicable solution to major grouses from both sides, according to a senior trade negotiator. This is expected to be the first step to create a full-fledged trade deal, which has been New Delhi's priority since leaving the proposed Regional Comprehensive Economic Partnership deal last year. But there is still time in talks on a free-trade agreement, the negotiator added.

India not negotiating comprehensive FTA with US currently: Goyal

The government on Friday said that currently, India is not negotiating a comprehensive free-trade agreement (FTA) with the US. "No, Sir. Presently, India is not negotiating a comprehensive FTA with the US," Commerce and Industry Minister Piyush Goyal said in a written reply to the Rajya Sabha. Both the countries are negotiating a trade package kind of a thing with a view to resolve trade irritants and push two-way commerce. PTI

Washington DC also wants India to reverse the higher duties placed on 29 key (mainly agricultural) imports from the US. New Delhi had announced higher tax by up to 50 per cent on import of high-value apples, almonds, walnuts and wines.

The new taxes are estimated to rake in an estimated $240 million in additional taxes, and India has claimed the amount was equal to the estimated loss faced after the US imposed a 25 per cent additional levy on steel, and 10 per cent on aluminium products from India, in May 2018.

A bilateral trade deal has remained a key US demand, which has been repeatedly rebutted by India, up until earlier this year. With Prime Minister Narendra Modi by his side, Trump had promised a trade deal with India "very soon".

In return, the US has offered to step back from its aggressive posturing on 'reciprocal taxes'. While the US has not targeted India specifically yet, it has dropped repeated hints saying tariffs on Indian imports could be raised in line with those on Chinese products.

Delhi goes to polls after searing campaign

14.7 million electors to decide fate of AAP govt; Results will be out on February 11

ARCHIS MOHAN
New Delhi, 7 February

The Delhi Assembly polls have come to be framed as a battle between Bharatiya Janata Party's (BJP's) commitment to its interpretation of nationalism, especially a referendum on the Citizenship Amendment Act (CAA), versus the ruling Aam Aadmi Party's (AAP's) claims of having delivered efficient governance.

Delhi's 14.7 million voters will queue up to cast their vote on Saturday and also decide the fate of the only successful political start-up to emerge on the Indian political scene in the past 35 years, after the birth of the Bahujan Samaj Party (BSP) in 1984.

The AAP hopes to repeat its formula of 2015, when it won 67 of the 70 seats in the Assembly after it consolidated non-BJP votes. The BJP had hung on to its traditional 32 per cent vote share, but the Congress's vote share collapsed to 9.3 per cent, shifting to AAP. At 54.3 per cent, the AAP also ensured that it received the vote shares of some smaller players, particularly the BSP.

The election campaign this time around has been marked by incendiary speeches that landed some leaders in trouble with the Election Commission. The BJP upped the ante on the issue of protestors occupying a small corner on the margins of the city, at Shaheen Bagh, as a sign of "anarchy" and "lawlessness".

The BJP's attempt has been to consolidate its Hindu support base to overcome the 32-33 per cent vote share barrier, and repeat the successes of the 2014 and 2019 Lok Sabha polls. The BJP is counting on its greater cadre strength. It believes the fascination with AAP has declined over the years, and that it no longer has the popular support it enjoyed in 2015.

The BJP had asked about 100,000 of its workers from across the country to campaign in Delhi and deployed 240 of its Members of Parliament to spend the last couple of days in previously unauthorised colonies that it regularised. It believes regularising colonies, home to 400,000 people, would help it win about 40 seats.

However, what could hurt the BJP is the near absence of the Congress in the battle. The latter's strategy appears to be to focus on half-a-dozen 'winnable' seats.

Unlike most other Opposition parties that have supported the ongoing anti-CAA protests across India, the AAP leadership, led by Delhi Chief Minister Arvind Kejriwal, carefully kept away. Kejriwal even demanded that the Delhi Police evict the protesters at Shaheen Bagh, since their presence had caused traffic jams and inconvenienced the public.

The AAP has reached out to the poor and women, who have benefitted from its schemes — including subsidies on power consumption and water, and free transport for women on city buses. It has also reached out to the youth upset with the economic slowdown and beating up of students at Jamia Millia Islamia and Jawaharlal Nehru University.

The results of the polls could impact national politics as the BJP has turned it into a referendum on CAA. Union Home Minister Amit Shah has staked his prestige on the election and campaigned door-to-door.

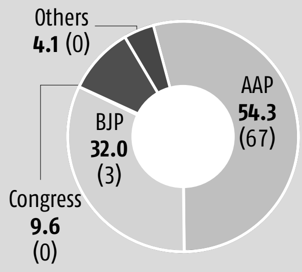
Meanwhile, the AAP has received support from several regional parties. The Trinamool Congress has announced its support to AAP. According to sources, Samajwadi Party chief Akhilesh Yadav told his party workers to campaign for AAP, as did the Left parties. If Kejriwal secures a big win, it could have implications for Opposition politics as well.

POLL FACT SHEET

70 Assembly constituencies

20,143,686 Population	14,786,382 Electorate
13,750 polling stations	672 Number of candidates

2015 vote share (%)
Brackets denote number of seats



'Kejriwal an outsider, will send him back to Ghaziabad'

SUNIL YADAV of the BJP has been assigned a herculean task — defeating Delhi CM Arvind Kejriwal in the New Delhi Assembly constituency in the Assembly polls. In an interview with **Nitin Kumar**, he discusses his campaign strategy — job creation and improving women's security. Edited excerpts:

You are the candidate who will take on Kejriwal. How confident are you for a victory?

I am 100 per cent confident that I will send Kejriwal back to Ghaziabad. He is an outsider to the constituency, whereas I have lived here for the past 12 years. I am going to people with our policies for Delhi's development. And people know that if the BJP says something, it will do it. Job creation is my top priority, because Kejriwal has failed by not providing a single job in the past five years.

People want to know who your CM candidate is. How do you plan to explain them?

BJP is the largest and most popular party in the world, but everybody is a common worker here. There have been several instances in the past where the party has not declared a CM candidate. We didn't declare CM candidate in Haryana, Maharashtra, and Uttar Pradesh, but won. After winning, we democratically decided our CM.

Who do you consider your Opponent, Congress or Aam Aadmi Party?

We are fighting the polls against Congress. We do not consider Kejriwal a challenge, because the people of Delhi have decided to teach him a lesson for his lies and deceit. He has wasted taxpayers' money on advertisements.

Kejriwal released a report card saying he has fulfilled all promises. Your response?

He has not done anything. He has only alleged that the central government and Lieutenant Governor didn't allow him to work. He has started giving freebies and sops to people in the past 3 months. I want to ask him, have they not stopped you now? He had promised to open 500 schools, 20 colleges in Delhi. I want to ask him, has he opened a single school, college or university?

BJP says it has regularised unauthorised colonies. But AAP is accusing the Centre of not providing registry to people...

Kejriwal wants to deceive people by making false statements. It is not going to get him any success this time because Prime Minister Narendra Modi has fulfilled his promise of providing ownership rights to residents of unauthorised colonies. It was the BJP that fought for them and people recognise this. They will vote for us because they want to see real development, which AAP has not been able to deliver.

What is your plan for improving women's safety in Delhi?

Women's safety is BJP's top priority. With the help of the central government we will create more women police stations, install more CCTV cameras. We will double our budget for women's security.

Virus jitters: IT companies may be hit

NEHA ALAWADHI & DEBASIS MOHAPATRA
New Delhi/Bengaluru, 7 February

The spread of novel coronavirus in China could put Indian information technology firms in a spot, with sources in the know saying that workflow disruption is likely in coming weeks due to restricted mobility. However, so far, the companies have dealt with the crisis by allowing their employees to work from home as the Chinese New Year holiday has been getting extended.

The IT industry is one of the biggest Indian employers in China, with over 22,000 employees in the country, locals as well as expatriates, according to industry sources.

Of these, Infosys has over 4,000 and Wipro more than 2,000, with 98 per cent in the case of the latter being local.

CORONAVIRUS OUTBREAK

The National Association of Software and Services Companies (Nasscom) is sending advisories and keeping in touch with the people of its member companies through groups formed on WeChat. The member companies have also formed WeChat groups of their own to keep in touch with their staff.

"People have been advised to work from home unless something extremely important comes up. Since this outbreak happened around the time of the Chinese New Year, everyone has been on an extended holiday. According to the latest extension, February 10 will be the day offices reopen, after which we will re-assess the situation," said Gagan Sabharwal, senior director, Global Trade Development, Nasscom.

He said while there had been no information of employees contracting the disease, the member companies had been requesting face masks, which had been in short supply since the virus began spreading.

"Wipro has suspended travel to and transit through mainland China, including Hong Kong and Macau, until further notice. We have advised vigilance to our employees, especially those based in China and those who have visited the country recently. We have also issued an advisory detailing the hygiene and preventive measures and requested employees to immediately approach the nearest health facility in the case of any symptoms," a Wipro spokesperson said.

HCL Technologies, the third-largest IT firm in India, also has workers in China and said it was monitoring the advisories of the WHO and local government in China.

"We have formed a special global task force to monitor the situation and take action in consultation with external agencies (International SOS). We have also requested employees to take protection as suggested by medical authorities. The 'Remote Working /Work From Home' strategy has been activated," said a company spokesperson.

TCS and Infosys are also encouraging their employees to work from home.

A spokesperson for TCS said: "As a precaution, TCS has encouraged employees in China to work from home and halted all non-essential travel. Our business continuity plan is ensuring that there is no disruption in services."

Similarly, sources in global IT services firm Capgemini said travel restrictions had been imposed to China and adjacent regions in the wake of the outbreak.

On February 2, India temporarily suspended the e-visa facility for Chinese travellers and foreigners residing in China. This could have an impact on resource movement in the longer term, said an industry executive.

Sabharwal said there were very few IT industry professionals in the Wuhan area who moved out successfully before the Chinese government's lockdown of the region. Wuhan, in Hubei province, is the origin of the novel coronavirus outbreak, which causes respiratory illness and has affected more than 31,000 people globally, and caused 636 deaths in China and two outside the country.

As part of its efforts to reduce its dependence on the US and the UK, which together account for over 70 per cent of Indian IT exports, the industry has upped its efforts in the last few years to create more opportunities in China. Asia currently constitutes 8 per cent of IT export revenue. It has programmes that have been put in place with help from governments on both sides, in addition to companies setting up their own centres in China, whose IT spend is more than $35 billion.

