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MUMBAI (CITY)
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WORLD P8
BEZOS UNLOADS $4 BN OF AMAZON STOCK IN A WEEK

WORLD P9
THE BILLIONAIRE'S BIG JOB OF RESTORING ASTON MARTIN

PUBLISHED SIMULTANEOUSLY FROM BENGALURU, KOLKATA, MUMBAI AND NEW DELHI

M&M Q3 PBT SLUMPS 55% TO ₹867 CRORE

Mahindra & Mahindra's (M&M's) consolidated earnings before interest, depreciation and tax fell 4.8 per cent year-on-year (YoY) to ₹4,020 crore, in line with the 4.5 per cent YoY fall in net sales to ₹25,020 crore. Profit before tax (PBT) fell a sharp 54.7 per cent to ₹867.7 crore due to a surge in interest outgo and depreciation, compared to the year-ago period. 3▸

COMPANIES P2
CRISIL lowers Indiabulls Housing long-term rating

Rating agency CRISIL has downgraded Indiabulls Housing Finance's long-term rating from "AA+" to "AA", citing continued challenges on funding access diversity faced by the firm. CRISIL also revised the outlook on the long-term ratings to 'stable' from 'negative'.

ECONOMY P4
India, Sri Lanka discuss ways to boost trade

Prime Minister Narendra Modi (*right*) with Sri Lankan Prime Minister Mahinda Rajapaksa in New Delhi PHOTO:PTI

India and Sri Lanka agreed on Saturday to strengthen cooperation in trade and investment. New lines of credits announced in November will deepen development and cooperation, Prime Minister Narendra Modi said, adding that Sri Lanka's stability, security and prosperity was a matter of interest for the entire Indian Ocean region.

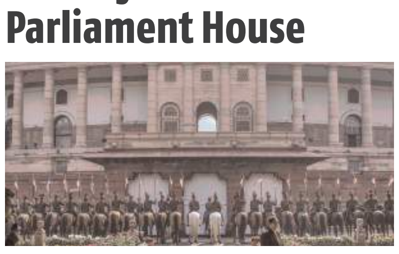
ECONOMY & PUBLIC AFFAIRS P3
Early-stage funding rounds double in value

Start-ups have seen the size of early-stage funding rounds almost double in the past two years because of increased foreign capital in the system, growing traction of established entrepreneurs, and evolved technology being used across sectors.

BACK PAGE P12
Cairn, Voda eligible for tax amnesty: Official

Vodafone Group and Cairn Energy are eligible to settle a tax dispute with India's government under a new amnesty program, Pramod Chandra Mody, chairman of the Central Board of Direct Taxes said. The firms will need to pay their taxes by March to benefit from the interest and penalty waivers under the program, he added .

IN DEPTH
The day terror struck Parliament House



In a memoir, **AJAI RAJ SHARMA**, who was the Delhi Police Commissioner during the attack, recalls how the events unfolded that fateful day 7▸

CAPITAL DECIDES

Exit polls predict AAP landslide in Delhi elections

Cong may draw a blank; BJP could improve tally

ARCHIS MOHAN
New Delhi, 8 February

All the exit polls released after the end of polling for the 70-member Delhi Assembly elections on Saturday evening predicted a comprehensive win for the incumbent Aam Aadmi Party (AAP). The counting of votes will take place on Tuesday.

The Election Commission (EC) said voter turnout until 9 pm was recorded at 59.91 per cent, a decline of about 7 per cent over the 2015 Assembly polls' 67.5 per cent.

The India Today-Axis exit poll, which has had relatively better accuracy compared with most other such polls in the recent past, predicted a sweep for AAP and a rout for the Bharatiya Janata Party (BJP). It forecast 59 to 68 seats for AAP and 2 to 11 seats for the BJP. According to the poll, AAP may bag a vote share of 56 per cent, the BJP 35 per cent, the Congress 5 per cent, and others 4 per cent. Other exit polls predicted somewhat better numbers for the BJP, but none put it anywhere near the halfway mark of 35 seats.

In the 2015 elections, AAP had won 67 of the 70 seats with a vote share of 54.3 per cent, while the BJP won three seats with a 32 per cent vote share. The Congress could not win any seats though it had a vote share of 9.6 per cent.

Delhi BJP President Manoj Tiwari tweeted that all exit polls would be proven wrong on the counting day. "Please save this tweet. The BJP will form the government in Delhi with 48 seats. Please don't blame EVMs (electronic voting machines) then," Tiwari said. There could be implications on his continuance as the Delhi unit BJP chief if the party performs poorly.

Delhi Deputy Chief Minister Manish Sisodia thanked all party workers and supporters. "We are on course to secure a massive win," he tweeted. At its press conference, the EC said the Delhi polls had recorded one of the lowest EVM replacement figures. It said a meagre 0.3 per cent EVM machines were replaced and 0.9 per cent VVPAT (voter-verified paper audit trail) were replaced. Turn to Page 4▸

PHOTO: DALIP KUMAR

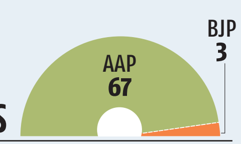
WHICH WAY DELHI VOTERS MIGHT GO

TOTAL SEATS 70

	AAP	BJP	Cong
India Today-Axis	59-68	2-11	0
TV9 Bharatvarsha-Cicero	54	15	1
Sudarshan News	41-45	24-28	1-2
ABP-CVoter	49-63	5-19	0-4
Times Now-Ipsos	44	26	0
NewsX-Neta App	53-57	11-17	0-2
Republic TV-Jan ki Baat	48-61	9-21	0-1

VOTER TURNOUT 59.9%

2015 RESULTS



VOTER TURNOUT in %

1993	61.8
1998	49.0
2003	53.4
2008	57.6
2013	66.0
2015	67.5
2020	59.9

Govt working towards 8% growth rate: Sitharaman

FM says country's macroeconomic parameters are sound

T E NARASIMHAN
Chennai, 8 February

Finance Minister Nirmala Sitharaman said on Saturday that key macroeconomic parameters of the country were "sound" and the government was working towards the goal of reaching an 8 per cent growth rate.

"The economy is strong, foreign exchange reserves are at its highest, and investments from abroad continue steadily," Sitharaman said while interacting with economists, traders, and industry associations at an event in Chennai.

"We are sound in macroeconomics. Even though there are discussions on whether the economic growth has come down to 5 (per cent) or 6 (per cent) from 8 per cent, our base is as strong as it was when there was 8 per cent growth. If not, will foreign exchange reserves be at the current level? They are higher than ever. Similarly, foreign direct investment is the highest ever. If it (the government's work) is being criticised with a good intent to improve performance, it is good. We will return to 8 per cent growth," she said.

She said people who blamed Prime Minister Narendra Modi for growth falling from 8 per cent to 5 per cent should consider that industries were coming to India like never before. "When international markets are fluctuating, and coronavirus and the US-China trade war are impacting the markets, if one Budget has been able to maintain all the three markets at good levels, it is the Narendra Modi government's Budget," she said. Turn to Page 4▸

Finance Minister Nirmala Sitharaman with secretaries of her ministry at an interactive session on the Union Budget in Chennai on Saturday PHOTO: PTI

"THOUGH THERE ARE DISCUSSIONS ON WHETHER ECONOMIC GROWTH HAS COME DOWN TO 5 (PER CENT) OR 6 (PER CENT) FROM 8 PER CENT, OUR BASE IS AS STRONG AS IT WAS WHEN THERE WAS 8 PER CENT GROWTH" **NIRMALA SITHARAMAN,** Finance minister

Govt considers urea price rationalisation

The proposed move seeks to promote balance between chemical and organic fertilisers

RAJESH BHAYANI
Mumbai, 8 February

Fertiliser reforms are likely to be announced soon, according to a person in the know, and will focus on shifting the subsidy regime from direct credit to manufacturing companies to farmers, and ensuring balanced use of chemical and organic fertilisers.

For direct transfer to farmers (by crediting subsidy to their accounts instead of paying companies, as is the current practice), rationalising or decontrolling the price of urea and disincentivising the use of chemical fertilisers are under consideration.

Though discussions on these measures have been going on for the past two months, "alternative mechanisms are not easy to implement and, hence, the decision is getting delayed," explained the source.

The recent Union Budget hinted at some measures, such as a reduction in allocation for fertiliser subsidies. The outlay to the Department of Fertilisers for fiscal year 2020-21 (FY21) was ₹71,345 crore, compared to the revised estimate of around ₹80,000 crore in FY20, a cut of about 11 per cent. Turn to Page 4▸

SUBSIDY ALLOCATION

₹ crore

Category	FY20 (RE)	FY21 (BE)	YoY chg (%)
UREA			
Imported	14,049	12,050	-14.2
Indigenous	43,050	38,375	-10.9
Direct benefit transfer	10	10	0.0
P&K FERTILISERS			
Imported	10,429	9,296	-10.9
Indigenous	15,906	14,179	-10.9
City compost	32	29	-9.4

RE: Revised estimate; BE: Budget estimate; P&K: Phosphatic and Potassic
Source: Budget document Compiled by *BS* Research Bureau

Cipla acquires four women's health brands from Wanbury

SOHINI DAS
Mumbai, 8 February

Drug major Cipla has acquired the nutrition products portfolio from Mumbai-based Wanbury for an undisclosed sum.

The acquisition, aimed at strengthening Cipla's women's health segment, comprises four brands — CPink, CDense, Productiv, and Folinine. CPink is used to treat anaemia, CDense is used for calcium deficiency, Productiv is used to treat infertility, and Folinine is a folic acid tablet. According to IQVIA (December Moving Annual Turnover), the four molecules have a market size of ₹3,100 crore in India. At present, these brands clock a sales value of ₹59.6 crore for Wanbury.

Cipla said the nutraceutical products, to be sold under the four umbrella brands, would address various health needs for conditions arising due to nutritional deficiencies or insufficiencies. These include supplements such as multivitamins, multi-mineral and antioxidants for adolescent girls, pregnant and lactating women, women going through menopause, and for male and female reproductive health.

Nikhil Chopra, head of India business at Cipla, said, "We are focused on strengthening our play in the women's health segment by amplifying our four-decade long presence in this category." Turn to Page 4▸

DOMESTIC STEEL PRICES ON THE RISE

The domestic steel industry has been raising product prices since November despite the absence of green shoots. It has raised product prices by about ₹2,000 per tonne for February. Currently, hot-rolled prices are ruling at ₹40,000 per tonne in the domestic market, up from the 15-month low of ₹33,500 per tonne rate noted in mid-2019. However, the current price point is far lower than ₹47,000 per tonne rate for hot-rolled noted in October 2018. Higher raw material costs, increased global steel prices and expectations of a demand pick up have caused the domestic steel producers to raise prices every month since November so far. **ADITI DIVEKAR** reports 2▸

In Hong Kong, coronavirus strikes the wounded city

The territory was already reeling from political discord and recession. Now the outbreak is worsening mistrust between citizens and their leaders

ALEXANDRA STEVENSON, AUSTIN RAMZY & TIFFANY MAY
Hong Kong, 8 February

Hong Kong has suffered through months of political protests. Its economy is shrinking. Mistrust divides its people from its leaders. Locals and expatriates alike already talk openly about leaving.

Now the coronavirus is dealing the Asian financial capital another devastating blow. Airlines are cutting service, isolating an international city from the rest of the world. Schools are closed. Panicked residents are hoarding rice, face masks and — in the latest run — toilet paper.

In the air runs a new emotion for a city where the glimmering skyline once seemed to promise riches and opportunity: fear.

"We don't know when it will end or how much worse it will get," said Amber Suen, a flight attendant with Cathay Pacific, the beleaguered Hong Kong airline that on Wednesday asked its 27,000 employees to take three-week unpaid furloughs to save money.

Suen endured Hong Kong's earlier problems, like the outbreak 17 years ago of SARS, which killed almost 300 people and briefly knocked the territory's economy off track. This time feels different, she said, as Hong Kong endures political, economic and social crises all at once.

"During SARS," she said, "people were still working together."

The new coronavirus, which has killed hundreds and sickened thousands in mainland China, is much less prevalent in Hong Kong. One person has died and at least 26 have been infected, mostly while travelling in the mainland. Its hospitals are respected around the world, and its grocery stores remain largely well stocked.

Passengers arriving at the Hong Kong International Airport get checked for coronavirus flu. The virus outbreak is fanning fears of global isolation PHOTO: REUTERS

The world is not drawing a distinction, however, in part because the city has tightened but not fully closed the border with the mainland. As a result, people in this global city are feeling increasingly cut off.

The multinational companies that helped make this city global are restricting travel there. Some are advising or requiring returning employees to quarantine themselves. And getting to Hong Kong is becoming increasingly difficult: Virgin Australia on Thursday joined United Airlines and American Airlines in cutting service.

Italy has suspended flights from Hong Kong, while the Philippines and Taiwan are requiring arrivals to go into quarantine. Even the city's Philippine domestic workers, a mostly female group of 200,000 who toil inside Hong Kong's tiny apartments to support their families back home, were told this week that they would need to undergo a 14-day quarantine if they returned to the Philippines.

PAGE 8
AMERICAN DIES OF CORONAVIRUS IN CHINA AS GLOBAL TOLL SET TO SURPASS SARS

This week the organisers of Art Basel Hong Kong, a major event in the arts world, said they would cancel the event.

While the global reaction may be extreme, the threat can feel real in such a densely populated city, where apartments and offices are stacked on top of each other, sometimes 40 stories or more.

On Wednesday, managers of a Hong Kong skyscraper called Kowloon Commerce Center said someone who worked there had been diagnosed with the coronavirus. The building's other tenants include Bank of America, the Swiss bank UBS, the phone giant China Mobile and international shipping firms. The sudden isolation only adds to the economic pain.

Turn to Page 4▸

IN BRIEF

Maruti Suzuki showcased the 4th generation Japan model of off-road vehicle Jimny at the Auto Expo in Greater Noida. The vehicle, powered by a 1.5-litre petrol engine, has power of 75 kW/6,000 rpm and torque of 130 Nm/4,000 rpm PHOTO: TWITTER

Vivo to set up 250 stores this year to expand retail biz

Smartphone maker Vivo on Saturday said it is planning to add over 250 exclusive stores this year to its retail network in the country. The company has launched a new experiential flagship store in Thane, Maharashtra and plans to have 20 more such stores across metros and state capitals to offer a distinct customer experience in an offline retail space, Vivo said in a statement. PTI

DLF sales bookings up 21% to ₹2,156 cr from Apr-Dec 2019

Realty major DLF's net sales bookings rose 21 per cent to ₹2,156 crore during April–December, 2019–20 on better demand for its completed inventory. Its sales bookings stood at ₹1,788 crore in the year–ago period. According to its investor presentation, DLF's sales bookings stood at ₹731 crore in the third quarter of this fiscal as against ₹563 crore in the corresponding period of the previous year. PTI

Central Park to invest ₹1,000 cr in Gurugram

Real estate company Central Park on Saturday said that it plans to invest around ₹1,000 crore to develop a luxury housing project in Gurugram. The company will develop over 500 housing units in the 13–acre housing project 'Bellavista', which is part of nearly 50–acre township 'Central Park Resorts' in Gurugram. Central Park has already launched the first tower comprising 360 studios and one bedroom apartments starting at ₹1.76 crore. PTI

200% import duty hike to impact toy business: Industry

More than a 100,000 retailers across the country will be hit by 200 per cent import duty hike, said toy importers, who went on strike on Saturday. The Centre, in the Budget, has proposed raising the import duty on toys from 20 per cent to 60 per cent from the next fiscal, saying that the step would support the MSMEs and promote local manufacturing. The toy wholesalers went on strike contending that the import duty hike will result in the closure of businesses. PTI

Domestic steel prices head north

Sustainability of price hikes to be tested over next three months

ADITI DIVEKAR
Mumbai, 8 February

Domestic steel industry has been continuously raising product prices since November despite the absence of green shoots.

"There are no strong demand indicators or green shoots at all which can keep these price hikes sustainable. Demand from infrastructure is still to pick up and auto continues to be weak," Sushim Banerjee, director general at Institute of Steel Development & Growth (INSDAG) told *Business Standard*.

Domestic steel producers have raised product prices by about ₹2,000 per tonne for February.

"The February price hike is also in anticipation of a demand pick-up that stockiest have stocked their yards. There is no on-ground demand so far," Banerjee added.

Higher raw material costs, increased global steel prices and expectations of a demand pick-up have been the only reasons for domestic steel producers to raise prices every month since November so far.

Currently, hot-rolled prices are ruling at ₹40,000 per tonne in the domestic market, which is up from the 15-month low of ₹33,500 per tonne rate noted mid-2019. However, the current price point is far lower than ₹47,000 per tonne rate for hot-rolled noted in October 2018.

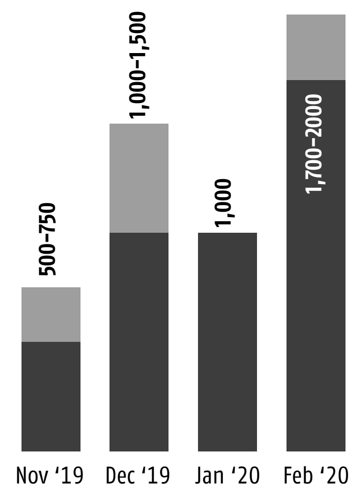
Tata Steel, Sajjan Jindal-led JSW Steel, Naveen Jindal-led Jindal Steel & Power and state-owned Steel Authority of India (SAIL) are among the top steel producers in the country.

"Raising prices is fine. The question is sustainability of the price hike. Where is the demand?" said a Mumbai-based trader on condition of anonymity.

Meanwhile, some industry officials were of the view that customs duty levied on consumer durables in the Union Budget for FY21, could bring in mild demand in the market for steel.

"The slight demand from consumer durables is not enough to revive demand in the domestic steel industry," said Banerjee of INSDAC.

RATE HIKE
(₹ per tonne)



Of the total domestic steel demand, majority comes from the infrastructure sector followed by the auto industry. A marginal of about 10-12 per cent of the total steel consumption goes towards consumer durables.

"In our view, the contemplated price hike (in February) may not be fully absorbed as Japan FOB (free on board) price may follow the dip in CFR Vietnam price. Also as China's price may slip when companies resume work on February 9. This may result in imported prices slipping to discount compared to domestic ones," said a note from Edelweiss Securities.

As per Joint Plant Committee data, during Apr-Nov India's domestic steel consumption stood at 66.5 million tonne, up 3.65 per cent from same period last year, while production was at 67.66 million tonne, up 2 per cent from last year.

Industry officials are of the view, that the next 2-3 months would be very crucial for the domestic steel industry to test if the risen prices are sustainable, as the strong consumption period will continue until May.

"Dealers are priced the highest among other segments to which steel companies are giving the products. Demand is extremely weak and producers are simply being opportunistic," said Mumbai-based dealer who is also a member of Bombay Iron Merchant's Association.

The July-September period is usually considered as a slack demand season for steel as industrial activity comes to a standstill across country due to monsoons.

Meanwhile, traders are expecting some upside in demand from the real estate sector after the Reserve Bank of India (RBI) today announced some relief measures to boost consumer loans for housing.

"So far the only positivity that can be seen in the industry is that the uncertainty in terms of consumption pattern has gone completely. During the fiscal, companies have had to cut capex due to demand slowdown. The industry has come out of that situation. That is the only real positive so far," informed Banerjee.

