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THE MARKETS ON WEDNESDAY		Chg#
Sensex	35,697.4 ▲	62.4
Nifty	10,458.4 ▲	7.0
Nifty futures*	10,450.8 ▼	7.7
Dollar	₹73.6	₹74.1**
Euro	₹83.5	₹84.6**
Brent crude ($/bbl)##	35.1##	36.6**
Gold (10 gm)###	₹43,473.0 ▼	₹365.0

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

BACK PAGE P20

SCINDIA JOINS BJP, SAYS INDIA'S FUTURE SECURE IN MODI'S HANDS

ECONOMY & PUBLIC AFFAIRS P18

SAUDI DISCOUNT WON'T HAVE BIG IMPACT ON FUEL PRICES: IOC CHIEF

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

SBI CUTS INTEREST RATE ON SAVINGS ACCOUNT TO 3%

State Bank of India (SBI), the country's largest lender, on Wednesday rationalised its interest rate on all savings accounts to a flat 3 per cent, in a move that will affect about 445 million account holders. The bank also waived the requirement for maintaining a minimum balance in savings accounts. SBI also slashed its marginal cost of funds-based lending rate (MCLR) by 10-15 basis points across all tenors from March 10. 5

ECONOMY & FINANCE P5

Govt to sell ₹8K-cr SUUTI stake to meet FY20 target

The Centre will offload around ₹8,000 crore worth of stake in Axis Bank and ITC through Specified Undertaking of Unit Trust of India before March 31 to help it meet the revised divestment target for financial year 2019-20 (FY20) of ₹65,000 crore, *Business Standard* has learnt.

COMPANIES P2

Tata Power defers Mundra shutdown

In a last-minute decision, private power producer Tata Power postponed the shutdown of its Mundra power plant by nine days to March 20. In an earlier notice sent to five states that procure power from the plant, Tata Power had set Wednesday as the date of closure of the Gujarat-based plant.

Harvey Weinstein gets 23 years in prison

Harvey Weinstein was sentenced to 23 years in prison for sexual assault after decades of using his immense power in Hollywood to target aspiring actresses. The sentence, close to the maximum, drew audible gasps in the lower Manhattan courtroom on Wednesday.

ECONOMY & PUBLIC AFFAIRS P18

Shah: Won't spare those involved in Delhi riots

Vowing not to spare anyone involved in the Delhi violence, Home Minister Amit Shah on Wednesday said it will be a lesson for the country on what befalls those who indulge in rioting. Replying to a discussion in Lok Sabha on the Delhi riots, Shah said prima facie the violence appears to be a pre-planned conspiracy.

TO OUR READERS

The four-page pull-out on Wings India, being carried as a separate section, is equivalent to a paid-for advertisement. No *Business Standard* journalist was involved in producing it. Readers are advised to treat it as an advertisement.

YES Bank brass may lose ESOPs, bonuses

First-of-its-kind action likely under RBI's stringent circular of Nov 4 on compensation

RAGHU MOHAN
Mumbai, 11 March

The Reserve Bank of India (RBI) is considering clawing back the employee stock options and bonuses issued to the entire top management of YES Bank to date. A closer look at how the beleaguered bank went about classifying its "top management" is also on the cards, given that there are more than 100 people in this category — several times the number in much larger private banks — and the sharp fluctuations in the same over the years.

The first-of-its-kind move will mark the activation of the banking regulator's ironclad November 4, 2019 guidelines on the compensation of whole-time directors, chief executive officers, material risk takers, and control function staff in banks. In the case of YES Bank, these will cover designations ranging upwards from presidents to senior presidents, group presidents, and senior group presidents.

Related reports on P4

The intention behind the RBI's move is to make the top management of YES Bank — those drawn from the immediate past and earlier — come clean on the mess within, and their role in it, even if this was under duress or top-down pressure.

All eyes are on the critical month-end meeting of the RBI's Board for Financial Supervision — the first after the meltdown at YES Bank. While the central bank had said its November 4 circular would kick in only for pay cycles beginning from or after April 1, 2020, it can act on prior slip-ups by way of clawback or malus.

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YES Bank co-founder Rana Kapoor being taken to court for a hearing in connection with money-laundering charges, in Mumbai on Wednesday PHOTO: PTI

Govt suspends all tourist, medical visas till April 15

Move will lead to more flight cancellations

BS REPORTERS
New Delhi, 11 March

In an effort to contain the continued spread of the novel coronavirus, the government on Wednesday suspended all tourist and medical visas till April 15.

The government asked Indians to avoid foreign travel, and said they could be quarantined for 14 days on their return. It also asked non-resident Indians (NRIs) to avoid travelling to India. Visa-free travel facility granted to non-OCI (Overseas Citizenship of India) card holders is also kept in abeyance till April 15, the government said.

The decisions were taken at a meeting of a group of ministers under the chairmanship of Health Minister Harsh Vardhan in the national capital.

At least 10 new cases of coronavirus were reported in the country, taking the total number to 60 on Wednesday. However, according to state health officials, the number of confirmed cases may be around 65. Over 4,300 people around the world have succumbed to the virus so far.

Turn to Page 19

The global death toll from the virus has crossed 4,000 and the outbreak has spread to over 100 countries PHOTO: PTI

UNDER VIRUS CLOUD

- **Cabinet secretary asks all states and Union Territories to invoke** provisions of the Epidemic Diseases Act
- **A meeting between the 15th Finance Commission and finance ministers** of various states postponed
- **Maharashtra Budget session** set to be curtailed
- **IIM-Indore postpones** annual convocation
- **Uber says may restrict drivers', passengers'** access to platform
- **SpiceJet has taken pre-emptive measures** to deal with related issues

'This has been one of the toughest years'

Larsen & Toubro (L&T) is one year away from its 'Lakshya 2021' business plan, where it set a ₹2-trillion revenue target. **S N SUBRAHMANYAN**, chief executive officer and managing director of the company, told **Amritha Pillay** and **Dev Chatterjee** that he was still positive about meeting the target. Referring to the current financial year as one of the toughest, he added that the stoppage of infrastructure projects in multiple states, macroeconomic concerns, and the coronavirus scare have led to the company losing its growth momentum briefly. Edited excerpts:

Q&A
S N SUBRAHMANYAN
MD & CEO, L&T

How has the Mindtree acquisition worked out?
It has come out as well as expected. The previous ownership has moved away. Most of the senior positions have been filled. We have not had any unusual or unreasonable attrition.

Mindtree has strong leadership, great clients, and good relationship with them. It's on a good wicket and will do well.

Are you satisfied with the way the strategic five-year plan 'Lakshya 2021' has worked out?
It could have been better. This has been one of the toughest years. We have seen some awkward situations, which were not anticipated. One of them was a change in the government in Andhra Pradesh, which resulted in some major works coming to a halt. The new government wanted to review what has been placed by the previous regime. That was a setback because the work that was going very fast got affected. The pace is coming back, but we lost momentum. Second, we had this unusual litigation in Mumbai Coastal Road and the Shivaji statue project. Then we had the green tribunal stopping work in Delhi for environmental reasons, which also affected progress for 45 to 60 days. All this resulted in a slowdown, and once you slow down, it takes some time to remobilise. But we are back on track now.

The three state elections and the global economy blips, including coronavirus, are factors that have affected the industry. There is a slowdown in terms of cash availability and fund allocation. We did not anticipate this, and it could have been better.

How much has the coronavirus outbreak impacted the daily business?
As of now, it has not. There are some delays with respect to sourcing from China, but we have other sources. Travel movements are restricted, and clients are cancelling meetings due to this.

Will you meet the ₹2-trillion revenue target for FY21?
We are positive on targets. Our group chairman, A M Naik, has played a big part in not only building L&T to where it is today, but also in grooming and bringing in many of us. The succession planning in L&T has worked very well.

We work through a plan, we have a budget, and we go after it.

It is not easy when we have such asks.

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"THERE IS A SLOWDOWN IN TERMS OF CASH AVAILABILITY AND FUND ALLOCATION. WE DID NOT ANTICIPATE THIS"

GST on mobile phones, textiles set to increase

DILASHA SETH
New Delhi, 11 March

Goods and services tax (GST) rates on mobile phones, footwear, textiles and fertiliser are likely to be raised on Saturday, when the GST Council meets as part of an exercise to correct an inverted duty structure and to boost revenue collection.

The proposal for a monthly lottery scheme for consumers, with a bumper prize of ₹1 crore, will also be placed before the Council — the aim is to encourage invoice collection by buyers.

"The inverted duty structure under GST needs to be corrected, it is resulting in huge refunds outgo. Mobile phones, fabric and others could see rate rectification," said a government official.

Such a structure arises when the GST rate on raw materials is higher than those on finished products, resulting in higher input tax credit (ITC) outgo.

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ON THE CARDS

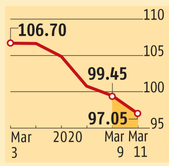
(in %)

	Existing GST rate	Proposed
Mobile phones	12	18
Fabric	5	12
Footwear	5	12
Fertilisers*	5	12

*Chemical fertilisers Source: Officials

STOCKS IN THE NEWS

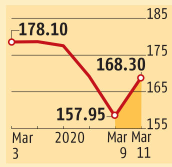
Indian Oil Corp



Surpasses ONGC in market capitalisation

₹97.05 CLOSE
▼2.41% DOWN*

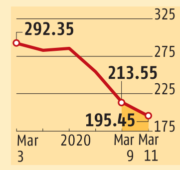
Coal India



Becomes second-most valuable state-owned listed company

₹168.30 CLOSE
▲6.55% UP*

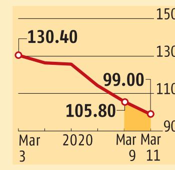
Indiabulls Housing Finance



Falls 34% in 3 days on concerns over its ₹662 cr exposure to YES Bank

₹195.45 CLOSE
▼8.48% DOWN*

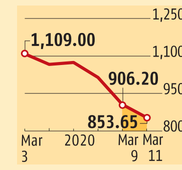
Tata Motors



Demand recovery in China likely to take time because of COVID-19

₹99.00 CLOSE
▼6.43 DOWN*

IndusInd Bank



Down for the third straight day as board defers fundraising plans

₹853.65 CLOSE
▼5.80% DOWN*

*OVER PREVIOUS CLOSE

IN BRIEF

Biocon, Mylan win patent litigation against Sanofi in US

Biocon and partner Mylan have won the litigation in a US court which invalidates a Sanofi patent on a device to deliver insulin glargine. This paves way for Biocon to commercialise its glargine biosimilar Semglee in the US. "This takes us closer towards bringing a more affordable insulin glargine in the US. Today, patients in parts of Europe, Australia, and India are benefiting from it. Once commercialised, it will expand access to this therapy," said Christiane Hamacher, CEO, Biocon Biologics. **SAMREEN AHMAD**

Disney Plus goes live in India with Hotstar

Content from Disney Plus, the streaming platform from Disney, is now live in India via Hotstar, 18 days before its announced launch date of March 29. The Hotstar app, now rebranded as Disney Plus Hotstar, on Wednesday started showing Disney Plus content such as *The Mandalorian*, *Diary of a Future President*, *The World According to Jeff Goldblum*, documentary *One Day at Disney* and *High School Musical: The Musical – The Series*. **PTI**

Ajinkya Rahane backs Mahindra's MeraKisan

Mahindra Group's MeraKisan, an organic agri producer, has partnered with Ajinkya Rahane, vice captain of the Indian Test Cricket team. He will own equity in MeraKisan and would also be its brand ambassador. His goal is to contribute toward delivering sustainable prosperity to farmers through new-age organic farming techniques which align perfectly with the DNA of MeraKisan, Mahindra said. **BS REPORTER**

Cadila to transfer animal healthcare biz to subsidiary

Drug firm Cadila Healthcare on Wednesday said its board had approved the transfer of its animal healthcare business on a going concern basis to its wholly-owned arm Zydus Animal Health and Investments (ZAHL) as part of its internal restructuring exercise. The transfer of the business is through execution of a definitive agreement, Cadila Healthcare said in a filing to the BSE. **PTI**

It's safe to travel, SpiceJet, GoAir tell customers

SpiceJet is urging customers to travel without worry in an outreach effort to prevent the slide in bookings. The airline has listed its own coronavirus prevention measures and WHO messages in an email to reassure customers. GoAir, too, has written to customers about its safety measures which include enhanced aircraft cleaning, disinfecting touch screens, among others. **BS REPORTER**

NHPC raises ₹500 cr via bonds on private placement basis

State-run hydropower giant NHPC on Wednesday said it had raised ₹500 crore through issue of bonds on private placement basis. "NHPC has raised ₹500 crore on March 11 through private placement of secured, redeemable, taxable, non-cumulative, non-convertible 6.89 per cent NHPC AA-1 Series bonds," it said. **PTI**

Lodha's overseas arm repays ₹2,550 cr towards bonds

Lodha Developers International, the overseas arm of Macrotech Developers (formerly Lodha Developers) has repaid ₹2,550 crore towards redemption of its March 2020 dollar bonds in full along with accrued interest. Last week it raised $200 million in senior secured notes due 2023 last week. **BS REPORTER**

Tata Power defers Mundra shutdown

Move comes after govt intervention; firm to take a call after next meeting

AMRITHA PILLAY
Mumbai, 11 March

In a last-minute decision, private power producer Tata Power postponed the shutdown of its Mundra power plant by nine days to March 20. In an earlier notice sent to five states that procure power from the plant, Tata Power had set Wednesday as the date of closure of the Gujarat-based plant.

Tata Power supplies power to five states — Maharashtra, Gujarat, Rajasthan, Punjab, and Haryana — from the 4,000-megawatt (Mw) plant. The firm had sent the shutdown notice to the states because of delay by states in adopting the high powered committee's recommendations and entering into supplemental power purchase agreement (PPA) for higher tariff.

The decision came after a meeting was convened by the Union power secretary on Monday. "The meeting was attended by all the five states' energy secretaries and officials, and the contours of an acceptable solution were discussed," said Tata Power, in a statement on Wednesday.

Another meeting is expected to be convened in the next 10 days to arrive at a decision on or before March 20.

"There were certain legal and contractual issues discussed pertaining to the PPA in light of the earlier and subsequent Supreme Court (SC) orders, which all parties have agreed to," Tata Power said.

Coastal Gujarat Power (CGPL) will now wait for the March 20 decision and normal operations will continue till then, "given the positive discussions in this (Monday) meeting and the intent expressed by all parties to arrive at an acceptable solution", the company said.

In October 2018, the SC directed the Central Electricity Regulatory Commission (CERC) to review PPAs signed by states for power procured from Tata Power, Essar Power, and Adani Power's Gujarat-based plants.

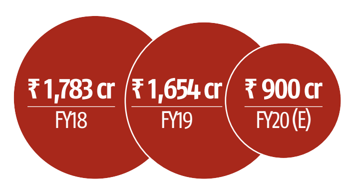
Praveer Sinha, chief executive officer and managing director of Tata Power, had back then added that he expected the new resolution to help halve Mundra's losses.

The procuring states were expected to seek Cabinet approvals and approach CERC with the new tariff, which so far has been pending.

Tata Power added: "The notices (to stop power supply) still remain valid and CGPL will consider appropriate decision on the notice of closure based on the outcome of these meetings." It remains reasonably confident of arriving at a solution in the next few weeks to avoid closure, the firm said.

For financial year 2018-19 (FY19), the Mundra unit's annual loss was nearly ₹1,700 crore. The company expects losses for the current financial year to narrow down to ₹900 crore, thanks to better fuel management, blending of coal, and lower coal prices.

CUTTING LOSSES
Mundra's annual loss



E: Estimated
Source: Tata Power annual report

Brokerages turn bullish as Reliance shares plunge 20%

Firms say possible negatives priced-in by the recent correction in stock

SHREEPAD S AUTE
Mumbai, 11 March

The stock of Reliance Industries (RIL) has plunged by over 20 per cent in the past month. Besides the overall bearish market trend, concerns over the impact of coronavirus (COVID-19) on demand for refining and petrochemical products, downstream margin, and deleveraging plans amid crude oil crash have hurt investor sentiments.

However, many analysts believe that the sharp correction in the stock now prices in the possible negatives and there are enough supporting factors, which the Street is ignoring.

Pressure on margins of petrochemicals segment from lower crude oil prices would be offset by a likely improvement in refining margin, suggest some brokerages. Morgan Stanley, for instance, believes that with supply-side-driven oil price decline, RIL should benefit from rising crude discounts (between heavy and light crude oil) and lower operating costs, which would negate the impact from lower petrochemical prices, which are steadily recovering from cycle troughs. Further, a decline in ethane feedstock prices should support petrochemical prices.

On the deleveraging front, UBS says: "Because of the already announced sharp cut in planned capex, RIL would remain on a positive free cash flow trajectory. We believe that RIL could easily deleverage through organic cash flows by end-FY23 (financial year 2022-23), without any stake sales."

In fact, if a 25 per cent hike in telecom tariff is pursued, it could not only help RIL offset the entire energy earnings impact, but would also improve its cash flow position, estimate UBS's analysts.

Regarding the Saudi Aramco deal for 20 per cent investment in RIL's oil-to-chemicals business, analysts at Kotak Institutional Equities say the strategic access to downstream capacity has become more crucial for Saudi Aramco after the recent developments in oil markets, wherein it has increased discounts on its crude to gain market share.

In fact, the above quoted analysts also expect RIL to consider stake sale in telecom and retail businesses, if required.

Overall, many brokerages believe that the recent sharp correction in RIL's stock offers good buying opportunity with up to 60 per cent potential upside from current levels. Even on Wednesday, despite overall choppy market, the stock gained 3.6 per cent to close at ₹1,153.25 on the BSE.