SNAGS EXPECTED

- Information technology firms have around 22,000 staffers in China — a mix of locals and Indian expats
- Very few professionals work in Wuhan; IT hubs are in Beijing, Shanghai and Dalian
- Travel restriction to China and adjacent regions has been put in place
- Staffers being encouraged to work from home
- Asia contributes 8% of Indian IT exports, with a major share from China

YES Bank shareholders approve raising ₹10,000 crore via equity

ABHIJIT LELE
Mumbai, 7 February

The shareholders of YES Bank on Friday cleared a proposal to raise up to ₹10,000 crore by issuing equity shares or convertible securities.

This would help enhance the private sector lender's capital adequacy.

At an extraordinary general meeting, investors approved a resolution to increase authorised share capital from ₹800 crore to ₹1,100 crore.

They also authorised the lender's plans to raise capital through issuance of equity shares or other convertible securities (Special Resolution), the bank informed the BSE.

Earlier this month, the bank scaled down its fundraising plan substantially to ₹10,000 crore, from nearly to $2 billion approved by the board in November, as it continued with its struggle to get investors. It would raise the money, in one or more tranches, through Qualified Institutions Placement, Global Depository Receipts, American Depository Receipts, Foreign Currency Convertible Bonds, or any other methods on a private placement basis.

The bank had said it was "willing to favourably consider the offer of $500 million of Citax Holdings and Citax Investment Group and the final decision regarding allotment would be taken in the next board meeting, subject to requisite regulatory approval(s)".

The Citax offer would be taken in the next round as the "relevant conditions precedent could not be completed as of date".

The bank also said it received an updated proposal from Erwin Singh Braich and SPGP Holdings, but "decided not to proceed with the offer".

Govt launches ease of living, civic performance indices

MAIN OBJECTIVES

- To generate information to guide evidence-based policy making
- Catalyse action to achieve broader developmental outcomes and assess
- Compare the outcomes of various urban policies and schemes as well as obtain the perception of citizens

ARNAB DUTTA
New Delhi, 7 February

The Centre on Friday introduced two indices to help improve the quality of life and civic amenities across major cities in the country. Apart from gauging the extent of civic services and quality of life in over 100 cities, the indices will throw up detailed data on each city. This will help the government formulate plans.

Launched by the ministry of housing and urban affairs, the ease of living index (EoLI) is aimed at providing a holistic view of the country's cities.

These will be done on parameters like services provided by local bodies, effectiveness of the administration, outcomes generated through those services in terms of livability and citizens' perception of the outcomes.

The indices will gauge the extent of civic services and quality of life in over 100 cities

There are four key objectives of the index — to generate information to guide evidence-based policy making, catalyse action to achieve broader developmental outcomes, assess and compare the outcomes of various urban policies and schemes as well as obtain the perception of citizens.

The first edition of the EoLI will facilitate the assessment of ease of living of citizens on three broad parameters – quality of life, economic ability and sustainability – which are further divided into 14 categories across 50 indicators.

The 100 notified smart cities and another 14 cities, having population of over a million, will be considered for the assessment.

The cities have already appointed nodal officers, who will collect and collate data from various departments, both within and outside the urban local bodies. Once compiled, the data will be uploaded along with supporting documents, in a web portal exclusively designed for the purpose.

On the other hand, the municipal performance index (MPI) will assess the performance of municipalities based on five enablers.

They include service, finance, planning, technology and governance. They are further divided into 20 sectors and 100 indicators.

To help the nodal authorities, the ministry has set up a central helpdesk, which can be used to seek process-specific and indicator-specific clarifications and assistance.

Over 50 assessors have been posted on the ground for the purpose.

Moreover, the ministry has launched a perception survey, starting February 1, to directly capture perception of citizens with respect to the quality of life in their cities.

The survey, which is being conducted through both face-to-face interviews and the social media, will contribute 30 per cent to the EoLI.

Crashing freights to hit shipping biz

ADITI DIVEKAR
Mumbai, 7 February

Tanking freight rates on the back of the coronavirus epidemic in China are likely to hurt the earnings of Indian shipping companies in the March quarter. "Freight rates have tumbled significantly and are impacting SCI (Shipping Corporation of India) across segments. We have seen the damage in January already. Our Q4 earnings are most likely to be affected due to this," said Harjeet K. Joshi, chairman of state-owned SCI on Friday. She was speaking on the sidelines of an ASSOCHAM event held here.

SCI reported consolidated net sales of ₹1,25,761 crore in December quarter, up 17 per cent over the same period last year with strong contribution from the tanker segment.

"We had robust performance in the third quarter, mainly from tankers. Now, tanker freights have softened. So, we are in a wait-and-watch mode. There is impact on every segment for us but it is varying," said Joshi, without detailing the quantum of impact on each of its businesses. Liners, offshore, bulk carriers, tankers and containers are the business segments of the SCI.

Coronavirus was first detected on December 8, 2019, and by January 1, 2020, Chinese authorities pinpointed the source to a seafood market in Wuhan, said reports. By the end of January, about 9,700 cases were detected and 213 deaths reported. By February 3, there were 17,000 confirmed cases and, as on date, the number stands at 28,000, informed industry officials.

"The coronavirus impact is much bigger than what the market had predicted. We are helpless and simply watching the market at present. Nothing can be done," said Anil Devli, chief executive officer (CEO) of Indian National Shipowners' Association (INSA)

The Chinese New Year (January 25, 2020) is the time when most native Chinese workers travel to their hometown for the festival. On this day, Wuhan was cordoned off and transportation restrictions imposed in most parts of the country because of the corona epidemic. On February 1, all international flights to China were cancelled and this brought down the country's fuel consumption drastically.

China consumes 16 per cent of the total global oil production. Lower consumption led to a drop of about 4 per cent in crude oil import by China. This, in turn, has heavily impacted the transportation of oil by sea.

"The very large crude carriers (VLCCs) that were trading at over $100,000 per day in December have dropped to $15,000 per day as on February 7," Captain Rahul Bhargava, director of commercial & operations at Essar Shipping told Business Standard via email. Similar impact has been felt on dry bulk cargo movement, he added.

The Baltic Dry Composite Index (BDI), which was trading at about 1,500 on December 10, dropped to 976 on January 3. It was trading at 431 as on February 6. Baltic Cape index, for the first time in the history of the Baltic Index, dipped to negative digits on January 31 and is now trading at a negative 187. For on-time charter yield of equivalent Cape-sized vessels, freight rate has come down to $3,000 per day from $22,000 per day. Similarly, Panamax vessel freight has come down to $3,400 per day from $12,000.

"All the sections of the dry bulk trade have lost about 75 per cent to 85 per cent of earnings in the last one month," said Bhargava. Supramax and Handysize vessels are part of the dry bulk trade section along with Cape and Panamax, among others. However, Great Eastern Shipping, India's largest private sector shipping company, is of the view that the epidemic alone is not responsible for the drastic fall in freight rates.

"Economic slowdown and lifting of Cosco sanctions by the US, which brought vessel supply into the market, have also led to the fall in freight rates," said a company source. "The next one month will be crucial and we are watching," source added. On September 25, the US laid sanctions on Cosco Shipping Tanker (Dalian) and Cosco Shipping Tanker (Dalian) Seaman and Ship Management for trading oil with Iran. Those sanctions were lifted by the US last week. Cosco Shipping controls more than 5 per cent of the global VLCC fleet.

SINKING FEELING

- Slowdown and lifting of Cosco sanctions are also hitting freight trade
- All sections of dry bulk trade have lost 75–85% of earnings in the last one month
- Cosco Shipping controls more than 5% of global VLCC fleet
- Baltic Cape index, for first time in history, fell to negative digits

TOLL NOW 637, 31K+ INFECTED

- The death toll in mainland China reached 637 on Friday, with 31,211 cases of infection
- Cases on a cruise ship in Japan rose from 20 to 61 overnight
- 4 commodity-linked currencies — Chile's peso, the Russian ruble, Colombian peso and South African rand— tumbled at least 1% as oil and copper slid on worry about the virus
- The govt said it had offered to bring back people of Pakistan from Wuhan
- Kerala lifted the state calamity alert as no cases reported in last few days
- 2 Chinese vessels arrived in West Bengal after mandatory checks
- Trump says China is doing a 'very professional job' against the disease
- US Energy Secretary says coronavirus impact on energy markets is marginal
- The US Fed Board said that the outbreak presented a "new risk" to the economic outlook for the US

MUMBAI | 8 FEBRUARY 2020 Weekend Business Standard

Who is Prasanta Pattanaik, Padma Shri?

MARGINAL UTILITY

TCA SRINIVASA-RAGHAVAN

The year was 1971. The place Delhi School of Economics, which was undergoing a major upheaval.

Amartya Sen, who taught welfare economics and social choice theory, had just left for London School of Economics. So had Manmohan Singh, who taught international trade theory, for commerce ministry. So, too, had Arjun Sengupta who taught economic policy.

Into the breach left by Sen and Singh walked a 28-year old, ex-student of Sen. He had done both his MA and PhD at DSchool, as it is called, and then gone off abroad somewhere.

His name, we were told, was Prasanta Pattanaik. He was shy and self-effacing. He spoke with a strong Oriya accent and slight lisp, almost in a whisper. We students were not impressed.

But slowly and surely he began to show his real prowess. This had three aspects.

One was phenomenal patience when confronted with scores of intellectually heterogeneous students. He understood how deeply students from Delhi University's undergraduate system were baffled by all that advanced economics theory and maths.

The other was the ability to explain things till everyone — or almost everyone — had comprehended some arcane point. It took time, but it was reassuring.

He would start with a statement of the problem and solution. Then would come geometry. And finally the algebra.

The international trade classes were especially problematic. They were large and, therefore, more heterogeneous than the social choice ones. Most wanted stuff written on the board that they could copy and regurgitate in exam.

The third aspect was extraordinary kindness to students, which was notoriously lacking amongst the senior faculty.

Pattanaik stayed at DSchool for just five or six years. He left around 1975 or 1976, much to the dismay and despair of students. They could sense how much he cared.

Once, I couldn't find a book in the library that he had said needed to be read. He cycled home five kilometres, one way, in the heat of a late April afternoon to fetch the book for me.

The last I saw him was in 1972 or 1973 when I went to ask him about a topic for research. He suggested environmental economics and a study of Chilika lake in Odisha, which was under some sort of threat. It's the second largest brackish water lake in the world covering around 1,000 sq km.

Narrowly defined

Pattanaik was awarded a Padma Shri this year. Had he not been a student, admirer and follower of Amartya Sen, it might have been a Padma Bhushan.

But, he qualifies on one other, unassailable ground. No one outside the narrow circle of choice theorists knows him. This is consistent with the Modi government's approach, which has made it a point to go outside the NDMC-PLU line-up.

You may well ask, what did Pattanaik do after he went away to a university in the US? He persisted, nearly for his entire career, with social choice theory which kind of faded away in the 1980s.