JSW Steel decided to "recalibrate" its capital expenditure for this year and brought it down by ₹4,700 crore. Tata Steel also revised the FY20 capex to ₹8,000 crore from ₹12,000 crore earlier.

Home market in focus amid surge in demand

ISHITA AYAN DUTT
Kolkata, 8 February

A pick-up in demand for steel and successive price hikes is prompting companies to bring back focus on the domestic market.

Steel companies have increased prices of flat steel by ₹1,700-₹2,000 a tonne in February, the fourth increase in a row. Prior to the latest hike, the price differential between domestic steel and imports was about $30 a tonne.

The factors that led to the price hike are an increase in international rates by $50-$100 a tonne in the past few months and an upward push in raw material prices. JSW Steel, director (commercial & marketing), Jayant Acharya, said, "There is an improvement in demand. Prices have bottomed out."

After a slump in September-October, prices started moving up since November. International prices of hot rolled coil (HRC) in April last year were at $530 a tonne. In September-October, it dropped to $430 a tonne and now it is around $505 a tonne.

It, too, holds for domestic prices, which have been moving up since November. In the past three months, the increase passed on to customers is about ₹3,000 a tonne. However, companies and analysts are watching developments around Coronavirus that has weakened demand for the metal from China and impacted prices. Industry sources said, for now, the prices increased in February have been absorbed by the market. Long product prices, too, have been increased by ₹1,500-2,000 a tonne.

Restocking is one of the major factors fuelling the increase. "Infrastructure and construction sector has seen some of the demand coming back and also in the auto sector," said an executive of another major steel producer.

As a result, there has been some correction in inventories across supply chains. JSW's inventory over the last quarter, for instance, has reduced by 245,000 tonne. Over the next few months, Acharya expects demand to pick up further. Companies expect the infra push by the government to spur steel demand. The government's commitment to investment in infrastructure was reiterated by the finance minister in her budget speech.

"There is an improvement in demand. Prices have bottomed out"
JAYANT ACHARYA
JSW Steel, director (commercial & marketing)

The improvement in demand is prompting steel companies to focus on the domestic market. Acharya said JSW's exports moderated from 31 per cent of total sales in the second quarter to 24 per cent in the third quarter. "Some moderation was expected in the fourth quarter as well," he said, while reminding that the fourth quarter was seasonally a strong quarter.

"The focus is clearly on the domestic market. Whenever there is an increase in prices, the focus is on the domestic market. Even if there is some differential in import and domestic prices, transportation time makes up for it. Exports to Europe take two-three weeks," said another producer.

With the increase in prices, there is a clear-cut case for companies to increase focus on the domestic market, said Jayanta Roy, senior vice-president, ICRA.

To bring down the inventory levels, steel companies had resorted to increase exports in the second quarter. However, month-on-month exports have been coming down.

ITC, Emami shift focus to rural markets

AVISHEK RAKSHIT
Kolkata, 8 February

Fast-moving consumer goods (FMCG) majors like ITC and Emami are scaling up their direct reach in rural areas to combat subdued consumer sentiment in these pockets. They hope such a move — backed by consumer connect initiatives — can help push sales.

In view of the ongoing slowdown, which has impacted demand in rural India, ITC doubled its rural stockist network in the current financial year, with significant increase in coverage across low population group markets.

"We have actively increased our direct reach in rural India by adding more than 25 per cent new markets to the existing large serviced base," said an ITC spokesperson.

ITC's handler base currently stands at 6.2 million outlets and it continued to deploy resources to augment the outlet coverage aggressively, with nearly 80 per cent of new handlers added in the current year coming from a rural base.

INTO THE HINTERLAND
- 80% of ITC's new handler base came in from rural areas
- Emami expanded its footprint to more than 20,000 towns and rural locations
- HUL's distribution network directly covered about 50,000 villages
- HUL, ITC employing e-commerce platforms and digital route in rural areas
- Emami banking on online routes for urban centres only

In case of Emami, which has one of the highest exposures in rural areas among its peers, the company is banking on its Project Dhanush initiative, which it undertook three years ago.

In the past three years under this initiative, aimed at reaching the deepest and remotest of geographies, Emami expanded its footprint to more than 20,000 towns with a population of around 3,000.

"Van branding and visual merchandising at outlets through point-of-purchase visibility has proved to be an effective consumer influencer fuelling rural channel growth," said Mohan Goenka, director at Emami.

With more than 3,000 distributors and 600,000-plus square feet of trade assets, which incidentally is the largest in store merchandising in the country, Hindustan Unilever (HUL) also has prioritised increasing its direct distribution reach.

According to an open access journal, International Journal of Research — Granthaalayah, over the decades since its launch in 1997, HUL has appointed 6,000 sub-stockists, because of which its distribution network directly covered about 50,000 villages and is reaching 250 million consumers. This translates into reaching 37 per cent of rural consumers directly. The rural distributor has a set of stockists attached to it that drives distribution in villages using unconventional transport like tractors, bullock carts and others.

Nearly all FMCG companies like Marico, HUL, ITC and the rest have been indicating that the operating environment has been challenging, with drop in consumption, especially in rural areas, severe crunch in market liquidity conditions, and disruptions and floods in several parts of the country.

While ITC continued its rural consumer connect programmes in identified low population group markets with its brand communication focused on highlighting consumer value offers and build social and emotive brand connect, Emami strengthened its brand connect by associating popular brand endorsers who enjoy mass reach equally cutting across both urban and rural markets.

On the other hand, FMCG players are also leveraging e-commerce platforms and using digital technology to drive sales.

For example, both HUL as well as ITC is using Big Data analytics to attract consumers from small towns or rural India by offering suitable products, stock-keeping units, and communicating its portfolio. HUL has also come up with an online ordering app for its salespeople as well as opt for customised promotions.

Indiabulls arm gets CRISIL downgrade on fund access

ABHIJIT LELE
Mumbai, 8 February

Rating agency CRISIL has downgraded Indiabulls Housing Finance's (IBHFL) long-term rating from "AA+" to "AA" citing continued challenges on funding access diversity faced by the firm.

CRISIL also revised the outlook on the long-term ratings to 'Stable' from 'Negative'. The rating on the commercial paper (CP) issue and short-term non-convertible debenture programme has been reaffirmed at 'A1+'. While there has been some improvement in funds raised by IBHFL in Q3FY20, they have mostly come from the banking channel and continue to remain lower than the pre-September 2018 levels.

The incremental fund raising from the debt capital markets has remained very low in recent times.

Secondary market yields for IBHFL paper continue to remain elevated. High dependence on bank funding (largely working capital and securitisation lines) has reduced the diversity in resource profile, CRISIL added.

It also said the pace of bank sanctions has increased since Q3FY20, and that there had been an uptick in retail disbursements and continuing traction in the monetisation of the wholesale portfolio.

IBHFL received bank sanctions (including securitisation lines) of around ₹11,000 crore in Q3FY20, compared to ₹7,580 crore in Q2FY20.

Further, it received proposals of around ₹5,500 crore for sell-down/refinance of assets in its commercial credit book, which have been either executed or are in the process of being executed.

Home loan (HL) and loans against property (LAP) disbursements stood at ₹4,966 crore in Q3FY20, up almost 25 per cent from the previous quarter. There has been selldown of the wholesale exposures over the past few quarters.

As a consequence, the proportion of commercial credit exposures in total assets under management (AUM) reduced to 16 per cent as on December 31, 2019, from 21 per cent as on March 31, 2018.

The company is taking steps to reduce the commercial credit exposure further in the near term, and is in advanced talks with investors/financial institutions to refinance more such exposures.

Bengaluru's real estate emerges unscathed from slump

Besides traditional segments, demand for co–living, co–working, and senior living has kept sector buzzing

SAMREEN AHMAD
Bengaluru, 8 February

Last year, the real estate sector reeled from new goods and services tax regulations, non-banking financial companies crisis, and liquidity crunch. Yet, Bengaluru managed to emerge unscathed as one of the most active markets in both the residential and commercial segments.

According to Anarock Property Consultants, Bengaluru has been the most active market in 2019 with the lowest inventory overhang of 15 months, despite reasonable supply addition. This was well below the 18 months threshold needed for consideration as a healthy realty market. Inventory overhang is the total unsold homes divided by the average monthly sales rate.

"The Bengaluru realty market has always been driven by end-users coupled with steady economic activity, which is powered by a high percentage of the white-collar migratory population. It is one of the primary reasons that keeps the city's realty market stable in comparison to other key cities," said Ashish R Puravankara, managing director, Puravankara, which has registered an increase in sales of almost 25 per cent year-on-year in FY20 so far.

Another striking feature is the reasonable pricing of luxury homes which begins from ₹75 lakh. "Among the NRIs too, Bengaluru continues to be the most favoured destination for luxury real estate investment in India, due to the presence of infrastructure and homes designed with the latest facilities that match their international lifestyle," explained Surendra Hiranandani, chairman and managing director, House of Hiranandani.

The city is also witnessing a shift in consumer behaviour that has prompted developers to modify their offers to accommodate the demand for smart homes, co-living, and co-working space.

Co-living spaces are becoming more popular with millennials looking for more dynamic options that provide more features and amenities than the usual rented space.

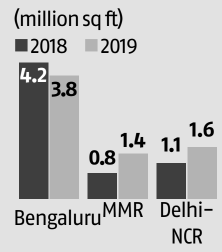
According to data, there will be a demand of 37 million co-living spaces by 2025 from millennials who form 42 per cent of the total workforce in India. Predictably, several builders such as Embassy, Puravankara, and Brigade are investing in this segment.

RISING REAL ESTATE DEMAND IN SILICON VALLEY OF INDIA

Region	Year	Stock opening	Launch new	Absorption total	Stock closing
Bengaluru	2018	108,183	45,553	44,704	109,032
Bengaluru	2019	109,032	40,946	45,039	104,939
Kolkata	2018	52,597	16,876	16,469	53,004
Kolkata	2019	53,004	14,323	17,366	49,961
MMR	2018	329,287	78,138	97,686	309,739
MMR	2019	309,739	61,136	91,199	279,676
NCR	2018	174,486	30,602	41,690	163,398
NCR	2019	163,398	35,892	38,556	160,734

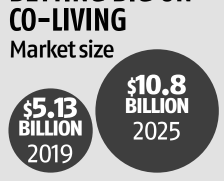
Source: PropEquity

FLEXIBLE WORKSPACES
(million sq ft)



Source: PropEquity

BETTING BIG ON CO–LIVING
Market size



BENGALURU: Present in locations along Outer Ring Road, Whitefield, Electronic City catering to both working professionals and students

DELHI–NCR: Facilities prominent in Gurugram, driven by working professionals

MUMBAI: Due to high property prices, city has seen low penetration of co–living operations

Source: Cushman & Wakefield report

On the commercial front, with the rise of the gig economy and technology that allows the concept of a 'liquid workforce', co-working spaces are receiving more attention. Demand for co-working spaces in the city has been rising. Over a dozen brands are gaining momentum — CoWrks, WeWork and Innov8 Coworking to mention only a few. The space absorption in the co working vertical is also the highest here compared to all top cities. According to PropEquity, the city has about 25 msft under various stages of completion to be delivered in the next three years.

"Of the total office space leasing in India, 10 per cent is now going to flexible workspace," said Nirupa Shankar, executive director at the Brigade Group which has launched its own brand of co-working spaces called BuzzWorks.

WeWork India, owned by Embassy, is in talks to raise around ₹1,400 crore this year to expand the business.

Acting on the high demand in commercial realty, Puravankara is aiming to have 20-25 msft (million square feet) of commercial space operating in the next four to five years. As of now, it has sold approximately two msft of projects.

Prestige Estates which reported over a two-fold jump in consolidated net profit at ₹161.8 crore for the December quarter has also announced four new commercial projects in Bengaluru.

Senior living is another sector that is gaining attention. Research data shows that there will be around 300 million elderly Indians by 2050. With less than 1 per cent of the demand for senior living units available today, this segment is set to explode in the coming years. "The current hurdles facing this sector of consumers are social stigma, manpower, and affordability. The real estate industry has to put forth efforts to facilitate this surge of seniors who will need housing. We are now getting ready to launch projects in the space of senior living," said Reeza Sebastian, president, residential business, Embassy.

The Brigade Group has already launched Parkside (independent living for seniors) across three locations in the city. "Brigade is also experimenting with hybrid models where half the project is senior living and half is regular, based on feedback from senior citizens who want to feel connected to the wider community," said Pavitra Shankar, executive director of the Group.

Series concludes

REPORT CARD

M&M Q3 PBT slumps 55% to ₹868 crore

PRESS TRUST OF INDIA
New Delhi, 8 February

M&M's consolidated earnings before interest, depreciation and tax fell 4.8 per cent year-on-year (YoY) to ₹4,020 crore, in line with the 4.5-per-cent YoY fall in net sales to ₹25,020 crore, but profit before tax (PBT) fell a sharp 54.7 per cent to ₹867.7 crore due to a surge in interest outgo (up almost 19 per cent) and depreciation (59 per cent), compared to the year-ago period.

The auto company reported 73 per cent decline in consolidated net profit to ₹380 crore for the December quarter, dragged by sluggish vehicle sales.

It had posted profit after tax (PAT) of ₹1,396 crore for the same quarter in the last financial year, M&M said.

"The results of Q3FY20 includes a net loss on account of exceptional and one-off items of ₹554 crore as compared to a net gain on account of exceptional and one-off items of ₹519 crore in Q3FY19," it said.

Revenue also moderated to ₹12,120 crore in the latest quarter, against ₹12,893 crore in the same period last year, it said.

Vehicle sales during the third quarter stood at 123,353 units, compared to 133,508 units in the same period last year — a decline of 8 per cent, it added.

Tractor sales slipped 6 per cent to 81,435 units in the third quarter, as against 87,036 units last year, while exports of vehicles and tractors declined 22 per cent to 9,633 units as compared to 12,363 units in the same period a year ago, the company added.

However, it said, the Indian auto and tractor industry during third quarter has shown some signs of trend reversal and has seen moderation in the double digit de-growth seen in the first half, it said.

Good monsoon, the festive season demand, improved liquidity conditions, new launches, were the key reasons for this moderation in degrowth, it said.

Early-stage funding up 2x since '17

Chinese investments, serial entrepreneurs give push to growth

PAVAN LALL
Mumbai, 8 February

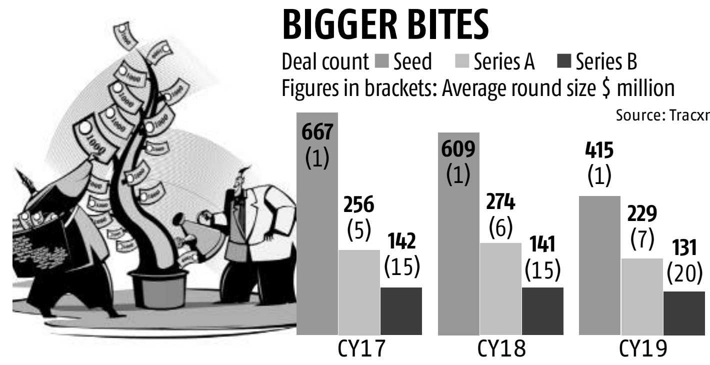
Start-ups have seen the size of early-stage funding rounds almost double over the past two years on account of increased foreign capital in the system, growing traction of established entrepreneurs, as well as evolved technology being used across sectors to grow companies faster, bigger, and better.

Roopa Kudva, managing director of impact investor Omidyar Network India, says there are a lot more Chinese funds chasing companies.

That includes Fosun RZ Capital, CDH Investments, GGV Capital, Tencent Shunwei Capital, and Morningside Venture Capital.

According to market research by Tracxn, which tracks start-ups and funding, India saw investments of about $1.31 billion till November in calendar year 2019, up from just $65 million in 2017. "The other factor is that as the landscape has evolved, investors have become much more focused on unit economics, monetisation, and profitability than five years ago, when it was just growth that was chased," Kudva adds.

Archana Hingorani, managing partner at early-stage venture fund Siana Capital, says that it's clear that funding rounds have grown in value over the last couple years.



"My sense is that two things are happening. It's no longer just about fintech plays for venture capitalists (VCs) and investors. The second is there is a need across the board for any business model to improve with the incorporation of technology and that doesn't matter how you define it whether it is software, AI, or machine learning. Take healthcare, for example, everything on it is being overhauled as we speak, and that leads to a large appetite for capital."

For instance, Omidyar invested in Healofy, a pregnancy and parenting app that caters to people in regional languages, and just announced another investment in Axio, a medtech venture that uses military-grade technology to stop bleeding immediately.

The other push is coming from the fact that there are far more established entrepreneurs in India today who are looking to start the next venture than five years ago. Examples include Freecharge Chairman Kunal Shah, who started CRED; former Myntra Founder Mukesh Bansal, who started Cure.fit; former Ibibo founder Ashish Kashyap, who started INDwealth; and, Sachin Bhatia, the former co-founder of MakeMyTrip, who co-started Bulbul.tv.

"Once an entrepreneur has had a track record of success, it automatically allows for the next venture to be capitalised and funded at higher levels," Kudva said.

In addition, while several ventures backed by private equity (PEs) and VCs earlier were copycats of international businesses — including Flipkart and Ola — today the model is about looking to build businesses that solve India-specific problems.

For example, RailYatri, an indian travel marketplace site, provides information on which platform is crowded, what the chances are of a ticket being confirmed.

Sandeep Murthy, partner with venture capital firm Lightbox, which backed Bombay Shirt Company, and Rebel Foods, says that the trend isn't limited to India. "I would argue that it's a trend globally and is because of a mix of things," he says. "What a company used to need has all gone up: cost of customer acquisitions, cost of efficiencies in technologies, and the cost of managerial talent." The cost of a product head that was ₹50 lakh three years ago is now between ₹70-80 lakh.

"The start-up ecosystem has matured and there is a sense of confidence and I'd even go so far as to say that we may not all know it yet, but are in transition from the large older business houses to newer-age tech-driven ventures of tomorrow."

Carmakers next challenge: Getting Indian buyers to purchase EVs

BLOOMBERG
New Delhi/Mumbai, 8 February

Mahindra & Mahindra's launch of its e-KUV at a price of ₹8.25 lakh ($11,587), compared to its next cleanest option — a mid-range petrol variant at ₹6.5 lakh — highlights the challenge of pricing electric cars that could entice buyers. A global model, such as Hyundai Motor India's Kona electric SUV, starts at ₹2.5 million and has sold just about 300 units in seven months since its launch.

More than half the passenger vehicles sold in India last year cost $8,000 or less, according to BloombergNEF (BNEF). Electric cars won't achieve price parity with gasoline-powered cars until the early 2030s, says BNEF.

"Mass adoption of electric cars in India will not happen unless the gap in upfront prices of electric and ICE vehicles is brought down," said Shantanu Jaiswal, head of research for India at BNEF.

To address this, Hyundai is working on a mass-market electric car for India, according to Tarun Garg, sales director at its Indian unit. The company plans a launch in 2-3 years, he said.

Apart from price, a lack of charging infrastructure that creates range anxiety and rapidly evolving technology,

which promises to bring the cost of vehicles down, is also keeping potential buyers on the fringe.

"Pricing EVs at below 1 million rupees is going to be very difficult," Pawan Kumar Goenka, managing director at Mahindra & Mahindra said in an interview. "The price we have done for e-KUV is very aggressive and the reason we've done that is to kick start the ramp-up of EVs."