IN SAFE ZONE

	Recommendation	Target price (₹)	Upside (%)
Morgan Stanley	O	1,632	41.5
Bernstein	O	1,890	63.9
Kotak Securities	B	1,850	60.4
Antique Stock Broking	B	1,435	24.4
Macquarie	N	1,145	-0.7
Nomura	B	2,020	75.2
Goldman Sachs	B	1,750	51.7
JPMorgan	N	1,305	13.2
HSBC	B	1,740	50.9
Prabhudas Lilladher	B	1,705	47.8

O: overweight/outperform; B: buy; N: neutral
Source: Bloomberg; recommendations of March 09-11

Volvo Eicher sees no appetite for BS-IV CVs

SHALLY SETH MOHILE
Mumbai, 11 March

Volvo Eicher Commercial Vehicle (VECV) hasn't seen any rush among transporters to buy BS-IV trucks even though prices will go up by 8 to 15 per cent from April 1, once BS-VI takes effect, said company Managing Director (MD) and Chief Executive Officer (CEO) Vinod Aggarwal.

According to Aggarwal, the coronavirus outbreak has disrupted supplies from China. The impact could have been worse if the demand was high because VECV and others would be struggling to meet timely deliveries. "All of us had expected advanced buying, but there is none," he said.

He added that the last two-month sales (for the industry) have been low and the fall in February has been steeper than the year-to-date (YTD) drop. Trucks above 16 tonnes have seen a fall of 60 per cent in sales, he added.

Had it been normal months like the previous years, the industry would have benefited from the advancement of purchase ahead of the changeover in emission norms, he said. The slow sales have cushioned impact of the disruption in supplies from China, said Aggarwal.

Truck sales in the country have been falling since June 2019. In the first 10 months of the financial year, the sales have skidded 42 per cent over the same period a year ago, according to Siam.

Aggarwal attributed the poor offtake of models with older emission technology to three key stakeholders — manufacturers, dealers and transporters — being conservative in their approach. This is due to the same cut-off date for both sales and registration of vehicles.

In an interview last month, Girish Wagh, president of commercial vehicles business unit at Tata Motors, too, had conceded that pre-buying has been quite muted with only large and medium fleet operators buying BS-IV vehicles ahead of the new norms.

While dealers and manufacturers are wary of being saddled with excess inventory, financiers are not willing to offer credit unless they are confident that the model will be registered before the deadline. "There is defence mechanism that has set in as the BS-IV stock has to be zero by March 31," said Aggarwal. "Business runs on optimism. Everyone is very cautious as of now," he added.

The automaker rolled out its entire range of BS-VI trucks and buses last week. It also launched a vehicle up-time centre. With the help of electronic control units (ECUs) installed in the trucks, the centre will enable the company to fix the BS-VI models on a real-time basis in the event of a breakdown, said Aggarwal. "In the second phase, we will also offer predictive maintenance of the vehicles. This is in line with the overall modernisation programme," he added.

Given the sharp contraction in M&HCV (truck) volumes during YTD FY20 and inventory correction being undertaken by manufacturers, volumes are estimated to contract 16-18 per cent for the full year, ICRA said in January.

"THERE IS DEFENCE MECHANISM THAT HAS SET IN AS THE BS-IV STOCK HAS TO BE ZERO BY MARCH 31. BUSINESS RUNS ON OPTIMISM. EVERYONE VERY CAUTIOUS AS OF NOW"

VINOD AGGARWAL,
Managing director and chief executive, VECV

COVID-19 may critically hamper vehicle production, says Siam

Vehicle production across all categories is likely to be critically hampered due to the coronavirus outbreak in China as many automakers in India import about 10 per cent of their raw materials from the neighbouring nation, auto industry body Siam said on Wednesday. Indian auto firms had already maintained an inventory in the beginning of the year in anticipation of the Chinese New Year holiday, but with the current lockdown in China, supply for BS-VI vehicles is likely to get impacted, Siam President Rajan Wadhera said.

The auto industry body said disruption in availability of these parts is likely to critically hamper production across all segments, namely passenger vehicles, commercial vehicles, three-wheelers, two-wheelers, and gravely affecting electric vehicles. "Manufacturers are exploring alternatives to fulfil their supply chain demands, but that would take a substantial amount of time to reach stable production scale as these components would need testing." **PTI**

IIM-A incubation centre leads funding for robotics logistics

VINAY UMARJI
Ahmedabad, 11 March

CIIE.CO, the innovation incubator entity at the Indian Institute of Management (IIM) here, and venture capital firm Arali Ventures have led a $50,000 (₹3.7 crore) round of funding for robotics logistics start-up Unbox Robotics.

Powered by Swarm Intelligence, the start-up says it is building flexible parcel sorting solutions for logistics providers that can control a fleet of robots for the purpose.

According to founders Pramod Ghadge and Shahid Memon, this new-generation sorting solution can be installed within two weeks and requires less than half the space at currently available sorting systems.

Apart from CIIE.CO and Arali, existing investors EF and SOSV participated in the funding round, as did angel investors Vijay Kedia and Rajesh Sawhney, among others.

Riding on English news channel, DD viewership grew 16% in 2019

Viewership of DD India grew 63% in 2019

SOHINI DAS
Mumbai, 11 March

Public sector broadcaster Prasar Bharati's Doordarshan (DD) Network, which has been battling the onslaught of private channels over the past few decades, saw 16 per cent rise in viewership in 2019. What is more interesting is that audience aged between 2 and 21 years have seen the sharpest rise.

The growth in viewership was mainly led by the growing popularity of DD Network's English news channel DD India, which grew 63 per cent over the previous year, according to the data collated and analysed by Broadcast Audience Research Council (BARC) India — the industry stakeholders' body that measures viewership data.

According to BARC's *What India Watched 2019* report, while DD viewership grew for all age groups, the category that witnessed the maximum growth, compared to 2018, was between 2 and 21 years, clocking a 21 per cent jump. The elderly, too, continued to watch DD — those aged above 61 years clocked a 20 per cent YoY growth in viewership (in terms of viewing minutes).

DD Network's total viewership increased from 492 billion minutes in 2018 to 573 billion minutes in 2019, up 16 per cent, the BARC data showed.

In the last three decades, the rise in the number of satellite television (TV) channels has fragmented the TV market, but DD continued to have a dedicated audience, said experts.

"DD has a pan-Indian reach and has a loyal audience in the hinterland, where it has dedicated regional languages and Hindi channel audience. The new tariff order that came in February last year, too, did not dent viewership," said a Mumbai-based analyst.

Among the 24 DD channels measured by BARC India, the viewership of its English news channel DD India grew 63 per cent over the previous year, while that of DD Kisan gained 48 per cent. In the English news space, DD India contributes to 22 per cent of the entire English genre viewership.

DD India, a channel from 1995, was repositioned in 2019 as a full-fledged English news channel for the global audience (on the lines of BBC World News). This was part of a broader strategy to revamp the overall DD Network. The Union Cabinet approved funds worth ₹1,000 crore to the public broadcaster in 2019.

DD Network's key channels include DD National (general entertainment), DD News (Hindi and English), DD India (English news), DD Sports, DD Kisan (agricultural infotainment), the regional language channels like DD Bangla, DD Girnar, DD Malayalam, etc.

In terms of viewing minutes, the Hindi speaking market saw 16 per cent rise in viewership YoY in 2019, while the southern market saw an 18 per cent jump, and the overall India viewership growth was at 16 per cent.

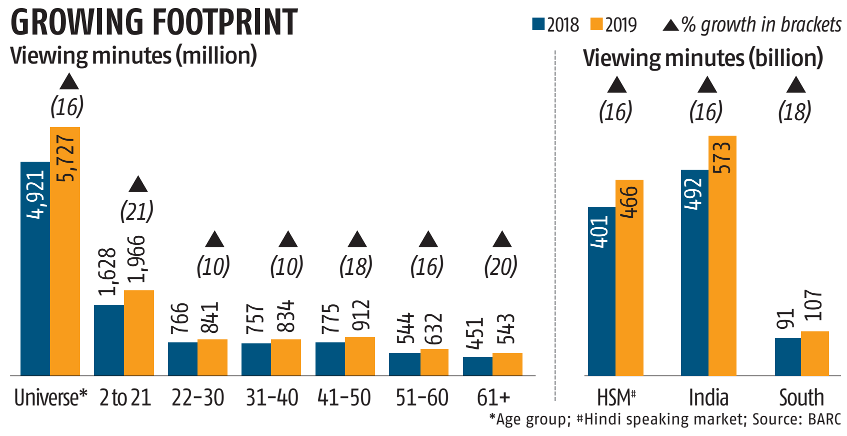
Commenting on the overall trend of what India watched in 2019, Sunil Lulla, chief executive officer of BARC India, said: "TV viewership has grown 38 per cent over the past four years. Each household watches five hours, 11 minutes of TV every day, and as many as 222 million individuals tune in to primetime TV at any given minute. With over 100 million homes in India yet to get a TV set, growth continues to be ahead of us." In 2019, BARC India measured 634 channels, which generated 48.4 trillion TV viewing minutes and 1.59 billion seconds of advertising.

Lulla added: "Elections, Indian Premier League, and the ICC Cricket World Cup were some of the year's mega TV events and there were significant spikes in viewership of news and movies in southern languages. A highlight of the year was the growth of sports coverage in regional languages."

Nearly 863 million individuals had access to TV in the country in 2019 and on average a user spent three hours and 42 minutes watching TV. A total of 11,525 advertisers promoted their products and services on TV, translating into 1.59 billion seconds of advertising, BARC said.

Meanwhile, the government has plans to convert some of the channels originating from northeastern centres like Kohima, Agartala, Shillong, etc. that have been placed on DD FreeDish, which is a free-to-air direct-to-home platform of Prasar Bharati, with effect from March last year, into 24-hour channels. Prasar Bharati is also taking measures to not only improve the quality of content, but also enhance visibility on social media.

GROWING FOOTPRINT



*Age group; #Hindi speaking market; Source: BARC

Essar to cut residual debt by 70% to ₹12,000 crore

Group enters final leg of deleveraging after oil and steel businesses' sell-off

ADITI DIVEKAR
Mumbai, 11 March

The Ruia-owned Essar Group has entered the final leg of its deleveraging exercise as it plans to cut residual debt by 70 per cent to about ₹12,000 crore after selling off its oil and steel business.

From ₹1.83 trillion of debt in FY17, the group has brought it down by a staggering ₹1.40 trillion over the past three years.

Now, it plans to cut residual debt from ₹42,000 crore to ₹12,000 crore, Essar Group said in a mail sent to policymakers and bureaucrats. After the proposed reduction of debt in its power business by over 60 per cent (₹12,000 crore), and similar deleveraging across its portfolio businesses, Essar Group would have almost cleared all its long-term debts, said the mail. The balance, ₹30,000-crore debt, is the working capital requirement of the group.

The group is poised to embark on a new phase of growth while driving growth in its existing portfolio, the mail said.

Essar Group promoters — Ravi Ruia and Prashant Ruia — have jointly signed the mail.

After the sell-off, the group holds interests in oil and gas, ports, power, shipping and mining projects in India and overseas that give revenue of ₹1 trillion. Essar also said revenues were projected to rise from ₹94,000 crore in FY19 to ₹98,000 crore in the current financial year and then to ₹1.01 trillion in FY20-21 and ₹1.04 trillion in the year thereafter.

Essar said it was armed with a substantially lighter balance sheet after it took a conscious call of reducing debt in response to the evolving domestic and economic scenario.

"Our strong portfolio of companies consistently generates healthy and sustainable earnings and have combined revenue of ₹1 trillion ($14 billion)," the mail quoted.

Essar informed that it had made capital investments of over ₹2 trillion (about $28 billion) in sectors like ports, steel, oil refining and fuel retailing, oil and gas exploration & production, power generation & transmission, mining, shipping, and telecom, with substantial equity from Essar Group.

THE JOURNEY SO FAR

- Exited telecom business and sold its 33% stake to Vodafone for **$5.4 bn** in 2011
- Sold oil business to Rosneft for **$13 bn** in 2017
- Sold Aegis BPO business for **₹2,000 cr** in 2017
- Lost insolvent Essar Steel to ArcelorMittal for **₹42,000 cr** in 2019

BTech, MBA freshers opt for gig jobs: TeamLease

NEHA ALAWADHI
New Delhi, 11 March

Fresh engineering and MBA graduates are increasingly applying for gig jobs, including those of drivers and delivery boys, according to staffing firm TeamLease.

The trend is across institutes and cities, as fresh graduates look at more lucrative salaries and flexible working hours, said Kaushik Banerjee, vice-president and business head for TeamLease and Freshersworld.com.

"Earlier engineering graduates used to get anywhere between ₹20,000 and ₹30,000 per month on average. Depending upon the college, it can go up. But this was the average — ₹2.5-4 lakh. In the last two-three years, the core (tech) jobs have not come down, but the salaries have come down to about ₹10,000-25,000," said Banerjee.

A delivery person employed with a firm like Swiggy or Zomato, or a driver with Ola or Uber has a base salary of between ₹25,000 and ₹30,000. With incentives, it can go up to ₹55,000-60,000, added Banerjee.

Spurred by good money and flexible working hours, engineering graduates have no qualms taking up gig jobs.

According to the data from TeamLease, the number of gig jobs that get posted on a daily basis is 920 on Freshersworld.com and 540 on TeamLease.

About 25 per cent of the 1.5-million job applications a month are for gig jobs. TeamLease saw a twofold increase in gig job applications from June-November 2019.

Further, about 10-11 per cent engineering and MBA freshers apply for these jobs.

Of the 60,000 daily job applications that people apply to on TeamLease's different job sites, it is seeing about 8,000 core engineers and MBAs per day apply for jobs like drivers, delivery boys, etc.

Gig workers are usually spoken of in the context of a sharing economy, such Uber and Ola drivers, delivery persons for Zomato and Swiggy, and so on. These are jobs enabled by a tech platform where workers are not bound to the organisation.

However, the term could also refer to higher-skilled workers like coders or technology professionals working part-time or as freelancers.

The Indian government is considering bringing gig workers into the fold of labour laws and social security benefits, as are governments across the world.

Mindtree founders get 'public' category tag from 'promoters'

Founders of Mindtree have been reclassified as 'public' from 'promoter and promoter group' as the board of the L&T group firm gave its approval towards this effect on Wednesday. In July 2019, founders of Mindtree — Krishnakumar Natarajan, Rostow Ravanan, N S Parthasarathy and Subroto Bagchi — had requested the board to shed their promoter tag. This came after L&T acquired majority stake in the firm through a hostile bid. DEBASIS MOHAPATRA

Mittal reiterates Airtel has paid full AGR dues

Says SC order did not specify quantum of dues to be paid

MEGHA MANCHANDA
New Delhi, 11 March

Bharti Airtel Chairman Sunil Bharti Mittal on Wednesday said the firm has paid its full adjusted gross revenue (AGR) dues of ₹13,000 crore. He said the Supreme Court order on the matter did not indicate the amount of dues.

Mittal, who met with Telecom Secretary Anshu Prakash on Wednesday, said Airtel had paid the dues in accordance with its self-assessment. The Department of Telecommunications (DoT) had asked the firms to assess AGR dues themselves.

"We have paid ₹13,000 crore according to the assessment and another ₹5,000 crore as part of reconciliation to the DOT," Mittal said. When asked if the company had received any notice from the government seeking the calculation of AGR dues and payment of the balance amount, Mittal said, "We have given our self-assessment calculation to the government".

The Union government on March 4 had asked Bharti Airtel, Vodafone Idea and other telecom companies to pay the remaining AGR dues in accordance with the SC order without further delay.

DoT had written to all telcos asking them to submit a detailed bifurcation of payments (explanation of self-assessed amounts), which it said was necessary for proper reconciliation of legitimate dues.

Airtel has paid ₹13,004 crore to the government in two instalments. It had also deposited an additional ₹5,000 crore "as an ad-hoc payment (subject to subsequent refund/ adjustment) to cover differences, if any, arising from the reconciliation exercise with the DoT".

The total payout by Bharti Airtel, however, is half of the ₹35,586.01 crore liability estimated by DoT.

Govt gets ₹25,900 cr in AGR dues

The government has received part payment of ₹25,900 crore from telecom operators towards statutory dues and has again directed telcos to make full payments, Parliament was informed on Wednesday. "The Telecom Service Providers have made some payments in compliance with the Supreme Court order dated October 24, 2019," Minister of State for Communications Sanjay Dhotre said Lok Sabha. PTI

ED probes Kapoor's role in ₹30K-cr NPAs

SHRIMI CHOUDHARY & SUBRATA PANDA
New Delhi/Mumbai, 11 March

The special court under the Prevention of Money Laundering Act (PMLA) granted an extension to the Enforcement Directorate (ED) to keep Rana Kapoor under custody till March 16.

The ED had sought extension of Kapoor's custody to probe his role in YES Bank's bad debts of ₹30,000 crore. It will also look into whether the monies were "siphoned and laundered" to the 78 entities controlled by the bank's co-founder.

"It has been noticed that more than ₹30,000 crore was given as loans by YES Bank to several companies/entities during the tenure of Kapoor in YES Bank which have converted into bad debts. Kapoor is required to be interrogated to ascertain if, in the guise of these loans, the monies have been siphoned and laundered," the ED said in its remand application to court.

The ED added that it was probing loans of over ₹20,000 crore from the point of view of irregularities, quid pro quo and diversion.

Investigation has revealed that about 78 companies owned by Kapoor's family members were being controlled and managed by Kapoor. The ED said, "Documents related to these companies/firms are to be obtained," and added that Kapoor would be confronted to ascertain siphoning off of funds from YES Bank to these companies. The ED named Kapoor, his wife Bindu and three daughters — Roshini, Radha and Raakhe — as accused in the matter.

Giving detailed analysis of each transaction, the probe agency said that prima facie there appears to be a generation of proceeds of crime to the tune of thousands of crores by the accused in this case.

"The said monies have been acquired, concealed and projected by the accused persons to claim the same as untainted," the application said. Earlier, the ED had quoted ₹4,300 crore as proceeds of the crime while seeking custodial interrogation of Kapoor in the same court on March 8.