Rather like game theory it had had a clear run for three decades. But then the empiricists took over and purely theoretical efforts had no takers any longer.

And what is social choice theory? No one quite knows because it seeks to achieve the impossible, namely, devising consistent rules for arriving at social consensus over how to order a country's affairs — more-or-less, that is.

And, of course, it fails because it quickly becomes apparent that whatever set of rules you draw up, different rules can and do contradict each other (for instance, CAA). To find a way out of this problem in a mathematically-acceptable way is the challenge. But it leads nowhere.

Despite this, Pattanaik devoted himself to this endeavour. Some would say it was the waste of a colossal brain. But a lot of mathematics, like number theory, is like that.

I mean, who but a true maths *bhakt* would care about, say, the Fibonacci Sequence, in which each number is the sum of the two preceding numbers? In fact, there's even a journal devoted entirely to them.

That's not unlike social choice theory which, too, has a journal devoted to it, and which Pattanaik once edited. It's not for the faint-hearted.

So why do academics like Pattanaik devote themselves to solving what are essentially unsolvable problems? The best answer was given by George Mallory who was asked why he wanted to climb the Everest. "Because it's there," he replied.

Pattanaik and other social choice theorists, too, can say the same thing.

The paradox AAP needs to resolve

Can you really deliver democratic results through undemocratic party structures?

PLAIN POLITICS

ADITI PHADNIS

There is hardly any doubt that come February 11, it is the Aam Aadmi Party (AAP) that is going to form the government in Delhi. Experiments in education, power and health have caught the imagination of the people of Delhi, especially the underclass. The Bharatiya Janata Party (BJP), though, may see its tally in the Assembly going up substantially this time, having managed just three in the 2015 elections. The Congress is unlikely to be a factor in the election. But AAP is here to stay -- which is what makes it so perplexing.

Kamal Mitra Chenoy, a social activist for 30 years, a member of the Communist Party of India (CPI) for 40, joined the AAP in 2014. He explained his reasons for resigning from the CPI: "This is a critical time for Indian secularism. It is naive to say that AAP has no theory. As (Italian philosopher Antonio) Gramsci repeatedly stressed, all people in some way or another are intellectuals. His major distinction was between traditional intellectuals who defend and legitimise traditional ideologies and monopolist use of power. Their rivals, essential for change and even a revolution, are organic intellectuals who are rooted in popular movements and popular culture," he said in a signed article.

Barely two years later, Chenoy quit the AAP. In a personal exit note to Kejriwal, he suggested course correction and getting rid of the coterie that surrounds the national convenor. Clearly monopolist use of power was rearing its ugly head again.

Oddly enough, in a more unsophisticated way, all the supporters-turned-critics of the AAP are saying the same thing today: Kejriwal is a plaything in the hands of a coterie. This poses a perplexing problem. Can un-democracy be the foundation for a democratic party that aspires to be different from all other parties in India?

In its short life, the AAP has distinguished itself in many, many governance spheres. But, party democracy is not one of them. This was clearly evident in the events in Punjab, the outbreak of rebellion in Delhi after a debilitating defeat in the municipal elections and in the way Prashant Bhushan and Yogendra Yadav were thrown out of the party in 2015.

Bhushan, Yadav and Anand Kumar were charged with undermining AAP's efforts to win the Delhi Assembly elections. All of them refute this strongly and say they were only trying to make AAP run in a more democratic way.

Sucha Singh Chhotepur, an independent-minded legislator in Punjab, left the Shiromani Akali Dal and joined the AAP before the 2014 elections. AAP leaders say his oratory impressed Kejriwal who heard him for the first time in Gurdaspur. When the AAP lost two Assembly byelections, Kejriwal asked Chhotepur to keep the party afloat in Punjab. Chhotepur has worked with the Congress' Amarinder Singh as well. In 2009, Amarinder took Chhotepur into the Congress fold during a rally in Gurdaspur, when the two were campaigning for Partap Singh Bajwa. Bajwa won that election, with Chhotepur's local influence was seen as having contributed to the victory.

But Chhotepur is not a complaisant individual. The AAP says they have him on video accepting a packet of money. Even his rivals said they could fault Chhotepur on many grounds, but corruption was not one of them. Chhotepur himself says he was turfed out when he refused to be a yes-man to Kejriwal and his "coterie".

Kumar Vishwas, once part of the inner circle and a friend of Manish Sisodia for four decades, has also quit the party and is now one of AAP's most trenchant critics.

Social scientist Anand Teltumbde writes that AAP's return to power in the capital lies in its ability to reinvent itself as a "start-up", by reorganising itself and tendering apologies to its "customers", the people of Delhi. Teltumbde argues that the AAP business model — to brand itself as an anti-politics political enterprise — appeals to the neo-liberal generation in metros, who are idealist and see India's potential encumbered by corrupt and incompetent politicians.

Former AAP member Alka Lamba says till the MCD elections in 2017, everything was great. But, during the elections, none of the MLAs were consulted over ticket distribution and that's when things began to go downhill. Many leaders, including Ashutosh and Ashish Khetan, have left the party since, citing lack of inner-party democracy.

The last word on the rifts in the AAP has not been spoken yet. Can you really deliver democratic results through undemocratic party structures? This is the paradox AAP needs to resolve.

LUNCH WITH BS ▸ AJAY AGRAWAL | PROFESSOR, ENTREPRENEUR

The economics of artificial intelligence

Agrawal talks to **Niraj Bhatt** on how AI is changing businesses and what organisations should do

One of the first books that strategy consultants recommend to their clients interested in adopting artificial intelligence (AI) in their businesses is *Prediction Machines: The Simple Economics of Artificial Intelligence*. Co-authored by Ajay Agrawal, the book says that as the cost of prediction reduces hugely, AI can enable organisations to use predictions for better decision-making, and drive business strategy.

We are meeting over lunch at the late Jiggs Kalra's molecular gastronomy outfit Masala Library in Mumbai, where we order the set lunch. Canadian-born Agrawal is visiting Mumbai on invitation from independent think-tank Gateway House for a talk on the key economic forces underlying AI and explain the trade-offs to decision makers.

He explains that the fall in the cost of prediction means we do more of it better, faster and cheaper as the first course of tempura fried spinach *chaat*, which combines a traditional recipe with modern technique in line with the restaurant's philosophy, is served. "For example, a bank uses AI in fraud detection, loan sanctions, and know your customer. We also use it is by transforming things that we never thought of as prediction into prediction." So in effect autonomous driving is effectively transforming driving into a prediction issue.

AI increases the value of complements such as data, human judgement or action and decreases that of substitutes like human prediction. "So when people ask if humans are going to be necessary, the answer is that our value goes up as we can apply our judgment." The value of sensors in driverless cars or that of the machinery used in processing medical images too increases.

"Companies that get an early lead in AI have an opportunity to get a big lead and establish market power," he says. It is because of how AI, works — it learns through feedback. Google search gets stronger from every link a user clicks, and Uber and Lyft gain market share at the cost of local taxi operators.

The next course is a small portion of pimento soup, followed by goat cheese kebab and roast pepper ketchup being the chef's twist. Agrawal, a professor of strategic management, entrepreneurship and innovation at University of Toronto's Rotman School of Management, wears many hats. Besides teaching, research and conducting workshops on AI, he also heads the Creative Destruction Lab (CDL), a not-for-profit programme that helps founders transform science-based projects into scalable businesses. He is a research associate at National Bureau of Economic Research (NBER), Boston, and advises the US government on science and innovation leadership for the 21st century. As an entrepreneur, he has co-founded Kindred, a company that builds intelligence in robots, and Sanctuary, which aims to create robots with superhuman empathy.

Agrawal received a bachelor's degree in engineering, and followed it up with a dual masters in engineering and business at the University of British Columbia (UBC) in Vancouver. He became passionate about economics and decided to pursue a PhD after a course in economics of science and technology. "This course and another one in venture finance changed my life."

A lot of his current work has roots in his PhD at UBC in the economics of technology transfer — taking inventions out of university labs and bringing them into practice. Just as he was starting his research, an MIT professor contacted him saying she too was interested in his area, so he worked with her on his thesis on inventions from MIT. "The early stage commercialisation of university science has been my focus ever since," he says.

Canada has been at the epicentre of the recent renaissance in AI, he says. Three decades ago the University of Toronto hired Geoffrey Hinton, who was working on the "lunatic fringe" of computer science (machine learning, neural networks and AI were not mainstream). But after two major breakthroughs by Hinton, one in 2006 and the other in 2012, more and more graduate students and post-doctoral researchers came to Toronto from all over the world. Today, one can trace the lineage of some of the most powerful corporate AI teams to the University of Toronto. Heads of AI at Apple, Facebook, Uber's driverless car unit, Tesla's autonomous driving group, and OpenAI have all spent time at the university.

Due credit goes to the Canadian government, which kept funding the research when nobody else was, Agrawal says. But he regrets that Canadian companies and venture firms were not quick to respond or were not technologically-sophisticated.

Agrawal had already founded CDL in 2012 to change Canada's weak record in commercialising science. "When we started, we had a goal of creating $50 million in equity value from companies that were started from the lab in five years. We just finished our seventh year and we have crossed $4.5 billion in equity value." There are 373 companies participating in the programme this year and 919 have been through the programme since its founding. Today, top entrepreneurs, business leaders and Silicon Valley investors spend one day every eight weeks at the lab to mentor start-up founders. CDL has also opened the programme at Oxford University in the UK.

ILLUSTRATION BY BINAY SINHA

He is particularly excited about CDL company North, which makes augmented reality glasses. "It's a platform technology, and if the market responds, it will take off like the mobile phone or the watch. It's another interface that could transform how humans and machines interact," he says. Atomwise, a CDL alumnus from the first batch, enables AI for drug discovery and can predict which molecule will most effectively bind with which protein. "You don't need to experiment with test tubes as it can be done digitally."

He says India must use AI in its outsourcing industry. "The key ingredient to train the AI models, which is the training data, is being produced here. And this is the moment in history where these should be developed here and owned by Indians," he explains. Some of the work that's being done here, such as assessing loan applications, claims processing, reading scans and medical images, will ultimately be shifted to machine intelligence. If companies don't move quickly then that will be owned by foreigners.

India should be doing in services what China is doing in manufacturing. "China is not saying we became the world's manufacturing hub because we have low-wage labour and so we don't need AI," he says. It is investing heavily in robotics and bought more robots than the rest of the world last year despite having all the labour. Even as manufacturing is shifting from humans to robots, it's not leaving China because it is investing ahead of everybody.