Goenka expects a decline in cell prices and increased local manufacturing to bring prices down over 3-5 years.

Lower prices could drive sales volumes, spreading the fixed costs and lowering prices even further, he said.

Muted demand

Meanwhile, the muted demand for electric vehicles is keeping some automakers on the sidelines.

"In India, the problem is customer demand for EVs is not that great. For a new entrant like us, it frankly doesn't make sense," said Manohar Bhat, head of sales and marketing at Kia Motors India. "We came into the SUV segment because the largest demand is there — that's the sweet spot for us."

India's government is pushing for a faster adoption of electric vehicles — hoping at least 15 per cent of all vehicles on the road will be electric in five years starting 2018 — to deal with the deadly air pollution in its cities and curb carbon emissions from fossil fuels. An increased fleet of such vehicles is also seen as boosting demand for electricity, which has declined for five straight months ended December.

Client wins, health care boost HGS Q3

Hinduja Global Solutions (HGS) has posted 93.7 per cent jump in consolidated net profit to ₹71.1 crore for December quarter 2019.

HGS logged profit of ₹36.7 crore in October-December 2018, it said in a regulatory filing.

The company saw revenue from operations grow 5 per cent to about ₹1,336 crore in the quarter under review, as against ₹1,273 crore in the third quarter of 2018-19.

"HGS posted a strong revenue growth in Q3 FY2020...The growth was led by demand in both Healthcare and CES (Consumer Engagement Services) verticals across geographies," HGS CEO Partha DeSarkar said.

While CES got a boost from recent client wins and the festive season, the healthcare business saw strong growth driven by a strong Open Enrollment season across the US, Jamaica, the Philippines and India, he added.

In November 2019, HGS had announced its exit from the Indian Domestic CRM market by selling its business to Altruist. The transaction closed on January 31, 2020. PTI

J K Cement Q3 income rises to ₹1,428 crore

J K Cement on Saturday reported a more than twofold growth in net profit to ₹137.5 crore for the December 2019 quarter.

The company had earned a profit of ₹60.90 crore in the same quarter of last year.

Total income was ₹1,427.84 crore during the three-month period as against ₹1,284.98 crore in the same period of previous fiscal, J K Cement said in a regulatory filing. PTI

Oberoi Realty Q3 income declines

Oberoi Realty has reported 7 per cent increase in consolidated net profit at ₹148.24 crore for the quarter ended December despite fall in total income. Its net profit in the year-ago period stood at ₹137.93 crore. Total income, however, fell to ₹536.53 crore in the third quarter of 2019-20 from ₹548.79 crore in the same period a year ago. PTI

Ford board leaves embattled CEO with little room left for error

BLOOMBERG
8 February

A little executive bloodletting can sometimes ease the pressure on an embattled chief executive officer (CEO). But Jim Hackett is unlikely to see any letup from Ford's board following the surprise early retirement of one his two top lieutenants.

Joe Hinrichs, Ford's 53-year-old automotive president, will leave on March 1 after almost two decades with the company. As a rising star under celebrated former CEO Alan Mulally, he was put on the fast track to be a potential heir to the top job.

With Hinrichs out of the picture, Ford is elevating Jim Farley, the company's only other president, to become the first chief operating officer (COO) since the automaker planned for Mulally's succession seven years ago. The announcement that the board will revive the role of COO came days after Hackett reported dismal earnings results, dogged by the disastrous rollout of the redesigned Explorer SUV, and forecast more disappointing numbers for the upcoming year.

"This signals to everyone that Farley is Hackett's successor, unless they plan to go outside the company," said David Whiston, an analyst with Morningstar in Chicago. "Perhaps it could be nine months from now, or it could be 18 months from now, but they will make an announcement that Hackett is retiring and Farley takes over as CEO."

Staying put

Hackett, who was asked by an analyst 18 months ago whether he expected to last in the job, told reporters Friday he's not going anywhere.

"As far as my tenure, this is the kind of thing I love to do and I'm having a really fulfilling assignment here," said the former CEO of office-furniture maker Steelcase "I need to be here."

INVESTMENT

Blindly aping FPIs can be risky

Assign weights to various categories of funds and book profits where necessary

JIMMY PATEL

Despite the slump in India's gross domestic product (GDP) growth rate, Foreign Portfolio Investors (FPIs) have continued to invest in India. Since the time the finance ministry took a number of measures to provide an impetus to the economy's growth rate, they have engaged in spirited buying. But retail investors need to bear in mind that a strategy that works for FPIs may not be suitable for them.

Reforms such as the Goods & Services Tax (GST), Bankruptcy Code, Digital India, Start-up India, Make in India, skill development, affordable housing, and steps like a timely boost to the realty sector, emphasis on better infrastructure (Bharatmala Pariyojana), bank recapitalisation, measures taken to boost consumption, to name a few, have been viewed positively by FPIs.

In addition, the Reserve Bank of India (RBI) has remained accommodative in its monetary policy action and stance to address growth concerns. The US Federal Reserve has refrained from increasing interest rates–in fact, it has cut them. And the trade war-related tensions between the US and China have eased. All these factors have encouraged FPI investments.

FPIs continue to perceive India as a promising investment destination that has a stable government intent on bringing about reforms. Cumulatively, during calendar year 2019, FPIs' net purchase of equities was to the tune of ₹1.01 trillion. This figure makes up for the net selling in 2018, which was to the tune of ₹32,628 crore, and is greater than the net purchase activity worth ₹49,729 crore in calendar year 2017.

Buying by both FPIs and domestic (institutional and retail) investors has pushed the Indian equity markets to stratospheric levels. The S&P BSE Sensex is currently trading above the 41,000 mark, and is close to its all-time high of 42,273.87 (recorded on January 20, 2020). The trailing 12-month price to earnings (P/E) ratio of the S&P BSE Sensex and the S&P BSE Large-cap Index is currently at 25x and 27x, respectively.

Will FPI buying push markets further up?

FPIs do recognise that there are growth-related concerns. Most agencies have downgraded India's GDP growth forecast for this year. Moreover, consumption is slowing down, inflation is ticking up, the unemployment rate is high, there are non-performing asset (NPA) related concerns, tax collections are falling short, disinvestments are way off the mark, and fiscal slippage can also not be ruled out.

A number of forecasts point at GDP growth rate dwindling this fiscal year, but one can expect some improvement in the next fiscal. The real GDP growth across 10 governments has been 6.3 per cent per annum over the past 39 years.

In future, while FPIs will continue to be positive on India, they will also look forward to more structural reforms that can bolster investment activity, result in optimal capacity utilisation, generate employment, provide a boost to consumption, and leave higher disposable income in the hands of people. They will also want enabling tax policies, improvement in exports, and so on, which can eventually help India clock higher growth. Many of these concerns were addressed by the Union Budget of 2020.

Don't fall prey to over-exuberance

With the markets soaring high while the economy slows down, investors need to be careful and not get swayed by exuberance. Even as earnings estimates get re-rated upward for certain companies, it would be pointless to get carried away by forward statements or earnings outlook. Sadly, the oldest trick in the book of estimating earnings is that near-term estimates are toned down while longer-term estimates are hiked. For several years, the market has initially projected ambitious earnings growth, but the actual growth has turned out to be lower. So, do not get carried away. The impact of corporate earnings on investors' mutual fund portfolio will hinge on the portfolio of schemes they build.

Legendary investor Warren Buffett said: "Be fearful when others are greedy and greedy when others are fearful." Clearly, the current trail P/E levels, particularly in the large-cap space, are not cheap. In fact, they are in the overvalued zone and offer limited margin of safety. On the other hand, the mid-cap and small-cap indices are attractively placed at lower trailing P/E level than before and offer a reasonable margin of safety. Nonetheless, investors need to know that they are assuming very high risk when investing in the Indian equity market at this juncture.

Bouts of high volatility in future cannot be ruled out. Investors' patience could be tested. Discontinuing SIPs in volatile times would be a bad idea. Volatility is intrinsic to equity markets. It's our ability to perceive the situation sensibly and devise an efficient investment strategy that ensures success.

Follow a core and portfolio strategy

In such times, investors should build a portfolio of equity-oriented mutual fund schemes based on the "core and satellite" approach to investing. This approach can offer investors the best of both the worlds—short-term, high-reward opportunities and long-term, steady-return investing.

The term "core" applies to the more stable, long-term holdings of the portfolio, while the term "satellite" applies to the tactical portion that can help push up the overall returns of the portfolio, across market conditions. Core holdings should form a major portion of the mutual fund portfolio. They should ideally consist of a large-cap fund, a multi-cap fund and a value-style fund. The rest, say, around 35-40 per cent, can be "satellite" holdings consisting of a mid-cap fund, large- and mid-cap fund, and an aggressive hybrid fund. If the investor is willing to take the risk, a small portion can be allocated to a small-cap fund as well in the satellite portfolio.

The art of cleverly structuring the portfolio by assigning weights to each category of mutual funds, and then picking the right schemes for the portfolio can help the investor clock optimal risk-adjusted returns.

At the current levels, when the Indian equity market is already near its all-time high, getting blinded by supernormal market returns and investing in an ad-hoc manner based on current euphoria or news flows can be extremely dangerous. Investors could end up burning their fingers.

Devising a sensible strategy, and astutely constructing a mutual fund portfolio based on thorough research and analysis (using both quantitative and qualitative parameters) is essential at this juncture. As the market outlook changes, the weights assigned to each category of fund needs to be revisited, especially in the satellite portfolio. Unless this is done, clocking superior, inflation-beating returns over the long term could prove to be a challenge.

While there may be euphoria on Dalal Street, remember that the Indian economy currently faces several headwinds. For the market to move higher, the positives need to outweigh the negatives.

The writer is MD & CEO, Quantum Mutual Fund

BS TUTORIAL

Jayant Pai

Financial literacy

1. Skytra, a subsidiary of Airbus, aims to launch ____________.

A. A stock exchange
B. A ticket resale exchange
C. An aviation turbine fuel exchange
D. A family of indices

2. The 'two pizza rule" was popularised by________.

A. Bill Gates
B. Larry Ellison
C. Jeff Bezos
D. Mark Zuckerberg

3. Which is the richest Grand Slam Tennis Tournament in the world?

A. Australian Open
B. French Open
C. Wimbledon
D. US Open

4. Which of these Indian Prime Ministers has not presented a Union Budget?

A. Morarji Desai
B. Rajiv Gandhi
C. Indira Gandhi
D. Jawaharlal Nehru

5. Which of these is not a price-weighted index?

A. Dow Jones Industrial Average
B. NSE Nifty Fifty
C. Nikkei 225
D. All of the above options

Solutions

1. D. They will represent air travel ticket prices covering major geographical regions worldwide. They will correlate to airline revenue and can be used by airlines to benchmark their performance.

2. C. The more people you pack into a meeting, the less productive it will likely be. Bezos' solution? Never have a meeting where two pizzas can't feed the entire group.

3. D. It paid out USD 57 million in total prize money in 2019.

4. A. Though he presented 10 Union Budgets, none of them were presented when he was the Prime Minister.

5. B. It is weighted by (free-float) market-capitalisation.

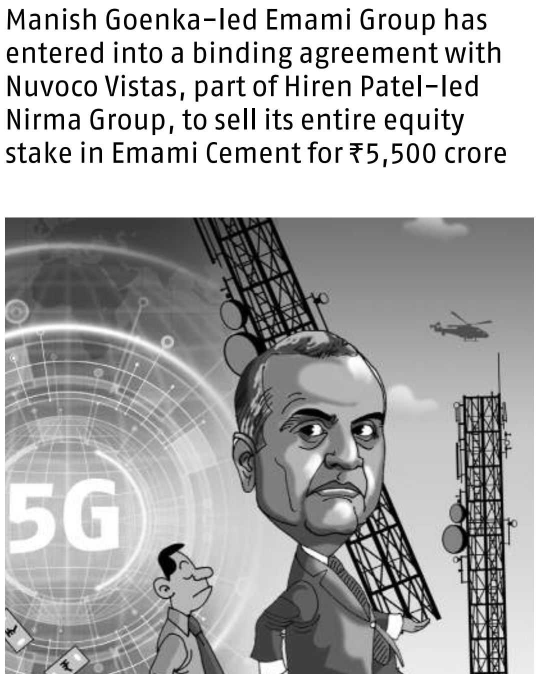
The quiz master is a certified financial planner and head-products, PPFAS Mutual Fund.
Send your queries and feedback at yourmoney@bsmail.in

ECONOMY

PEOPLE IN THE NEWS

BINAY SINHA

Manish Goenka-led Emami Group has entered into a binding agreement with Nuvoco Vistas, part of Hiren Patel-led Nirma Group, to sell its entire equity stake in Emami Cement for ₹5,500 crore



Sunil Mittal-controlled telecom operator Bharti Airtel has said it will not buy 5G spectrum in the upcoming auction if its base price is fixed at Trai-recommended ₹492 crore per mHz

Hope Sri Lanka will fulfil Tamil aspirations: Modi

PRESS TRUST OF INDIA
New Delhi, 8 February

India on Saturday sought devolution of powers by the Sri Lankan government to the minority Tamils in the island nation and hoped that their aspirations for equality, justice and respect will be fulfilled as per provisions of the country's Constitution.

After wide-ranging talks with his Sri Lankan counterpart Mahinda Rajapaksa, Prime Minister Narendra Modi said the issue was discussed with an 'open min' and hoped that the Tamil reconciliation process would be taken forward by Colombo.

The two leaders also deliberated on a raft of key issues like bolstering anti-terror cooperation, expansion of trade and investment ties, implementation of joint projects in Sri Lanka and resolving the long-festering fishermen issue with a 'humane approach'.

In his comments, Rajapaksa thanked Modi for his government's 'neighbourhood first policy' and the priority he attaches to ties with Sri Lanka.

Rajapaksa's five-day visit to India assumes significance as his tenure as Sri Lanka's president from 2005 to 2016 saw expansion of China's footprints in the nation, triggering concerns in India.

Noting that India has been a 'trusted partner' in Sri Lanka's development, Modi said stability, security and prosperity in the island nation is important for India as well as for the entire Indian Ocean region.

On the long-pending Tamil issue, Modi said it will be necessary to implement the 13th amendment of the Sri Lankan Constitution. The 13th amendment provides for devolution of power to Tamil community in the neighbouring country.

"We held a discussion with an open mind on issues relating to reconciliation in Sri Lanka. I am confident that the government of Sri Lanka will fulfil the expectations of the Tamil people for equality, justice, peace, and respect within a United Sri Lanka," Modi said.

Calling terrorism a major threat facing the region, Modi mentioned about the 'Easter Day terror attacks' in Sri Lanka last year and asserted that both countries will expand cooperation to deal with the challenge.

Rajapaksa said a part of the discussions centred around ensuring security for both the countries, and expressed gratitude to India for helping his country in countering terrorism.

"India is our closest neighbour and long-standing friend. The close historical links have provided solid foundation to our ties," Rajapaksa said.

Referring to the fishermen issue, Modi said both sides have decided to adopt a humanitarian approach in dealing with it.

FROM PAGE 1

Exit polls predict...

In the 2019 Lok Sabha polls, the EVM replacement was as high as 5 per cent.

Amid allegations that some political parties distributed liquor and cash, the EC said law enforcement agencies seized liquor worth ₹2.83 crore and narcotics and gold jewelry worth ₹42.32 crore.

The Delhi Assembly polls took place amid a vituperative election campaign, with some BJP politicians barred from campaigning and in the shadow of the anti-Citizenship Amendment Act (CAA) protests at several places in the city, particularly at Shaheen Bagh in Southeast Delhi.

At Shaheen Bagh, women protesters, on a sit-in for over a month, voted in batches so that the agitation remains unaffected.

If AAP were to secure a win, this will be the third time it will form the government since its electoral debut in 2013.

Cipla acquires four health brands...

"Through this newly acquired portfolio, we shall be catering to a wide range of patient needs, including nutritional deficiencies, bone health, and sexual health," he said.

The vitamins and nutrients market in India is valued at about ₹12,149 crore and is clocking 9 per cent average growth, according to market research firm AIOCD AWACS.

Drug firms are focusing on this area as many molecules in this segment are still out of price control and offer good margins.

Govt considers urea price...

According to an analysis by the Phillip Capital's Institutional equity research, "The cut is largely to accommodate the sharp correction in international inputs prices. In fact, prices of P&K (phosphatic and potassic) fertiliser inputs declined sharply in recent months, easing the subsidy burden. While the subsidy reduction in urea was surprising, considering the carry over liabilities of the sector, this could be an indication of the government moving towards balanced usage of fertilisers by rationalising urea prices ahead."

Urea prices have to be decontrolled or rationalised if the subsidy amount is to be transferred directly to farmers' bank accounts. While direct benefit transfer is a fiscal issue, the kind of fertiliser used is of importance for soil health.

On fertiliser policy, NITI Aayog member Ramesh Chand stressed, "instead of focusing on ratio of NPK fertilisers, there is a need to focus on balancing between organic and chemical fertilisers". Higher the use of organic fertiliser, better the soil health.

An incentives package for organic and natural fertilisers is also on the cards. However, an industry analyst said, the availability of organic fertilisers could be an issue. He said nutrient content in organic fertilisers tends to be lower than in urea and, hence, is consumed at a higher rate.

Govt working towards growth...

She was referring to the performance of the equity, bond and currency markets since the Budget presentation on February 1. She said the government had responsibly used public funds, unlike the previous Congress-led governments that gave bank loans to "uncles and brothers-in-law" when the economy was slowing down in 2008-2010.

Sitharaman said goods and services tax (GST) collections were growing as the government was taking help of improved technology and plugging the loopholes. She said during the past three months, GST collections had exceeded ₹1 trillion.

Ajay Bhushan Pandey, revenue secretary, said new individual income-tax proposals would help taxpayers in many ways. He said the Vivad se Viswas scheme was expected to get passed by Parliament this month and an electronic interface would be introduced where taxpayers could find out the details of their dispute and apply instantly for a settlement.

He said the duty imposed on some electric vehicle components and medical devices was to promote 'Make in India', in line with the Centre's plans.

Coronavirus strikes in Hong Kong...

For months, antigovernment protesters have filled the streets to demand that the pro-Beijing government give them greater say in how the city is run.

Violence and tear gas already scared away many mainland tourists and business visitors. Jewellers, luxury retailers and cosmetics shops that catered to mainland tourists are closing outlets. Restaurants have closed and hotel rooms are vacant. Unsurprisingly, unemployment is on the rise. "This is a postprotest, frying-pan-into-the-fire situation for a lot of Hong Kong retailers," said Robert Cooper, founder of Enoteca, a restaurant catering to the business community. Most of his tables are empty. Cooper got his start in Hong Kong as a waiter 26 years ago. "Now the virus bites into our other businesses."

Other factors make Hong Kong more vulnerable than it was during SARS 17 years ago. China back then was still developing and growing by double digits, and it needed Hong Kong's money and expertise. Today, China's growth has matured, and many companies no longer use Hong Kong as a gateway into the world's No. 2 economy.

More fundamentally, many Hong Kong people no longer have faith in their government to make the right decisions.

"We've been double-hit by social unrest and a government that is just disappointing," said Paul Yip, a professor and director at Hong Kong University. "They don't know how to deal with unrest, and they don't know how to handle the virus."