This was an initial estimate based on the material in the shape of a statement and seizures made during the searches in the case, said an ED official, adding that Kapoor was suspected to have entered into such deals through a complex web of companies. Of YES Bank's total loans of about ₹2.25 trillion, around ₹42,000 crore may have turned non-performing assets, the official estimated.

While seeking Kapoor's further custody, the ED said it was required because Kapoor is not co-operating with the investigation authorities and has not yet provided the required information regarding proceeds of the crime. "Sustained interrogation is required to unearth the trail of funds, and if further custody is not granted, it may hamper the ongoing probe," it said.

It further said that Kapoor is being required to confront other persons whose statements will be recorded in the next few days. "He is also required to trace the end use of the huge amount of monies which appears to have been laundered," ED noted. The ED expects Kapoor to reveal crucial facts which are in his exclusive domain, as he was the key person, deeply and directly involved and in-charge of affairs of the bank.

Kapoor's counsel argued that his client cannot be held responsible for the mess created by the new management (under former MD and CEO Ravneet Gill). Kapoor claimed that the bank's market capitalisation reduced to ₹5,000 crore from ₹93,000 crore after his resignation.

According to ED officials, the central agency is also probing role of the YES Bank co-founder in connection with the disbursal of loans to some corporate entities and subsequently alleged kickbacks reportedly received in his wife's accounts.

The ED has found that YES Bank had bought debentures of Dewan Housing Finance worth ₹3,700 crore while the latter gave a loan to a company owned by Kapoor's daughters of ₹600 crore.

Both the transactions were suspicious as the company owned by Kapoor's daughters did not have sufficient businesses or assets. Also, the mortgage shown for the loan was only a property worth around ₹40 crore. The property mortgaged was an agricultural land shown as residential land with its worth inflated, the ED said.

YES Bank founder Rana Kapoor's daughter Roshini (*left*) and wife Bindu at Enforcement Directorate office in Mumbai on Wednesday PHOTOS: KAMLESH PEDNEKAR

Realty assets under ED lens

SHRIMI CHOUDHARY
New Delhi, 11 March

The Enforcement Directorate (ED) has identified assets and properties valued at thousands of crores belonging to YES Bank Co-Founder Rana Kapoor and his family enterprises in India and abroad. It is assessing these assets and is likely to seek provisional attachment in coming weeks.

The properties overseas include two luxury hotels — one in New York (worth over $20 million) and one in London (£30 million) — two residential apartments in London valued at £15 million each, and a yacht stationed in the UK, said a senior ED official.

In India, Kapoor's six bungalows in Delhi's upscale localities, including Jor Bagh, Hauz Khas, and Kautilya Marg, were also identified. One of these properties was bought from fugitive offender Vijay Mallya, said an official in the know. Six flats and land in Mumbai and suburban areas have also been identified.

According to sources, the federal agency suspects these properties were purchased from kickbacks that Kapoor and his family allegedly received from corporates whose loans were being disbursed by the bank on Kapoor's instructions. So far, the agency has seized close to 50 artworks and paintings from his residence at Samudra Mahal in Mumbai during searches. The agency had searched the premises of Kapoor on Saturday and Sunday.

Before seizing the assets, the federal agency will issue a provisional attachment order of proceeds of crime under the Prevention of Money Laundering Act, which will be valid for 18 days until the sessions court confirms it and allows the enforcement agency to make a final confiscation on the ground that the said assets were created out of the process of money laundering.

Kapoor and his family (wife and three daughters) are facing money laundering charges for allegedly creating shell firms and using them to divert loans sanctioned to various corporates and receiving kickbacks during his tenure as managing director and chief executive officer of YES Bank. The ED and the Central Bureau of Investigation had filed the case against them on March 7.

'There was enough time to save bank'

Former RBI governor Raghuram Rajan (*pictured*) on Wednesday said there was a lot of time to put together a plan for YES Bank which had given "enough" notice about the problems it was facing.

"YES Bank had given us enough notice that it has been in difficulty... so there was enough time to put together a plan. I hope what we have got is best available (plan), but I don't want to second guess, because I don't know the details," Rajan said in an interview to *CNBC-TV18*.

Rajan asserted he has been saying for a long time now that there is a need to clean up the financial sector quickly. "Unwillingness to clean up has prolonged state of malaise in Indian economy... Clean up has to be undertaken on an emergency basis, otherwise sense of confidence which is needed in our NBFC, private banks and even in our state-owned banks that would be missing, that means financial sector cannot contribute to the growth," he said. PTI

₹4,000-cr Voda loan to be sold

DEV CHATTERJEE
Mumbai, 11 March

YES Bank is planning to sell its ₹4,000-crore exposure to Vodafone Idea to asset reconstruction companies or to other institutions and use the proceeds to shore up its liquidity, said a source close to the development.

The Vodafone Idea loan is touted as a major risk by analysts for YES Bank after the telecom major was asked to pay ₹54,000 crore of AGR (adjusted gross revenue) dues. Apart from Vodafone Idea, the stressed pool at the bank is largely made up of Essel Group, Reliance Anil Dhirubhai Ambani Group (ADAG), DHFL and commercial real estate book.

Apart from Vodafone Idea, other good corporate loans are also on the block at a discount, said the source.

While some loans such as DHFL may not find any takers as they are already in the middle of investigations, Vodafone Idea is likely to get a buyer owing to the good standing of its promoters and future prospects. The telecom firm's loans were downgraded in February this year to BB minus by CARE Ratings with negative implications.

"The fact that the company paid part of its AGR dues to the government shows that it is serious about its intentions. If the government provides moratorium on AGR payments, the loan will not become stressed," said the source. Indian banks have a total exposure of ₹1.2 trillion to the company.

The Reserve Bank of India (RBI) has already reminded banks of the need to make additional provisioning for 'standard' telecom loans and specific exposures in the sector with a high probability of being declared non-performing assets (NPAs) in their books down the line.

JPMorgan said the recovery process of the bank could get a boost if the lender were able to show recoveries from its stressed pool, especially ADAG where exposure is around $1.8-2 billion.

"We believe that while collateral for YES' exposures in some of the groups (Essel/ADAG) is reasonably strong, liquidating these could be a problem in case of the insolvency of these entities," the global bank said.

During the first nine months of the current financial year, Vodafone Idea reported total operating income of ₹34,076 crore, and profit before interest, lease, depreciation and tax of ₹11,405 crore and net loss of ₹62,234 crore.

The losses widened on account of provision made for the Supreme Court's ruling on payment of AGR dues to DoT, reversal of deferred tax assets and assets impairment. The increase in tariff is expected to increase the average revenue per user levels of the company from the current ₹109 going forward.

LENDER'S EXPOSURE

₹31,400 CR
BB rating and below

₹6,000 CR
Real estate book

₹4,000 CR
Vodafone Idea

₹41,000 CR
Total known stressed loans

₹5,000 CR
Unknown accounts

₹46,000 CR
Total stressed loans

Source: JPMorgan

Reliance Group said its debt from YES Bank is fully secured and it had 'nil direct or indirect exposure to Rana Kapoor, wife or daughters'

PE firms want to invest at ₹10/share

JC Flowers, Cerberus and Tilden Park Capital ask SBI to prepare a clean-up plan

HAMSINI KARTHIK & SURAJEET DAS GUPTA
Mumbai/New Delhi, 11 March

As State Bank of India (SBI) advances talks with interested buyers to co-invest in YES Bank, it is learnt that global private equity (PE) investors have laid out two important conditions before they seal the deal.

JC Flowers, Cerberus Capital and Tilden Park Capital, which have been negotiating with YES Bank since mid-January, and Blackstone, which recently evinced interest in the bank, insist that SBI should have a plan to clean up the troubled lender's assets and liabilities. "The PE investors have asked SBI to ensure that both additional tier-1 (AT-1) bonds and tier-2 bonds be written down," said a person aware of the development.

These investors are apprehensive to take on any past bondholder dues after pumping in money into the bank, said the person cited above. The Reserve Bank of India's (RBI's) draft reconstruction scheme presented on March 6 mentions the writing off of AT-1 bonds, though it is silent on the treatment of tier-2 bonds. Normal circumstances do not permit writing off tier-2 bonds. "However, when the RBI invokes powers under section 45 of Banking Regulation Act, it gives a lot a leeway," said Ananth Narayan, professor, Bharatiya Vidya Bhavan's SPJIMR.

It is also learnt that the PE investors have asked SBI to identify the quantum of potential stressed loans in the bank and transfer them to an asset reconstruction company (ARC). "We know that these assets won't fetch much even if bought by an ARC, but the objective is to clean up the book," said another person.

The funds have stated their willingness to invest in YES Bank, even if it should suffer an unprecedented loss in the December quarter due to these write-offs. "Investors are seeking comfort that no fresh asset quality trouble emerges after they have put in money into the bank," said one of the sources. It is also learnt that if SBI consents to these conditions, the PE investors are willing to deposit a token advance of $500 million into an escrow account, and would be willing to make a further investment of up to $1-1.2 billion in YES Bank.

JC Flowers did not wish to participate in the story, while an email sent to Tilden Park Capital remained unanswered till the time of going to press. Blackstone did not want to comment on the development.

In terms of pricing, these investors are looking at a level similar to the offer made to SBI. "Since they would participate with SBI in the capital infusion, they want to be treated on a par with SBI in terms of pricing also," said a banker with direct knowledge of the negotiations.

While the pricing is still under consideration, the banker believes that regulatory dispensations may be granted when a rescue plan of this magnitude is being put together.

Depositors at a branch in Kolkata on Tuesday PHOTO: PTI

THE RESCUE PLAN

- The PE firms offered to invest $1 billion-plus together at ₹10 a share, on a par with SBI
- Ask for write-down of AT-1 bonds and tier-2 bonds
- Suggest bundling stressed assets of ₹ 90,000 cr be sold to ARCs
- SBI also in talks with domestic funds, banks to raise short-term debt

CUSTOMERS CAN MAKE ₹2-LAKH LOAN PAYMENTS VIA OTHER BANK ACCOUNTS

YES Bank on Wednesday said its inward real-time gross settlement (RTGS) services have been enabled to allow customers to make payments towards their credit card dues and loan obligations from other bank accounts.

The announcement comes a day after its customers were allowed inward IMPS and NEFT services for the same purposes.

RTGS is used for payments of over ₹2 lakh, while payments below that can be made using NEFT. Besides, loan and credit cards payments can also be done through IMPS from other accounts. PTI

Bailout may renew fund pressure on NBFIs: Fitch

ABHIJIT LELE
Mumbai, 11 March

Rating agency Fitch on Wednesday said non-bank financial institutions (NBFIs) in India could face renewed pressure on funding and liquidity following the bailout of ailing private sector lender YES Bank.

The Reserve Bank of India (RBI) hammered out a restructuring package — by roping in State Bank of India and imposing a moratorium on withdrawals — to salvage the private bank. This could compound the credit squeeze across the country's financial system, adding to the economic uncertainty, Fitch said.

The move comes even as the impact of coronavirus is beginning to be felt in India, raising further risks to economic growth and NBFI asset quality. Rising asset quality and funding risks will place pressure on ratings if conditions worsen.

The NBFI sector's direct exposures to YES Bank should be modest, as the bank's difficulties have been known for some time, and companies have had time to pare back exposure.

YES Bank's advances to NBFIs were roughly 1-2 per cent of the sector's total bank funding. Also, the sector's asset exposures to the bank would similarly be moderate.

Cabinet may take up bank revival plan tomorrow

SOMESH JHA
New Delhi, 11 March

The Reserve Bank of India's (RBI's) revival plan for YES Bank will need the central government's approval, which may come in by Friday, according to a government official. The draft 'YES Bank Ltd Reconstruction Scheme, 2020' will be put up for the approval of the Union Cabinet, chaired by Prime Minister Narendra Modi, when it meets on Friday, the official said.

The RBI had made the draft reconstruction scheme public on Friday, a day after it took over the board of the troubled lender and imposed restrictions on lending and withdrawal activities. The RBI had invited comments from State Bank of India (SBI), which is expected to hold 49 per cent stake in YES Bank, and other stakeholders by Monday.

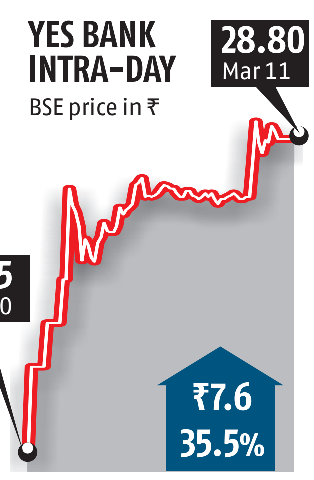
RBI Governor Shaktikanta Das had met SBI Chairman Rajnish Kumar on Friday to discuss the way forward.

After examining comments on the draft scheme, the RBI may modify the provisions and send it for the approval of the central government. According to the Banking Regulation Act, 1949, the Centre can approve the scheme without any modifications or with some changes "as it may consider necessary".

The scheme will come into force from the date as specified by the central government and there may be "different dates for different provisions of the scheme", according to the law.

The copies of the scheme will be laid before both the Houses of Parliament after the central government's approval.

The RBI has imposed several restrictions on YES Bank, including a curb on fresh lending and on withdrawals by customers above ₹50,000. The regulator had appointed former SBI chief financial officer Prashant Kumar as the administrator of the bank for the time being. Kumar had said that the moratorium is expected to be lifted by the end of the current week.



A DEAL WITH BONDHOLDERS IS IN PROCESS: PRASHANT KUMAR

Prashant Kumar, the administrator of YES Bank, told *Reuters* a deal with some bondholders who have opposed the rescue was under discussion. He hoped a deal would be reached later on Wednesday or on Thursday, he said. REUTERS

YES Bank imbroglio puts spotlight on auditors

Firms say there are limits to audits identifying ever-greening of loans, or flagging suspect collateral securities

SUDIPTO DEY
New Delhi, 11 March

The spotlight is back on the role of auditors in flagging the ongoing crisis at YES Bank. The accounting standard regulator, the Institute of Chartered Accountants of India (ICAI), plans to review the financial statements of YES Bank for the financial year 2017-18 (FY18) and FY19, and check whether there have been any lapses on the part of the auditors.

The audit fraternity points out that one of the key challenges in undertaking audit of banks relates to reconciling divergences between the Reserve Bank of India (RBI) and the banks when it comes to recognition of non-performing assets (NPAs).

"Over the last two-three years we have been under a lot of pressure from the RBI in matters relating to divergences. As a result, whenever in doubt we approach the RBI for guidance on suspect transactions," said an auditor from one of the Big Four audit firms.

The auditors are also increasingly seeking information on a group's loan exposure, than just the company they have the audit mandate for.

An RBI assessment for FY16 pegged the NPAs of YES Bank at ₹4,925 crore as against the ₹748 crore gross NPAs reported by the bank. The divergence ballooned to ₹6,335 crore at the end of FY17.

To check instances of evergreening of loans, auditors said they have started keeping a tab on the money trail of loan payback. "We have started taking a close look at where the money is coming from," said the audit head of another Big Four firm.

However, the auditor fraternity concedes that as statutory auditors there are limits to which they could check the money trail. They also rue lack of guidance in this respect from the accounting standard regulator.

What auditors also find challenging is to ascertain intrinsic value of securities that are put forth against loans. "This is more so in an economic environment where repayment power of business is weak," said another audit professional. Statutory auditors of YES Bank have already had a rough ride over the past few years. BSR & Co, an affiliate of KPMG India, is the current auditor of YES Bank. However, the previous auditor, SR Batliboi & Co, an EY affiliate, was hauled up by the RBI on account of lapses in statutory audit. Following this, the firm was banned for one year from carrying out statutory audit assignments of commercial banks.

An audit professional who has been closely dealing with the beleaguered private bank said they have been working very closely with the RBI over the last two years while auditing its financial statements. "We have been seeking the guidance of RBI's nominee in the board whenever in doubt," he said.

Whether they like it or not, the role auditors would be under review in the coming months, said experts.

ICAI will review the bank's financial statements of the past two FYs to check whether there have been any lapses by the auditors

L&T MOVES BOMBAY HIGH COURT TO SECURE PF EXPOSURE TO BONDS

Infrastructure giant Larsen & Toubro (L&T) and L&T Officers and Supervisory Staff Provident Fund have moved the Bombay High Court (HC) to get relief on their exposures to additional tier-I (AT-1) bonds of YES Bank. According to industry estimates, L&T has ₹100 crore of exposure to the bank's AT-1 bonds, whereas the staff PF has ₹25 crore of exposure to the bonds. L&T's 2019 annual report shows that firm had exposure to '9 per cent perpetual' of YES Bank. The AT-1 bonds are also called perpetual bonds, as there is no fixed maturity date. The matter is currently at pre-admission stage, with the next hearing date scheduled for Thursday.

Employee provident funds have ₹237 crore of exposure to YES Bank's AT-1 bonds, according to industry estimates.

An email query sent to L&T didn't elicit any response at the time of going to press. Earlier, Axis Trustee Services — which represents majority of bondholders — had moved HC to seek relief after RBI proposed full write-down of AT-1 bonds. JASH KRIPLANI

SBI cuts savings a/c rate to 3%, scraps min balance requirement

MCLR slashed 10–15 bps, 10th cut this financial yr

ABHIJIT LELE
Mumbai, 11 March

In a major rate revision, State Bank of India (SBI) has decided to pay interest at a flat 3 per cent per annum to savings bank account holders.

Earlier, it paid 3.25 per cent for balances up to ₹1 lakh. The rate was 3 per cent for savings bank deposit accounts with balances above ₹1 lakh.

In a customer-friendly move, it will stop levying fine for failing to maintain average monthly balance in savings accounts. The bank used to levy a penalty of ₹5 to ₹15 plus taxes on non-maintenance of average balance, SBI said in statement. It will also waive SMS charges.