We skip the restaurant's signature, a palate cleanser, and start the main course of *aaloor dom* with mustard paste and black dal. No AI conversation can ignore the impact of jobs and incomes, where he says three things will happen. "Jobs that use AI will improve productivity and wages will go up. For example, a surgeon may become more effective, or conduct surgeries in remote locations. Second, for some people it reduces wages as it increases labour market competition — a taxi driver's knowledge of geography cannot command a wage premium today. Some of these jobs will disappear too.

"Where I think everybody is still holding their breath is what the new jobs will be and where they will show up. It's hard to imagine because we haven't seen them, but economists are counting on the creation of new jobs. But if it's only replacement of jobs, then we're in a lot of trouble," he says. So, India should be caring more about AI as it stands to both gain and lose more than almost any other country.

Whether AI good or bad is like asking if fire or electricity are good or bad, according to Agrawal. "It's both. Is human civilisation capable of harnessing the good and keeping the bad at bay? I don't have the answer," he says as our lunch comes to an end.

The Bard of Jaffrabad

PEOPLE LIKE THEM

GEETANJALI KRISHNA

The other day, I went to Jantar Mantar to show my solidarity with a cross-section of people protesting the anti-poor thrust of the 2020 Budget. Speakers dissected the Budget, highlighting the dangers of the proposed privatisation of health care, the lowered purchasing power of the common man and the cutting of food subsidies and MGNREGA funds at a time when unemployment is at a 45-year high.

The audience, majority from low-income background, meanwhile, exchanged notes about alleged growing religious polarisation, the charged atmosphere on university campuses where many of them had sent their children and of course, their opposition to the Citizenship (Amendment) Act (CAA), 2019, National Population Register (NPR) and the proposed nationwide National Register of Citizens (NRC).

Then, a burkha-clad housewife, Sugra Khatun, from Jaffrabad/Seelampur in North East Delhi took the stage and electrified the audience. For the last month or so, Khatun has been sitting on an indefinite dharna with hundreds of other women from her locality protesting against the CAA, NPR and NRC. They refer to their protest as *auraton ka inquilab* (women's revolution).

"History has shown us that when women take to the roads to protest, history books are rewritten," she thundered to massive applause. "Protest is the only recourse. Today, we're all living in fear. Our children are unable to concentrate on studies or feel safe on university campuses. My husband, a labourer, hasn't had regular work for the last two months and we're subsisting on next to nothing right now," said Khatun who turned out to not just be a good orator -- the events of the last few months have transformed this housewife into a poet as well.

She told me later she has started writing protest poetry in the classic Urdu tradition under the guidance of her brother.

I've taken the liberty of translating a few lines for this column: *For how much longer will you destroy us, sir?/How many more infamies are we to bear?/You have no children sir, that's why you don't care,/If many more mothers weep for their lost sons...*

After her speech, she introduced me to Anisha Begum whose son is a PhD scholar at Aligarh Muslim University (AMU). "We called him home during violence at AMU, but he had to return," she said. "I fear for his well-being every day."

"This is why we're protesting," said Khatun. "We are neither terrorists nor anti-nationals, but patriots who love India and the secular ideals it has always upheld."

As a parting shot, she recited a couple of lines: *My God, my master, please keep my earthly paradise safe/My lord, my Allah, please keep my beloved India safe/Clouds of hatred can try, but our patriotism they can't break/For my Bharat, my beloved India lives in every breath I take.*

The words were profound, seemingly coming from her heart. As I left, they were indelibly imprinted in my mind, flashing intensely like the eyes of the Bard of Jaffrabad.

Getting around poll-day restrictions

PEOPLE LIKE US

KISHORE SINGH

As you read this in Mumbai or Bengaluru, most of us in the national capital will be queueing up to cast our ballot in yet another election — which is what you do when no inducement can persuade the bearer to pour you a glass of frothy beer at the club. I guess prohibition does drive more numbers to the polling stations, but let it be known that the winning contender will have been picked amidst cheerless gloom when he might have been voted in with a generous measure of G with T. So much better if the Election Commission could find a way to send the Electronic Voting Machines to vends where one might be enjoying a pint, rather than having to make do with a cup of abominable tea or a glass of unfermented juice at one's own home. Elections are dreary enough business without having the purgatory of detox imposed over it.

The authorities in their wisdom picked the weekend for the elections, ruining a perfectly fine Friday evening when the good citizens of the union territory might have contributed their mite to shoring up its economy — only to find the government resisting such efforts. It is a rule in the house that the kitchen is shut for dinner on Friday as the family cherry-picks through the choices on offer with just one covenant — we each go our separate ways: My daughter with a bunch of her friends, to arrive in the wee hours of a Saturday morning; my son and his newly-minted bride still preferring solitude over company in their (mostly) blissfully wedded state; my wife and I to any party that will have us as long as it's noisy enough to drown out the possibility of conversation between ourselves or with others.

Yesterday, therefore, proved the more egregious because the young adults, in their millennial insouciance, had not taken into account the impositions the state levies on the evening before an election. Plans for dinner were discussed and skittled, and re-drawn, but it was the bar at home that provided the liquid refreshments. My wife and I had our evening chalked out for us courtesy a wedding-related function that would have required a good deal of alcohol. Planned earlier at a Delhi farmhouse, the venue was shifted to neighbouring Gurugram to avoid the exigencies of the state — but to little avail. Unbeknownst to our host, the authorities had decided on a ring of three kilometres encroaching upon the neighbouring states, within which circumference no public imbibing was allowed, laying to rest all plans of men and mice.

Because man does not live by bread alone, desperate measures were called for — on which one must draw a discreet veil here, lest the long arm of the law prove to have eyes and ears too. But with the rest of today to get through while the publicans enjoy their enforced rest, one might make a case for a little self-service at home instead. The company of friends deprived of their liquid victuals might lead to some intemperance, but it's for a good cause, and only till the evening anyway, when the prohibitory orders run out, and we can join our friends on a South Delhi terrace to usher in an octogenarian's birthday with the only stuff that's keeping his spirits alive.

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WEEKEND RUMINATIONS

T N NINAN

Don't duck the issues

The narrative preferred by many if not most economic commentators is that the Modi government has not done well by the economy. The near-consensus is that the promises Prime Minister Narendra Modi made during the 2014 election campaign have not been delivered, and the prospects for the immediate future are not bright. Certainly, there is no gainsaying that the government has bungled with key economic initiatives, regressed to protectionism, and done poorly on the jobs and trade fronts. Most importantly, if one assumes that growth this year is 5 per cent, and next year will be 6 per cent, growth over the three years to 2020-21 would have averaged barely 5.7 per cent. That number is worse than the one for the much-derided final three years of the Manmohan Singh government (6.2 per cent), and not seen since the earliest years of the new century. The critics have been given enough grist for their mills to keep grinding.

You wouldn't have guessed this from Nirmala Sitharaman's evasive Budget speech, which was textually shorter than many of her predecessors' speeches, and lengthened only by Ms Sitharaman's tendency to repeat sentences for emphasis. She could have been forthright with an acknowledgement of the slowdown by highlighting the Modi government's full record. After all, its first four years averaged 7.7 per cent growth, and the two periods combined would average 6.9 per cent for seven years.

This up and down continues a pattern of the last quarter century and more. Low growth in the Singh government's final three years was preceded by three years that averaged a creditable 7.5 per cent, belying the global financial crisis of that period. Similarly, the low point of 2000-03, averaging 4.2 per cent, was preceded by a triennium averaging 6.3 per cent, and succeeded by rapid acceleration. In short, growth can be slow, fast, and then slow again — and there could well be causative links.

What is unusual about the current period of slow growth is that it has come without an exogenous driver (high oil prices and/or successive monsoon failures) — as was the case with all previous periods of slowdown, going back 50 years. That is what makes the current phase a more serious issue than earlier slowdowns. If the seas are mostly calm, and yet the Indian economy performs poorly, there must be something wrong with the ship of state.

Before going further, it is worth noting the socio-economic changes that Mr Modi has wrought: Dramatic improvements in access to financial services, clean cooking fuel, toilets, electricity, digital transactions, and now free medical insurance, not to mention cash handouts for farmers. In addition, as Ms Sitharaman mentioned, macro-economic balances are comfortable, including on core inflation. Her reference to the fiscal challenge fell short of an explanation and therefore offered no answers. Still, the transport infrastructure has improved, as has the digital one. There is striking growth in data consumption, and improved access to higher education. In another few years the metrics on all of the above should improve further. Many lives are being transformed.

Mr Modi's critics often fail to acknowledge these changes and their importance. This may well be because the failures are both manifest and urgent: The worsening picture on employment, the loss of momentum in consumption, its downstream impact on investment, the stagnation in exports, legislative inaction on key aspects of policy reform, the many challenges confronting farmers, and much else. To that list you could add the fear factor and institutional erosion.

Mr Modi and his cabinet colleagues need to get over their hostility to any and all criticism on such issues, and frontally address the jobs problem because it is central to tackling the growing inequality and uneven sharing of the benefits of growth. Ms Sitharaman has tried to address some of these in her speech, but the general impact after 160 minutes has been underwhelming. More needs to be done on more fronts, and sometimes differently, than is now the case. If that effort is mounted and growth revives, the Modi government's economic record could still shine. If not, the next phase of rapid growth will be some time coming.

A weapon called Nehru

For Modi, Nehru is a recurrent target to attack, even 23 times in one speech. Not just to chip away and finish Gandhi dynasty and Congress but also because he thinks Nehru cast post-Independence India in his own 'flawed' image

NATIONAL INTEREST

SHEKHAR GUPTA

Does Narendra Modi suffer from some exotic neurological condition we might call Nehruitis? Is he nuts to mention his name 23 times in his 100-minute reply to the Motion of Thanks to the President's address? And is he distracted to exchange banter in the old, healthy if robust style of parliamentary debate with others in the Congress but pours only scorn at Rahul Gandhi, whom he doesn't even care to name, or rather takes special care to not name? Check out Shivam Vij's fine piece in *ThePrint* on this.

The answer to all three questions is a clear NO. Then, why is he acting the way he is, and for years now? Far too many of his critics among social media influencers routinely mock him whenever something goes wrong under his charge to say, it must be Nehru's fault again. Mr Modi couldn't be bothered.

We should have included a fourth question to the three I listed above. But I deliberately left it for later. So, read along with me for a bit.

Check out all of Mr Modi's statements, whether casual, delivered in the campaign heat or set-piece as in Parliament. Nehru is a recurrent theme. The 23 mentions this time attracted attention, but in the course of any year since 2014, I will be surprised if he hasn't mentioned it at least a hundred times, if not more.