Citizens had already grown nervous about their government. Hong Kong is a semiautonomous Chinese region, with an independent legal system and guaranteed individual rights, but its top leadership is selected by a process controlled by Beijing.

Many in Hong Kong fear the growing power of the mainland Chinese government in the city's affairs, especially after the high-profile disappearances of people wanted or disliked by Beijing with little reaction from city officials. The tensions boiled over late last spring, when Hong Kong's leaders tried to pass legislation that would allow extradition of criminal suspects to mainland China, where the justice system is controlled by the Communist Party.

City leaders backed down, but by then, clashes between demonstrators and the police had become increasingly violent. Hong Kong's population became frustrated as city officials dismissed evidence of excessive police violence. Angry voters dealt their leaders a sharp rebuke in November, when pro-democracy candidates swept elections for lower-level offices.

Now that mistrust of the government is spilling over into anger about the response to the outbreak.

About 7,000 medical workers have gone on strike, demanding that Hong Kong fully close the border with the mainland.

Carrie Lam, Hong Kong's top government official, has resisted calls to completely close the border. Instead, she has introduced steps that have cut arrivals.

Even Hong Kong's pro-government leaders have signaled dissatisfaction with Lam. Jasper Tsang, a founder of the city's largest pro-establishment party and former president of the legislature, said: "The government slogan is, 'Let us unite and fight the virus.'"

"But the unity doesn't seem to be there."

Tommy Cheung, a member of Hong Kong's legislative council representing the catering industry, said, "Right now, I don't see the light at the end of the tunnel."

"Where is the help coming from?" he asked. "Where is the end of the virus and the end of the riots?"

Russian T-90S preferred over India-made Arjun

Despite 'Make in India' push, Army seems reluctant to buy the tank

AJAI SHUKLA
New Delhi, 8 February

Although 'Make in India' has been the central motif of the ongoing DefExpo 2020 in Lucknow, the army continues to block further purchases of the indigenous Arjun main battle tank (MBT) *(pictured)*, years after it met all the army's ever-increasing demands.

With the Defence Research and Development Organisation (DRDO) awaiting a long-cleared order for 118 Arjun MBTs, the ministry of defence (MoD) instead asked the Ordnance Factory Board (OFB) last November to build 464 Russian-origin T-90 tanks at the Heavy Vehicles Factory, Avadi (HVF). With each T-90 costing about ₹28 crore, the order is worth an estimated ₹13,000 crore.

The army continues to block the indigenous Arjun tank even though, in a comparative trial, conducted in the Rajasthan desert in March 2010, the Arjun proved itself equal to, or better than, the Russian T-90.

In the trial, one squadron (14 tanks) of Arjuns was pitted against an equal number of T-90s. Top army generals, who witnessed the trial, admitted the Arjun performed superbly. Whether driving cross-country over rugged sand dunes; or accurately hitting targets with its powerful main gun; the Arjun established that it was a tank to reckon with.

Yet, the army refused to order more Arjun tanks, beyond the 124 it had already inducted into service. Army insiders say there is an ingrained belief that Russian tanks are better than Indian ones.

However, it was officially stated that the 62.5-tonne Arjun was too heavy for roads and bridges along the Pakistan border, and too wide to be transported by train.

Under pressure from the MoD to order another 118 Arjuns, the army then demanded several capability enhancements in the tank to make it more effective. At a meeting of the MoD-led Arjun Steering Committee in 2010, the army demanded an improved version of the tank, which would be called the Arjun Mark 2.

The Arjun Mark 2 was required to have 83 capability enhancements, including 15 major and 68 minor changes. Incredibly, given the army's complaint that the tank was too heavy, the new enhancements would make the tank heavier by another 6 tonnes.

These included the fitment on the tank of mine ploughs (1.6 tonnes extra), explosive reactive armour (1.5 tonnes), suspension improvements (one tonne) and another 2 tonnes in other areas. Having complained earlier that a 62.5 tonne Arjun tank was too heavy, the army signed off on a six-tonne weight increase to 68.5 tonnes.

In August 2011, the MoD announced it had "cleared the proposal for placement of indent for 124 MBT Arjun Mark 2".

It said each enhanced Arjun would cost ₹37 crore and the first batch would roll out by 2015.

By June 2012, the DRDO offered the Arjun for trials with all the enhancements, except one: a cannon-launched guided missile (CLGM) the army wanted to fire through the Arjun's main gun.

The DRDO had sourced the Lahat CLGM from Israel, but that could strike targets between 2 and 5 kilometres (km) away. The army insisted on being able to strike targets as close as 1.2 km.

It pointed out that the Arjun's powerful main gun had already proved its ability to destroy targets at ranges up to 2 km. But the army insisted the CLGM should be usable against targets 1.2 km away. So, the DRDO began work on an indigenous CLGM to meet those specifications.

By 2015, a series of trials had validated the improvements the army demanded. Even the CLGM's laser designator was tested and validated with Lahat missiles. The DRDO asked for production order, promising to develop and supply the indigenous missile on priority.

However, the army dilly-dallied for three years, until March 2018, when it was agreed that the next batch of Arjuns would be supplied without missile firing capability, which would follow up separately. This version would be designated Arjun Mark 1A.

After several months of delay, Arjun Mark 1A trials were held in December 2018 and the tank was found fit in all respects. The army's trial team recommended that the Arjun Mark 1A be inducted into service.

Incredibly, more than a year later, the army has not yet placed an indent for 118 Arjun Mark 1A. It has raised numerous issues — including ammunition availability, non-availability of spares and low indigenous content — to successfully avoid placing an order.

Were an indent to be placed today, it would still take HVF about 36 months to start delivering completed Arjun tanks. The DRDO is confident it would develop the CLGM by then, so those 118 tanks will actually be Arjun Mark 2, with full CLGM capability.

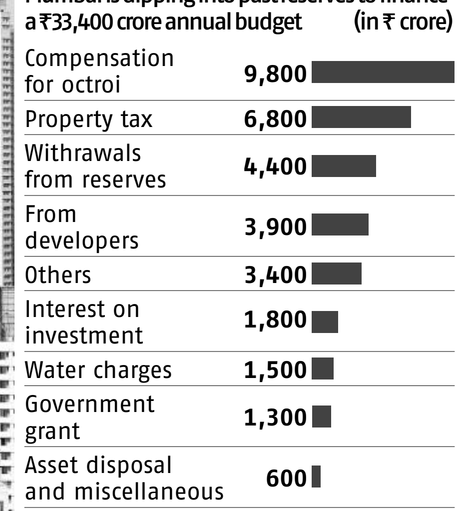
Asked whether there was frustration over the lack of orders, DRDO chairman Satheesh Reddy told Business Standard: "No, we cannot get frustrated. We are very positive. The user trials for the Mark 1A have been completed in December 2018 and we have even developed the ammunition now. I am sure that the Indian Army will soon be inducting the Arjun Mark 1A."

When even a rich city like Mumbai is starved of funds

ANDY MUKHERJEE

A POOR RICH CITY

Mumbai is dipping into past reserves to finance a ₹33,400 crore annual budget (in ₹ crore)



Sources: Municipal Corporation of Greater Mumbai, Bloomberg

Acute fiscal stress is building in India's states and municipalities, including the urban authority that manages the richest city, Mumbai. This matters. Local bodies hold the key to lasting solutions for a broader crisis of financial resources.

The federal government's chronic deficits dominate discussions about India's precarious public finances. It's time to flip this New Delhi-centric approach. State government accounts deserve scrutiny because they collectively spend 36 per cent more than the federal administration. Yet their fundraising abilities are limited. Of the ₹24 trillion ($340 billion) that Prime Minister Narendra Modi's team hopes to pull in via taxes in the coming fiscal year, less than a third is intended for the states. A 20 per cent jump looks impressive only because this year's transfer saw a 14 per cent squeeze from the previous.

Mumbai, the capital of the western state of Maharashtra faces a further crunch. Centered on seven Arabian Sea islands that Portuguese colonizers handed to the British in 1662, modern Mumbai has expanded into independent India's pulsating trading and financial centre, a cosmopolitan agglomeration of 26 million people — twice as populous as business hubs like Hong Kong and Singapore combined.

NEWS ANALYSIS

The birthplace of Bollywood boasts the country's priciest real estate, but the property market is toast, in part because a shadow-banking meltdown choked developers' access to finance. With unsold homes piling up, Mumbai can't earn much from homeowners or builders. Up to 34 per cent of the municipality's recently announced ₹33,400 crore Budget will rely on compensation. This was offered in 2017 by the federal government to get state and municipalities to agree to scrap inefficient indirect taxes — in Mumbai's case, a levy on merchandise entering the city for sale — in favour of a nationwide goods and services tax (GST).

GST was a major reform, but awkwardly designed and poorly implemented. Its failure weakened federal finances, though Modi at least has access to the central bank's printing press. A bigger challenge has opened up at the subnational level. As Mumbai real-estate analyst Vishal Bhargava notes, the city's compensation deal ends in 2022. Its revenue will fall to what it was a decade ago, only facing higher costs. The authority is already dipping into reserves to meet pension obligations; a further income shock will be a disaster.

Every year, Mumbai's creaking infrastructure faces a huge risk from flash floods. Yet such are the funding constraints that a city of tycoons, bankers and movie stars — who live alongside masses huddled in shantytowns — can allocate only ₹900 crore of capital expenditure on storm drains, a fifth of what the civic body will spend on employee pensions.

India's richest metropolis opens a window on the crippling lack of basic services in smaller cities, towns and villages where 1.3 billion people live. New Delhi, the capital, is at least contained in a mini-state, which gives the city access to a more diversified resource pool, such as taxes on petroleum products. But New Delhi's air quality is foul.

Chennai, the capital of Tamil Nadu, is running out of water. Software powerhouse Bengaluru, which has lost its entire greenery to urbanisation, punishes commuters with the worst traffic congestion in the world. The solutions are known. The shallow municipal bond markets must scale up, but that will require cities to adopt internationally acceptable accounting, create own sources of revenue, and bring down endemic corruption. The GST needs to be overhauled so that overall tax collection, which Team Modi expects to rise by 12 per cent next fiscal year, doesn't repeat this year's paltry 4 per cent increase.

As the pie grows, distribution must also be fair. A commission that sets the formula for resource-sharing is proposing to leave the states' portion broadly unchanged at 41 per cent. But as I said, in reality, states are getting less than a third of what New Delhi collects. A lot of taxation now takes place in the form of targeted levies on education, health and sanitation, kept in full by the federal administration. A new bargain between different levels of the government must change this.

At 70 per cent of gross domestic product (GDP), India's overall government debt — at all levels — is too high for an investment-grade sovereign. Without bumping up local capital spending, people's incomes and their ability to pay taxes and fees won't rise fast enough to reduce national debt. Weak national finances will leave India unprepared to deal with climate change and epidemics. The coronavirus isn't a big headache for India, at least not yet. It's the next outbreak that planners must worry about. Setting aside more money for drains, sewage management and hospitals will better protect citizens and economic assets. The money circulating in the economy because of municipal-level spending will ease India's fiscal crisis.

Will it happen? Take Mumbai again. Shiv Sena, the party in control of the municipal corporation since 1985, was a long-time ally of Modi's Bharatiya Janata Party until it broke ranks last year. It now leads a coalition controlling the entire state. The Shiv Sena leader, Uddhav Thackeray, has hinted at pulling the plug on a Japanese-funded high-speed train link between Mumbai and Ahmedabad in Modi's home state, Gujarat, which is promoting a Mumbai-rivaling international financial center. For India's fiscal balance to regain its footing, the economics of public spending will have to become more local. Politics already is.

BLOOMBERG

HEALTH

FIT & PROPER
Your weekly health guide

All about cervical cancer

NANDITA PALSHETKAR
IVF & Infertility specialist

Cervical cancer has become one of the major causes of death in women. According to WHO's Cancer Report, women suffer more from cervix, breast and ovarian cancers in India. It is usually not possible to know why a person develops cancer and another doesn't. However, certain lifestyle choices can reduce the chances of contracting cancer, including cervical cancer.

Cervix of a woman connects her uterus with her vagina. Cervical cancer occurs when abnormal or precancerous cells start to develop here. The human cervix has two parts, ectocervix and endocervix. The former is pink in color (if healthy) and is covered in flat thin squamous cells. The latter is the cervical canal and is made up of columnar cells. The area where endocervix and ectocervix meet is the transformation zone, the most likely region where abnormal and precancerous cells can develop.

The leading cause of cervical cancer is Human Papillomavirus (HPV), found in about 99 per cent of cervical cancer cases. There are over 100 different types of HPV which are considered low risk and do not result in cervical cancer. The high-risk cancer types are HPV-16 and HPV-18 and if a woman has persistent HPV infection then she must see a doctor immediately as they are at a greater risk of developing cervical cell abnormalities.

Precancerous cervical cells do not cause any prominent symptoms, which is why regular screening through Pap and HPV tests is recommended. They can catch precancerous cells early and prevent the development of cervical cancer. Widespread use of the Pap test led to dramatic declines in deaths from cervical cancer. The HPV vaccine can reduce risk of cervical cancer as well. HPV causes most cervical cancers. Adolescents are not getting HPV vaccination as often as other recommended vaccines, even though it is safe and effective. Look for these signs to know if you have cervical cancer or not:

- Abnormal bleeding that includes: bleeding between regular menstrual periods, bleeding after sexual intercourse, bleeding after menopause, bleeding after douching and bleeding after a pelvic exam
- Pelvic pain that is not related to menstrual cycle
- Unusual or heavy discharge that is watery, thick or foul smelling
- Pain during urination as well as increased urinary frequency

These symptoms can also be a result of some other condition, so please see your doctor to know what it is.

Girls who started having sex before the age of 16 and before their period, those who have been taking birth control pills for more than five years, women with weak immunity, women who have multiple sexual partners and women with existing STD's are at a higher risk of contracting cervical cancer.

Other than Pap and HPV tests, women can opt for colonoscopy to check for cervical cancer. In this case, the doctor will stain your cervix with a harmless dye or acetic acid to improve visibility of cells. After that the doctor will use a microscope to magnify your cervix by 8 to 15 times to look for unusual cells.

One more method is the Loop electrosurgical excision procedure (LEEP) wherein the doctor uses an electrified loop of wire to take a sample tissue of your cervix for a better look.

If you don't treat an HPV infection it can cause the cells to turn into cancer by forming into a tumour over time.

Study: Doctors know little about helping sex-trafficking victims

VISHWADHA CHANDER
8 February

Doctors are in a unique position to identify and help victims of sex trafficking, but little is taught in medical school about this issue, a review paper suggests.

About 400,000 people in the US are estimated to be affected by human trafficking, and research indicates that up to 88 per cent of them have seen a health care professional for treatment during their exploitation, the authors write in the *American Journal of Preventive Medicine*.

But there isn't enough discussion or education on the role doctors can play in helping these women, children and men, lead author Jennifer Talbott, a third-year medical student at the Mayo Clinic Alix School of Medicine in Scottsdale, Arizona, told *Reuters Health*.

"As future healthcare providers, it's important we learn about trafficking early, instead of five or ten years into our careers when maybe a dozen victims have slipped past us unnoticed," Talbott, who worked with her faculty to develop coursework on the topic, said in an email.

To assess what educational materials do exist for medical students, Talbott and colleagues searched medical journal databases, Google Scholar and other resources for terms including "human trafficking," "sex traffic," "sex violence," "sex work," "education," "medical" and "undergraduate".

The biggest challenge for medical students is the lack of awareness

They uncovered 64 scholarly articles. But after excluding papers that didn't talk about human or sex trafficking, didn't target medical students or were opinion pieces, they were left with just six. After adding in five papers discovered in other searches, they had a total of 11 educational resources on sex trafficking directed at medical students.

None of the resources was solely about sex trafficking, and less than half addressed legal considerations and how to prevent human trafficking. Eight resources discussed victims' treatment needs, provided screening tools and discussed health consequences of trafficking victimisation, with five of these also discussing trauma and how doctors should speak to victims.

A comprehensive curriculum on human trafficking should ideally touch upon the definition of trafficking, identification, intervention, treatment, referral to services, safety considerations, legal issues and prevention, Talbott said.

The biggest challenge for medical students is the lack of awareness, she added. "So many of my peers had either never heard of trafficking or had no idea about the magnitude of the issue and how often victims interact with healthcare providers."

While awareness is growing, it's slow compared to growth in reported rates of trafficking, the authors point out. "Human trafficking is perhaps coming to light more now because health care professionals and the public are talking about it more," said Asim Shah, professor and executive vice chair of psychiatry at the Baylor College of Medicine in Houston, who wasn't involved in the review.

REUTERS

Scientists questioning panglolin-coronavirus link, says new study

KATE KELLAND, TOM DALY
8 February

Independent scientists questioned research on Friday that suggested that the outbreak of coronavirus disease spreading from China might have passed from bats to humans through the illegal traffic of pangolins.

South China Agricultural University, which said it had led the research, said on its website that the "discovery will be of great significance for the prevention and control of the origin (of the new virus)".

Pangolins are one of Asia's most trafficked mammals despite laws banning their trade

China's official Xinhua news agency reported that the genome sequence of the novel coronavirus strain separated from pangolins in the study was 99 per cent identical to that from infected people. It said the research had found pangolins — the world's only scaly mammals — to be "the most likely intermediate host."

But James Wood, head of the veterinary medicine department at Britain's University of Cambridge, said the research was far from robust.

"The evidence for the potential involvement of pangolins in the outbreak has not been published, other than by a university press release. This is not scientific evidence," he said.

"Simply reporting detection of viral RNA with sequence similarity of more than 99 per cent is not sufficient. Could these results have been caused by contamination from a highly infected environment?"

Pangolins are one of Asia's most trafficked mammals, despite laws banning the trade, because their meat is considered a delicacy in countries such as China and their scales are used in traditional medicine. The outbreak of disease caused by the new coronavirus, which has killed 636 people in mainland China, is believed to have started in a market in the city of Wuhan that also sold live wild animals.

REUTERS

Teens who need to lose weight should quit staying up late

LISA RAPAPORT
8 February

Obese teens who diet to lose weight may have more success if they also focus on getting enough rest, a small study suggests.

"Sleep deprivation may be associated with increased caloric intake, and decreased physical activity, resulting in obesity," said senior study author Juan Manuel Malacara of the University of Guanajuato in Leon, Mexico.

To see if extra sleep might make it easier to lose weight, researchers asked 52 obese teens to eat 500 fewer calories per day than usual. Then, they chose 25 teens at random to follow a personalised sleep plan designed to help them get up to an extra hour of rest at night, while the other 27 kept to their usual sleep routines.

After four weeks, teens on sleep plans increased their average sleep time by about 1.2 hours a night and lost an average of 2.1 kilograms (4.6 pounds). Without the sleep plans, teens only increased their sleep by about a half hour, on average, and they only lost an average of 1.2 kg (2.6 lb).

The results suggest that promoting extra sleep may help dieters succeed with weight loss, Malacara said by email.

"Sleep can influence the secretion of hormones that regulate appetite, (reducing) craving for food and (making people) more likely to be successful in cutting calories," said Tianyi Huang of Brigham and Women's Hospital and Harvard Medical School in Boston.

After 4 weeks, teens on sleep plans increased their average sleep time by about 1.2 hours a night and lost an average of 2.1 kilograms

"More sleep will make people feel less sleepy or fatigued during the day, then people are more likely to work out more, leading to higher energy expenditure, which is good for weight loss," Huang, who wasn't involved in the study, said by email. "Sufficient sleep can also reduce stress, which is known to favour weight gain."