The charges on maintaining average balance have now been waived on all 445.1 million SBI savings bank accounts.

Currently, customers need to maintain average balance of ₹3,000 in a metro region, ₹2,000 in semi-urban areas, and ₹1,000 in rural areas.

The bank also slashed its marginal cost of funds-based lending rate (MCLR) by 10-15 basis points across all tenors from March 10. This was the tenth consecutive cut in MCLR in the current financial year.

One-year MCLR will be 7.75 per cent against previous rate of 7.85 per cent. MCLR was 8.5 per cent in April 2019.

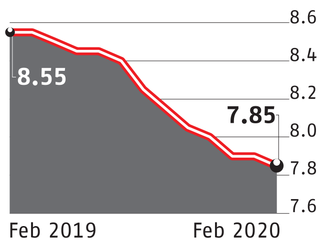
Consequently, equated monthly instalments (EMIs) on eligible home loan accounts (linked to MCLR) will get cheaper by around ₹7 per ₹1 lakh on a 30-year loan. EMIs on car loans will also be reduced by ₹5 per ₹1 lakh on a seven-year loan.

Keeping adequate liquidity in the system, the bank has realigned interest rates on term deposits with effect from March 10. Besides the 50-basis points (bps) cut on short-term deposits (7-45 days), it reduced the rate for one-year and above tenors by 10 bps.

Now, deposits in the 7-45-day bucket will have a rate of 4 per cent rate, against the old rate of 4.5 per cent. The retail term deposit for one year and above will carry a rate of 5.9 per cent, against 6 per cent. The rate on one-year deposits are down 110 bps since May 2019 when the rate was 7 per cent.

For bulk term deposits, interest rates have been reduced by 15 bps for deposits for 180 days & above tenors.

SBI 1-YEAR MCLR



Source: RBI, SBI

AT OTHER BANKS
What some other banks are offering

PNB
3.25% Up to ₹5 lakh
3.5% From ₹5 to ₹50 lakh
3.8% Above ₹50 lakh

ICICI BANK
3.5% Less than ₹50 lakh
4% Above ₹50 lakh

HDFC BANK
3.5% Below ₹50 lakh
4% ₹50 lakh–₹500 cr
RBI repo rate + 2 bps Above ₹500 cr

Lending to labour-intensive sectors tightened

NAMRATA ACHARYA & ISHITA AYAN DUTT
Kolkata, 11 March

Banks are tightening their lending norms for some labour-intensive sectors. Particularly those at the lower end of mechanisation.

The data from the Reserve Bank of India (RBI) shows a sharp fall in growth of loan dues for tea, textiles, glass, and gems & jewellery sectors.

For tea, year-on-year, this growth fell from 32 per cent in 2017 to 3 per cent in 2019. Textiles (which includes) went from 7.6 per cent growth in 2017 to a fall of 5.4 per cent in 2019. For gems and jewellery, from 0.7 per cent growth to a 11.1 per cent fall.

With most also under-performing in these sectors, it's a bit of a vicious cycle. A tea company owner said, "It's a disaster; banks are just not lending."

Adding, "Except a handful, most companies are under severe stress from stagnating prices and escalating cost. Between Assam and North Bengal, scores of tea gardens are up for sale, but there are hardly any buyers."

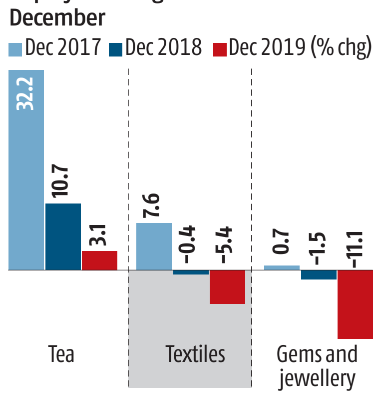
For jute, many banks are now seeking original deeds in the names of owners. Difficult, as mills have changed hands several times over the years and few have original deeds. Most jute mill lands are still in the name of companies established in the 1950s and have changed hands many times. Banks are refusing to accept registered documents and want the company that is running the mills to have clear title, said Sanjay Kajaria, former chairman of the Indian Jute Mills Association and a mill owner.

The government of West Bengal needs to allow approval and clearance for regularisation of land title, so that jute mills can mortgage the land for securing working capital loans from banks and financial institutions.

Bachhraj Bamalwa, partner in the jewellery firm of Nemichand Bamalwa, says banks have been reluctant to extend credit to the sector for quite some time, identifying it as a high-risk one after the Nirav Modi loan scam.

The proprietor of a leather processing unit says banks have been slow in lending to his sector for quite some time.

CASH CRUNCH
Industry-wise YoY growth in deployment of gross bank credit till December



Source: RBI data

Bankers have their reasons. Typically, these are labour-intensive companies, with low mechanisation, and are financially weak. They are not meeting (our) lending norms, said the head of a public sector lender. Most players in the sectors are proprietorship or partnership firms. Banks are more comfortable dealing with corporate entities.

Another head of a public sector bank said, "Overall, there is a slowdown. And, no new promoters are coming in tea, textiles, etc. The industry is complaining that labour laws are not conducive for growth and that we are losing market share to countries like Bangladesh in sectors like textiles. Also, in a sector like tea, when one big company faces problems, it is indicative of the fact that the whole industry is under stress."

Says another public sector banker, "There is not much demand in sectors which earlier accounted for major credit. However, banks are not at all shying away from lending."

Govt to sell ₹8K-cr SUUTI stake to meet FY20 target

ARUP ROYCHOUDHURY
New Delhi, 11 March

The Centre will offload around ₹8,000 crore worth of stake in Axis Bank and ITC through Specified Undertaking of Unit Trust of India (SUUTI) before March 31 to help it meet the revised divestment target for 2019-20 (FY20) of ₹65,000 crore, *Business Standard* has learnt.

"There will be a shortfall compared to the revised disinvestment estimates. To make up for that, DIPAM (Department of Investment and Public Asset Management) will sell some ₹8,000 crore worth of SUUTI stake," said a top government official.

The Centre currently owns 4.71 per cent in Axis Bank and 7.93 per cent in ITC through SUUTI. As of Wednesday, the Axis stake was valued at ₹8,221 crore and the ITC stake was valued at ₹17,127 crore, taking the total to ₹25,348 crore.

The Centre held a small stake through SUUTI in Larsen & Toubro as well (1.7 per cent), which it liquidated last year. For FY19, DIPAM was given a disinvestment target of ₹80,000 crore. It surpassed that and raked in ₹84,972 crore in the normal course of the year. However, the actual divestment receipts for 2018-19 now stand at ₹94,727 crore, according to the FY21 Budget documents.

The official quoted above said that a part of this jump was because of a sale of ₹7,000 crore through SUUTI. This is different from the 3 per cent stake it sold in Axis Bank through SUUTI earlier that year. It was in the latter transaction that the Centre's stake in L&T was liquidated.

Without SUUTI, the Centre would have fallen well short of the FY20 Revised Estimates, as reported earlier.

This is because a number of offers-for-sale (OFSs) planned for March — including SAIL, NMDC, PFC, Coal India, IRCON, Hindustan Aeronautics, and others — have been postponed because of bearish market conditions.

The only other transactions that are expected to go through by March 31 are the acquisition of THDC and NEEPCO by NTPC, the planned initial public offering of IRFC, and some buybacks by public sector undertakings, informed sources said.

The finance ministry is internally expecting around ₹15,000 crore from NTPC's acquisition of THDC and NEEPCO, and around ₹5,000-7,000 crore from the planned IPO of IRFC and some buybacks.

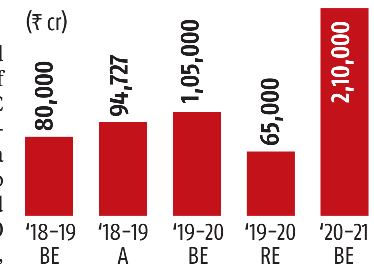
So far, DIPAM has garnered a little over ₹35,000 crore. The transactions mentioned above, excluding SUUTI, would take the disinvestment proceeds to around ₹55,000-57,000 crore.

The target for the current fiscal was revised downwards to ₹65,000 crore from ₹1.05 trillion. In the 2020-21 Union Budget Finance Minister Nirmala Sitharaman also reduced the tax revenue and total expenditure estimates for FY20, and widened the fiscal deficit target to 3.8 per cent of gross domestic product, from 3.3 per cent.

DIPAM's last transaction was the sale of 10 per cent of the Centre's stake in RITES through OFS. The issuance bombed as the exchequer raised around ₹400 crore, against expectations of garnering ₹1,000 crore.

The Centre's big divestment plans, including the privatisation of Air India, Bharat Petroleum, Container Corporation of India, and Shipping Corp of India, and the planned IPO of LIC, are all slated for the next fiscal year.

STATE OF DIVESTMENT



BE: Budget Estimate A: Actual;
Source: *indiabudget.gov.in*

₹25,348 cr worth of stake Centre owns in Axis and ITC through SUUTI

4.71% Current stake in Axis; in ITC, it's 7.93%

₹7,000 cr worth of SUUTI stake DIPAM sold towards FY19 end

Enforcement action or shoot at sight?

The fear of enforcement action often undermines the objective of achieving quality in corporate governance

WITHOUT CONTEMPT

SOMASEKHAR SUNDARESAN

Corporate India is heaving a sigh of relief. In emphatic iteration, the Ministry of Corporate Affairs (MCA) issued last week, a "standard operating procedure" directing that legal proceedings for non-compliance with company law must not be routinely taken up against independent directors and non-executive directors.

Titled "clarification" on prosecutions filed or adjudication proceedings initiated against such persons, the circular makes it clear that the key managerial personnel and whole-time directors who are associated with managing the day-to-day functioning of a company must be liable for defaults of a company. While one can think of this as a welcome development, to be cynical about it, the clarification is nothing but a reiteration of not just what the law always was since the 1990s, but also a reminder of what has been codified into the new company law that was passed in 2013.

That such a "clarification" is still required even when the law is clear tells a story of a breakdown in the enforcement machinery. The clarification, in fact, borrows from the language contained in a Master Circular issued in July 2011 to underline the same point. The 2011 Master Circular had reiterated a "clarification" issued in November 1998 that punishments for violations by a company must be directed at the officials in management and only when there is no identifiable official in management that directors should be looked at.

That the intermittent nine years also saw these principles being codified into law made by Parliament, without making a real difference, tells a story. The quality of enforcement is not only underlined by being able to bring to book those liable for default, but also in ensuring that those not liable are not harassed by enforcement action. When someone not responsible for a default is arrayed as an accused, precious time and resources get expended straining the enforcement budget. Worse, the fear of enforcement action regardless of having no role, results in quality human resources steering clear of directorship in corporate boards, undermining the wider objective of achieving quality in corporate governance.

Company law has long had a concept of an "officer in default", who would be a person identified by the board of directors as a person responsible for the conduct of affairs and answerable for default. Yet, directors would be routinely proceeded against, not just by officials enforcing company law but also by other enforcement agencies under other laws.

The 2011 Master Circular brought in a concept of testing knowledge of the director "attributable to board processes" to test whether enforcement action must be taken. This requirement was adopted into Section 149(12) of the Companies Act, 2013. Essentially, a director of a company is indeed dependent on the management for what is presented to the board of directors. The board has to trust the management without second-guessing every move of the management and the key managerial personnel. If it did not follow such an approach, the company would not be able to function, with a collective board having to second-guess every decision of the management and undermine the leadership in the process. The same principle was also adopted in the regulations made by the capital market regulator to govern listed companies whose securities are listed on stock exchanges. Yet, day-in and day-out, enforcement action in the form of carpet-bombing and shooting at sight has been par for the course.

While the MCA has seen the seriousness of the issue and has "clarified" what is meant to have been clear, at least in the decade gone by, it is also vital to build awareness and state capacity with other enforcement agencies. Policemen in the state and central agencies continue to routinely line up all directors for enforcement action when something goes wrong. Judgments dealing with prayers to quash criminal proceedings initiated against all directors abound.

Directors across the board have also become vulnerable to attack in the public interest litigation jurisdiction, with many having to declare their assets, and their funds getting frozen pending probe. This month's "clarification" has also asked the officials in the MCA to report even pending cases for internal "examination" and appropriate direction. Getting regulators and enforcement agencies outside the MCA should be the next target.

The author is an advocate and an independent counsel; Tweets@somasekharS

Port reforms: The next big step

Cabinet clearance of the Major Port Authority Bill, 2020, should breathe new life into government-owned major ports

INFRATALK

VINAYAK CHATTERJEE

Given its critical importance to the overall economy, it has always been surprising how little attention has been paid by successive governments to policy reforms for Indian state-owned ports. Even as sector after sector, from roads to telecom to power and civil aviation, have seen reforms (or at least serious attempts at reform), the ports sector has seen relatively little action.

Even today the so-called "major ports" (12 of them), which account for around 55 per cent of maritime cargo traffic in the country, have to adhere to a tariff and policy regime that has its roots in the 1960s. They still have their tariffs set by a central authority — the Tariff Authority for Major Ports (TAMP); and the TAMP holds the master key for many other operational and commercial matters too. It is as if the Ministry of Telecom were to set phone tariffs for the entire country from Delhi by fiat, or the Ministry of Power were setting electricity tariffs for all discoms in the country.

As a consequence, a substantial chunk of trade has shifted to the "non-major" or "private" ports that operate under a much more liberal regime and are under the control of state governments. According to a report by CARE, the share of non-major ports in total traffic rose to 43 per cent in 2016 from just 10 per cent in 1981. These ports — such as Mundra, Kakinada and Pipavav — are not just operationally more efficient, but crucially, have developed much better linkages to the hinterland to enable smooth traffic flows.

And while the private sector is involved in major ports in areas like cargo handling, much more is needed by way of investment, in areas such as dredging (to increase the depth of the port to accommodate larger ships), and adding new terminals.

Enter the Sagarmala project in 2015, aimed at enhancing capacity at ports, improving operational efficiencies and also the connectivity of ports to the hinterland to enable a smoother flow of traffic. One hundred and twenty-five projects at a total cost of over ₹31,000 crore have been completed so far. The bulk of these projects (₹22,000 crore worth) were aimed at modernising major port infrastructure.

Having invested in port infrastructure, the Union Cabinet has taken the next logical and critical step to enable ports to leverage that new infrastructure — operating policy reform. On February 12, it approved a Bill — the Major Ports Authority Bill, 2020, — to comprehensively overhaul the governance structure of major ports. As the Bill seeks to replace a 1963 Act, it will be sunset time for the TAMP, that hitherto had a vice-like regulatory grip on the *sarkari* port system.

Pipavav, a non-major port in Gujarat, has developed good linkage to the hinterland to enable smooth traffic flow

The first such initiative was actually introduced back in 2016 but the law failed to get passed as Parliament was adjourned before the Lok Sabha election last year; the Bill therefore lapsed. While the full contents of the latest Bill approved by the Cabinet are not yet known, it is expected to be along lines similar to the 2016 one.

The 2016 Bill granted major ports greater autonomy, including crucially, the ability to set tariffs on their own. Apart from tariff autonomy, the 2016 Bill also enabled the board of an individual port to raise funds (up to 50 per cent of capital reserves) from banks and financial institutions without taking the permission of the central government. It also provided for the setting up of a centralised adjudication board to resolve disputes in PPP projects between the port and private sector concessionaires. Together, these measures, assumed incorporated in the latest Bill, could lead to major ports becoming much more attractive to the private sector, both in terms of investment and as service providers. Private operators who provide cargo handling services in major ports as of today, for instance, have to clear their tariffs with TAMP — clearly a suboptimal outcome.

These reforms are critical if the investments made in the last few years are to pay off. The positive effects of a more liberalised regime for ports are no clearer than in Gujarat which was a pioneer in a port-led model of trade and development, as the CARE report notes. The Gujarat Maritime Board administers 41 non-major ports in the state, which together account for 70 per cent of the traffic handled by non-major ports in the country (as of 2017). The improvement of port infrastructure and logistics was an important factor in the increase in Gujarat's growth rate from a little over 5 per cent in the 1980s to over 8 per cent in the 1990s.

From the Sagarmala project to tweaking taxes to incentivise waterborne cargo transport, to setting up and developing port-based SEZs and mega ports, a number of measures have been taken in recent years to give a boost to the shipping sector. With the approval of the Port Authority Bill by the Parliament, a critical missing link will finally be in place.

The author is chairman, Feedback Infra

CHINESE WHISPERS

New friends

Soon after Jyotiraditya Scindia (*pictured*) joined the Bharatiya Janata Party (BJP) on Wednesday, former Madhya Pradesh Chief Minister Shivraj Singh Chouhan tweeted, "*Swagat hai maharaj, sath hain Shivraj*" (welcome maharaj, Shivraj would be with you)". That was a play on the BJP campaign slogan during the Madhya Pradesh Assembly elections in November 2018, when the party had said, "*Maaf karo maharaj, hamara neta Shivraj* (forgive us maharaj, our leader is Shivraj)". At that time, the BJP had designed its campaign on the belief that Scindia was the Congress' chief ministerial candidate. When journalists reminded him about that earlier slogan on Wednesday, Chouhan said, "If there was anyone in the Congress who was popular, it was *maharaj. Ab maharaj aur Shivraj ek hain*, BJP *mein* (now maharaj and Shivraj are together in the BJP)".

Family above politics

With less than two years left for the next Uttar Pradesh Assembly elections, the Samajwadi Party's (SP's) first family appears set for a reunion. The family had witnessed a vertical split when former UP minister Shivpal Singh Yadav, the younger brother of the SP patriarch Mulayam Singh Yadav, fell out with his nephew, then chief minister Akhilesh Yadav, in the run up to the 2017 polls. Shivpal later formed his own political outfit, the Pragatisheel Samajwadi Party (Lohia) or PSPL. Although the PSPL had failed to win a single seat in the 2019 Lok Sabha elections, it had cut into SP's vote share. SP ally, the Mayawati-led Bahujan Samaj Party, had wrested 10 seats against its tally of zero in 2014. Just recently Shivpal said he was ready for an alliance with the Akhilesh-led SP and that there was no dispute in the family. The bonhomie between the two factions of the Yadav clan was also evident during the recent Holi celebrations.