He even dragged Nehru in his 2018 Karnataka election campaign by accusing him of having humiliated respected Army Chief Gen. K.S. Thimayya (1957-61), who happened to be from the state — a Kodava or Coorgi, in fact. When you mock or taunt Mr Modi by calling something Nehru's fault, he doesn't mind it. He probably believes it is. Everything that has gone wrong with India, and continues to go wrong, from Kashmir to China to the public sector to unemployment, in his worldview, is indeed Nehru's fault. I am not being snarky.

The biggest mistake we old-style pundits make in analysing the Modi-Shah BJP is to apply old and familiar references and, even if I so detest that word, paradigms. The Modi-Shah BJP isn't one of a kind, or sui generis. It is the real thing — BJP, Jana Sangh, RSS, whatever you choose to call it. What we saw under Atal Bihari Vajpayee and L K Advani was an aberration. Like us old watchers of Indian politics they too were working in that old paradigm. Vajpayee would call it inclusive and liberal. Mr Modi and Mr Shah come from the school that calls it Nehruvian, and not with admiration or nostalgia.

It is the genuinely- and deeply-held belief in the RSS that Nehru never deserved to be given charge of India in 1947. He grabbed it by manipulating Gandhi and Lord Mountbatten and denied it to Sardar Vallabhbhai Patel. And once he usurped power, he designed the new Republic in his own worldview, preferring Emperor Ashoka, his edicts and symbols for governance and his Buddhist pacifism over the more warlike and successful Chandragupta Maurya, and Kautilya's Arthashastra as the treatise for governance.

To sum up, Nehru "deviously" cast new India in a non-Hindu image. This led to a whole range of problems, from minority appeasement to the neglect of the military, slavery to Western thought, economic models, and so on. Of course, an entire Nehruvian intellectual ecosystem grew around him to dominate India's thought for seven decades.

For Mr Modi, Mr Shah, and their generation of BJP leaders, almost all of whom emerged from a non-English speaking, non-Westernised environment, this is an article of faith. That is why Mr Modi isn't faking it when he makes 23 critical references to Nehru in one speech. He speaks from deep inside his heart.

It is a particularly interesting time also for Mr Modi to shift the focus on Nehru. Three substantive books released over these few weeks have revived some prickly old questions. The latest, *V P Menon, the Unsung Architect of Modern India*, by his granddaughter Narayani Basu, asserts with much documentation that Nehru had indeed excluded Patel from the list of his first Cabinet members.

He relented only after Menon alerted Mountbatten, who intervened. M J Akbar, who wrote an admirer's biography of Nehru (*Nehru: The Making of India*) decades ago, has also published his latest (*Gandhi's Hinduism — The Struggle Against Jinnah's Islam*), making the same point with much documentation and research.

These two come on top of Congress leader Jairam Ramesh's biography of V K Krishna Menon, where Nehru comes across as a waffling romantic on national security and civil-military relations. The exhuming and a fresh appraisal of Nehru and his era is very much the flavour of the fortnight. Mr Modi isn't about to miss out on that.

But, is that all there is to Mr Modi's Nehru fixation? An obsession with what he and the RSS have always seen as follies and injustices of his times? One thing we know about Mr Modi and Mr Shah is that they aren't driven by pure sentiment, or waste their time reviving old debates for sheer intellectual and political pleasure.

This brings us to the fourth question we held back from you so as not to give the larger political argument away. Notice three more things that remain consistent in Mr Modi's political messaging since 2014. One, he almost never attacks other members of the Nehru-Gandhi dynasty. He ignores Rajiv Gandhi as if he didn't matter. Even more important, he is always careful not to attack Indira Gandhi. He does invoke the Emergency often, but is careful not to take on the senior Mrs Gandhi.

The reasons are easily seen in political logic. Of all the Nehru-Gandhis, she is still the most popular — see the number of buses that bring people from all parts of the country, especially the south, to her old 1, Safdarjung Road residence, which was converted into a memorial after she was assassinated there. The second, and I speculate here, Mr Modi probably secretly admires her, for the command she exercised over her party and government, the international respect she commanded and for her dismemberment of Pakistan. This is why she is the one Nehru-Gandhi he'd rather not mess (or take *panga*) with.

The second point, you see him constantly praise other leaders of the Congress through those decades, and not just Patel. Lal Bahadur Shastri has now been pretty much adopted as an RSS icon, the next Patel. He found friendly mention in Thursday's speech more than once. Further, while he wouldn't ever engage with Rahul and treat him as just that someone who cannot be named, he reaches out to other leaders of the party. He threw friendly barbs at Adhir Ranjan Chowdhury, a wisecrack of sorts at Shashi Tharoor, praise for Ghulam Nabi Azad, and engaged Digvijaya Singh in competitive poetry. He even complimented Manmohan Singh as a great personality and scholar. And third, he keeps paying compliments to other contemporaries of Nehru and his critics, particularly Ram Manohar Lohia.

For us, this answers our fourth question, why does Mr Modi only attack Nehru from the Dynasty? At one level, it is pure politics. He believes the Congress rests on the Dynasty, which in turn is rooted in the widely respected Nehruvian universe. If he can chip away at that, the Gandhis would decline, so also their inherited ideology and their party. Other leaders, smaller opposition parties, he can handle piecemeal. In the process, he will also create space for himself and his successors to recast India in the RSS way of thinking, from Nehru's "muddled" Ashokan state into a "virtuous" Kautilyan one.

By special arrangement with ThePrint

Delhi's debate: Development vs acrimony

AL FRESCO

SUNIL SETHI

Whichever way Delhi votes today — and there's a fair consensus on who the chief minister next week will be — the contest to rule the city-state is distinct from others in recent memory. First, the action has shifted from the streets to daily non-stop barracking in the media and social media. No vigorous door-to-door campaigning, as in 2015, when Aam Aadmi Party volunteers collected modest contributions to cleanse a corrupt body politic with its *jhadoo* symbol. "*Na khaunga, na khane dunga*" (I won't be bribed, nor let anyone else pay bribes) Narendra Modi famously said when he led the BJP to power in 2014 but corruption no longer features as an issue for either party.

Second, the head-on confrontation was between two dominant figures, Arvind Kejriwal, the city's popular chief minister, and Union Home Minister Amit Shah — a Sancho Panza fronting for Mr Modi's Don Quixote — leading a divisive, communally charged campaign.

And, third, Delhi's debate of development versus Hindu-Muslim polarisation mirrors a paradigm shift in national politics. The BJP's main agenda since last year's general election, from the abrogation of Article 370 in Kashmir to the Citizenship Amendment Act and proposed National Population Register and National Register of Citizens, is now topped by speeding up (in Mr Modi's words) "of a grand Ram Temple" in Ayodhya. The announcement in Parliament this week was accompanied by a chorus of "*Jai Shri Ram*" chants orchestrated by Mr Shah.

In Delhi Mr Shah's hard-driven campaign and vituperative attacks have centred on a small stretch of public thoroughfare linking the city to the Noida expressway. Till a couple of months ago, when a group of Muslim women and their families started a peaceful 24x7 dharna to protest the anti-citizenship law, few had heard of Shaheen Bagh.

It must be a sign of the Hindutva campaign's diminishing returns that the ruling party's acrimony narrowed on the Shaheen Bagh sit-in (and student protestors on the Jamia Milia campus in the vicinity) as its major, if not sole, election plank. Both sites were viciously portrayed as hotbeds of traitors, Pakistani infiltrators, and potential jihadis. Some protest leaders were jailed on sedition charges and random firings erupted to provoke violence.

Many loyal BJP supporters have been put off by the party's belligerence and derailing of overriding issues such as the pollution crisis, which turns Delhi into a gas chamber for several months each year. One such example is our neighbourhood newspaper vendor, an educated, voluble young man who has steadily built on a successful family business, and usually votes for the BJP, including in last year's national election. This time he was doubtful: "*Angrezon ki policy thi 'divide and rule*'. Ab BJP ki policy hai 'divert and rule'." (The British's policy was divide and rule, the BJP's is divert and rule.)

At a more mundane level, the AAP-BJP face-off focused on the public inconvenience caused by Shaheen Bagh's prolonged blockage of a major artery to south Delhi and the Noida suburb. In an election fuelled by Whatsapp wars, a facetious visual meme asked "*Faisla Aapka*" (Your Decision) with AAP as the obstructionist party of "*Har Jagah Chakka Jam*" (Roadblocks Everywhere) versus BJP that would ensure "*Traffic Se Aaram*" (relief from traffic).

Mr Kejriwal, who deliberately stayed away from the trouble spots, somewhat disingenuously citing law and order disruption, was pilloried for reading the *Hanuman Chalisa* but did not take the bait, carefully drawing the line between religion and politics. In a confident image projection of a leader in the CEO mould, of someone capable of managing the city-state's problems, he stuck to his track record in infrastructure development and promises of enhanced civic services. The BJP's and Congress' biggest failure was to find a candidate to compete for Mr Kejriwal's job.

More than any metropolitan agglomeration in the country, Delhi's populace has highly attuned political antennae. It has witnessed the coming and going of major national leaders, from Indira Gandhi to Atal Bihari Vajpayee and Manmohan Singh — and is not easily swayed. Its politicised inhabitants are keenly conscious they live in a privileged and prosperous place, the established habitat of the mightiest in the land. For years the city-state has topped rankings with the highest per capita GDP, leaving Mumbai behind as the financial centre. Delhi's airport is the busiest, its Metro the largest, its government-run schools better, and its fiscal deficit modest for a small but densely packed National Capital Territory.

The result of who gets to run Delhi will also, in its way, be a referendum on the deepening fissures caused by the BJP's nationalist politics versus the pursuit of Mr Modi's development goals and promise of India becoming a $5-trillion economy in five years. Does his slogan of "*Sabka Saath Sabka Vikas*" when he came to power today seem to be lost in the mists of time?

Other side of the Brexit

EYE CULTURE

ATANU BISWAS

As Britain stepped into a transition zone, which will continue until the end of this year, the commemorative 50p Brexit coin, released by Royal Mint to mark it's exit from the European Union on January 31, has sparked a controversy. The Brexit coin reads: "Peace, prosperity and friendship with all nations". Certainly, it was adapted from the US President Thomas Jefferson's 1801 inauguration principles "peace, commerce, and honest friendship with all nations", which has been used by others on several occasions since. However, author Philip Pullman believes it is grammatically incorrect. "The 'Brexit' 50p coin is missing an Oxford comma, and should be boycotted by all literate people," Pullman said.