Beyond its small size, another limitation of the study is that researchers didn't follow the youth for longer to determine whether sleep might impact their odds of achieving sustainable weight loss. Researchers also relied on teens to report sleep time in diaries and didn't objectively measure how much they slept.

The study also didn't look at exercise, or at what teens ate.

In theory, however, better-rested adolescents might be more conscious about choosing healthier foods and less likely to succumb to the temptation of high-calorie, high-carb sweets and junk foods, said Anna Rangan of the University of Sydney in Australia.

"Shorter sleep duration increases the time available for eating, especially in the evening where sedentary activities, such as watching television, and snacking on highly palatable and energy-dense foods are common," Rangan, who wasn't involved in the study, said by email.

Parents may need to encourage teens to change their evening routines, said Kristen Knutson, a researcher at Northwestern University in Chicago who wasn't involved in the study.

"One way to improve the sleep of teens is to avoid bright light at night, particularly right before bedtime," Knutson said by email. "This includes light from smart phones and tablets — although getting teens to put these away at night may be challenging."

REUTERS

The day terror struck Parliament House

Nearly 20 years ago, when a suicide squad stormed the complex, Ajai Raj Sharma was among the first to appear on the scene. In a memoir, the former Delhi Police Commissioner recalls how the events unfolded that fateful day

Before the year 2001 came to an end, an unprecedented crime took place, which shook the nation and showed the world the extent to which terrorism had grown. On 13 December, I received a call. Something unthinkable had happened. Terrorists had entered the Parliament premises and were firing incessantly. I had barely kept the phone down, when the control room also confirmed that firing was taking place in the Parliament premises. There was no time to think and plan. I ran out of my office and headed straight to Parliament. On my way, I called the control room and directed it to ensure that a couple of armed companies reached the Parliament immediately. I also issued orders to certain select officers, particularly those of the Special Cell, to reach the scene of the shootout.

The situation was dire. As the Parliament was in session, the prime minister, along with all the members of his cabinet and the members of Parliament, were present in the House. I did not even want to imagine the colossal damage the terrorists could potentially cause.

As I was approaching the Parliament, I could still hear some shots being fired. When I reached the scene, a number of dead bodies of terrorists, civilians and the police alike, lay scattered at different places in the complex. I also observed that near the dead bodies of the terrorists, weapons like AK-47 rifles, 9 mm pistols and grenades were scattered. Their mobile phones, which were to provide us valuable information, were there too. I deputed a senior officer to take charge of the scene of crime and ensure that all evidence and clues available at the scene were preserved. Immediately, a cordon was thrown around the area and a very close inspection of everything available on the spot was carried out. I entrusted Rajbir Singh, the ACP of the Special Cell, to at once take over the investigation of the case and report the progress to me by evening.

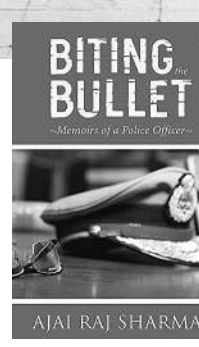
Thereafter, I went inside the Parliament and met the home minister, who was present with the Speaker of the House in his chamber. Both appeared to be in a state of shock. I assured them that within a couple of days, we would be able to trace the culprits and find out who was behind this incident. We requested all members of Parliament to leave for their respective residences and helped them with necessary transport. Once Parliament had been vacated, to ensure that no terrorist remained in hiding on the premises, an intensive combing of the Parliament building and its surrounding area was organized.

The next two days were stressful, to say the least. We were besieged by calls from the press asking all sorts of questions about the investigation of the case. The Special Cell team and the central intelligence agencies jointly launched an intensive investigation into the whole incident. The sim cards of the mobiles of the terrorists contained valuable information and helped to kick-start the investigation. On the basis of the information obtained from these mobiles, four associates of the slain terrorists, namely Mohammad Afzal, Shaukat Hussain Guru, Syed Abdul Rehman Gilani and Navjot Sandhu, wife of Shaukat Hussain Guru, all belonging to Jaish-e-Mohammed (JeM), were arrested. A large number of explosives and incriminating materials were recovered from their possessions. The first three belonged to Jammu and Kashmir. Mohammad Afzal in his interrogation disclosed that he had crossed over to Pakistan and had undergone two and a half months of training at a training camp in PoK, which was run by the Pak ISI. After completing his training, the handlers infiltrated him back into India.

Investigations revealed that the terrorists who had been killed had local support. Syed Abdul Rehman Gilani, a lecturer of Arabic in Zakir Hussain College, had been in touch with them. He, along with Mohammad Afzal and Shaukat Hussain Guru, had been making necessary arrangements for them in Delhi. It emerged that Mohammad Afzal had been very active and was the main coordinator of JeM in Delhi. He further stated that in the first week of December, a meeting had taken place in the house of Shaukat, in which Shaukat Hussain and Mohammad Afzal were present along with the terrorists. In this meeting, they discussed a plan to carry out an attack on the Parliament House.

After her arrest, Navjot Sandhu disclosed that after the incident of 13 December 2001, Shaukat Hussain and Mohammad Afzal had immediately left in a truck for Srinagar. This information was given to J&K Police, who located the truck and apprehended both Mohammad Afzal and Shaukat Hussain. A laptop and ten lakh rupees were recovered from their possession.

On being subjected to intensive interrogation, Mohammad Afzal disclosed that he used to visit Delhi for business purposes regularly. In February 2001, he was contacted by Tariq, a close associate of Ghazi Baba, a Pakistani national, who was the supreme commander of JeM in India.



BITING THE BULLET: Memoirs of a Police Officer
Author: Ajai Raj Sharma
Published: Rupa
Price: ₹495

According to him, Tariq motivated him to join JeM. He took him to Ghazi Baba, who had his base in Abu Hills, Pahalgam. Ghazi Baba informed Mohammad Afzal that under pressure from the ISI chief, both Masood Azhar of JeM and Zaki-ur-Rehman Lakhvi of LeT had joined forces. The Pak ISI had issued directions to them, to carry out a fidayeen attack in Delhi. Ghazi Baba directed Mohammad Afzal to go back to Delhi and set up a base. Consequently, Mohammad Afzal came to Delhi. He motivated Shaukat Hussain and Syed Abdul Rehman Gilani to be a part of the conspiracy for conducting the fidayeen attack.

In the month of October 2001, Ghazi Baba introduced Mohammad Afzal to another JeM militant. His name was Mohammad. He was also a Pak national. Mohammad Afzal was informed that Mohammad would lead the proposed fidayeen attack in Delhi. Thus, Mohammad Afzal brought Mohammad to Delhi and arranged a safe hideout for him in Mukherjee Nagar. Leaving Mohammad at the hideout, Mohammad Afzal, after a week, returned to Srinagar. Shaukat Hussain arranged another safe hideout in Gandhi Vihar. On returning to Srinagar, Mohammad Afzal met Tariq again. Tariq introduced Mohammad Afzal to yet another two JeM militants, Raja and Haider, both of whom were Pakistani nationals. In November 2001, Afzal brought them to Delhi and took them to the hideout in Gandhi Vihar. After a week, Mohammad Afzal returned to Srinagar and met Tariq again. He was introduced by Tariq to two more militants-another Raja and Hamza (both Pakistani). They were brought to Delhi in the beginning of the first week of December 2001. They brought with them AK rifles, pistols, a grenade launcher, grenades, detonators, radioactive devices and wireless sets-hidden in their baggage.

In order to reconnoitre the Parliament House area, Afzal purchased a black Yamaha motorcycle. The Parliament House and the surrounding areas were reconnoitred several times. They also purchased five mobile phones and some police uniforms. They prepared fake ID cards and a parking sticker for their vehicle for entering the Parliament premises. On 11 December, they purchased a second-hand white ambassador car from Karol Bagh. They fitted this car with tinted glass and a red light. The seller of this car had identified it when visuals of the car were displayed by news channels after the attack. This particular seller knew one of the Delhi police officers and informed him about the sale of this car on the date of the incident. The same was conveyed to one of the ACPs and that was how the information reached me. But by that time the incident had already taken place.

On 13 December, all of them met in Gandhi Vihar. Mohammad, the leader of the fidayeen group, handed over a laptop and ten lakh rupees to Afzal Guru. He told him that in case they were killed in their mission, the laptop should be handed over to Ghazi Baba and the money should be kept with Afzal for their future expenses. Heavily armed, all five militants then left for the Parliament in the car they had purchased. It is indeed surprising how easily they entered the Parliament campus, by hoodwinking the Watch and Ward staff of the Parliament. Once inside the campus, the militants drove fast, anxious to achieve their mission. Unfortunately, they drove onto a wrong road at the end of which a huge iron gate was chained and locked permanently. Realizing their mistake, they became nervous. They tried to reverse at high speed, but in the process banged against the escort vehicle in the motorcade of the vice president of India. The security persons sitting in the escort vehicle jumped out and tried to stop the ambassador. This resulted in a shootout between them. Unfortunately, the securitymen were at a severe disadvantage, as they were equipped with only close quarter battle weapons, mostly 9 mm pistols. On the other hand, the militants were using AK-47 rifles. Fortunately, the periphery of the compound was being guarded by a company of the Central Reserve Police Force. On witnessing the shootout inside the campus, they began firing with long-range rifles. The security men fought bravely but four of them fell to the bullets of the militants. Five terrorists, all Pakistani nationals, were also killed in this fierce shootout. Besides them, one unfortunate lady constable of the CRPF, two Watch and Ward men on the rolls of the Parliament and an innocent gardener were also killed. Four security men lost their lives, but they not only saved the day for us but also helped the government from a lot of embarrassment and humiliation. A big service was done by the staff of the Parliament House, when they quickly closed the big wooden doors leading into the Parliament. Even today, when I think about this incident, I shudder to think of the consequences, especially its international ramifications, had the terrorists succeeded in their mission.

Excerpted with permission from Rupa

IMO

DONALD TRUMP'S IMPEACHMENT ACQUITTAL

Elizabeth Warren@ewarren
We must rework our justice system from what we criminalize at the front end, to how we help people come back to their communities.
But we can't say criminal justice is the only time we want to talk about race specifically. We must start having race-conscious laws. #DemDebate

Sec. Wilbur Ross@SecretaryRoss
I am proud of this Administration and all that President @realDonaldTrump
has accomplished on behalf of the American people. The President has produced real, measurable results on economic growth, jobs, and trade.

Sam Stein@samstein
Quite the week for Trump between the acquittal, the improving poll numbers and now this solid jobs report. Arguably the best position he's been in for re-election since his election.

DELHI ASSEMBLY ELECTIONS

Yogendra Yadav@_YogendraYadav
"As a citizen of this country, I sincerely hope and pray that politics of hatred is defeated (in Delhi). I have my opinions about AAP and its leadership — and these are no secret — but I cannot let it cloud my judgement ... or to be used by the BJP..."

bhupendra chaubey@bhupendrachaube
Now that the election is over, can #ShaheenBaghProtest really vacate the area? Can that road be opened? And can we have slightly less chaotic Delhi? #viewpoint

Harish Bijoor@harishbijoor
iTHINK:The #Delhi election just concluded, is quite the election for a city with city issues dominating! Civic issues included! Quite like #BBMP Elections 2020 in #Bengaluru ahead! So lets see if #BijliPaaniSadak dominates as it must! #DelhiElection

Prashant Bhushan@pbhushan1
Why does Shah say that Delhi election results will shock everyone? It means he knows that everyone expects AAP to win and BJP to lose. Is he planning to pull a rabbit out of the hat by EVM tampering? Or is there some more sinister plan afoot?

Rana Ayyub@RanaAyyub
Go Delhi, the future of this country is in your hands.

Barkha Dutt@BDUTT
Well done Delhi. Voter turnout surges to 67 percent. No decline at all from 2015. Hence we, dilliwallahs, remain as enthusiastic as ever.

Ashok Swain@ashoswai
Don't get excited- BJP not doing well in Delhi is part of a 5 yrs pattern. Except in UP & Assam (states with sizable Muslim population), BJP has not done well in state elections. But, again I repeat, Modi is unbeatable as long as he can fool India on Muslims, Kashmir & Pakistan!

CORONAVIRUS SCARE IN CHINA

Danyal Gilani@DanyalGilani
Shanghai is empty due to #coronavirus scare. No one to be seen at a public place in one of the most densely populated cities of the world. ??

Harsh Goenka@hvgoenka
In China it is suggested not to touch a door knob or elevator buttons . Solution for the elevator #coronavirus

Kevin Rudd@MrKRudd
I've been back home in Oz for a few days. I come back each Feb for anniversary of the Apology. What I find striking is the level of complacency here about the potential impact on the global and Australian economy given the impact of the virus on China.

Gender budgeting takes a big leap in India

Finance Commission's decision to incorporate "demographic performance" in fiscal transfers is laudable

LEKHA S CHAKRABORTY

India has made history as the first country ever to integrate gender in the intergovernmental fiscal transfers (IGFT) formula. The 15th Finance Commission has taken this bold decision — during its transition to use the population data from 2011 instead of 1971— not to penalise the states with better demographic performance.

While social values and ethics reflected in the demographic performance of a state cannot be changed by fiscal fiats alone, particularly when patriarchy and prejudices run deep, a proactive approach by a high constitutional body like the Finance Commission (FC) has always been called for. This is especially when these prejudices — reflected in the demographic patterns — are blatantly oppressive.

Against this backdrop, the 15th Finance Commission's decision to give 12.5 per cent weightage to "demographic performance" is laudable. The Commission has decided to use total fertility rate (TFR)— instead of other plausible indicators like female population of the states or the sex ratio of 0-6 age group — as an indicator of "demographic performance". The 15th FC report tabled in Parliament on February 1 noted that the reduction of TFR — the average number of children that would be born to a woman over her lifetime —also reflects better performance in maternal and child health as well as education, and it reflects quality of human capital.

The demographic pattern of 0-6 age group can capture the gender discrimination "even before birth"

Given the disturbing demographics, there has been a growing recognition over the years to the plausibility of incorporating gender into tax transfer formula in India. Withthe monotonous decline in the 0-6 sex ratioin India, it was believed that there can be no valid objection to using FC transfers for gender equity. I argued this in my paper, *Determining Gender Equity in Fiscal Federalism: Analytical Issues and Empirical Evidence from India*, published by the Levy Economics Institute in 2010. What I suggested was to use a simple method for introducing some weight in favour of the female population of the states in the fiscal devolution formula. I further argued that the message would be even stronger and more appropriate if the number of girls in the 0-6 age cohort— is adopted as the basis for determining the states' relative shares of the amount to be disbursed by applying the allotted weight. The demographic pattern of 0-6 age group can also capture the gender discrimination "even before birth".

It remains an empirical question whether incorporating TFR or a sex ratio (0-6) makes FC transfers more progressive/equitable. This progressivity analysis is significant to know whether TFR is a better criterion than the other in capturing the "demographic performance".

It is interesting to recall here that in United Nations Gender Inequality Index (GII) which has been published every year since 2010, adolescent fertility rate is incorporated as one of the parameters to reflect the "reproductive health" gender dimension. That being said, it needs to be mentioned that it is not plausible to incorporate more demographic variables in the Commission's already complex tax transfer formula. What I mean is the inclusion of UN's "gender inequality index" in the tax transfer formula — instead of one single indicator — may not result in the intended results, if the variables included in the index may "neutralise" each other.

The genesis of these debates on how to translate the gender commitments into fiscal commitments can be traced to "gender budgeting" experiments—the analysis of the budgets through a "gender lens"—as a tool of accountability. The pioneering study by the National Institute of Public Finance and Policy led to developing analytical matrices to "engender" the budgets. In 2004-05, through accepting the recommendations of "Classification of Budgetary Transactions" Committee under the Chairmanship of Ashok Lahiri, then chief economic advisor, (where I was a Member to address the TORrelate to gender budgeting), institutionalising gender budgeting became a reality in India. As a prelude to this, the Economic Survey in 2000-01 also, for the first time ever, carried a chapter on "gender", drawing the gender diagnosis from NIPFP study. However, integrating gender in macroeconomic policies has largely confined to the domain of public expenditure at the Centre and state levels. In a fiscal federalism like India, unless we "engender" the IGFT mechanisms, the picture remains partial. With the bold decision by the 15th FC to integrate gender criterion in general purpose transfers, a great leap forward is thus made.

In addition to incorporating gender criteria in tax transfer formula, I also urge 15th FC to design specific purpose transfers to strengthen the gender budgeting initiatives at the subnational levels, including the third tier. With the advent of fiscal decentralisation aftermath 73rd and 74th Constitutional Amendments and the feminisation of local governance in India (33 per cent reservation for women), the imperative for gender equity will be even stronger if the specific purpose transfers can facilitate integrating the revealed preferences ("voice") of women in local level public expenditure decisions.

Identifying transformative financing for gender equity is the clause 5c of Sustainable Development Goals (SDGs). The Niti Aayog's recent report on SDGs has shown the ranking of states based on gender equality (SDG Goal 5) and Kashmir was on the top in terms of gender equality.

Ethiopia, too, is in the process of integrating gender in IGFT. In Ethiopia, the process has been initiated by House of Federations (Senate) and the Terms of Reference (TOR) was moved in Parliament for public hearing. Subsequently, a majority was secured in the Senate for gender-integrated TOR and the country is waiting for the "proclamation" by the Senate to make it a reality in their forthcoming Fiscal Commission. NIPFP has worked in close association with House of Federation (Senate), Government of Ethiopia and the Forum of Federation in this process of integrating gender in fiscal transfers in Ethiopia.

The writer is a professor at the National Institute of Public Finance and Policy

American dies of coronavirus in China as toll set to surpass SARS

RYAN WOO & COLIN QIAN
Beijing, 8 February

An American became the first confirmed non-Chinese victim of the new coronavirus, US officials said on Saturday, and a Japanese man also died with symptoms consistent with the disease, as the epidemic looked set to pass the death toll from SARS.

The 60-year old US citizen died on February 6 in Wuhan, the epicentre of the virus outbreak in the central Chinese province of Hubei, a US embassy spokesman said in Beijing.

"We offer our sincerest condolences to the family on their loss," the spokesman told *Reuters*. "Out of the respect for the family's privacy, we have no further comment." A Japanese in his 60s and hospitalised with pneumonia in Wuhan, also died after suffering symptoms consistent with the new coronavirus, Japan's foreign ministry said.

But owing to difficulties in diagnosing the disease, the cause of death was given as viral pneumonia, the ministry said, citing Chinese medical authorities.

As of noon on Thursday, 17 foreigners were being treated for the disease in quarantine in China, according to the latest government figures.

The death toll in mainland China rose by 86 to 722 on Saturday, according to authorities, and is poised to pass the 774 deaths recorded globally during the 2002-2003 pandemic of Severe Acute Respiratory Syndrome (SARS), another coronavirus that jumped from animals to humans in China.

During the SARS outbreak between November 2002 and July 2003, the number of reported cases was 8,098, suggesting a far lower transmission rate than the latest coronavirus, but a higher mortality rate.

Two deaths have been reported outside of mainland China — in Hong Kong and the Philippines. Both victims were Chinese nationals. A *Reuters* count based on official reports show there are more than 330 cases outside China, in 27 countries and regions.