Better safe than sorry

Desperate times call for desperate measures. As the threat of the coronavirus infection looms large, Members of Parliament (MPs) are taking all possible precautions. Not only did several MPs stay away from the Holi celebrations — generally a time to reach out to their constituencies — they were seen trying to find ways to avoid sharing the pen kept to sign attendance registers in Parliament. While MPs wearing masks and using hand sanitisers is a common sight, several could be seen wiping their mobile phones — used by their assistants to receive phone calls on their behalf — with wet wipes. Several MPs went a step ahead and sanitised their hands after shaking hands and touching other surfaces.

INSIGHT

Congress standing in the way of defeating BJP

The real question is not whether Jyotiraditya Scindia betrayed Congress or whether the Nehru-Gandhi party failed him. The crisis is much deeper

YOGENDRA YADAV

The real question about the drama unfolding in Madhya Pradesh is not the ethics of how a dynast has treated a feudal lord, or whether Jyotiraditya Scindia betrayed the Congress, or whether the Congress failed him. These questions invite us to be vicarious participants in the *durbar* intrigues and make us lose perspective.

There is little to debate about the young maharaja's motives of shifting from the Congress to possibly the BJP. The calculus of political opportunism explains it fully. It would be a waste of time to expose Scindia's hypocrisy. Similarly, it is pointless to ask if the Congress handled the situation well. Something has to be wrong with a party that manages to lose key assets at a time when it desperately needs to conserve and rebuild. The BJP's role in this sordid game needs no interpretation: the regime is out to decimate any opposition at any cost and would not allow any compunction, convention or the Constitution to come in the way.

Make no mistake about it: the Congress is imploding and everyone inside seems to be a spectator. When party leaders take to media editorials to make suggestions to their own party, you know that the party is in a free fall. The question we should be asking is this: Is the unravelling of the Congress something to worry about for those who are not party insiders? If yes, what is to be done?

After the Lok Sabha election, I had argued that the Congress must die. As is the fate of such one-liners, everyone remembered it, yet no one bothered to read what I meant by it and why I said what I did. My point was fairly simple: the Congress had failed to perform its historic duty to be the bulwark against the possible dismantling of our republic by the current Narendra Modi regime. Rather, it stood in the way of anyone trying to create an alternative to reclaim the republic. An instant and brilliant response by professor Suhas Palshikar had warned me against a literal and over-enthusiastic reading of wishing death to the Congress. Revisiting that argument might be a response to the big question that we should be asking today.

The Congress could mean three different things: a party, a space, a concept.

It could mean the Indian National Congress party registered with the Election Commission. Like a majority of political parties in India, it appears to be a family-run enterprise. The ruling Nehru-Gandhi family may well be benevolent in its intent. The late Jaipal Reddy said this to me about the Gandhi family: "They are truly liberal in outlook, but feudal by temperament". Something similar could be said about many Congress leaders. There is no reason why a republican should be bothered about the fate of this dynasty or the health of its political enterprise. In a political market, firms take birth and they die. Creative destruction should be welcomed in politics, just as in business. We should not mourn the death of a political enterprise.

Congress also happens to symbolise a space, that of a nationwide, mainstream opposition party that is needed more than ever before to take on the BJP's hegemony. After the 2019 Lok Sabha elections, the BJP's hegemonic hold over national politics has got tighter. While regional parties have managed to match or defeat the BJP in state Assembly elections, they simply don't have the will or the capacity to take on the BJP's project of dismantling the Indian republic, brick by brick. The republic needs a nationwide political force that can resist this onslaught and match the BJP's electoral and political machine. At this moment, the Congress is the only candidate for this slot. Hence, its coming apart is a cause of worry, even for those who wish to have nothing to do with this party.

Finally, the Congress also is a concept. It stands for the idea of a centrist coalition of social groups, classes and regions. It stands for a political arrangement that accommodates all conflicting visions of India without giving in to any extreme. Above all, it stands for a non-majoritarian way of creating electoral majority. This concept is not optional. This is the only way the BJP's hegemony can be countered. This is the only concept that can hold India together. Every Indian must grieve the loss of this concept.

The crisis today is not that Jyotiraditya Scindia has betrayed the Congress, or that the Congress failed to give him his due space. The real crisis is that the Congress leadership has betrayed this concept of Congress, that the Congress party has failed to develop the capacity to occupy the space that was its own. The crisis is not just the loss of a useful leader in one region of a state, or even the impending loss of a state government in Madhya Pradesh. The real crisis is that the party does not seem to have a centre of gravity that can hold it together. For quite some time, the Congress has had no vision, no strategy, no message, no messenger. Now, there is an absence of political judgement and a loss of nerves as well. This is not merely the crisis of one party. This crisis can deepen the crisis of Indian democracy.

The latest episode shows that the Congress has exhausted its internal resources for dealing with this crisis. To be sure, the party still has brilliant thinkers, smart managers, crafty communicators, leaders with solid mass base, moneybags, and so on. But these are individual leaders and political entrepreneurs. There is no person or process to gather it all together and turn it into a collective strength that could be deployed to save the republic.

Sooner than later, the Congress must face it: the party needs outsiders to rescue the space and the concept that it named. There was a time when the Congress fed and sustained non-Congress parties. We may have reached the moment for a reversal of this flow. The vision that the Congress once stood for is articulated more coherently outside the party today. The party has no organisation and cadre to speak of. But a large number of movements aligned to the same vision have greater organisational depth. The answer is not merely a *mahagathbandhan* (grand alliance) of the Congress with all anti-BJP parties. The Congress must itself become a *mahagathbandhan* to reclaim the republic. Or face death.

By special arrangement with ThePrint

The author is the national president of Swaraj India. Views are personal

LETTERS

Royal mess

The Congress government led by Kamal Nath was on the edge from day one when Jyotiraditya Scindia was seen in a sullen face along with party leader Rahul Gandhi and the Madhya Pradesh chief minister. He was only biding his time and waited for the Rajya Sabha by-elections and as expected he switched sides to hand over the MP government on a silver platter to the Bharatiya Janata Party. The party, of course, was cautious as it had burnt its fingers in Maharashtra and allowed Scindia's final call to be brokered through another member of the royal family. If anyone wants to learn the art of mishandling one's own affairs, the Congress party is the right place to start. It is, however, ironical that the world's biggest democracy still depends on the Congress which many claim is long dead. It is however surprising why a royal family member joined the BJP at a time when some of his own family members are being sidelined by the party.

Incidentally, way back in 2015, a Union Minister had made an allegation against Scindia on some land deals and had taken a potshot that those who live in glass house should not throw stones at others. He went on to claim that it was only the "trailer" (of a movie) and that the main picture would be released after more papers on Scindia's land deals were collected. That picture would probably never get released now.

N Nagarajan Secunderabad

Seize opportunity

Your editorial "The oil crash" (March 10) rightly cautions the government that "the gains from the sharp drop in crude prices will be temporary". We have all seen the fickle nature of crude prices. No one, barring the youngsters, has forgotten the time before the formation of the Organisation of the Petroleum Exporting Countries (Opec) when the crude price used to be in single digits per barrel. Then came the OPEC, and Saudi Arabia and other oil producers were transformed from poor desert folks to owners of unforeseen riches. Of course, American oil companies made huge gains too from their concessions in West Asia.

The present stand-off between Russia and the Opec is a kind of payback because it is going to seriously hit America's own shale gas programme. Anyway, our government should be grateful for the windfall "gift" and shore up our economic situation. And, of course, remain ready for a patch-up between the warring Russia and Saudi Arabia — perhaps ironically with the US mediation — and the crude barrel prices zooming up again.

Krishan Kalra Gurugram

Pass on the benefit

With crude oil prices crashing in the backdrop of the disagreement between Russia and oil producing and export countries, nations like India can leverage the situation to reduce their rising import bill. One-dollar decrease in the crude oil price reduces the import bill by around $1.6 billion per year. Besides easing the inflationary pressure and softening the current account deficit, the fall in crude oil price can enable the RBI to soften the basic rates further. With consumer demand remaining sluggish, it is prudent on the part of the central and states governments to pass on the benefits to people.

M Jeyaram Tamil Nadu

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HAMBONE

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Grand old implosion

Scindia's departure highlights Congress' fatal flaw

Jyotiraditya Scindia, 49, has offered the Congress Party's leadership a rude wake-up call. His departure, however, should not have come as a surprise. Mr Scindia has been openly expressing his dissent with decisions of the Congress Working Committee (CWC) — and approval of several of Narendra Modi government's policies for quite some time. Instead of leveraging Rahul Gandhi's resignation as party president after the debacle of 2019 Lok Sabha elections, the ageing leadership of the Congress tamely voted for his 73-year-old mother to take interim charge. The fact that the party started haemorrhaging young leaders seems not to have worried its stalwarts. Ajoy Kumar, 57, chief of the Jharkhand unit of the party was among the first to quit after Sonia Gandhi's anointment in August last year and join the Aam Aadmi Party. Then Pradyot Deb Barman, 41, a kinsman of Mr Scindia, stepped down as chief of the party's Tripura unit and then resigned from the party following differences with the high command. In September came the departure of Ashok Tanwar, 44, former Youth Congress president, chief of the Haryana party unit ahead of the Assembly elections, citing the party's "existential crisis, not because of its political opponents, but because of serious internal contradictions".

Mr Scindia, whose political lineage invested him with greater heft in the party than his record as a politician, had signalled his unhappiness soon after the Congress won a slender majority in the Madhya Pradesh Assembly elections in November 2018. Having lost his Guna Lok Sabha seat to a former associate who joined the Bharatiya Janata Party, he was clumsily sidelined by the old guard of Digvijay Singh and Chief Minister Kamal Nath. The latter was unwilling to accommodate him in the state Cabinet as deputy chief minister, and the two Rajya Sabha seats from the state were reportedly being kept open for Mr Singh and, incredibly, Ms Gandhi's daughter Priyanka Gandhi, 48. An upper house seat and a Union Cabinet berth are allegedly on offer from the Bharatiya Janata Party now that Mr Scindia has commandeered enough members of the legislative Assembly to possibly bring down the state government.

This mass discontent from the younger guard also reflects the Congress leadership's ideological bankruptcy. The party has been slow to frame strong, credible responses to Mr Modi's majoritarian populism. It has allowed itself to be wrong-footed — on Article 370, and the controversies associated with the Citizenship Amendment Act and the National Register of Citizens (NRC). It is significant that many younger leaders have supported the NRC (Mr Deb Barman, Jitin Prasada, 46) or the reading down of Article 370 (Mr Scindia, Deepinder Hooda, 42). The congratulatory Twitter exchange between former Mumbai Congress chief Milind Deora, 43, and Mr Modi on the "Howdy Modi" event in Texas underlines the prime minister's allure to younger politicians. The fact that the CWC made no serious attempt to communicate with any of these younger leaders (Mr Gandhi could not find time to meet Mr Scindia even once over the past few months) raises the suspicion that the party is focused on holding them back primarily to prevent a threat to Mr Gandhi whose competence as a politician has not been proved as yet. He and his sister now remain the youngest members in the CWC, the average age of which stands at 70 years. In the process, the party is well on track to destroying itself — that too, at a critical time for Indian democracy.

Dangers of shifting agriculture

Permanent farming is the only solution

The government is reported to be formulating a new policy that would lend legal recognition to shifting cultivation as a form of agroforestry to enable nomadic farmers get bank credit and agriculture-related subsidies. While the objective of this move is good, as it is unfair to deny government sops to those engaged in this age-old farm practice, its consequences are likely to be disastrous. Shifting cultivation, known also as slash-and-burn agriculture or jhumming, involves clearing of forests, burning the stubble and cultivating the land for a few years before moving to another plot, leaving the old patch for regeneration. This mode of farming , once fairly common in many parts of the world, has gradually given way to settled agriculture to stave off its ill-effects on ecology, biodiversity, habitats and other natural features. It also causes loss or deterioration of forest cover leading to soil erosion and degradation of catchments of rivers and other water bodies. In India, this pernicious practice is still in vogue on an estimated 1.73 million hectares, largely in the ecologically fragile hilly terrains in the Northeast. The other states where this primitive system of agriculture still persists in some pockets are Odisha, Andhra Pradesh, Kerala and Madhya Pradesh.

The National Institution for Transforming India (NITI) Aayog, which had mooted the idea of redefining jhumming land-use as agroforestry in a report in 2018, has its own logic for doing so. It is based on the contention that shifting farming is essentially a method of putting land to two distinct uses alternately — agriculture, when it is under cultivation, and fallow forestry, when it is left untilled for revival of forest. While this plea seems well founded, what cannot be disregarded is that with growing population pressure on land, the time given for renewal of forests — just three to four years — is usually insufficient for that purpose. This phase used to be as long as 10 to 40 years in the past. The green cover now rarely comes up to the level where it can be deemed as secondary forest.

This aside, it is also true that the farmers engaged in jhumming (*jhumias*) are themselves fed up with this kind of nomadic life. They want to move beyond subsistence farming to take up market-linked agriculture. A recent study conducted by the Mizoram University's School of Earth Sciences bears this out. As many as 95 per cent of the respondents felt that jhumming was economically unviable. They wanted opportunities for higher income from farming and non-farm employment, education and medical facilities and other civic amenities apart from access to government schemes, which they are unduly denied in the absence of land titles (*pattas*) in their name. They also do not get many of the benefits provided under the Forest Rights Act. At present, they are treated neither as farmers nor as forest dwellers.

A key conclusion of this study, which holds the clue to a viable policy to curb shifting agriculture, is that if financial assistance is made available for terracing the hill slopes where jhumming is practised now, the *jhumias* would gladly shift to permanent farming. This, indeed, is not a tall order and should be complied with to put an end to the socio-ecological curse that shifting farming has virtually turned into.

ILLUSTRATION: AJAY MOHANTY

Travels with Montek

An absorbing account of India's economic policies over the last 40 years

A PIECE OF MY MIND

SHANKAR ACHARYA

Last month, Montek Singh Ahluwalia's much-awaited book, *Backstage*, was published. In his first sentences Montek writes, "This book is not a memoir" but rather a "travelogue of India's journey of economic reforms". With approximately the same degree of accuracy, let me say that this is not a book review, but just a few thoughts on an important and highly readable book.

By way of disclosure, Montek is a valued friend of 55 years, with our life trajectories overlapping for three years as students at Oxford in the 1960s, eight years as young professionals in McNamara's World Bank in the 1970s and 15 years in the Government of India in the final two decades of the 20th century, including five during the heady reform years of the 1990s in the Ministry of Finance.

Montek is, undoubtedly, a leading member of a small pantheon of talented and dedicated "econocrats" who have laboured long and hard to impart a modicum of economic rationality to the conduct of economic policy in India since Independence; often against overwhelming odds posed by politics, bureaucracy, mindsets and widespread economics illiteracy. This distinguished group includes, among others, L K Jha, I G Patel, Manmohan Singh, C Rangarajan, Vijay Kelkar, Bimal Jalan and Y V Reddy. The successful conception and execution of the 1990s reforms and their follow through owe much to the critical mass provided by the simultaneous presence of some of these stalwarts in key governmental positions in the 1990s. Parenthetically, the absence of econocrats of this caliber and experience from policy-making echelons in recent years may partly explain our current economic predicament.

This book provides an absorbing account of India's economic policies in the last 40 years, written from the perspective of a key national policy-maker, who played an exceptionally long and productive innings. The subjects covered range from macro dimensions of growth, finance and trade to all the key sectors such as agriculture, industry, infrastructure, telecom, digital and social services. The unifying theme throughout is the endeavour to reform, or at least improve, economic policies in the real-world context of an ever-changing political landscape, long-held ideas and ideologies and powerful vested interests. The story is told with verve, clarity and conviction, sprinkled with delicious touches of humour and irony. There is no bombast, malice or anger. What comes through is the author's brilliance, his mastery of the issues addressed and an abiding commitment to increasing growth and economic welfare, especially through liberalising dysfunctional economic controls and enhancing India's productive engagement with the world economy.

As an example of the many telling, humorous anecdotes in the book, I cannot resist citing one about civil servants (including econocrats). When V P Singh assumed office as prime minister in December 1989, B G Deshmukh and Montek were asked to continue as principal secretary and special secretary, respectively. In response to Montek's puzzlement, Deshmukh explained "Montek, *Dilli aisa shehar hai jahan cup badalte hain, lekin chamche nahin.*"

The tale begins with the early, though modest, efforts at decontrol and modernisation in the 1980s under Indira Gandhi and her son Rajiv (Montek was his economic adviser in PMO in the second half of the decade) and moves soon to the 1991 balance of payments crisis and the ensuing, paradigm-shifting, economic reforms of the Narasimha Rao / Manmohan Singh years. It was then that Montek played a central and indispensable role in articulating, orchestrating and executing far-reaching policy initiatives from his position as secretary of the Economic Affairs Department in the Ministry of Finance for a record seven years. After the two-year interregnum of the United Front government, Atal Bihari Vajpayee's National Democratic Alliance (NDA) government took charge and again pushed the reform train forward with important achievements in policies for infrastructure, telecom, privatisation, insurance, indirect taxes and fiscal responsibility legislation.