The Oxford comma, also known as a serial comma or the Harvard comma, is used in a list of three or more items, placed between conjunctions like "and" or "or" and the final item in the list. The use of the Oxford comma can sometimes make the meaning of the sentence clearer. There are rare occasions in which it can change how a sentence is read. In fact, in 2017, this grammatical dispute became a legal battle when a group of delivery drivers in Maine used the lack of the Oxford comma to sue their employer for overtime pay. Although the use of the Oxford comma is widespread in North America, it is not as widely used in Australia and the UK. And, there are people like Frances Coppola, who writes on finance and economics, saying that the punctuation was not essential for the new 50p.

Apparently, the war that Pullman has declared on the new Brexit 50p has nothing to do with politics, though he voted for "Remain" in the Brexit referendum. Certainly, Britain, at present, is a divided nation. During the last three-four years, both the proportions of people favouring and opposing Brexit remained close to 50 per cent, with possibly a slightly higher percentage was favouring "Remain" when the UK formally untied the knot with the bloc. Thus, there will be a substantial number of people who are blatantly unwilling to use this new 50p coin due to their political belief. Several high-profile remainers have pledged not to use the coin. Political aide and author Alastair Campbell, who was the campaign director of Tony Blair, has tweeted: "I for one shall be asking shopkeepers for 'two 20p pieces and a 10' if they offer me a 50p coin pretending that Brexit is about 'peace, prosperity and friendship with all nations' given it puts all three at risk."

As Britain exits from the UK, the Brexiteers are holding vibeless parties with a great British buffet — nothing French or German, but everything British and Commonwealth. It's a pity that after an endless and continual struggle for such a high-impact divorce during the last few years in the history of the country, they're now fighting about the 50p. But, it's surely not just about the 50p coin — the public opinion is being reflected through this specially minted piece.

While the writing on the Brexit coin is the subject of controversy, the other side of the coin is quite shady and uncertain. Brexit will shrink the size of the EU economy by 15 per cent. The divorce will also rewrite the fate of the UK. However, the Brexiteers hope that this "independence" will herald democratic and economic reforms that will reshape the UK, propelling it ahead of its European rivals. The pro-EU supporters believe that the UK will suffer from economic atrophy and have little option but to move closer to the US, which, according to a cartoon of *The Times*, is leaping out the EU frying pan into the fire of Trump's orange hair. In 1972, when Britain didn't even join the European common market, British author Daphne du Maurier penned her novel *Rule Britannia*. In the novel, Britain joined the "common market" under the Conservative prime minister Edward Heath, resulting in severe economic instability and, eventually Britain broke out through a fictional referendum, and formed a new union with the US. So, a post-Brexit alliance with the US was predicted about five decades ago!

While the Eurosceptic newspapers are rejoicing the exit, *The Daily Mail* described it as "A New Dawn for Britain," and *The Sun*'s headline was "Our Time Has Come", pro-EU newspaper like *The Guardian* believes that it was the biggest gamble in a generation. The economy of the UK might face a disaster in the coming days, unless some magic happens. In fact, once the UK actually leaves, the 50p coin will be worth about 32p, and that's an irony. Also, during the Brexit referendum of June 2016, Scotland and Northern Ireland voted to stay with the EU. Now that the UK is divorcing with the EU, Scotland's First Minister Nicola Sturgeon might use this opportunity to hold a second independence referendum of Scotland. A recent poll suggested a slim majority of Scots might back a split because of Brexit. So, certainly it will be an uphill task for Boris Johnson. However, as Britain has passed through the "Brexit Day", and is going through the transition phase towards an utterly uncertain and unimaginable future, many Britons are simply relieved that four years of tiring political wrangling is over, at least.

The writer is professor of statistics at Indian Statistical Institute, Kolkata

I just called to say I love you

YES, BUT...

SANDEEP GOYAL

A few years ago Vodafone ran a Valentine's Day ad that became unbelievably popular all over the world. The brand just took the Stevie Wonder song, "I just called to say I love you" and put many more options to "called" in the menu ... Texted, Whatsapped, Facebooked, Tweeted, MMSed, Skyped, Instagrammed, Gmailed, Pinged, Flickered, CCed, Linkedlined, Facetimed, Plus-oned, StumbleUponed, Tumblred, RTed, Replied, Tagged, Favorited, Bid, Uploaded, MySpaced, Pinned, PayPalled, Voxed, Vibered, Vined, Liked ... if the ad had been released today, we could well have added Tiktoked, Telegramed, Signaled, WickrMed, Toxed, WeChated, Lined, Hiked, Snapchated, ... that's over three dozen ways of just "calling" to say "I Love You". And we are not even talking of smoke signals, carrier pigeons, a-message-in-a-bottle, the old fangled telegram, the pony express or balloon mail, or even good ole snail mail, that may have been used by our fathers and forefathers to convey love.

So has the advent of technology made it easier, or more difficult, for brands to communicate with you and your valentine? Brands today not only have to grapple with creating breakthrough content and communication that will arrest attention and engage consumers, but also need to figure out fairly accurately and precisely where the target consumers would best be interfaced, influenced and enticed.

Coca Cola's "Happiness is in the Air" commercial debuted during the February 14, 2013, episode of *American Idol*. That romantic commercial could make Cupid sing with joy! It had bouquets of red balloons drift down to a busy cityscape below in Wellington, New Zealand, on Valentine's Day, bringing with them cans of Coca-Cola for unsuspecting couples to share. The commercial was an instant hit. "Happiness in the Air" actually followed "Love Machine", a viral film Coca-Cola Turkey created for Valentine's Day 2012. A vending machine customised with a hidden camera dispensed free Coca-Cola to couples who could prove their love through a hug or kiss in a busy Istanbul shopping mall. Again, a super hit.

Another famous Valentine's ad is "Parisian Love" by Google Stories that used the Google Search bar to tell a helluva cute story. Someone somewhere starts to query *Study Abroad Paris France*, then goes on to check *Cafes near the Louvre*, then asks Google to *Translate tu es tres mignon*, further asks for advice on how to *Impress a French girl*. The query extends to *Chocolate shops Paris France*, then struggles with questions like *What are Truffles?* and *Who is Truffaut?* Information is then sought on *Long distance relationship advice* and *Jobs in Paris*. Then booking info on flight *AA120*. The query transitions to *Churches in Paris* and then happily to *How to assemble a crib* ... The ad became a mega hit.

India's Valentine experience has been kind of mixed. This year, Tinder, the dating app, has already taken to social media to invite users to play a "game". The brand put out a tweet, asking users to let their predictive text keyboard decide what their Valentine's Day plans will be. The genesis of this promotion perhaps goes back to Gizmodo's Brian Moylan who set out to see just how good his iPhone's new predictive text, called QuickText, really was at knowing what's in his heart. Moylan only used the sentence generating software, which gives you three-word options to start a sentence: The, I, and I'm. He set about using that feature to talk to his Tinder matches as best as he could. As it turned out, even though predictive text isn't usually coherent, to some it does seem poetic and poignant in an existential sort of way! Moylan really got some amazing results. Let us see how the Tinder India promotion turns out.

One of the nicest promotions on Valentine's in recent times has been the #UberChopper offer in Delhi, 3-4 years ago. For ₹5,000 paid through the PayTMWallet you would get an aerial ride on a EuroCopter, door-to-door UberBlack transport, and a poolside meal! The offer went massively viral on social media with much outpouring of genuine affection for the brand. One doesn't really know how many customers actually finally got to do the aerial trip over Delhi, but the offer itself did wonders for Uber.

Valentine's is getting bigger and bigger in India. But it is still nowhere close to the $20 billion industry it is in the United States. Indian brands are getting increasingly inventive, and innovative, both with offers and communication but most tend to get lost with lots of red colour ads, smiling hearts, selfies and small-time offers. If brands really want to maximize the Valentine's window, they need to think big ... some years ago, Pizza Hut actually had a $10,010 engagement package that included everything from fireworks, a limo, a red ruby ring, a photographer ... and a $10 pizza dinner box! Beat that.

The writer is an advertising and media veteran

LTRO may boost short-duration funds

Central bank's move likely to bring down borrowing costs

JASH KRIPLANI
Mumbai, 7 February

Debt fund managers are expecting short- and medium-duration funds to accrue gains from the Reserve Bank of India's (RBI's) long-term repo operations (LTRO), which are expected to bring down borrowing costs in the shorter-tenure market.

"The RBI has announced one- and three-year long-term refinance operations at the repo rate. Effectively, this will substantially cut the cost of funding for banks in that maturity bucket, which will also translate to yields in the markets," said R Sivakumar, head of fixed income at Axis Mutual Fund (MF). "The move is expected to benefit short-duration funds and to some extent medium-duration products," he added.

On Thursday, the RBI announced that starting from the fortnight of February 15, it will conduct term repos of one-year and three-year tenors of appropriate sizes up to a total amount of ₹1 trillion at the policy repo rate. This will allow banks to partially borrow from RBI closer to the policy rate of 5.15 per cent.

"This move is expected to put downward pressure on G-Sec yields in the same maturity buckets (one- and three-year). As yields across corporate bonds are pegged against G-Secs, this should also soften borrowing costs for corporates," said a fund manager.

Following Thursday's announcement yields on one- and three-year G-Secs fell by nine basis points (bps) each. At Friday's closing, the yields on one-year G-secs ended at 5.49 per cent, while yields on three-year G-Secs ended at 5.84 per cent. "Inducing liquidity tends to show a stronger impact on markets than rate cuts. We are already seeing yields softening in AAA-bucket. Going ahead, we could even see AA-bucket gaining from this," said Dwijendra Srivastava, chief investment officer — debt, Sundaram MF.

Experts say this move can have a positive rub-off on products such as credit risk funds, which are required to invest at least 65 per cent of funds to AA-rated or lower corporate papers. The three-year yields for AA-rated FIMMDA (Fixed Income Money Market and Derivatives Association) India Corporate Bond have dropped 18 bps on Thursday.

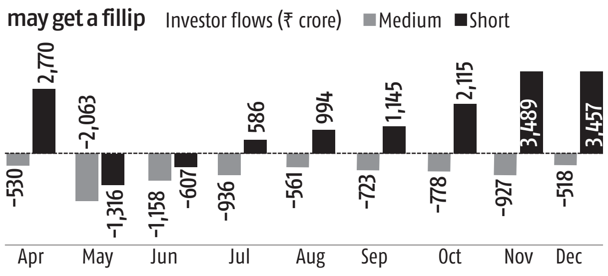
So far, risk aversion has led to sharp outflows from credit risk category. In the current fiscal (2019-20), investors have pulled out over ₹20,000 crore from these funds, shows data from Association of Mutual Funds in India.

Meanwhile, investors have pulled out ₹8,194 crore from medium-duration funds in current fiscal and short-duration funds have seen net inflows of ₹12,633 crore. Short-duration funds lend to companies for period of one- to three-years, while medium-duration funds lend for three to four years.