An employee restocks rolls of toilet paper at a market, following the outbreak of the novel coronavirus, in Hong Kong on Saturday REUTERS

"It is hard to say how lethal this novel coronavirus infection is," Professor Allen Cheng, an infectious diseases expert at Monash University in Melbourne, told *Reuters*.

"While the crude mortality appears to be around two per cent, there are likely to be many people who have been infected that haven't been tested ... We probably won't know the true case fatality for some time yet."

Most of the deaths in China have occurred in and around Wuhan. Hubei officials on Saturday reported 81 new deaths, 67 of those in Wuhan, a city in virtual lockdown. Across mainland China, the number of outstanding cases stood at 31,774.

News of the death on Friday of Li Wenliang, a doctor who was reprimanded by police for raising the alarm about the new coronavirus, sparked sorrow and outrage on Chinese social media and rekindled memories of how Beijing was slow to tell the world about the SARS outbreak.

Beijing's communist leadership has sealed off cities, cancelled flights and closed factories to contain the epidemic, a response that has had ripple effects globally for financial markets and businesses dependent on the world's second-biggest economy.

Saturday marked the final day of the Lunar New Year holiday, a day usually characterised by family gatherings, fireworks, and the lighting of lanterns.

The Chinese economy will sputter towards normal on Monday, although many workplaces will remain closed and many white-collar workers will continue to work from home.

Apple said it was working to reopen its China corporate offices and call centres next week, and was making preparations to reopen retail stores there.

But Chinese authorities have blocked a plan by Apple supplier Foxconn to resume production from February 10 over concerns about the spread of the virus, Japan's Nikkei business daily reported on Saturday.

The toll on China's already-slowing economy has been heavy, with Goldman Sachs cutting its first-quarter GDP growth target to four per cent from 5.6 per cent previously and saying a deeper hit is possible.

"It's certainly not going to be a return to normal next week," said Julian Evans-Pritchard, senior China economist at Capital Economics in Singapore.

"The longer this disruption continues the higher the risk it affects employment and the higher the risk of a much bigger hit on the economy," he said.

Hong Kong on Saturday was introducing a two-week quarantine for all people arriving from the mainland, or who have been there during the previous 14 days.

While China is bearing the brunt of the virus, anxiety levels are spiking across Asia, with Japan alarmed by the rising number of cases aboard a quarantined cruise ship, major foreign companies pulling out of an international airshow in Singapore, and Thailand losing money as Chinese tourists stay home.

Another three people on the cruise liner off Japan tested positive for coronavirus, bringing the total number of confirmed cases from the ship to 64, Japan's health ministry said.

Thailand reported seven new cases, including three Thais and four Chinese, bringing the total reported in the country to 32, among the world's highest number of infections outside of China.

Taiwan and Hong Kong urged residents not to hoard goods such as toilet paper amid signs of panic buying, and the World Health Organization chief warned of worldwide shortages of medical gowns, masks and other protective equipment. Royal Caribbean Cruises Ltd on Friday banned "any guests holding Chinese, Hong Kong or Macau passports, regardless of when they were there last" from boarding the company's ships.

Having already decided to suspend most flights from Monday between Taiwan to China, Taiwan's government said it would also suspend all direct passenger and freight shipping.

Hundreds of foreigners have been evacuated out of Wuhan over the past two weeks. A second evacuation plane to airlift Australians out of Wuhan was delayed after China did not give it clearance to land, Australian officials said on Saturday.

Shanghai to help Tesla resume production

US electric carmaker Tesla's factory in China's financial hub of Shanghai will resume production on Monday with assistance to help it cope with a spreading epidemic of coronavirus, a Shanghai government official said on Saturday.

Many factories across China shut in late January for the Lunar New Year holiday that was originally due to end on January 30 but which was extended in a bid to contain the spread of the new flu-like virus that has killed more than 700 people. **REUTERS**

Uber and Lyft on different roads in search of profit

TINA BELLON
New York, 8 February

Uber and Lyft, the two leading US ride-hailing companies, are on divergent paths as Uber pours money into money-losing side businesses while smaller rival Lyft focuses on moving people around.

Uber shares shot up nine per cent on Friday after the company said on Thursday it could achieve a measure of company-wide profitability in the fourth quarter of 2020, a year ahead of a previous target. That measure excludes expenses for stock-based compensation and other items. Uber still expects to lose more than $1 billion for all of 2020.

Uber and Lyft, both based in San Francisco, are ride hailing's odd couple. Uber is much larger, with $3.8 billion in revenues for the first nine months of 2019 compared to $956 million for Lyft. At almost $69 billion, Uber's market valuation is nearly five times that of Lyft's — and well ahead of automaker General Motors. Uber operates in more markets around the world, although it has clashed with regulators in London and Germany and struggled in some Asian markets. Lyft focuses on North America.

Lyft has more quickly developed ways to retain high-paying repeat riders across its entire operation via a single subscription model it launched in October. Uber on Thursday told investors 2020 would be the "year of subscriptions" when it plans to combine its loyalty programmes across rides and food delivery into a single plan.

Uber offers a cross-platform points rewards programme and in 2018 launched a monthly subscription that protects riders against surge pricing because of traffic or weather, available in 40 US cities.

Uber's ride-hailing business, which generates around three quarters of its revenue, is profitable right now. Uber's other operations are dragging down the company's bottom line. Over the past five years, Uber has built out its food-delivery business Eats, developed self-driving cars, worked on long-haul trucking operations and even on commercial passenger drone shuttles.

All of those businesses are money losers. Uber Eats recorded an adjusted EBITDA loss of $777 million in the last two quarters of 2019, the two quarters for which it broke out that metric.

Lyft has more quickly found ways to retain high-paying repeat riders across its operation via a single subscription model ISTOCK

Most major analysts still prefer shares of Uber. Its size, the profitability of its ride-hailing segment and its ability to withstand regional downturns or regulatory pressure in a single market made it a safer long-term investment, said Angelo Zino, analyst at CFRA.

But some analysts said Lyft is a less-risky bet. "We prefer Lyft because it focuses on the most profitable business in North America, the largest rides market," Cascend Securities analyst Eric Ross said. Uber and Lyft did not comment.

Lyft is reporting fourth quarter earnings on February 11. In October it told investors it would be adjusted EBITDA profitable by the end of 2021. Analysts said they did not expect Lyft to move its profit target.

Lyft has integrated public transit information into its app for seven US cities in the hopes of turning its app into a single transportation platform. Uber has integrated transit information of eight US cities and allows customers in Las Vegas and Denver to purchase public transit tickets through its app.

Dan Morgan, portfolio manager at Synovus Trust, said Uber should focus on what it does best — connecting customers through its app — and ditch efforts to develop its own self-driving cars or passenger drone technology.

"If you're losing as much money as Uber, it makes sense to leave those businesses to other companies who have the competency," Morgan said. **REUTERS**

Bezos unloads $4 bn of Amazon stock in a week

BLOOMBERG
8 February

Bezos still owns about 11% of Amazon, worth $115.5 billion

Jeff Bezos continued his selling spree.

Amazon.com's founder and chief executive officer disposed of two million shares in the past week, collecting more than $4 billion, according to regulatory filings. His latest sales were disclosed on Friday as the company's stock hit fresh highs.

The transactions are part of a pre-arranged trading plan. An Amazon spokesman declined to comment.

That brings Bezos's total stock sales to more than $14 billion, with the majority occurring in the past four years, according to calculations by Bloomberg. Bezos, 56, said in 2017 that he was selling about $1 billion a year in Amazon stock to fund Blue Origin, his space flight company. The rocket builder has since expanded operations and signaled its first human test flights this year.

Bezos has also been on a spending spree.

He was seen walking through the previews at Sotheby's in November and reportedly set a record for artist Ed Ruscha at a Christie's auction the same month with a $52.5 million purchase of "Hurting the Word Radio #2." According to the same report, Bezos also bought "Vignette 19" by Kerry James Marshall for $18.5 million at Sotheby's. The tech titan, meanwhile, has been hunting around for another Los Angeles home, according to agents there.

The scale of his stock sales — including $2 billion in 2017 and $2.8 billion in 2019 — partly reflects Amazon's soaring valuation, which surpassed $1 trillion at the close of trading for the first time on Tuesday. The stock closed at $2079.28 on Friday. Bezos still owns about 11 per cent of Amazon, worth $115.5 billion.

UK foreign secretary wants Japan trade deal this year

TIM KELLY
Tokyo, 8 February

British Foreign Secretary Dominic Raab said he wants to begin talks with Japan within weeks to conclude a trade deal this year, after a meeting with Japanese counterpart Toshimitsu Motegi, who asked Britain to drop European Union food import restrictions imposed after the Fukushima nuclear disaster.

"The aspiration will be to do it by the end of the year. We can certainly begin it earlier than Spring," Raab told *Reuters* in an interview.

"Japan is right up there in the list of priorities partly because of the size of the market, but also Japan is an absolute central country in the Indo Pacific region," he added.

Motegi, who said Japan also wanted a rapid conclusion of trade talks, met Raab in Tokyo during his first overseas trip following Britain's departure from the EU, and as it negotiates its future relationship with Brussels and begins free trade talks with other major economies including the United States and Japan.

REUTERS

Dominic Raab sought to ease Japan's concern that the EU exit could result in trade friction with the rest of Europe

While in the EU, Britain was part of a comprehensive trade deal with Japan that last year began reducing tariffs across a raft of products, including Japanese autos.

Britain's hurry to tie up new trade agreements could be to Japan's advantage, as it seeks to secure better terms.

Motegi said he had asked Raab at their meeting to lift import restrictions on Japanese food and other products that were imposed by Brussels after the nuclear accident at Fukushima in 2011. The EU eased those import regulations last year, but still insists on inspections and certificates of origin for some Japanese produce, including seafood.

"Obviously anything that affects food, health and safety standards we would want to look at very carefully. We understand the Japanese concern about this and it will be science led," Raab told Reuters when asked if Britain would agree to Motegi's request.

Raab also sought to ease Japanese concern that the EU exit could result in trade friction with the rest of Europe. Japanese manufacturers such as Nissan Motor built plants in Britain because it offered a convenient gateway to the EU.

There is, Raab predicted, enough political will in both the EU and Britain to conclude a deal that will decide their future relationship before a transition period finishes at the end of the year.

"We have too much in common, too much at stake for politics to trump the mutual economic self interest. On both sides we've got a chance now to focus on the positives in the relationship," he said.

Raab, who travelled to Japan from Australia, will stop in Singapore and Malaysia before returning to London. **REUTERS**

'Drug' dealer threat to Lisbon tourism

REUTERS
Lisbon, 8 February

Whispering "Hashish? Cocaine?", street sellers are offering unsuspecting tourists in Lisbon's centre "drugs" which police say are often bay leaves, flour or ground paracetamol.

Locals in Lisbon's historic Santa Maria district say the fake drugs phenomenon is getting worse, worrying police and business owners who fear tourists could start to steer clear of the Portuguese capital's bustling centre.

"Everyone on my tours gets asked if they want drugs," Maarten, a Belgian tour guide working in Lisbon, said. "Some just laugh, but others don't like it at all." Portugal, which has long been popular for its beaches, historic sites and golf courses, has become reliant on tourism in recent years after government and businesses looked to it to drive growth after the 2011-14 debt crisis.

Preliminary figures released at the end of last year showed Portugal welcomed a record of 26 million tourists in 2019, with around a third visiting Lisbon. Data from the World Travel and Tourism Council showed that the total contribution of travel and tourism to Portugal's GDP reached 19.1 per cent in 2018.

Drugs are not a new problem for the country, which decriminalised possession and consumption of a limited amount of drugs in 2001 after decades of high rates of heroin addiction.

But while selling drugs is illegal, selling bay leaf or flour is not. At best, it is a breach of street licensing laws.

Bruno Pereira, police commissioner for Lisbon's criminal investigation department, said that new legislation was needed to tackle the problem, which requires "continuous attention".

"Tourists are unaware of this phenomenon so they are fooled," Pereira said. Police say vendors make a steep profit by showing potential buyers a real drug sample to smell or taste and once they have paid, handing them a fake substitute.

Bombardier's shaky future puts novice premier in dicey déjà vu

SANDRINE RASTELLO & PAULA SAMBO
8 February

Bombardier has Quebec in a bind again.

As the debt-laden plane and train maker explores selling one of its core businesses and exiting a jetliner venture with Airbus SE, its home province is feeling the need to get involved again — but not at any cost.

Unwilling to add to the $1 billion his predecessor invested in the plane programme now known as A220, Premier Francois Legault is exploring alternative tools to preserve thousands of jobs, in what's shaping out to be his biggest economic test yet.

He's walking a fine line. A self-described nationalist whose Coalition Avenir Quebec party rose to power for the first time 16 months ago, Legault has vowed to close the income gap with wealthier Ontario and keep corporate head offices in Quebec. Yet he can't been seen as too generous with Bombardier's management, whose image has been tarnished after awarding itself generous pay bumps while cutting jobs, receiving government aid, and failing to turn the company around.

"Bombardier: their failure, your bill," an editorial at Montreal-based *La Presse* read last month.

"Public opinion has lost some of its sympathy for Bombardier," said Michel Nadeau, a former deputy chief executive officer at the Caisse de Depot et Placement du Quebec, the province's influential pension fund manager. "The Legault government can't step in with big amounts — if they help, it has to be small."

Bombardier said in a statement it currently has no request for help before the Quebec government.

A Canadian industrial champion with roots in snowmobiles before acquisitions turned it into a major builder of jets and subway cars, Bombardier has been a source of pride and a major employer in Quebec. Yet its glory days are now behind it as it focuses on reducing a $10-billion debt load that can partly be traced back to the C Series, a single-aisle jetliner that ran into multiple delays and overruns.

Airbus gained control of the programme in 2018 at no cost, renamed it the A220 and now employs 2,700 workers at the Mirabel plant, 53 kilometres (33 miles) outside Montreal.

The deal took power away from Quebec, which had poured $1 billion into the programme just two years earlier in exchange for a 49 per cent stake but saw its share shrink to about 16 per cent with the entry of Airbus. Investing directly in the plane rather than the company as a whole was a "serious mistake" by the Liberal government that now leaves little say to its successor over asset sales, said Legault.

Quebec Premier Francois Legault can't been seen as too generous with Bombardier's management REUTERS

"We're in a situation that's not easy," Legault, a former businessman who co-founded leisure airline Air Transat, told reporters on February 5. "We're currently looking at ways to protect jobs without investing too much of Quebeckers' money."

There's no obvious solution. The company has received billions in loans, tax credits and equity injections from federal and provincial governments over the years, including C$596 million in reimbursable loans that it says it has completely paid back. And it's trying to reduce debt. Short of a massive cash injection — which Economy Minister Pierre Fitzgibbon ruled out as "not appropriate" — Bombardier has little choice but to downsize.

The company has already sold assets in recent years, including in a pending deal for its CRJ jet unit with Mitsubishi Heavy Industries Ltd. It said last month that it is rethinking the programme with Airbus, which calls for more cash and may prompt a writedown. It discussed combining its rail unit with France's Alstom SA. According to the *Wall Street Journal*, it's in talks to sell its private-jet unit to Textron and its remaining A220 stake to Airbus. Quebec would retain its 16 per cent stake, the *Journal* reported.

"The story of Bombardier has been a multiple car pile up because people just won't look away," said John O'Connell, chief executive officer of Toronto-based Davis Rea, who doesn't own the stock. "And governments are the same as any other investor: prone to driving into the back of previous crash victims."

Quebec is not entirely powerless. The Caisse paid $1.5 billion for a 30 per cent stake in the rail division in 2016 and will likely weigh in as Bombardier considers a tie up with Alstom SA. While technically independent, the Quebec savings' manager follows a twin mandate commanding it to contribute to Quebec's economic development. It declined to comment on any further investment.

Legault said the train unit has a lot of potential as public transportation orders are set to jump in coming years. For now though, most Bombardier jobs in the province can be found in aerospace, with a staff of about 10,800 employees, against 1,500 in rail.

The province is the world's third-largest aerospace hub, with about than 43,378 positions and 191 employers as of January 1, according to CAMAQ, an industry group focused on labour and training. That expertise means that jobs are likely to stay in Quebec in the short to medium term even if Bombardier drops the Airbus venture or sells the business jet unit, said Karl Moore, a professor of management strategy at Montreal's McGill University.

It's the well paying corporate jobs and the related business for lawyers or accountants that may go away, he added, a move reminiscent of the 1970s and 1980s, when fears of Quebec separatism drove companies away from Montreal. Legault has often lamented head office losses due to acquisitions, such as Lowe's Cos.'s purchase of Rona.

The provincial government's popularity hovered at 60 per cent last month, according to a Leger poll commissioned by Legault's party. A misstep on Bombardier could put an end to the extended honeymoon.

"You don't want to be a Quebec government who loses jobs in Quebec," Moore said. **BLOOMBERG**

Trump ousts two officials who testified against him in trial

JEFF MASON & KAREN FREIFELD
Washington/New York, 8 February

President Trump steps off Air Force One after arriving in Charlotte prior to a campaign event on Friday REUTERS

Two days after President Donald Trump's impeachment acquittal, his administration on Friday ousted two officials — Army Lieutenant Colonel Alexander Vindman and US Ambassador to the European Union Gordon Sondland — who provided damaging testimony about Trump in Democratic-led congressional hearings.

Sondland issued a statement saying he would be removed from his post hours after Vindman's lawyer announced that the military officer — the White House's top Ukraine expert — was being removed from his National Security Council job.

Vindman, a Ukraine-born US citizen and decorated Iraq war combat veteran, was escorted out of the White House, his lawyer David Pressman said in a statement, adding that the move was retribution for Vindman's testimony. Michael Volkov, who represented Vindman when he testified in the impeachment inquiry, said Vindman's twin brother, Yevgeny Vindman, was escorted off the White House grounds at the same time.

"There is no question in the mind of any American why this man's job is over, why this country now has one less soldier serving it at the White House. LTC Vindman was asked to leave for telling the truth," Pressman said, using shorthand for Vindman military rank.

Sondland, a wealthy Oregon hotelier, was a Trump political donor before being named by the president to his ambassador post. In his statement, he said he was advised that Trump "intends to recall me effective immediately" from his job.

"I am grateful to President Trump for having given me the opportunity to serve, to Secretary Pompeo for his consistent support, and to the exceptional and dedicated professionals at the US Mission to the European Union," he said, referring to Secretary of State Mike Pompeo.

Vindman and Sondland both testified in the House of Representatives impeachment inquiry that led to Trump becoming only the third US president to be impeached. The Senate, controlled by Trump's fellow Republicans, acquitted him on Wednesday of charges of abuse of power and obstruction of justice, keeping him in office.

Vindman in November testified that Trump made an improper demand of Ukrainian President Volodymyr Zelenskiy in a July 25 phone call that became the focus of the inquiry. Vindman said that "I couldn't believe what I was hearing" in the phone call.

Trump asked Zelenskiy to launch investigations into both Democratic rival Joe Biden and a discredited theory beneficial to Russia that Ukraine colluded with Democrats to harm Trump in the 2016 US presidential election.

During that appearance, Vin dman downplayed concerns that he would suffer payback for speaking out. "I will be fine for telling the truth."

Yevgeny Vindman, also an Army lieutenant colonel, worked for the NSC as a lawyer. An Army spokesperson said both brothers had been reassigned to the Army, but declined to provide further information "out of respect for their privacy". A lawyer for Yevgeny Vindman did not immediately respond to a request for comment.