Then came the United Progressive Alliance (UPA) decade of Manmohan Singh and Sonia Gandhi, when Montek presided over the Planning Commission. His account of economic policy-making during this period is perhaps unduly laudatory in some respects. In particular, he seems to give all the credit for India's 8 per cent plus economic growth of 2003-11 (and the associated major reduction in poverty) to the government of the day. This may be a little unfair, especially given the UPA's disappointing track record on productivity-enhancing reforms. More plausibly, as others have written, the remarkable growth spurt (which started at least a year before the UPA assumed power) may have resulted from the cumulative effect of economic reforms undertaken during 1991-2004, combined with the strong global economic boom of 2002-2007, which also lifted the fortunes of many other developing countries[1]. T N Ninan has also emphasised this correlation between global and Indian economic performance ("Weekend Ruminations", February 22 and 29 in *Business Standard*). India's high economic growth persisted for a couple of years beyond the global financial crisis, thanks to the huge pre-election fiscal blow-out of 2008-9 and beyond, but at the cost of five years of double-digit consumer inflation and record external sector deficits.

Let me end with a personal, anecdotal tribute to this master craftsman of economic policy-making. Early in 1993 I returned to Delhi with my family, from a brief overseas deputation, to take up the position of chief economic adviser. Within days of our being allotted government housing, one evening after dinner, the mains water pipe leading into our verandah dining area sprang a massive leak. New to government housing and the services provided by the Central Public Works Department "after hours", I called Montek on the RAX phone for advice on how to urgently mobilise a plumber. Within 15 minutes, the Union finance secretary was at our home to do the job. He quickly cut a small sturdy branch from a frangipani tree in our garden, sharpened one end to a spear-point and hammered it into the hole in the pipe, thus plugging the jet of water flooding our home. Two things became crystal clear: My department head knew his job — and he was going to back me to the hilt! The rest was going to be fun...and it was.

The writer is honorary professor at ICRIER and former chief economic adviser to the Government of India. Views are personal

1. See, for example, my Towards Economic Crisis (2012-2014) and Beyond *(Academic Foundation, 2015), especially the essay on the UPA's Economic Legacy.*

Question marks remain over YES Bank rescue

FINGER ON THE PULSE

T T RAM MOHAN

State Bank of India's (SBI's) attempted rescue of YES Bank is morphing into something quite different from what was indicated initially. The revised plan looks a lot better. It remains to be seen how much of it happens. And whether it will be adequate to repair the damage already done to confidence in YES Bank and to the banking sector in general.

The investment of ₹2,450 crore initially proposed by SBI was a non-starter. Analysts were unanimous in pronouncing it hopelessly inadequate. The SBI chairman has since indicated that SBI is prepared to put in a lot more, perhaps the biggest chunk of the capital infusion of ₹22,000 crore planned. We are told that several institutional investors, private investors and even some private banks are willing to chip in.

However, scepticism about any rescue of YES Bank will remain. What we have here is a race against time. If SBI could persuade investors to cough up the required sums within the next few days, it would be quite an achievement. The chances of success would have been distinctly better had the present plan been announced at the time the board of YES Bank was superseded. The cap on deposit withdrawals of over ₹50,000 might have been limited to, say, a week in the first instance. The negotiations with holders of Additional Tier-I capital have injected a new imponderable into the situation.

The test will come when the cap on deposit withdrawals is lifted. Whatever the capital infused and no matter that SBI will hold a minimum of 26 per cent of equity, it's hard to see why depositors would want to stay with YES Bank after all that has happened. Bulk depositors will be among the first to flee. Moral suasion— to use the euphemism — might just get some corporate depositors to stay on. But for how long?

Assuming SBI can work things out at arm's length as a pure investor, another issue arises, namely, conflict of interest. What firm would want to nurse back to health a potential competitor? That YES Bank is too small to compete with SBI is not the point. And the objection is valid even if SBI ends up making a profit on its investment in YES Bank. SBI is not in the business of taking care of competitors in the banking sector. Period. Nor, for that matter, are the private banks whose names are being mentioned as potential investors.

If SBI management is to expend scarce bandwidth and capital on turning around YES Bank, the logical course would be a merger of YES Bank with itself. As reality sinks in in the days to come, that still appears the likely outcome.

YES Bank's collapse has again raised concerns about regulation and supervision. It is striking that Rana Kapoor was able to sell whatever equity he was holding in YES Bank after being ousted from the board. Which means a bank's promoter can wash his hands of the bank when things go wrong, leaving it to the regulator to salvage the situation. This is an unacceptable state of affairs. The regulator must ensure that the promoter holds a minimum stake in the bank until a new promoter is in place. Regulations on bank ownership need to be suitably modified.

Succession headaches at top banks

The issue of chief executive officer (CEO) succession at HDFC Bank has set tongues wagging. If it's any consolation, some of the world's top banks are grappling with the same problem. The CEO of UK's Barclays Bank announced last month that he would step down in about a year's time. The board has said it will now look outside for a CEO. HSBC's CEO had to step down last August on grounds of under-performance after just 18 months into his job. The board has opted to name an interim CEO. Spain's largest bank, Banco Santander, has gone back on its appointment of a CEO after having second thoughts over his pay package.

At J P Morgan Chase, Jamie Dimon reigns supreme after more than 14 years as CEO. There is no obvious successor in sight. J P Morgan Chase is a star performer. However, performance does not exempt an organisation from the imperative of succession planning.

Boards must have a set of two or three potential successors at any given point, with the choice narrowing to one over time. This is not academic theorising. At Goldman Sachs, more than a year before Lloyd Blankfein stepped down as CEO, the bank named two co-chief operating officers. A year later, one of them got the job. At GE under the late Jack Welch, something similar had happened.

A G Lafley, a former CEO of Proctor & Gamble, wrote in an article in the *Harvard Business Review*, "Many CEOs don't push their boards to discuss what might happen when they leave because they don't want to think about it..." This was said in 2011. Clearly, little has changed since.

The writer is a professor at IIM Ahmedabad

The SEAL franchise

BOOK REVIEW

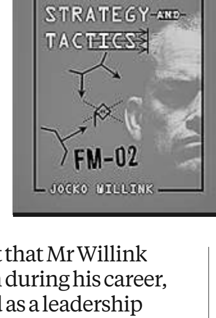
PROSENJIT DATTA

There are no statistics available on how many leadership books are written and published every year but it is obviously one of the hot genres in the non-fiction category. From the *Washington Post* to *Forbes*, every publication brings out its own list of best leadership books for the year. And if you are searching online for recommendations, you will stumble on dozens of articles on titles that business legends such as Bill Gates or Richard Branson or Larry Page apparently swear by.

There is a perpetual market for leadership books, perhaps because every corporate manager wants quick tips on becoming a better leader. Middle managers are particularly prone to this affliction but apparently, even highly successful entrepreneurs are big readers (apart from being authors themselves) of leadership books.

Leadership authors fall into two broad categories. One set are those who do serious academic research on the subject. They first publish their research in publications such as the *Harvard Business Review,* before expanding their studies into full sized books. The much larger set of leadership books are biographical/semi-autobiographical volumes penned by successful leaders spanning different fields. These could include corporate leaders or army officers, sports coaches or champion sports team captains. *Winning* by the late Jack Welch, *Hit Refresh* by Satya Nadella, *Lean In* by Sheryl Sandberg or *What it Takes to be #1* by Vince Lombardi Jr all fall into this category.

Leadership Strategy and Tactics Field Manual by Jocko Willink also falls in this group. A former Navy SEAL who rose to become the commander of the Task Unit Bruiser, the most decorated special operations unit in the Iraq War, Mr Willink built up a multi-million dollar leadership consultancy company after he retired from the US Navy. He is also a prolific lecturer, podcaster and author. This book is his fourth on the subject aimed at adults (he also writes books for children). His earlier book, co-authored with Lief Babin, called *Extreme Ownership: How US Navy Seals Lead and Win* makes it to the top 20 list of modern leadership books regularly.



LEADERSHIP STRATEGY AND TACTICS FIELD MANUAL
Author: Jocko Willink
Publisher: MacMillan
Price: ₹850

There is no doubt that Mr Willink accomplished much during his career, both in the Navy and as a leadership consultant, and has been, by all accounts, a highly popular and successful leader of teams. Like his earlier books, this one too is semi-autobiographical, drawing extensively on the lessons he learnt during his career as a SEAL. It is a relatively concise book, which can be read either from the beginning to the end or simply dipped into as and when you think you need specific insight into one area of your behaviour.

It doesn't get into theories and extensive research on leadership patterns, traits or context, but tries to condense what worked for Mr Willink in his own life. Quite a lot of it is common sense packaged in SEAL examples —such as the virtues of stepping back to get a better perspective or leaving your ego behind if you want to be respected by the men and women in your team. (Though in Mr Willink's case, it is exclusively men. The SEALs allowed women to apply for a position only in 2016 but so far, only one woman completed the gruelling course in 2019 and then decided not to join.)

The book contains a host of practical tips, which includes ways to build a relationship, the importance of observation first before jumping into action, the span of control etc.

While the book is not bad for a middle manager hoping to bolster his or her leadership skills, it falls far short of saying anything new. In fact, most of the lessons have been talked about in greater detail than in his earlier books. The other problem is that Mr Willink is obsessed with himself — not only is the book almost entirely about his own experiences, but even where he talks of other leaders who taught him important lessons, they only become fleeting, secondary mentions.

Also, despite its title, the book is mostly about tactics, not any great strategic thinking. His examples are largely from the battlefield and training games of the Navy and not all of them will apply in every corporate battlefield. Research shows that different skills are often required when the conditions or backdrop changes and all leaders cannot handle every situation. A leader who has been great in the early days of a start-up may falter when the firm scales up. Travis Kalanick is a classic example. Or a leader who has only experienced boom markets does not always handle a turnaround challenge. Marissa Mayer was great at Google but not so successful at Yahoo.

At one point, Mr Willink examines whether leaders are born or made. It is an age-old debate and he is candid enough to admit that any leader needs to have some inherent leadership qualities that can be honed. But not everyone can become a leader. At another point, Mr Willink agrees that much of leadership is about judgement and balance. There are times when it makes sense to jump in and give orders and others when it is better to say quiet.

This book is interesting in its recounting of SEAL training. But there are plenty of other SEAL veterans who have written equally good or better books. Mr Willink's own book — *Extreme Ownership* — was better — and this one only tries to capitalise on its success.

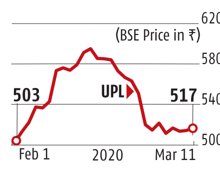
The reviewer is former editor of Businessworld *and* Business Today *magazines*

Business Standard
MUMBAI | THURSDAY, 12 MARCH 2020

The Smart Investor

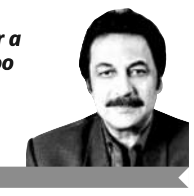
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: GROWTH TRIGGERS FOR UPL



Shares of UPL, which are down 10% in the last one month, could rebound. Factors such as synergy benefits from Arstya's acquisition, higher growth and margin from value-added products and better planting outlook for North America should lead to industry-leading growth for the agri-input major

"All fund managers start parroting the same lines in such collapses: "Healthy fall. Valuations reasonable now. Froth is gone. Buy now." How come we never heard them say the opposite at market tops:"Market toppy. Due for a fall. Valuations crazy. Everything too frothy. Take money out"



SHANKAR SHARMA,
Vice-chairman, First Global

SWFs may trim India play

Foreign outflows could accelerate further if oil prices stay low

ASHLEY COUTINHO
Mumbai, 11 March

The slump in oil prices could curtail overseas money coming into India from some of the wealthy oil producing countries through their sovereign wealth funds (SWFs).

Countries such as Saudi Arabia, Kuwait, Norway, and Canada may bear the brunt of the recent dip in oil prices. These countries invest significantly through SWFs in India. The assets under custody of SWFs in Indian equities totalled ₹1.82 trillion, shows the data from NSDL.

Norway, for instance, depends on oil and gas for more than a third of its exports and reportedly risks slipping into recession for the first time since the 2008 financial crisis. Norway's Government Pension Fund Global, the biggest SWF in the world, has increased its India bets to $9.4 billion at the end of 2019, reveal annual disclosures.

A steep drop in oil prices can fuel a risk-off sentiment. This can lead to foreign portfolio investor (FPI) outflows. FPIs have sold shares worth nearly ₹33,000 crore in the last 12 sessions; any redemptions from SWFs, which are typically long-term investors, could exacerbate the situation.

Foreign brokerage BofA Securities on Wednesday cut its 2020-21 (FY21) FPI inflow forecast by $5 billion. The brokerage has cut its FY21 growth forecast for India to 5.4 per cent, with another percentage point drop to 4.4 per cent in case of a global recession.

According to experts, low oil prices could impact the income levels and the fiscal situation of most major oil producing or exporting countries. Consumption could be hit as well, which will impact imports from other countries, including India. In the event of a prolonged slump in oil prices, one cannot rule out the possibility of social unrest in a few countries.

"The surplus that these countries generate for investment into other markets might get impacted, but a sell-off may be some way off," said U R Bhat, director at Dalton Capital Advisors, adding, "The governments worldwide will have to be seen as taking action on the monetary and fiscal front to bring back confidence among foreign investors." According to Deepak Jasani, head of retail research, HDFC Securities, while lower oil prices may help improve India's macros, including its fiscal situation, inflation, currency and foreign exchange reserves, export demand could be hit if global growth slows down.

"Fresh inflows from SWFs into India may reduce. We could even see redemptions in the event of a prolonged slump in oil prices lasting four to six months," he said, adding countries in West Asia, those part of the Organization of the Petroleum Exporting Countries (Opec), Russia, Norway, Canada, and the US could get impacted by this slump.

Oil prices have been under pressure due to demand growth concerns from the outbreak of COVID-19 in Europe and the US. "The surprise in cooperation between Opec and Russia simply added a supply-side dimension to this pressure. The current level of $30-40 per barrel would imply an operational loss for many high cost producers around the world, which would eventually reduce supply. This would ultimately bring prices back towards a more sustainable level... Nonetheless, the shock could cause the market to remain risk-averse in the near term," said a note by JPMorgan Asset Management.

Crude oil prices crashed to about $30 per barrel on Monday over disagreement between Opec and Russia to cut oil production by further 1.5 million barrels per day from April-December 2020. Experts believe the weakness in prices will continue for some time.

"With Aramco cutting the official selling price for next month by $6-8 per barrel to regain market share, the stage is set for all-out war between Opec, Russian, and US producers. We accordingly expect global crude prices to remain weak, pending any agreement between producing nations," a research report by Prabhudas Lilladher observed.

SOVEREIGN FUNDS INVESTING IN INDIA

	Country	Invested amount (₹ cr)**
Govt of Singapore	Singapore	96,761
Govt Pension Fund Global	Norway	24,017
Abu Dhabi Investment Authority	UAE	6,451
CDPQ	Canada	6,411
Camas Investments	Singapore	2,430

*Data includes holdings greater than 1% in Indian shares
** as on December 31, 2019 Source: nseinfobase.com

Time to buy into this mkt correction: Analysts

PUNEET WADHWA
New Delhi, 11 March

The sharp correction in markets over the past few sessions on account of global cues and developments back home have put the overall market valuation in an attractive zone. Investors with a long-term view on equities can use this opportunity to buy, say brokerages.

On a YTD basis, the Nifty is down 14 per cent. Last time, it had dropped more during the period under consideration in 2011, when the European debt crisis had dampened investor sentiment. The index is down over 10 per cent, from its record high on January 17.

Analysts at Jefferies say the risk-reward is now favourable for investors to start buying.

They believe India's underperformance to peers is largely driven by domestic factors, such as slowing growth and banking sector issues.

"With valuations much more amenable now, we believe the risk-reward is favourable," wrote Mahesh Nandurkar of Jefferies, in a co-authored report with Abhinav Sinha.

YES BANK CRISIS

Clients to get SBI Cards' initial offer allotment

SHRIMI CHOUDHARY & SAMIE MODAK
Mumbai, 11 March

Investors who have applied for SBI Cards' initial public offering (IPO) have been given allotment with the condition that they will make the payment using a different bank (other than YES Bank) account before Friday, said people in the know. This ends the uncertainty on whether YES Bank's clients would be considered for allotment, in light of the 30-day moratorium imposed by the Reserve Bank of India. The allotment for the ₹10,300-crore share sale was finalised on Wednesday.

Nearly ₹1,500 crore worth of bids in the IPO have come from YES Bank accounts. A bulk of these allotments were made by qualified institutional buyers (QIBs), followed by high net-worth individuals. Sources in the know say retail investor bids via YES Bank were around ₹150 crore.

SBI Cards, the country's second-largest credit card company, will make its stock market debut on Monday.

In case the YES Bank clients fail to make payments within two days, the offer for sale component of the IPO will be reduced, said a banker with knowledge of the development.

This means that both State Bank of India and private equity major Carlyle will end up divesting slightly less than what was originally intended. The SBI Cards IPO comprised of ₹500 crore of fresh equity issuance and around ₹9,800 crore worth of secondary share sale by SBI and Carlyle, who were divesting 4 per cent and 10 per cent of their holdings, respectively.

Market players are not ruling out the possibility of investors' payments not coming through. "Some investors may not have sufficient funds in other bank accounts to pay, while others might deliberately not pay, given the volatility in the market," said an official with a brokerage.

SBI Cards' IPO closed on Thursday. Since then, the market has corrected more than 7 per cent.

Market players said the grey market premium for SBI Cards has crashed from 50 per cent to below 5 per cent, given the correction in the market.

Stock lenders charge hefty SLB premium

SACHIN P MAMPATTA
Mumbai, 11 March

Those holding YES Bank shares are charging a significant premium for lending them through the securities lending and borrowing (SLB) scheme.

The difference in price between the cash market and the futures segment has contributed to the premium amid troubles at the bank, said experts. The annualised cost of borrowing YES Bank shares is as high as 244.6 per cent, showed data from brokerage house Motilal Oswal Securities.

Yogesh Radke, head of alternative and quantitative research at Edelweiss Securities, said the premium is largely because of the difference in cash-market and futures-market prices. The futures market has been trading at a 20-30 per cent discount to the cash market price.

The large premium in the SLB segment is a reflection of this difference, as arbitragers look to sell in the cash market and buy in the futures segment. They borrow shares using the SLB mechanism to complete their trades.