In one-year period, short-duration funds have given returns of 5.6 per cent, whereas medium-duration ones have given returns of 5.4 per cent, shows data from Value Research.

ON THE BRIGHTER SIDE

Sentiment towards short & medium- duration funds may get a fillip



Source: Association of Mutual Funds in India

"THE MOVE IS EXPECTED TO BENEFIT SHORT-DURATION FUNDS, AND TO SOME EXTENT, MEDIUM-DURATION PRODUCTS"

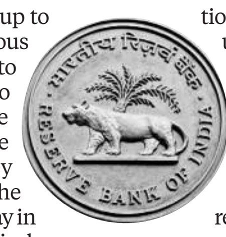
R SIVAKUMAR
Head (fixed income)
Axis Mutual Fund

First repo operation on Feb 17 for ₹25K cr

ANUP ROY
Mumbai, 7 February

The Reserve Bank of India (RBI) announced on Friday that it will conduct its first-ever long-term repo operations (LTROs) on February 17 of ₹25,000 crore for three years, followed by a one-year LTROs of an equivalent amount on February 24.

In the monetary policy on Thursday, the RBI said it will conduct LTRO of up to ₹1 trillion in various sizes. The idea is to give money to banks at repo rate for one and three years so that they don't return the money the next day in the overnight window and lend it instead.



This measure, along with giving relief on cash reserve ratio (CRR) maintenance, will help bring down lending rate in the banking system, the RBI hoped. Following the measures in the policy, three-year bond yields had dropped 19 basis points as banks get cheaper money through the LTRO window.

LTROs have been used by the European Central Bank (ECB) since March 2008 to fight the financial crisis there. In June 2009, ECB announced 12-month LTRO and in December 2011, it brought in three-year LTRO. The instruments were hugely popular with banks, and the ECB did close to €490 billion of such operations. However, the long-term efficacy of the instruments remained unclear.

The RBI, in its statement said, LTRO conducted under the scheme will be in addition to the existing liquidity adjustment facility (LAF) and marginal standing facility (MSF). The operations will be at a fixed rate.

"Banks would be required to place their requests for the amount sought under LTRO during the window timing at the prevailing policy repo rate. Bids below or above policy rate will be rejected," the RBI said in a statement. In case of over-subscription, the allotment will be done on pro-rata basis, the RBI said. The minimum bid amount would be ₹1 crore and multiples thereof. The eligible collateral for LTROs and the applicable haircuts will remain the same as applicable for LAF, the RBI said.

THE COMPASS

Weak volumes, ore demand take sheen off NMDC's Q3 show

Coronavirus outbreak may limit projected gains in current quarter

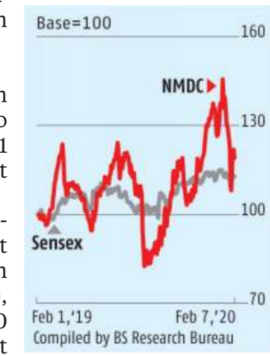
UJJVAL JAUHARI

NMDC's performance in the December 2019 quarter (Q3) reflects the impact of subdued realisations and weak demand for iron ore, a key ingredient in producing steel.

Production and dispatches of iron ore, which had remained muted in the September quarter (Q2) because of monsoon, rebounded in Q3, but were still down compared to the year-ago period because of continued disruption at NMDC's Donimalai mines. Withdrawal of monsoon enabled India's largest iron ore miner to deliver a 71 per cent sequential rise in production at 8.58 million tonnes (mt), but it was 10 per cent lower on a year-on-year (YoY) basis. Sales at 8.41 mt were also up 45 per cent sequentially, but 3 per cent lower YoY. Thanks to price cuts taken during Q3, NMDC's average per tonne domestic realisation at ₹3,557, too, fell by 14 per cent YoY. Not surprisingly, standalone revenues from operations (₹3,006.4 crore), operating profit (Ebitda at ₹1,527 crore) and profit before tax (₹1,647 crore) were down 18 per cent, 25 per cent and 26 per cent YoY, respectively in Q3, and were a tad lower than analysts' expectations. Lower tax outgo somewhat cushioned net profit (₹1,376.4 crore), which fell by 13 per cent YoY.

Weak operational numbers pulled down NMDC's stock by 2.4 per cent on Friday, more than a 0.4 per cent fall on the Sensex.

NMDC had hiked the per tonne price of iron ore fines and lumps by ₹550 and ₹600, respectively in January. Consequently, analysts expected its domestic realisation to jump 25 per cent sequentially in the ongoing quarter. With improving steel prices and production in India, iron ore demand and volumes were also to get a boost. Analysts also expect NMDC to benefit from restart of operations at Donimalai mines after the favourable amendment of 'Mineral Rules' with regard to renewal of leases.



Compiled by BS Research Bureau

Because of recent price hikes and shift to a lower tax rate, after Q3 results, analysts at Motilal Oswal Securities have raised their Ebitda estimate for FY20 by 9 per cent. NMDC's first interim dividend of ₹5.3 per share (yield of 4.5 per cent) is another positive, and its upcoming steel plant (3.1 million tonnes; commissioning in second half of FY21) should also add value.

However, even though it seems that the bad phase is ending for NMDC, fresh headwinds have cropped up.

Some of these aforementioned gains may get delayed because of uncertainty arising on account of coronavirus.

Already, the price of steel and iron ore in China, its largest consumer globally, is down over 5 per cent in the past few days. NMDC's share price, too, is down sharply from its 52-week high of ₹139.50 scaled on January 23.

Clearly, the Street is watching developments on these fronts.

Foreign investors face tax anomaly at GIFT City

ASHLEY COUTINHO
Mumbai, 7 February

An anomaly has been detected in tax concessions given to foreign investors that trade in rupee bonds on exchanges in the International Financial Services Centre (IFSC) at Gujarat International Fin-Tec City (GIFT City).

In a bid to boost listing bonds at the IFSC, the Union Budget provided a reduction in withholding tax for investment in rupee-denominated bonds to 4 per cent from 5 per cent earlier. However, the overall tax rate for these investors has been kept unchanged at 5 per cent. This means overseas investors will have to file returns and pay the additional 1 per cent tax to comply with Indian tax laws. This would entail increase in the compliance burden and added scrutiny because investors will have to furnish transaction details, the tax identification number, and other items.

Had the tax liability been equal to the withholding tax, the investors would have been exempt from filing returns — as is the case with foreign investors that pay a withholding tax of 5 per cent on interest they earn on rupee-denominated bonds issued by Indian firms and government securities within India.

"Foreign investors investing in debt instruments listed on the IFSC exchanges will suffer a lower withholding tax of 4 per cent. The section levying tax on this income, however, still has a rate of 5 per cent. This will lead to additional compliance requirements in terms of tax payments and filing of returns by investors," said Anish Thacker, partner, EY India, adding that the anomaly appeared to be unintentional but had to be corrected.

The concessional tax rates for trading in the IFSC will take effect from April 1 this year and are valid till June 30, 2023. A withholding tax is akin to tax deducted as source wherein the payer is liable to deduct the tax before paying.

"There is a complete mismatch between what the government intends to do and what it is doing. The IFSC is an offshore jurisdiction that has been promoted as a light-touch regulatory and tax compliance zone. The requirement to file returns will defeat the purpose of coming through the IFSC," said a person, on anonymity.

Rajesh Gandhi, partner at Deloitte India, believes the concessional rate might encourage companies to list their bonds on the GIFT exchange, especially as the borrower entity could continue to be incorporated outside GIFT city. He feels the government could have considered a full tax exemption, at least in the initial years, instead of a partial tax concession to boost listings at GIFT. "The higher tax rate is an anomaly and hopefully will get rectified soon," he said. Besides the concessional rate for debt investors, this year's Budget also proposed an international bullion exchange at the financial hub. This will provide an additional trade option for global market participants, and may be used to import gold, besides developing vault companies and warehousing.

The Centre has been doling out several concessions for IFSC investors over the past few years. This includes exemption from paying securities transaction tax, commodities transaction tax, and stamp duty as well as exempting transactions in derivatives, bonds, global depository receipts and rupee bonds on an IFSC exchange from capital gains tax.

UNDER THE NET

- Withholding tax for investment in rupee-denominated bonds reduced to 4%
- However, overall tax rates for foreign investors kept unchanged at 5%
- The concessional tax regime for such bonds in India does not have separate tax rates
- Investors will be required to file returns, pay additional 1% tax
- Have to furnish transaction details, tax identification number, and similar details
- Industry had lobbied for a full tax exemption on interest from such bonds

Indices halt winning run after 4-day rally

PRESS TRUST OF INDIA
Mumbai, 7 February

Equity benchmarks closed in the red for the first time this week on Friday as investors cashed in on recent gains amid subdued global market sentiment due to the coronavirus outbreak.

After a lacklustre session, the Sensex closed 164.18 points, or 0.40 per cent, lower at 41,141.

The broader Nifty settled at 12,098, down by 39.6 points or 0.33 per cent.

On a weekly basis, the Sensex surged 1,406 points, or 3.53 per cent, while the Nifty rose 436.50 points or 3.74 per cent. Profit-booking after the four-day rally and weak global cues weighed on the indices on the last day of the week, traders said.

Foreign capital outflows and a depreciating rupee also affected sentiment, they added. IndusInd Bank was the top loser in the Sensex pack, skidding 2.69 per cent, followed by M&M, Reliance Industries, Tata Steel and Bharti Airtel.

On the other hand, NTPC, ONGC, HCL Tech Hero MotoCorp and Axis Bank rose up to 3.3 per cent.

Of the 30 Sensex constituents, 14 closed in the red while 16 gained. "In spite of the positive monetary policy which will spur growth in the economy, the market has turned flattish due to the novel coronavirus issue hurting the growth of the world's second largest economy."

"Positive Q3 result, liquidity boost and fiscal support will bring stability in the domestic market during the medium term," said Vinod Nair, head of research at Geojit Financial Services.

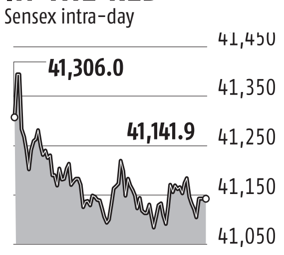
Sectorally, realty, auto and telecom indices were among the major laggards, while healthcare and consumer durables rose the most among the gainers. In the broader market, the BSE SmallCap and MidCap indices clocked gains of 0.72 per cent and 0.42 per cent, respectively.

The death toll in China's novel coronavirus epidemic has climbed to 636 with 73 mortalities on Thursday, Chinese health officials said on Friday.