A spokesman for the NSC declined to comment.

Representative Eliot Engel, Democratic chairman of the House Foreign Affairs Committee, said the decision to remove Alexander Vindman was "shameful".

"This president believes the only loyalty that matters is loyalty to him personally," Engel said in a written statement.

Asked earlier on Friday about media reports that he might remove Vindman, Trump told reporters: "I'm not happy with him. You think I'm supposed to be happy with him?...They're going to be making that decision."

A source familiar with the situation told *Reuters* that Vindman would be reassigned to the Defense Department.

Vindman's two-year stint at the White House was due to end in July. US Defence Secretary Mark Esper said on Friday that the Pentagon protects all service members from retribution.

Trump has said he is still bitter as he turns his attention to seeking a second four-year term in the November 3 presidential election.

In testimony in the House impeachment inquiry, Sondland said he was following Trump's orders when he pushed Ukrainian officials to carry out investigations sought by the president.

The ambassador also said he and two other officials — Energy Secretary Rick Perry and Ukraine Special Envoy Kurt Volker — were disappointed in Trump's May order that they work with his personal lawyer Rudy Giuliani on Ukraine policy at a time when Giuliani was playing a key role in pressuring the Ukrainians for the investigations. Sondland said he and the other two officials followed the directive.

Sondland also said that "inviting a foreign government to undertake investigations for the purpose of influencing an upcoming US election would be wrong." The White House and State Department did not immediately respond to requests for comment regarding Sondland's removal.

Another senior White House aide who testified over impeachment, Jennifer Williams, left this week for a post at the US military's Central Command, according to *Bloomberg News*.

Trump denied reports that he was weighing a permanent chief of staff to replace acting aide Mick Mulvaney, who was a central figure in the impeachment inquiry.

"That was a false report. I have a great relationship with Mick," Trump said.

Biden's campaign for the Democratic presidential nomination suffered a serious setback when he came in fourth place at the Democrats' first state contest in Iowa this week. REUTERS

US administration to propose spike in AI, quantum R&D funds

DAVID SHEPARDSON
Washington, 8 February

The White House on Monday will propose a big jump in US government spending on artificial intelligence (AI) and quantum information sciences research and development in its 2021 budget proposal, two people briefed on the plan said.

The Trump administration wants Congress to double spending on AI R&D funding from $973 million to nearly $2 billion by 2022 and to double spending on quantum information sciences spending to $860 million within two years.

The Trump administration wants Congress to double spending on AI R&D funding from $973 million to nearly $2 billion by 2022

Michael Kratsios, a White House adviser and US chief technology officer, declined to confirm the figures but said in a statement that the budget will "ensure America continues to lead the world in critical technologies like AI and quantum. America's economic strength and national security depend on it".

The White House is also focused on boosting quantum information research as part of its effort to support future industries. Still in its infancy, quantum computing aims to operate millions of times faster than today's advanced supercomputers using quantum mechanics.

The figures do not include some Defence Department research programmes. Officials say the jump is aimed at keeping pace with China's efforts.

The budget proposal on Monday will include a 70 per cent increase for National Science Foundation (NSF) for AI-related grants and interdisciplinary research institutes, rising to more than $850 million, sources said, as well as a significant jump in funding at NSF for quantum information sciences.

The White House will also propose additional funding for a number of other federal agencies.

At the same time, the White House will again propose an overall cut in federal R&D spending, a source said. The administration last year proposed $134.1 billion but Congress approved $155.9 billion. The administration is expected to propose $142.2 billion in overall R&D funding in its 2021 budget.

Last February, US President Donald Trump signed an executive order asking federal agencies to dedicate more resources and investment into research, promotion and training on AI.

The White House said last year that investment in AI is "critical to creating the industries of the future, like autonomous cars, industrial robots, algorithms for disease diagnosis, and more".

Experts say quantum computing could have a major impact on healthcare, communications, financial services, transportation, artificial intelligence, weather forecasting and other areas. REUTERS

Israel bans Palestinian agri exports via Jordan

REUTERS
Ramallah, West Bank, 8 February

Israel has escalated a trade war with the Palestinians by stopping their agricultural exports through Jordan, Palestinian Agriculture Minister Riyal al-Attari said on Saturday.

Israel and the Palestinian Authority (PA) opened a new front in their decades-long conflict with a trade dispute that began in October and has escalated over the past week.

"Yesterday, the director of Israeli crossings informed all exporters and all relevant parties that all Palestinian agriculture products would be banned from export to world markets through the Jordanian crossing starting Sunday," al-Attari told Voice of Palestine Radio.

Israeli and Jordanian officials did not immediately respond to requests for comment. The PA declared a boycott of Israeli calves in October.

Last weekend Israeli Defence Minister Naftali Bennett said he would halt all PA agricultural imports, which in turn prompted the PA to say it would end imports of Israeli agricultural products, fruit juice and bottled water.

Those moves have frayed trade links that have generally held strong since the two sides signed interim peace accords in the 1990s, even weathering the collapse in 2014 of peace talks. Bilateral tensions have been further fuelled by the announcement of US President Donald Trump's Middle East peace plan.

Khamenei says Iran should grow military might to prevent war

PARISA HAFEZI
Dubai, 8 February

Khamenei has banned Iranian officials from holding talks unless the US returns to the deal and lifts all sanctions

Iran should increase its military might to prevent a war, Supreme Leader Ayatollah Ali Khamenei told a gathering of air force commanders on Saturday, dismissing the US sanctions on the country as "criminal act".

"We should be strong to prevent any war against the county.

Being weak will encourage our enemies to attack Iran," Khamenei, Iran's top authority, said according to state news agency IRNA.

The Islamic Republic has vowed to increase its military strength despite mounting pressure from Western countries to curtail its military capabilities, including its ballistic missile programme.

Tensions between Tehran and Washington have spiked since 2018 when US President Donald Trump abandoned a 2015 pact between Iran and world powers under which Tehran accepted curbs to its nuclear programme in return for lifting sanctions.

"Since the revolution their aim was to stop us from having a strong military and a strong air force ... but look at us now.

We even build planes. We have transformed their pressure to opportunity," Khamenei said, according to state TV.

Iran is marking the 41st anniversary of the Islamic revolution, which toppled the US-backed Shah Mohammad Reza Pahlavi in 1979.

Washington has reimposed crippling sanctions aimed at halting all Iranian oil exports, saying it seeks to force Iran to negotiate to reach a wider deal.

Khamenei, who dismissed the US sanctions as a "criminal act", has banned Iranian officials from holding talks unless the United States returns to the deal and lifts all sanctions. He said Iran should distance its economy from dependency on oil exports.

Iran and the United States stormed to the edge of a war in early January when Tehran's most prominent general, Qassem Soleimani, was killed in a US drone strike on his convoy in Baghdad.

Tehran responded by launching missile attacks on US targets in Iraq.

Iranian television said 80 "American terrorists" had been killed and US helicopters and military equipment damaged, without providing any evidence, Washington denied that there were any fatalities. REUTERS

THE CONTENDERS

South Bend Mayor Pete Buttigieg, Senator Bernie Sanders, former Vice President Joe Biden and Senator Elizabeth Warren gather onstage at the Democratic 2020 US presidential candidates debate in Manchester, New Hampshire, on Friday REUTERS

Facebook, Messenger accounts hacked

REUTERS
8 February

Twitter confirmed on Friday that the official Twitter accounts of social media giant Facebook and its Messenger platform were hacked.

A Twitter spokesperson said in an emailed statement that the accounts were hacked through a third-party platform.

"As soon as we were made aware of the issue, we locked the compromised accounts and are working closely with our partners at Facebook to restore them," the Twitter spokesperson said.

The account of Twitter Inc Chief Executive Jack Dorsey was hacked in August, allowing an unauthorised person to send public tweets including racial slurs and curse words to his 4 million followers before Twitter secured the account.

The billionaire's big job of restoring Aston Martin

SIDDHARTH PHILIP
8 February

In a career spanning more than three decades, Canadian fashion mogul Lawrence Stroll has relied on a simple formula: take over a brand that's either niche, or in trouble, or both, and beef it up for half a dozen years. Then exit with a tidy profit.

It's a skill he honed in the 1980s bringing Ralph Lauren's preppy New England look to Europe, before buying Tommy Hilfiger in 1989 with long-term business partner Silas Chou — another clothing brand that celebrated Americana with its blue-red-white emblem and country-club attire. Add to that list Michael Kors, teetering on the brink of collapse when the duo picked it up in 2003. By the time Stroll and Chou sold out in 2011, Kors was the king of affordable luxury with a sky-high valuation.

Now Stroll wants to prove he can replicate that approach in a very different field, one where investments are higher, regulation is fiercer and competition is more unforgiving. Last week, UK sports-car maker Aston Martin Lagonda Global Holdings secured a 500-million-pound ($656 million) lifeline from a group that included Stroll, who is set to become executive chairman of the brand best known as the vehicle of choice for James Bond.

Aston Martin badly needs a saviour. At the time of its initial public offering late in 2018, the business was pitched as a peer to Ferrari, which had pulled off a highly successful listing three years earlier. But the comparison quickly evaporated, with a string of profit warnings, lacklustre sales and dwindling financial reserves weighing on Aston Martin's stock, which has lost 75 per cent of its value.

"Perhaps a touch of irrational mad passion with a large wallet isn't as crazy as it sounds," said Matthias Schmidt, an independent automotive analyst in Berlin.

Ditching electric

While Stroll hasn't laid out his plan for Aston Martin in public, the stakes couldn't be higher. The company has huge financial outlays, having pinned its turnaround on the success of its first SUV, the $189,000 DBX.

The DBX is Aston Martin's bet that it can broaden its clientele from buyers of sleek sports cars like the entry-level $150,000 Vantage, which has turned out to be a tough sell. Aston Martin is also different from Stroll's previous investments because the company is listed, meaning any turnaround happens under the glare of public ownership and the reporting requirements this brings.

"Stroll brings a number of important benefits, namely he has removed the urgent cash need of the business, allowing it to focus on building its brand rather than selling units to fund working capital," said Angus Tweedie, an analyst at Citigroup Global Markets in London.

Even though the DBX pushes into a crowded niche of luxury SUVs, early orders for the model have been encouraging. That success now gives Stroll and the team some breathing space to relieve pressure from other models, said Giulio Pescatore, an analyst at HSBC in London. At the same time, Aston Martin would be wise not to pursue a single-model strategy, he said.

Aston Martin is different from Lawrence Stroll's previous investments because the company is listed, meaning any turnaround happens under the glare of public ownership and the reporting requirements this brings REUTERS

"The DBX on its own cannot carry the weight of the company," Pescatore said.

Deliveries of the model begin in May, according to Aston Martin.

Stroll, who declined to be interviewed for this story, wasted little time resetting Aston Martin's priorities. The carmaker said it's paring back big-ticket investments in new models to focus instead on easier-to-achieve projects such as the DBX and special editions that tend to cost millions.

Aston Martin also put on hold its plans for an electric model, a counter-intuitive move in an environment where most other carmakers are going all-in with battery-powered vehicles. Unlike the world of fashion, the car industry has years-long research and development cycles that require extensive investments, and Aston Martin's decision to jettison its electric ambitions may put it at a technological disadvantage.

Formula 1

For Stroll, the Aston Martin rescue package gives his team as much as 20 per cent of the company. It also combines two of his big passions: corporate turnarounds and high-powered automobiles. Stroll's successes in the fashion industry made him a billionaire, worth about $2.5 billion, according to the Bloomberg Billionaires Index. He owns an extensive car collection that includes rare Ferraris, as well as his own Formula 1 race-car team. (Chou, who is part of the Aston Martin consortium, is worth at least $2.8 billion.)

Born Lawrence Sheldon Strulovitch in Montreal in 1959, Stroll today enjoys the good life. Last year, the tabloid press was full of pictures from his Great-Gatsby themed birthday bash on the Italian island of Capri. Guests included Michael Douglas and his wife, Catherine Zeta-Jones. Stroll has homes dotted around the globe, from Switzerland to the island of Mustique.

Stroll's past successes in fashion relied in no small part on dramatically extending the product portfolio to make the brands more widely accessible. In the case of Michael Kors, that meant adding popular accessories like sunglasses or handbags to the core range of clothing. Investors have speculated that Stroll may also take Aston from being an automobile company to a luxury consumer brand, an extension whose profit contribution remains untested beyond small items like key rings or T-shirts.

Even before Stroll showed up, Aston Martin Chief Executive Officer Andy Palmer sought to create a lifestyle offering that includes cashmere scarves and leather bags, as well as partnerships ranging from the luxurious (a real-estate development in Miami) to the ludicrous (a mini submarine called Project Neptune). The positive impact on the bottom line is questionable, at best: today, Aston Martin sunglasses and T-shirts can be had for 75 per cent off their sticker price at discount chains.

Luxury focus

Stroll's arrival will reinforce Aston's luxury pedigree, Palmer said in an interview last week. "I think the dialogue will change from automotive to luxury."

"The investment by Stroll reinforces our luxury pedigree, and also underlines the confidence the consortium has in the brand," Palmer said.

Whether Stroll will show longer investment stamina in cars than in fashion remains to be seen. In 2018, he led a group of investors to lift the Force India Formula 1 team out of administration. Renamed Racing Point, the UK-based team now counts among its drivers Stroll's 21-year-old son, Lance, who finished 15th in the 2019 drivers' championship. Despite pumping about $118 million into the team, it ended up in seventh place in the championship. Still, since F1 cars are designed the year prior, 2020 will be the true test of Stroll's foray, according to Formula Money, which tracks the business of F1.

"Most F1 owners don't invest in F1 to make money," said Caroline Reid, the publisher Formula Money. "For most team owners, F1 is a marketing exercise. Most usually, it's a good way to promote road cars."

That could be an important extension for Aston Martin. As part of the deal, Stroll's F1 team will become the Aston Martin Team in 2021, for a 10-year term. For the carmaker, which has gone bust 7 times over the decades, its another attempt at a turnaround in rapid succession.

Fans of the brand now can look forward to not just the latest Bond movie this year, but can hope for a new investor who will display a more lasting commitment than the live-and-let-die approach of Stroll's predecessors. BLOOMBERG

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Time for the face-off

Televised debates between candidates is a good idea

Union Home Minister Amit Shah had little trouble not responding to Delhi Chief Minister Arvind Kejriwal's challenge for a debate with the Bharatiya Janata Party's chief ministerial candidate ahead of the Assembly elections. Despite the torrent of impassioned rhetoric that accompanies every election, Indian electoral traditions have not adopted this progressive tool of modern democracy. But as the claims and counterclaims become more fabulist and toxic, the next election could be a good time to start.

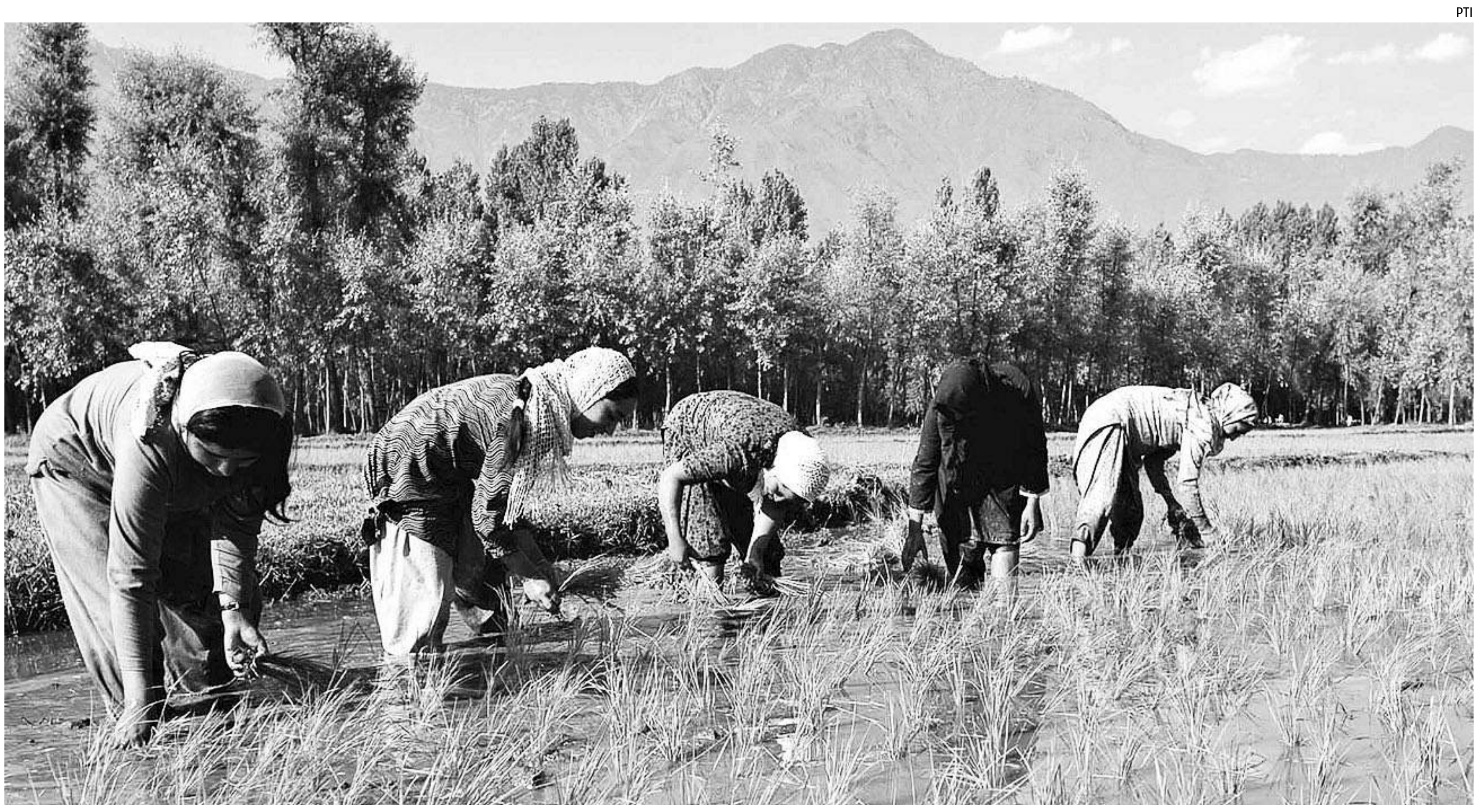
The widely televised American presidential debates are the best known of this tradition but several others also conduct leaders' debates, some of them with political configurations resembling India's — Ireland, the UK (though Boris Johnson shied off this time), Canada, Australia, and New Zealand. The campaign ahead of the Delhi polls shows why. For the BJP, the most emotive issue of this election has been the passage of the Citizens' Amendment Act, the impending National Population Register exercise, and the influential protests at Shaheen Bagh in the south-east of the city-state. The BJP leadership has made these contentious issues of Indian identity the centre of their campaigns. Though Mr Kejriwal is campaigning mostly on his track record in delivering near-free electricity and water, and setting up primary schools and local clinics, he has felt it incumbent to refute what he sees as the BJP's divisive politics. The challenge to a debate with the BJP's chief ministerial candidate is an adroit manoeuvre, since he is well aware that his principal opponent, strapped for choice, is reluctant to reveal its hand.