"Cash-based buying is happening in YES Bank, but the futures market is still not convinced," said Radke.

"I think such activity will continue," said Motilal Oswal Securities Derivatives & Technical Analyst Chandan Taparia, although he warned that the high volatility can add risk.

The SLB mechanism allows traders to borrow securities that they may not have to meet their obligations. It allows long-term investors to generate additional yield on their portfolios by charging a fee to lend their securities.

Other stocks which have a notable yield include Indiabulls Housing Finance, Bank of Baroda, RBL Bank, and Power Grid Corporation of India. The annualised yield for them ranges between 17 per cent and 34 per cent.

The authorities imposed restrictions on YES Bank after its finances deteriorated. The government is bringing together investors, including State Bank of India, to help tide over its capital requirements. The stock has been volatile since. The stock is up 35.53 per cent on the BSE on Wednesday. Its 52-week high has been ₹285.9, while the low was ₹5.55 per share. The transition to physical settlement, where a trader has to supply the shares rather than merely settle in cash, is likely to boost the segment, noted the Motilal Oswal Securities report of March 11, which pointed out the high yield on YES Bank.

BORROWING COST

Stock	Annualised yield (in %)
YES Bank	244.6
Indiabulls Housing Finance	33.4
Bank of Baroda	23.2
RBL Bank	20.8
Power Grid Corporation of India	17.5

Source: Motilal Oswal Securities

Sebi refuses to lift market ban on Gautam Thapar, others

PRESS TRUST OF INDIA
New Delhi, 11 March

The Securities and Exchange Board of India (Sebi) on Wednesday refused to lift the capital market ban imposed on fraud-hit CG Power and Industrial Solutions' executive chairman Gautam Thapar and three other former officials in a case related to diversion of funds.

Besides Thapar, the other officials banned are CG Power's former chief financial officer V R Venkatesh and former directors Madhav Acharya and B Hariharan.

However, they have been allowed to liquidate up to 25 per cent of the value of the securities held by them.

The order comes following an SAT directive in February, which granted Sebi time till March 10 to pass the final order in the matter.

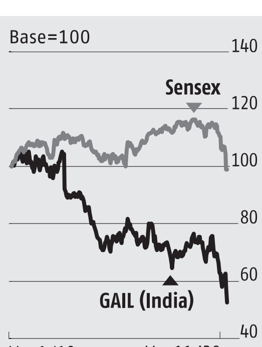
Sebi also said it will examine the allegations of a corporate war and involvement of private equity KKR Group in affairs of the firm. "Sebi had also received three complaints concerning alleged siphoning of funds and failure on the part of the board of directors of the company to adhere to highest standards of corporate governance including involvement of KKR Group in the affairs of the company. The subject matter of these complaints have not been specifically addressed in this order; however, Sebi may examine the said complaints," G Mahalingam, whole time member, Sebi said in the confirmatory order in the matter of CG Power and Industrial Solutions.

THE COMPASS

Oil price crash not good news for GAIL

Disparity between procurement and selling price of gas will hurt profitability

SHREEPAD S AUTE



Following the crash in crude oil prices, the stock of GAIL (India) has shed 16 per cent in just two trading sessions, falling to four-year lows. This is also a sharp underperformance versus the 5 per cent fall in BSE Sensex during this period. Worries over the impact of lower crude oil on GAIL's profitability have made investors jittery.

According to analysts at Emkay Research, lower oil prices would lead to direct reduction in the earnings of GAIL; it would mean likely margin pressure for the company's natural gas trading/marketing and liquefied petroleum gas (LPG) segments. The sharper fall in crude oil prices (Brent is down 47 per cent year-on-year, or YoY) in recent times vis-à-vis natural gas prices (34 per cent YoY at Henry Hub, on March 10) would significantly hurt profitability of its natural gas marketing business. The latter accounts for 74 per cent of GAIL's top line and 28 per cent of its operating profit. The reason? GAIL imports over a third of its liquefied natural gas (LNG) requirements — a part of which comes from the US.

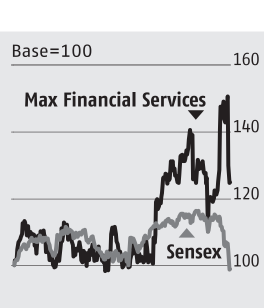
The procurement price of LNG from the US under long-term contracts is linked to Henry Hub natural gas prices, while its selling price is based on crude oil prices. Although GAIL's back-to-back gas contracts with customers and start of new fertiliser plants offer comfort in terms of volumes, margins will likely get impacted. According to Varatharajan Sivasankaran, analyst at Systematix Group, "The start of five new fertiliser plants over the next 15 months would bring down GAIL's US gas contract open position down to zero. However, the disparity between Henry Hub-based gas price and crude oil-linked selling price of the gas would hurt (its) profitability." In fact, the overall realisation of GAIL's gas marketing segment would come down amid lower crude oil and natural gas prices. The impact could be visible from June 2020 quarter onwards, as the selling price is typically linked to three-month average crude oil prices.

Further profitability pressure would stem from the LPG segment, prices of which are also linked to crude oil. For petrochemicals, however, the negative margin impact would get mitigated to a large extent, with the lower cost of key inputs like naphtha. Also, a likely increase in gas transmission volume and inclusion of gas under goods and services tax should support GAIL's performance. But, with more pressure points than positives at this juncture, GAIL's stock (₹90.40) is unlikely to see a sharp uptick despite attractive valuation, unless crude oil prices rebound. At 6x its FY21 estimated earnings, GAIL is trading at 49 per cent discount to its long-term one-year forward valuation.

YES Bank fiasco a double whammy for Max Financial

Max Life has ₹2K-cr exposure to the bank's tier-2 bonds

HAMSINI KARTHIK



Compiled by BS Research Bureau

With losses of over 12 per cent in a week, the stock of Max Financial Services, which owns 72.5 per cent in Max Life Insurance, is back to the levels of when the news of Axis Bank acquiring stake in its life insurance business first surfaced. While there is still over two months left for the transaction to take shape, the recent turn of events has made the deal seem more important than before. Max Financial is entangled with YES Bank in two ways. As a direct hit to its business, YES Bank generated about 11 per cent of its premium through the bancassurance channel. Therefore, while February's new business premium growth at 5.68 per cent may appear muted for other reasons, investors will have to wait for March data to gauge the extent of business loss, as YES Bank's operations came to a grind earlier this month. Not just this, one will have to factor in the ₹2,000-crore exposure which the company's life insurance arm has in YES Bank's tier-2 bonds.

About ₹1,000 crore is parked in Max Life's shareholders' account, out of which ₹500 crore forms part of its participating funds, and ₹500 crore in its unit-linked insurance plan, which, according to the company, is vulnerable to a write-down, as these are categorised as investments held-to-maturity. Unless there is a default in the coupon payment and credit rating is downgraded to default rating (D), Max Life need not take a further mark down on its participating funds and shareholders' account. While the mark down so far may not materially impact Max Financial's numbers just yet, analysts at Kotak Institutional Equities caution investors to brace for 3–4 per cent reduction in value of the new business generated through YES Bank. "Risk to persistency of the back (investment) book from YES Bank is there," analysts at Sharekhan add.

Investors need to be wary of shares pledged by promoters, who hold over 28 per cent stake in the bank. Based on its December quarter exchange filing, promoter pledge stood at 71.54 per cent of their shares.

With so many overhangs for Max Financial, the Street seems to be of the view that the deal with Axis Bank becomes more critical than before. "A deal with Axis Bank becomes even more important and can potentially offset/replace YES Bank in the long-term," analysts at Sharekhan note, while mentioning that Max Financial may need to invest more in its proprietary channel in the near-term because of recent developments.

Hence, even if valuations at 1.6x FY21 embedded value appear attractive, investors should tread carefully.

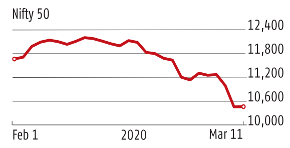
TODAY'S PICKS

BY DEVANGSHU DATTA

Nifty

Current: **10,449 (10,455)**

Target: **NA**

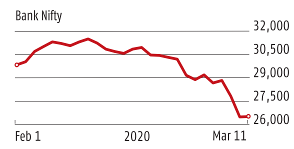


Stop long positions at 10,370. Stop short positions at 10,530. Big moves could go till 10,600, 10,300. A long March 19, 10,200p (136), short 10,100p (112) could gain 15-20, if the index tests 10,250.

Bank Nifty

Current: **26,488 (26,460)**

Target: **NA**

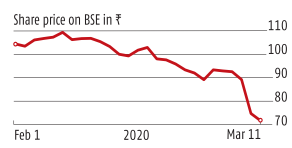


Stop long positions at 26,300. Stop short positions at 26,625. Big moves could go till 26,900, 26,000. Trend remains negative.

ONGC

Current: **₹71.7**

Target: **₹74**

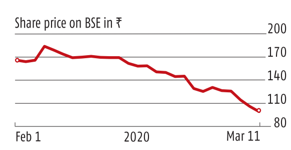


Keep a stop at ₹70.5 and go long. Add to the position between ₹73 and ₹73.75. Book profits at ₹74.

Tata Motors

Current: **₹99**

Target: **₹105**

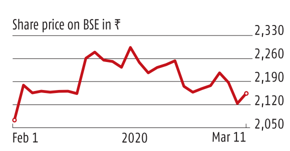


Keep a stop at ₹97 and go long. Add to the position between ₹103 and ₹104. Book profits at ₹105.

HUL

Current: **₹2,155**

Target: **₹2,120**



Keep a stop at ₹2,175 and go short. Add to the position between ₹2,125 and ₹2,135. Book profits at ₹2,120.

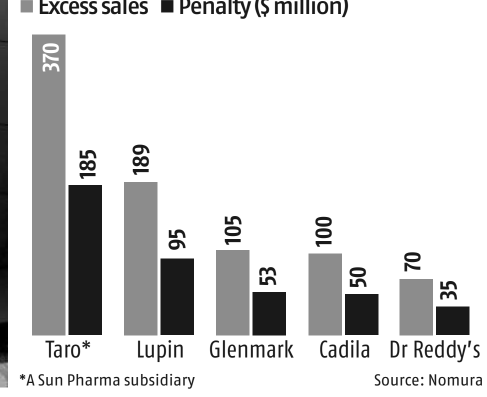
Target prices, projected movements in terms of next session, unless otherwise stated

Price fixing probe to weigh on Sun

The bright spot is strong growth in the Indian market

RAM PRASAD SAHU
Mumbai, 11 March

POTENTIAL LIABILITY

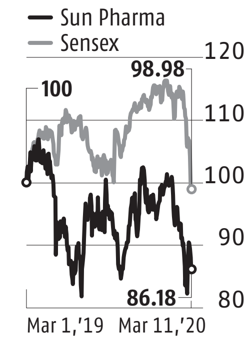


*A Sun Pharma subsidiary

Source: Nomura

ON BOURSES

(Base = 100)



The Sun Pharmaceutical Industries (Sun Pharma) stock has shed about 15 per cent from its January 2020 highs on worries of higher liability on the price fixing case, slower-than-expected ramping-up of specialty portfolio, higher research and development costs, and margin pressures.

The near-term worry for the company is the ongoing investigation by the US Department of Justice related to price fixing and cartelisation by generic companies. Sandoz, which entered into a settlement on March 2, is the third company to admit to the antitrust charges.

The company has agreed to pay $195 million as criminal penalty in an antitrust case. Analysts estimate that the company recorded excess sales of $375 million, which implies a penalty at 52 per cent for excess sales during the 2013-15 period.

Sandoz has also set aside $185 million to resolve potential claims related to the civil investigation into the price-fixing allegation. Sun Pharma's US subsidiary Taro Pharmaceutical Industries was one of the biggest beneficiaries from price increases in topical formulations between 2013 and 2015. Saion Mukherjee and Prateek Mandhana of Nomura Research estimate the overall surplus sales at $1.02 billion over the period; the liability is expected to be $510 million. JM Financial, however, estimates that in the event of a settlement, Sun Pharma's maximum liability, based on the volume of affected commerce during the collusion period (2013-15), will not exceed $240 million. Expected penalty for other Indian companies, such as Dr Reddy's, Lupin, among others, ranges between $35 million and $95 million.

The other worry is the slow ramp-up of Sun Pharma's specialty drugs portfolio and the pricing pressures in the US market. Current revenue base of $400 million, according to analysts at Spark Capital, is largely contributed by two products of Levulan (skin-overgrowth), which was acquired through DUSA Pharmaceuticals, Inc. acquisition in 2012, and Absorica (acne treatment) through Ranbaxy acquisition in 2014-15. They indicate that the ramp-up in recent launches have been slower than expectations, with the latest launch being Cequa (dry eye disease) in October 2019. They are negative on Sun Pharma, given that capital allocation remains skewed towards higher-risk areas of specialty products. The other worry for the Street could be regulatory headwinds from lack of compliance at its manufacturing facilities. Within a year and a half of the resolution related to issues at the key Halol plant in Gujarat, the company received more observations through Form 483, which highlighted multiple issues, according to Prabhudas Lilladher.

While there are multiple issues related to the US market, the positive is the strong growth of the domestic market. After single-digit growth in the last few months, the Indian pharmaceutical market grew by 12 per cent in February. Sun Pharma outperformed the market for the second consecutive month, reporting a growth of 14.4 per cent in February. The outperformance in recent months is led by the top 25 brands growing upwards of 15 per cent.

However, given the significant exposure to the US market, analysts believe investors should be cautious, as the competitive pricing environment and muted returns from the investments in specialty products would continue to weigh on the stock in the near term.

Top India hedge fund hoards cash

Country's largest equity hedge fund manager is hoarding cash as it's too early to call the bottom to a free fall in the nation's equity market triggered by global risk-off and local financing woes.

Avendus Capital Public Markets Alternate Strategies has been unwinding its investments to raise cash holdings to the "highest in several years," said Vaibhav Sanghavi, co-chief executive officer. He declined to disclose the ratio of assets under management kept as cash.

The Reserve Bank of India's seizure of YES Bank last week intensified the risk-off mood fueled by the spread of novel coronavirus cases across the globe. The Sensex fluctuated between gains and losses on Wednesday after falling the most since January 2009 in the last two trading sessions. A measure of volatility in local stocks held close to the highest level in more than five years.

"The sharp market fall is more in anticipation of global demand being impacted by the coronavirus outbreak. Where does it settle? It will start stabilising once we see the peak of the epidemic cycle followed by tapering of infected cases," Sanghavi said. **BLOOMBERG**

Domestic gold ETF flows in Feb jump 7x over Jan

JASH KRIPLANI
Mumbai, 11 March

The spike in market volatility has prompted mutual fund (MF) investors to lap up units of gold exchange-traded funds (ETFs), with the category seeing the highest flows since 2008.

In February, net flows into these schemes stood at ₹1,483 crore. This was seven times the ETF flows received in the previous month.

Experts said investors are chasing gold-linked products due to the robust 'trailing' returns and as a safe haven, amid the current market volatility. "Gold has seen a sharp rally in prices, which is why investors are pouring into this asset class as it is showing good returns. Also, the uncertain conditions globally, amid the coronavirus scare, have prompted investors to look for pockets of safety," said Vidya Bala, co-founder of PrimeInvestor.

In 2019-2020, gold prices have gone up 37 per cent in the domestic markets. Since the low of August 2018, the prices are up 48 per cent.

To tap the investor appetite for gold-linked products, the government recently launched the 10th series of sovereign gold bonds. However, experts feel ETFs are more practical for investors looking to hedge.

ON THE RISE

Monthly data (in ₹ cr)

	Net inflow (+ve)/ outflow (-ve) for the month	AUM as on month
Apr '19	-9.7	4,594.06
May '19	-26.1	4,606.69
Jun '19	-15.9	4,930.44
Jul '19	-17.7	5,080.47
Aug '19	145.3	5,798.52
Sep '19	44.1	5,613.22
Oct '19	-31.4	5,652.02
Nov '19	7.7	5,540.40
Dec '19	26.8	5,767.68
Jan '20	202.1	6,207.00
Feb '20	1,483.3	7,926.12

Compiled by *BS* Research Bureau
Source: Amfiindia

"Sovereign gold bonds are not very liquid. If an investor wants to enter for the short- to medium-term, then ETFs make more sense. However, those looking for long-term investment can opt for gold bonds," Bala added. The latter also offers fixed coupon payments along with capital appreciation on gold prices.

However, industry experts said entering gold-linked products at current levels may lead to muted returns, as the prices have already run up with significant gains.

SIPs see marginal dip

Systematic investment plans (SIPs) in the MF industry saw a marginal dip in February at ₹8,513 crore. Equity flows coming into the industry have so far been holding up, with the February tally coming in at a 11-month high. The flows were at ₹10,795 crore, 37 per cent higher than the previous month's tally.

However, MF advisors said that flows can come under pressure. This is because market volatility is likely to heighten with coronavirus showing no signs of abating.

Industry participants said following Monday's 2,000-point crash, several clients have started calling up their advisors to assess the impact on their investments and future course of action.

"However, we have been advising our clients to stay put with their goal-linked investments. Only if they are close to reaching their goals, can they consider withdrawing their investments, partially or fully," said Amol Joshi, founder of Plan Rupee Investment Services.

TaMo dips 6.5% as virus spooks investors

Shares fell below ₹100 for first time since September 2009

SHALLY SETH MOHILE
Mumbai, 11 March

Tata Motors shares fell below ₹100 for the first time since September 4, 2009, on Wednesday as the impact of coronavirus (COVID-19) on Jaguar Land Rover Automotive spooked investors.