Asian shares ended lower as investors assessed the impact of the coronavirus epidemic. Bourses in Europe too were trading weak in early deals. On the currency front, the Indian rupee slumped 25 paise to 71.43 against the US dollar (intra-day trade).

IN THE RED

Sensex intra-day



FROM PAGE 1

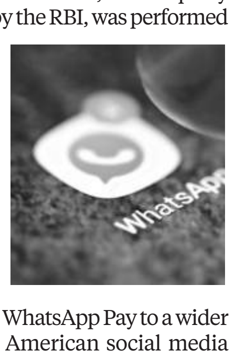
WhatsApp Pay...

So far, Google Pay (launched in 2017 as Tez) has been the most used and growing UPI app in India, followed by Walmart-owned PhonePe, Paytm and NPCI-created BHIM. All or most of these apps have acquired users from the ground up, giving banks time and opportunity to scale up as the transaction volume rises. As for Paytm, the subscriber numbers were not as high as WhatsApp when it launched UPI. Paytm had about 280 wallet users at the time and not all of them switched to UPI.

In the case of WhatsApp, the user base is already large and a phased rollout will hep ensure banks can scale up their systems as users start transacting. Payments through WhatsApp were introduced to a million users as a part of trial run in February 2018.

WhatsApp Pay's beta run

WhatsApp started its trial run by partnering with ICICI Bank, while awaiting the regulatory nod to go live. After a long wait, things started firming up late last year. In October 2019, a third-party security audit, okayed by the RBI, was performed by one of the Big Four consultancies to check for security compliance of WhatsApp Pay, it's learnt. In the meantime, WhatsApp worked with the government and its own teams to resolve issues around data processing compliance.



The move to roll out WhatsApp Pay to a wider user base will put the American social media giant in direct competition with players like Alphabet's Google Pay, Walmart-owned PhonePe, Amazon Pay and Alibaba-backed Paytm. These companies are already locked in a fierce battle to dominate the digital payments space in India.

As of last May, according to news reports, Google Pay saw over 240 million UPI transactions in the month, PhonePe recorded around 230 million while Paytm numbers were pegged at 200 million. Last week, speaking during an earnings call, Zuckerberg said WhatsApp Pay was expected to be launched in a number of countries over the next six months. "We got approval to test this (payment services) with one million people in India back in 2018. And when so many of the people kept using it week after week, we knew it was going to be big when we get to launch," Zuckerberg had said, in a sure shot indication that the big rollout was close by.

Govt to reintroduce...

However, she did not clarify if the increased deposit insurance cover would apply to PMC Bank depositors as the proposal hadn't been passed by Parliament.

Sitharaman was in Mumbai with finance ministry secretaries as part of the government's outreach efforts on the Budget. The team will visit other cities, including Chennai on Saturday and Kolkata on Sunday to answer queries on the Budget. In Mumbai, Sitharaman and her team met social workers, scholars, academicians, economists, fund managers and journalists.

Sitharaman said she will assess how her new personal tax scheme will be accepted by the people, and she will take a call on whether exemptions should be discontinued altogether based on that. In the Budget, the finance minister created a personal income tax structure with two options, one without exemptions but at a lower tax rate, and another with exemptions and the existing tax rates.

"Eventually, we want to have an income tax framework for India, which will be simple. The rates will come down to the minimum, which will help people to comply. I am not forcing anybody, I am giving an alternative. We will see this year, how many will be comfortable to move here, through the year understand it, and based on that we can move further," Sitharaman said.

Defending the tax structure, Sitharaman said in another session earlier in the day that last year when the government offered a similar tax structure to Indian companies, 90 per cent accepted lower tax rate bereft of any exemption. The minister expressed concerns that while the government wanted to lower income tax rate, the exemptions wouldn't allow that. The government now hopes that 80 per cent of individual taxpayers would move to the new regime. The government ran a simulation of 578,000 returns that showed that 69 per cent of taxpayers would be better off under the new regime, while 11 per cent wouldn't be impacted. The government expects the latter group to accept the new regime as it would help them.

According to the finance minister, the government doesn't want to dictate to people about where they should save. The choice should be of taxpayers themselves, Sitharaman said.

Similarly, when in the interactive session some promoters of financial firms raised the issue of high dividend distribution tax, the finance minister defended her stance in letting the dividend tax be assessed in the hands of the receivers and not the company, as that would help the middle class pay lower taxes. However, the high income group need to pay about 43.5 per cent tax on an instrument that has been distributed to them after the company paid its taxes to the government already, the promoters argued.

On LTCG

Under criticism for not abolishing the long term capital gains tax (LTCG), Finance Minister Nirmala Sitharaman on Friday said her ministry will wait for one "normal year" before taking a call on the cess.

SBI cuts deposit rates...

Referring to resource position, SBI said in view of surplus liquidity in the system, the bank will realign its interest rate on retail term deposits (below ₹2 crore) and bulk term deposits (₹2 crore and above) from February 10. According to RBI, overall liquidity in the system remained in surplus in December 2019 and January 2020. Deposits were up 9.9 per cent to ₹31.1 trillion as of December-end. The share of low-cost deposits — current and savings accounts — in total deposits declined 51 basis points to 44.72 per cent in December from 45.23 per cent a year ago.

Average daily net absorption under the liquidity adjustment facility (LAF) amounted to ₹2.61 trillion in December 2019.

In January, average daily net absorption of surplus liquidity soared to ₹3.18 trillion. RBI conducted four auctions involving simultaneous purchase of long-term and sale of short-term government securities under open market operations for a notified amount of ₹10,000 crore each during December 2019 and January 2020.

FPIs sweat over new...

"At present, FPIs do not have that option. Companies should also be directed to respect such certificates and deduct tax only at the rate specified in the certificate," he added.

Rajesh H Gandhi, partner at Deloitte Haskins & Sells, said the provision for tax deduction at source existed earlier too, but wasn't applicable to dividends, given that they were exempt from tax in the hands of shareholders.

"The introduction of tax on dividends has widened the scope of the provision, since it applies to all income with respect to securities," he said. The earlier regime had a dividend distribution tax. The Budget has sought to replace it with taxation based in the hands of investors, depending on their tax slab. This change has led to concerns over FPIs' dividend income.

The law should ideally be amended so that FPIs claiming treaty benefits may avoid the higher withholding tax, said Gandhi.

"The said section, inter alia, provides that where any income in respect of securities...is payable to a Foreign Institutional Investor, the person responsible for making the payment shall, at the time of credit of such income to the account of the payee, or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode — whichever is earlier — deduct income tax thereon at the rate of 20 per cent," according to the Finance Bill 2020.

A change in the law before it is passed is a cleaner way of addressing the situation, according to Pranav Sayta, National Leader, International Tax and Transaction Services, EY India. "A circular would be enough, but it would be better if it is changed in the law itself," he said.

Ambani tells court...

The tycoon said while he agreed to give a non-binding "personal comfort letter", he never gave a guarantee tied to his personal assets — an "extraordinary potential personal liability". He has seen his personal fortune dwindle in recent years, losing his billionaire status. His Reliance Communications filed for bankruptcy last year.

The banks asked the judge to force Ambani to put up the full amount of the debt "or such other sum as the court consider appropriate" while litigation continues, according to their court filings. Representatives of Ambani's Reliance Group said on Friday they couldn't immediately comment. They said the group would issue a statement after the final order. According to the banks, Ambani argued that he was unable to make any payments and that an order requiring him to do so would hinder his ability to defend himself in the case.

'Opportunistic attempt'

Bankim Thanki, an attorney representing Industrial & Commercial Bank of China, China Development Bank, and the Export-Import Bank of China, said in a filing that Ambani's statements were "a yet further opportunistic attempt to evade his financial obligations". Ambani was caught up in another legal wrangle last year, when the SC threatened him with prison after RCom failed to pay to pay ₹550 crore to Ericsson's Indian unit. The judges gave him a month to find the funds, and his brother stepped in to make the payment. Anil said in a filing that he recognised that the judge would want to know if he could satisfy any order to put up funds from outside resources including family. "I can confirm that I have made enquiries but I am unable to raise any finance from external sources," he said.

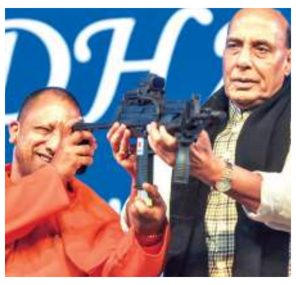
Poor planning in buying radio sets could hurt Forces

AJAI SHUKLA
Lucknow, 7 February

Owing to the absence of tri-service coordination in buying radio equipment, the Army, the Navy and the Indian Air Force (IAF) could find themselves cut off from each other in future operations, simply because they are unable to communicate and share data.

In planning and procuring their next generation of tactical radio sets, all three services are moving in completely different directions, which could result in their being isolated in battle and unable to coordinate operations.

The IAF is equipping its aircraft and ground stations with cutting edge "software defined radio" (SDR), which will be integrated onto its platforms by Israeli firm Rafael (not to be confused with the French Rafale fighter). The radio sets themselves will be manufactured in India in a joint venture (JV) between Rafael and Indian firm Astra Microwave, called



UP CM Yogi Adityanath checks a gun held by Defence Minister Rajnath Singh (*right*) at the 11th edition of DefExpo, in Lucknow, on Friday PHOTO: PTI

Astra Rafael Comsys (ARC).

In contrast, the Navy has chosen to source its future radio equipment from Bharat Electronics (BEL), which has developed its own SDR sets. Warships have the luxury of ample space to install their SDR sets, unlike fighter aircraft in which space is critical. Therefore, the Navy is not concerned about the size and weight of BEL's SDR equipment, which is too bulky for aircraft.

Meanwhile, the Army is following a third line by inviting India's defence industry to compete in developing SDR equipment under the Make-2 procurement category. Under Make-2, companies develop equipment at their own cost and offer it to the MoD, which chooses what they like. Unless there is intervention by the newly appointed Chief of Defence Staff (CDS), whose mandate includes coordinating equipment procurement between the three services, the military's inter-operability could be seriously undermined.

To this day, the Army's armoured regiments encounter serious interoperability problems, simply because some units were equipped with Israeli TADIRAN radio sets, while others operated STARS V2 radio sets built and supplied by BEL.

With these two sets operating on different encryption algorithms, and therefore unable to communicate with each other in secrecy mode, armoured forces are forced to communicate in clear, allowing the enemy to easily intercept and monitor our radio communications.

Come back: Modi tells insurgents

Pitching for peace from the former hotbed of an armed movement for Bodoland, Prime Minister Narendra Modi on Friday urged banned outfits in the Northeast, Naxalites and Kashmiri militants to lay down their arms, join the national mainstream and "celebrate life".

PTI