It is possible to counter-argue that our parliamentary system provides for a debating forum in the form of the Upper and Lower Houses. Certainly, both Houses have seen some spirited debates in recent years. But it is unclear how far many people beyond the educated elite actually watch these debates. It is also unclear how far even the most skilled orator could influence people, given the rising influence of inflammatory social media. That apart, brute majorities offer little scope for reasoned debate in any case. The prime minister's long reply to the Motion of Thanks to the President's Address is a case in point. It offered the country's chief executive an open platform to make a campaign speech — some of it falling well short of a fact checker's scrutiny — ahead of the state polls, including disrespectful references to the opposition. As the campaigns for the parliamentary elections last year and the recent one for Delhi have shown, the Election Commission has few effective disciplinary tools at its disposal. A few days' ban on politicians insulting candidates or minorities and exhorting the public to violence amounts to little more than a tap on the wrist. On the other hand, a face-to-face debate, with clearly set out rules of engagement, between key candidates in state or national elections, would force politicians to extend some modicum of respect — a critical tool of healthy democracy — and explain their stand on key issues. No less importantly, in these polarised times, it will enable journalists of all ideological hues to ask all candidates hard questions. After all, the nation wants to know.

How to double farmers' incomes

In a country as vast and diverse as India, it will require a variety of development approaches to bring the benefits of growth and prosperity to all agriculturalists

PTI



Almost 90 per cent of India's farmers are small and marginal land-holders. Farming is typically restricted to the monsoon months and crop productivity is abysmally low

SATYABRATA ACHARYYA

In February 2016, the Central government had set a goal of doubling the income of farmers by 2022 in real terms from the baseline income of 2015-16. The timing of the declaration was most appropriate, as the farm sector was struggling to recover from a severe drought in 2015-16. There was a decline in farmers' incomes, rising indebtedness of farm households and a sharp increase in the incidence of farmer suicides. The contribution of agriculture to the country's gross domestic product (GDP) had fallen to 18 per cent, though agriculture accounted for 50 per cent of employment. The target set by the government was indeed an ambitious one, calling for a growth rate of 10 per cent in real terms every year from 2016 onward.

Where are we in 2020? As per the Economic Survey 2019-20, in the past five years, the average annual growth rate of agriculture and allied sectors has stagnated at 2.9 per cent in real terms. The farm sector needs to now grow at 12-15 per cent annually in the next three years to reach anywhere close to the target. The existing set of policies and actions on the ground have so far proven grossly inadequate to stimulate growth in the farm sector. The country was thus been keenly awaiting the Budget.

The combined budget of agriculture, rural development, fisheries and irrigation is ₹2.83 trillion. The outlay for agriculture has seen a small increase, from ₹1.39 trillion last year to ₹1.43 trillion for 2020-21. Given the current state of rural distress, one would have expected a much higher allocation.

The finance minister has formulated a 16-point agenda to stimulate rapid growth in agriculture. A closer look suggests a preponderance of concerns to organise supply chains and link farmers to the market. From asking the states to adopt model agricultural laws, "one product, one district", a stress on inventory storage in villages, geo-tagging of warehouses and cold storages, to the idea of Krishi Udaan and Kisan Rail, the priorities are consistent with the focus. It is pertinent here to ask: What is the readiness of our farmers to take part in market-based models? What is their suitability for participating in supply chains?

Almost 90 per cent of our farmers are small and marginal land-holders. About half of them, living in the vast stretches of the central and eastern Indian plateau, practise rain-fed farming owing to the lack of irrigation. Farming is typically mono-cropping, restricted to the monsoon months. Crop productivity is at abysmally low levels, which leads to a lack of marketable surpluses. This reality is in conflict with the supply-chain and market-focused approach. A large majority of our rain-fed farmers do not have the wherewithal to increase productivity and follow supply-chain regimentation. They are not yet ready for it. They form the bulk of the lowest income quintile. Their inclusion in supply chains will require substantial public investment in soil and water conservation, irrigation and agronomic training.

Those who practise rain-fed farming form the majority, and they lack the capability to take part in market-based models and supply chains

About 52 per cent of the cultivated land area (72 million hectares) has no irrigation. The creation of basic irrigation facilities will require an investment in the region of ₹3 trillion. However, over a medium-term time horizon, the Budget projection is nowhere close to this requirement. The farm sector will remain investment-starved for yet another year.

The other half of the small-holder farmer segment — those living in river basin areas — are familiar with modern farming and mainstream markets. However, high population pressure on land has resulted in the fragmentation of landholdings, thereby affecting productivity and resource-use efficiency. Often, they operate in such small land parcels that even major increases in crop productivity do not help them to earn sufficient income to afford a decent living. The major challenge here is to ensure their sustainable retention in the supply chain. Further, the cost of aggregation to reach economies of scale often renders the supply chain uncompetitive. Hence the concern over their suitability.

There is a ready match of the current model with medium and big farmers, who constitute 10 per cent of the farming community. Another 25 per cent of farmers from the smallholder segment, who are enterprising and "mainstreamed", could be added to this number. Thus, a third of the farming community could make real use of the Budget provisions. They are anyway deriving benefits from multiple schemes offering asset subsidies, cheaper credit and minimum support prices. In the current model, this number is not going to increase any further. A large majority of farmers will remain excluded from this model, allowing only marginal increase from the current rate of growth.

That takes us to the most important question: How to attain a growth rate of 12-15 per cent in the farm and allied sectors? For a country as vast and diverse as India, there cannot be a one-size-fits-all design. There is a need for imagining different approaches and economic models to bring on board all sections of farmers on a growth trajectory. Agriculture being a state subject, a lot depends on the efficiency of the state in leading the initiative. With state agriculture departments in a moribund state, they are not in a position to deliver, unless fully revamped.

Finally, for achieving the ambitious goal of doubling the income of farmers in just six years (as measured from 2016, when the target was set), there has to be a strong measurement system in place to validate the efficacy of interventions. It is worrisome to learn that there is no system to estimate farmers' incomes at regular intervals. An intervention of such a scale and significance should periodically inform the nation about its progress.

The writer is with PRADAN

Bringing MSMEs into e-commerce

ISHTIYAQUE AHMED

The advent of e-commerce has shifted the locus of retail business in both the global and domestic context by bringing the store to the customer, obviating the need for customers to visit the store. Aided by a thriving digital economy with ₹500 million internet users, India's e-commerce sector recorded the second highest year-on-year growth at 31.9 per cent across countries in 2019. In 2017, India's e-commerce sector was valued at $24 billion, representing 3 per cent of total retail sales. However, the share of the global e-commerce sector in overall retail sales was approximately 10 per cent, implying that there is space for growth of e-commerce in India.

A large proportion of India's e-commerce sector primarily is shared by four companies. Leading e-commerce companies operate on the philosophy of increasing the gross merchandise value by bringing big retailers on board their platform and moving inventory swiftly through heavy promotions. Additionally, marketplaces see major spikes in sales during festive seasons owing to heavy discounts offered by vendors.

However, looking at the larger picture, two questions arise: Is Indian e-commerce growing in an inclusive manner? Also, are the prevailing practices enough to realise the sector's significant latent potential?

Only a minuscule percentage of SMEs participate in e-commerce platforms, leaving the sector's large potential untapped. A mechanism to change this scenario is needed

The answers do not appear to be in the affirmative. The practices prevailing in the e-commerce sector are not inclusive. They also pose obstacles in leveraging its true potential for the benefit of both the entire e-commerce network and the overall economy. There are an estimated 1.5 million sellers registered across various Indian portals. However, since the majority of the sellers are common across platforms, the true number could be just a little more than the number of sellers registered on the largest marketplace.

Distinctive sellers, across marketplaces, range between 0.5 million and 0.75 million. Further, those who engaged in at least one transaction in the preceding 30 days on a particular platform could be just 10-15 per cent of the total number of registered sellers. This takes us to around 100,000 active sellers across marketplaces. On the other hand, there are over 60 million micro, small and medium enterprises (MSMEs) registered in India, which are very diverse. Of these, some 43 million are in manufacturing and trading. Obviously, the e-commerce landscape has not adequately integrated the MSMEs of the country.

There are multiple reasons for poor integration of MSMEs on e-marketplaces — poor digital literacy, poor geographical reach, and inadequate digital and physical infrastructure. There are two key reasons that impair the ability of MSMEs to participate actively. First, the average commission charged for facilitating business across marketplaces is very high, and after deducting shipping costs and taxes, what the seller is left with is quite low as compared to offline sales, which makes it unviable for most small and medium-sized businesses.

Another major reason behind the sub-par onboarding and sustenance of small and medium-scale traders is cliquish nature of the e-commerce sector, which is reflected in the huge market share held by closely associated sellers. On the major marketplaces, a few top vendors capture a large share of the total merchandise and, given their financial strength to offer products at lower price points, smaller businesses find it difficult to compete. This is further compounded by the introduction of private labels by marketplaces through select vendors, which squeeze the e-commerce space for smaller businesses.

All this demonstrates that only a minuscule percentage of MSMEs participate on e-commerce platforms, leaving the large potential untapped. The sector needs to devise a mechanism to facilitate increased participation by MSMEs and small businesses in India's e-commerce growth story, which will increase trade, domestic manufacturing and employment generation, and help in integrating smaller businesses with the overall value chain. Thus, there is an imminent need to devise a solution for remedying this situation.

The solution lies in creating a universal e-commerce interface which is seller-agnostic and pro-active in onboarding sellers of goods and services who are MSMEs as well. There needs to be engagement with the MSMEs and in making their onboarding 'worth their while' in terms of both economic value and capacity-building. Data aggregation and sharing across e-commerce platforms will go a long way in enhancing the inclusivity of the overall e-commerce ecosystem. E-payment infrastructure as well as established public service platforms can be leveraged for providing ease of payment and delivery, and in facilitating last mile connectivity. This may just open up a pan-India market for small businesses.

The above measures are poised to enhance the value of the Indian e-commerce sector manifold and make it more inclusive. It is now up to the stakeholders to decide what they want to do.

The writer is Advisor, NITI Aayog. The views are personal

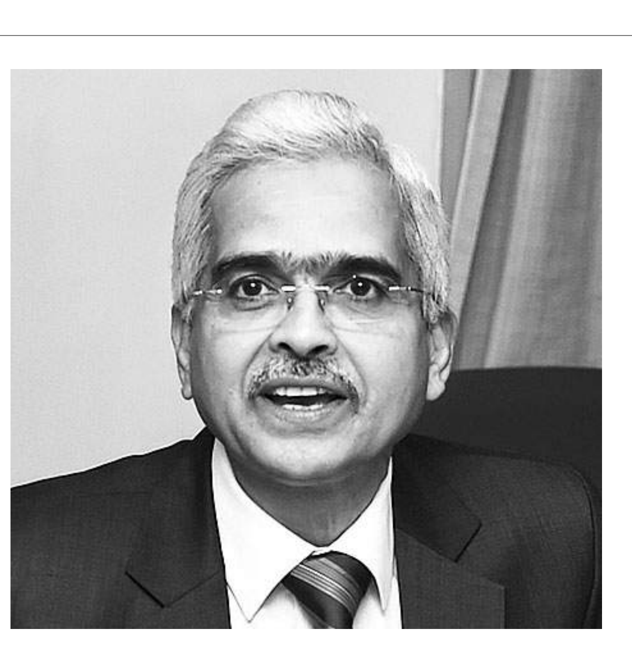
OTHER VIEWS

With little space to cut rates, RBI turns to other tools

But the strategy of directing credit to select sectors is questionable

With inflation surging above the upper band of the RBI's monetary framework, and expected to remain elevated in the coming quarters as well, the Monetary Policy Committee (MPC) has chosen to maintain the status quo on rates along expected lines. Higher inflation has restricted the policy space for the MPC, but not the RBI. The central bank has taken recourse to credit policy and other tools available to it to stimulate the economy. These measures signal its unequivocal intention to boost growth. The strategy broadly operates at two levels — first, hasten the transmission of interest rate cuts to the broader economy, and second, boost credit flow to select sectors. The first leg has been operationalised through tweaking the liquidity framework, and conducting ₹1 trillion long-term repo operations. With the risks of an NBFC contagion slowly abating, over time, these measures should also lead to a lowering of credit spreads, effectively lowering the cost of borrowing across the broader economy.

The second leg of the strategy aims to boost credit flow to select sectors. The RBI has provided relief to banks for incremental loans extended to auto, real estate and MSMSEs, by reducing the cost of lending by waiving off the requirement of cash reserve ratio. But the strategy of directing credit to select sectors is questionable. And though other measures to ease stress in the commercial real estate sector and of MSMEs have been welcomed, the central bank should be mindful of the risks of forbearance.



The Indian Express, February 7

Decoding the Delhi campaign

AAP, BJP contested on distinct issues

The Delhi election campaign ended on Thursday. The Aam Aadmi Party (AAP), which won a spectacular 67 seats in the 2015 assembly polls, ran a focused campaign around its record in office. Ever since its Lok Sabha defeat — where it lost all seven seats by huge margins — AAP leader and Delhi chief minister Arvind Kejriwal decided to tone down his attacks on Prime Minister Narendra Modi and refrain from intervening on national issues.

The BJP, for its part, fused three major issues: The promise of the same party, led by Narendra Modi, being in government at the Centre, state and municipal levels; its provision of ownership papers to residents of unauthorised colonies; and, as the campaign progressed, an aggressive attack on protests against the CAA. The BJP campaign sought to convert the election into a referendum on whether voters were for Shaheen Bagh — which was projected as a Muslim protest backed by AAP — or against it. In the process, BJP leaders also engaged in inflammatory rhetoric. Given these contrasting campaigns, the outcome will reveal if voters decide to repose their faith in a national leader (Mr Modi) or a local leader (Mr Kejriwal); if they prioritise governance or ideological issues; and if their loyalties are stable or fluid, depending on whether the election is national or local.

Hindustan Times, February 7

LIC floatation is risky business

Corporate governance issues at play

The decision of the Narendra Modi government to divest a small part of its stake in the Life Insurance Corporation of India has sent the stock markets into a tizzy. If and when it happens — probably in the second half of the next fiscal (2020-21) — this is almost certain to become the largest ever capital issue in India. A successful flotation of LIC is critical not only for improving the finances of the parlous coffers of the Centre but also for the revival of the near moribund primary capital market.

LIC has a very small capital base: a mere ₹100 crore, that will need to be expanded before the public flotation. The government has indicated that the sovereign guarantee granted to LIC will continue, which would soothe any apprehensions that policyholders might have. The government will have to amend the legislation under which LIC was established, turning it into a company that will come under the scrutiny of the market regulator and will have to abide by the provisions of the Companies Act. Until now, LIC has acted under directions from the Centre: it has propped up falling markets; it has shovelled funds into government's initiatives. If it continues to follow the Centre's diktats, it will raise serious corporate governance issues that minority shareholders may not be entirely comfortable with.

The Telegraph, February 7

Millennials choose silver jewellery this Valentine's Day

Sales of gold jewellery plunge as bullion prices rise

DILIP KUMAR JHA
Mumbai, 8 February

Steep gold prices have weakened buying sentiment, not only for the middle class, but also for the rich and super-rich consumers in the ten-week season that began with Christmas and ends with Mother's Day on March 8.

While the middle class seem to have stopped placing new orders for bullion purchase, millennials have shifted to designer silver jewellery and low-value handcrafted gold ornaments this Valentine's Day to offset high prices with low-ticket size purchase.

"Many jewellery manufacturers and retailers have launched handcrafted pieces by designers in silver jewellery, which are studded with lucrative coloured gemstones, to attract customers. With a good finish, these have been the preferred choice for young couples this season. Low-ticket size basic ornaments such as rings, pendants, etc. are also selling, but not to the tune of silver jewellery this Valentine's Day," said Anantha Padmanaban, managing director, NAC Jewellers, a Chennai-based jewellery retailer.

Jewellers have started targeting millennials as potential customers for Valentine's Day with innovative designs of jewellery. With a token money size cut to make ornaments affordable, jewellers have introduced silver jewellery with a heavy look, and which may also be stone studded, at a price point of ₹10,000-₹15,000.

Rajendra Jain, managing director (gemstones), Swarovski India, said: "Many brands are targeting millennials through new collections of jewellery. Rather than for just one season, jewellers are trying to ensure that consumers buy again."

"This year, however, sharp increase in gold prices has turned consumers towards silver. However, instead of plain silver jewellery, consumers are looking at designer pieces for occasional and daily wear," Jain added.

Gold prices have set a record, trading at ₹40,500/10 grams on Friday, following global trends as geopolitical uncertainty, coupled with an economic downturn, made the bullion a safe haven investment avenue. Silver, however, continues to trade at ₹46,100/kg, which may be giving consumers pride to own a piece of precious metal without coughing up a large sum of money. Silver prices retreated after surpassing the psychological barrier of ₹50,000/kg recently.

Meanwhile, jewellery and fashion designers such as Gautam Banerjee, Rajiv Popley, and Riyaz Gangji have introduced lucrative designs in fashion accessories and precious metals this Valentine's Day.

Jewellery sales in India have witnessed a steady decline over the past three-four years because of a sharp increase in Customs duty to 10 per cent till the previous year, and 12.5 per cent thereafter. Apart from that, the government has levied Customs duty of 2.5 per cent and 7.5 per cent on rough and polished diamond, respectively. To worsen the scenario further, the government extended Customs duty on coloured gemstones, and also levied 18 per cent goods and services tax on hallmarking and certification of jewellery.

PHOTOS: SANJAY K SHARMA

INDIA INC VOTES

Business leaders were seen fulfilling their civic duty in Delhi

C K Birla, chairman of the CK Birla Group, at a polling booth in Delhi

Sidharth Birla, chairman of Xpro India & Digjam, walking out of a polling station

Harsh Pati Singhania, vice-chairman & managing director, JK Paper, after casting their vote

Dilip Modi, chairman of Spice Mobility, at a polling station

Cairn, Voda eligible for tax amnesty in India: Official

BLOOMBERG
New Delhi, 8 February

Vodafone Group and Cairn Energy are eligible to settle a tax dispute with India's government under a new amnesty program, a senior government official said.

The companies will need to pay their taxes by March to benefit from the interest and penalty waivers under the program, Pramod Chandra Mody, chairman of the Central Board of Direct Taxes, said in an interview.

"We are trying to see to it that the litigation is kept to barest minimum," Mody said, adding that "if they wish to come, they are welcome."

Vodafone's dispute relates to its $11-billion acquisition of a 67 per cent stake in the mobile-phone business owned by Hutchison Whampoa, now part of CK Hutchison Holdings in 2007, while Cairn Energy is contesting a big tax bill — $1.6 billion plus interest and penalties — that New Delhi raised for a 2006 transaction.

The companies will need to pay their taxes by March to benefit from the interest and penalty waivers under the program, Pramod Chandra Mody, chairman of the Central Board of Direct Taxes, said in an interview

Finance Minister Nirmala Sitharaman this month proposed the amnesty program to pare an estimated 4,83,000 direct tax cases pending in various courts. Spokespersons for Vodafone and Cairn didn't immediately respond to separate emails seeking comment.

India's latest program aims to recover a part of the about ₹9.32 trillion ($131 billion) in taxes locked in disputes. That would help the government plug its budget deficit, the target for which was widened for the current and next fiscal years as an economic slowdown results in lower-than-expected tax collections.

The companies had previously rejected a similar offer in 2016, and instead sought to settle the disputes through the international arbitration mechanism.