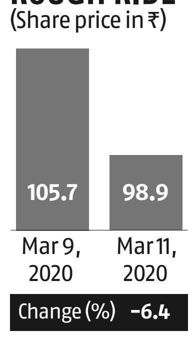
The fears were exacerbated by the steady rise in COVID-19 cases across Europe, one of JLR's biggest markets. After touching a low of ₹98.9, the firm's shares closed at ₹99 on the BSE, down 6.43 per cent on Wednesday. So far in calendar year 2020, Tata Motors has underperformed the market by falling 50 per cent, compared to a 15 per cent decline in the Sensex.

As Italy — the hardest hit in Europe — entered the second day of a lockdown, Germany and the UK have warned of the impact on consumption and overall economy as COVID-19 spreads unabated, the *BBC* reported. There are currently 383 cases of coronavirus in the UK (up from 373 yesterday) — and this number is growing.

The Tata Group flagship has slipped 21 per cent in the past three trading sessions after the company lowered its financial year 2019-20 (FY20) Ebit (earnings before interest and tax) margin guidance for JLR by 1 per cent (from around 3 per cent) because of a steep decline in China retail (-85 per cent year-on-year) and supply-chain disruption.

ROUGH RIDE

(Share price in ₹)



The outbreak couldn't have come at a worse time for Tata Motors' UK subsidiary, which was recovering from Brexit-related uncertainties and the collapse in China sales.

"This is not surprising in the context of a market-wide demand collapse in China in February because of COVID-19. The company notes that production in China seems to be gradually resuming and 80 per cent of dealer stores are now open, albeit with lower staff/muted footfall," according to analysts at JP Morgan.

"A demand recovery in China could likely take time and downside risks persist because of the potential spread to other markets, slow normalisation in supply chain, and UK trade negotiations (Brexit)," the brokerage firm said.

"The company is seeing visibility on production up to mid-March and it expects limited volume loss in (fourth quarter) given the ongoing Bharat Stage (BS)-IV destocking. Delays in normalisation on the supply-chain front, plus a fire at its key supplier in Pune (Varroc) could mean BS-VI restocking will be impacted," it added.

COMMODITIES

Tea Board looks for domestic relief

AVISHEK RAKSHIT
Kolkata, 11 March

With a potential fall in export mainly due to the coronavirus outbreak, the Tea Board is trying to boost consumption at home.

"A campaign to showcase Assam tea has been rolled out in Odisha and more such will come up in major tea-consuming states shortly," A K Ray, deputy chairman, told *Business Standard*.

States on this list include Gujarat, Rajasthan, Uttar Pradesh, Bihar, and Haryana. "We will promote consumption of good quality tea in these states and are collaborating with industry bodies for this," Ray said.

For instance, the board is collaborating with the Guwahati Tea Auction Committee (GTAC) for outreach programmes in Odisha, UP, and Bihar. Private tea packeteers are also being roped in, in an effort to educate people about the benefits of tea and how to make a good quality beverage.

With regard to the quality, industry officials say a major problem is the way many Indians make tea. They say even if the finest leaves are given to people, good taste cannot be obtained — the tea is often under-brewed or over-brewed.

"This campaign also stresses on how to make teas. In Odisha, for instance, people had heard of Assam tea but were unaware of its availability," Dinesh Bihani, secretary at Guwahati Tea Auction Buyers Association, told this publication.

The virus outbreak has already hit shipment to Iran, a major buyer. Japan has cancelled a scheduled exhibition of Indian teas. Exports to West Asia is hit due to ongoing geopolitical tension; those to Britain are down with the Brexit uncertainty. And, because of souring relations with Pakistan, less shipment — our neighbour was earlier our fourth largest export market.

Ray and the Indian Tea Association, the industry body, says our country also has over-production this year.

1,389.70 mkg production in CY2019

4% rise as compared to 2018

30-50 mkg consumption boost can mitigate potential export losses

- **Tea Board has undertaken** a pan-Indian promotional exercise to boost domestic consumption
- **Domestic tea consumption** boost can increase tea prices
- **Coronavirus, Brexit, and political situation in West Asia** have hit India's key export markets

PRICE CARD

As on Mar 11	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,689.0	-3.6	1,901.1	-0.2
Copper	5,598.0	-8.0	6,042.9	-6.1
Zinc	2,000.0	-10.0	2,172.7	-16.3
Gold ($/ounce)	1,665.3*	12.9	1,836.2	11.1
Silver ($/ounce)	17.0*	0.6	19.4	2.3
ENERGY				
Crude Oil ($/bbl)	34.9*	-46.5	47.9	-25.6
Natural Gas ($/mmBtu)	1.9*	-14.3	1.9	-15.2
AGRI COMMODITIES ($/tonne)				
Wheat	191.1	4.1	275.8	-8.3
Maize	187.8*	3.2	221.2	-22.7
Sugar	360.6*	2.5	470.1	-3.0
Palm oil	577.5	-19.2	980.0	-12.3
Rubber	1,519.9*	-6.5	1,778.9	-4.5
Cotton	1,362.9	-6.2	1,477.8	-6.6

* As on Mar 11, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 73.6 & 1 Ounce = 31.1032316 grams.
Notes
1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no.2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.
Source: Bloomberg Compiled by BS Research Bureau

Miners stare at losses in Odisha mines

JAYAJIT DASH
Bhubaneswar, 11 March

Intense bidding at the recently concluded online auctions of 19 iron and manganese ore blocks in Odisha has cast doubts over the viability of merchant mine operations in the state.

For instance, the highest premium quoted at electronic auctions of the merchant mine blocks stood at 154 per cent for the Siljora-Kalimati mine, bagged by Debabrata Behera. The average premium at the auction was 106 per cent. ArcelorMittal won the Thakurani merchant block, quoting a premium of 107.55 per cent. Even Fomento Resources, one of Goa's leading merchant lessees could wrest control of Nadidihi iron ore mine only at a steep premium of 141.25 per cent.

"Any mine bagged at a premium in excess of 100 per cent would inevitably run into losses for merchant producers. The captive miners can absorb the enhanced costs into their finished steel products. They can also invest in slurry pipelines to cut costs of ore transportation. But the plight of merchant miners is disturbing," said a leading merchant iron ore producer.

According to industry estimates, an iron ore mine secured after frenzied competition at online auctions would inexorably pile up losses. Loss to miners is pegged between ₹1,200 and ₹1,400 per tonne for a mine block won after quoting premium in the range of 140-150 per cent.

"If the new miner is not able to produce and defaults or surrenders the mines, it will result in the government losing out on the royalty and premium and the ultimate loser will be the state exchequer. Also, there will be a supply shortage that will affect the domestic steel industry," said an industry source.

Logically, merchant miners would incur losses, feels another standalone miner. And, the possibility of an anticipated crash in iron ore fines prices by 40-50 per cent because of a glut in supplies would make operations tougher.

"Initially, merchant miners may look to extract more lumpy ore to bolster their realisations. Still, their viability will be in jeopardy as nearly 70 per cent of the mined ore is fines," he said.

Unless the government rolls back 30 per cent duty on iron ore exports, merchant miners would find it difficult to compete with Brazil or Australia. At present, iron ore fines up to 58 per cent iron grade is exempted from export duty. Higher grade fines attract 30 per cent duty.

PROMINENT DEALS

Block	Mineral	Reserves (in mn tonnes)	Successful bidder	Premium (in %)
Siljora-Kalimati	Iron+ Manganese	4.02- Mn 0.72- Iron	Debabrata Behera	154.00
Jaribahal	Iron ore	8.15	Kashvi International	150.00
Jilling-Langalota	Iron ore	72.84	Shyam Ores Jharkhand	135.00
Ganua	Iron ore	118.91	JSW Steel	132.00
Balda	Iron ore	200.11	Serajuddin & Company	118.05
Jajang	Iron ore	39.42	JSW Steel	110.00
Thakurani	Iron ore	179.26	ArcelorMittal	107.55

Source: Odisha government data

More on business-standard.com

MCX cuts margins in crude oil futures

RAJESH BHAYANI
Mumbai, 11 March

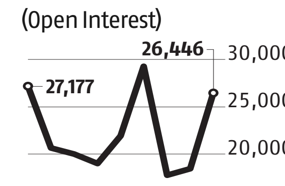
Crude oil traders struggled to pay shortfalls in their margins on the third day of a price rout that began on Monday.

On Tuesday, banks were closed but the Multi Commodity Exchange (MCX) was open for an evening session, when some long positions were cut on account of margin shortfall, said market sources. On Wednesday, the market was seen as settling and MCX also cut margins from 60 per cent on Tuesday to 45 per cent.

Ajay Kedia, director at Kedia Advisory, said: "This is a very difficult time for (oil) commodity brokers." On Monday, when MCX showed a sharp fall, there were bid cuts in the Open Interest (OI or unsettled derivative positions) in crude oil, either to cut losses or to meet margin calls. Last Friday, OI in crude oil contracts were over 29,000; these had reduced on Tuesday to 18,449. However, those who paid margins and are holding on to long positions seems to have added some more, with OI rising again. Brokers have been advising clients to stay away from a very volatile market.

HEADING NORTH

(Open Interest)



#Till 17.30 IST
Source: Bloomberg/Exchange
Compiled by *BS* Research Bureau

"The Maha Vikas Aghadi government in Maharashtra is doing well and is on the right path. There is no doubt that the MVA government will last its full term"

SHARAD PAWAR
NCP chief

"We have taken a major decision. There will be no barrier for smooth transportation of agri-products. The 109 check posts, run by 22 regulated agri-market committees, will not function from April 1"

MAMATA BANERJEE
West Bengal chief minister

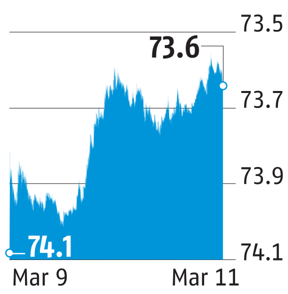
"We are hoping by tomorrow to fly in a medical team to Italy just as we have flown in to Iran. We will do testing of those people and try to put them on very early flight thereafter"

S JAISHANKAR
External Affairs Minister

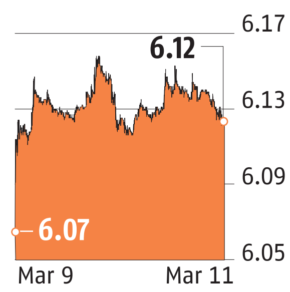
Markets stabilise after worst slump in about 5 years

The domestic markets stabilised on Wednesday after logging their worst single-day fall in five years on Monday. The Sensex ended 62 points higher at 35,697, while the Nifty ended little changed at 10,458. The rupee strengthened 0.6 per cent to 73.6 against the dollar, while the yield on the 10-year government security rose 6 basis points. Most Asian markets ended with losses, while European markets traded positive during the Indian market hours. However, there was no pause in selling by overseas investors. On Wednesday, they sold shares worth ₹3,515 ($478 million). In the previous 12 trading sessions, they have pulled out ₹33,000 crore ($4.5 billion) from domestic equities. Market players said the economic impact of the coronavirus spread and global oil price war continued to be an overhang for the market. However, the slump in the oil prices and valuations turning favourable are the silver lining for investors, they said. **SAMIE MODAK**

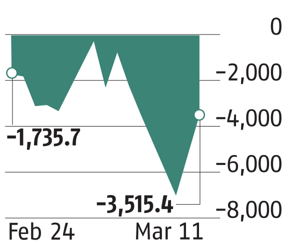
₹vs $ (inverted scale)



10-year G-sec yield (in %)



On a selling spree
Average daily FII selling in the last 12 sessions is ₹2,700 crore (Mid Price) (₹ cr)



Turning negative
The spread between Nifty earnings yield & 10-year G-sec yield has turned -ve for the first time since Nov 2017
Spread (in %)

Source: Bloomberg, exchanges

IndiGo gives profit warning over virus

ANEESH PHADNIS
Mumbai, 11 March

IndiGo expects the coronavirus (COVID-19) crisis and depreciation of the rupee to hit profit in the fourth quarter. IndiGo, the largest domestic airline by market share, has issued the profit warning following a dip in bookings because of the spread of COVID-19 in the country.

"We cancelled our flights to China and Hong Kong and reduced frequency to certain other Southeast Asian markets. This capacity was redeployed in other markets without having a material impact on our revenues. Over the past few days, however, week-on-week, we have seen a 15-20 per cent decline in our daily bookings. We expect our quarterly earnings to be materially impacted because of these factors," the airline said in a stock exchange notification on Wednesday.

It added that sharp depreciation in rupee, too, would have an adverse impact on its dollar-denominated liabilities, primarily on account of capitalised operating leases.

Flight occupancy dropped on domestic routes as individuals and companies canceled events and postponed travel. Last-minute fares, too, have declined 20-25 per cent on key metro routes over a dip in demand. While the plunge in crude oil price benefits the airline, the relief could be limited thanks to sluggish demand.

InterGlobe Aviation, which runs IndiGo, had reported a threefold increase in its pre-tax profit to ₹556 crore in the third quarter of financial year 2019-20 (FY20) on strong revenue growth. In an investor conference call after the results, it had said modification of its Airbus A320neo engines would be completed by May, but indicated a challenging fourth quarter because of lean season and COVID-19 threat.

COVID-19, which was first detected in Wuhan city of China last December, has spread across the globe, forcing airlines to suspend flights and ground aircraft. Indian carriers have limited exposure to China and Southeast Asia.

CORONAVIRUS OUTBREAK

While overall international operations contribute around 25 per cent of IndiGo's revenue, the share of China and Southeast Asia markets was limited. However, the restrictions imposed by countries in West Asia have dented business further. Flights have been cancelled and bookings deferred following visa restrictions imposed by Saudi Arabia and Qatar, while Kuwait has suspended all flights to/from India for a week.

WHO: COVID-19 CAN NOW BE CLASSIFIED AS A PANDEMIC

The new coronavirus outbreak can now be characterised as a pandemic, the head of the World Health Organization said on Wednesday. WHO Chief Tedros Adhanom Ghebreyesus said he was alarmed by the spread and severity of the outbreak, along with a lack of action taken to combat it. "COVID-19 can be characterised as a pandemic," he told reporters in Geneva. He said he expected the number of cases and deaths would grow in the coming days and weeks. "We have never before seen a pandemic sparked by a coronavirus," he said. He also said hard-hit Iran was trying its best to control the outbreak but needed more supplies. **AFP/PTI**

GLOBAL IMPACT

- China allowed gradual opening of Wuhan after Xi Jinping's visit
- Bank of England makes emergency rate cut, increases bank funding
- Italy unveils €25-bn virus rescue plan
- WEF launches platform for collective action by business community
- Opec reduces oil demand forecast over coronavirus
- Sweden, Ireland, Albania report their first deaths
- G7 foreign ministers meet at Pittsburgh will take place virtually
- British health minister tests positive
- US drug regulator halts inspections of foreign drug plants

Court issues notices to Centre, GST Council

INDIVJAL DHASMANA
New Delhi, March 11

The Gujarat High Court has issued notices to the Union government, the GST Council, and the Customs authorities over imposition of surcharge and cess on duties paid through scrip-based incentives by exporters.

Earlier, exporters had moved the HC, challenging the constitutional validity of imposition of the education cess and the social welfare surcharge.

However, the government not only wanted exporters to pay cess and surcharge, but also later issued another circular that said these had to be paid in cash and not through adjustments in scrips. Exporters went to the court against the new circular, and sought to club this issue with the earlier one.

"The circular has gone ahead to clarify that surcharge becomes payable through cash and this is a serious concern for exporters, especially when the constitutional challenge is to be decided on the applicability of the surcharge," said Abhishek Rastogi, counsel for the petitioners. Rastogi, partner at Khaitan & Co., said the circular has been challenged so that both the problems are addressed simultaneously and the exporters get the much-desired relief in this environment of slow down.

The cess and the surcharge are imposed at the time of imports, where duties are paid through the Merchandise Exports from India Scheme (MEIS) scrips.

MEIS is a scrip-based incentives provided to exporters under the foreign trade policy 2015-20. These scrips could be used for payment of duties.

However, basic Customs duty has been subsumed in GST. Now, cess and surcharge are imposed on the basic Customs duty. Petitioners argued over how cess and surcharge can be imposed on the basic Customs duty which is zero.

"As the cess is imposed on the aggregate Customs duty, ideally they are not payable as anything multiplied by zero is zero," Rastogi said. The scheme is being replaced by the WTO-compliant Remission of Duties or Taxes on Export Product (RoDTEP) scheme. MEIS was to expire from this month, but was later extended till the end of this financial year.

FinMin flags areas of 'dissatisfaction' with Infosys' GSTN

The finance ministry has flagged 17 'areas of dissatisfaction' with Infosys-designed GST Network, including transition issues for taxpayers in Jammu & Kashmir, Aadhaar verification and lack of scalability of server. The other areas which the ministry has flagged as "unresolved or late resolved" with Infosys include delay in providing software for blocking of e-way bill generation in cases of non-filers of GSTR-3B. **PTI**

Panel bemoans reduced fund allocation to commerce dept

ARCHIS MOHAN
New Delhi, 11 March

A parliamentary panel has bemoaned the reduced budgetary allocation by a third to the department of commerce for FY21. In a report tabled in Parliament on Wednesday, the parliamentary standing committee on commerce said this trimming of funds would hurt trade promotion and export augmentation.

The shortfall in the overall budgetary allocation to commerce department in BE 2020-21 is of ₹3,019.19 crore to the proposed outlay of ₹9,238.51 crore. The committee said "revival of already subdued trend in export will need stimulation which would require more funds."

In another report tabled on Monday, the committee expressed its "concern over the massive shortfall" in budget allocation to the Department for Promotion of Industry and Internal Trade (DPIIT) "at a time when the industrial sector is in doldrums". The DPIIT has an allocation of ₹6,605.55 crore in BE 2020-21 against its projected demand of ₹16,767.40 crore. The 31-member committee, headed by YSR Congress Party's V Vijayasai Reddy, said this reduced allocation "will have a severe repercussion on the optimal functioning of crucial schemes/programmes and their outcomes." On India's declining exports, the committee asked the Centre to reduce "overdependence" on developed countries for exports and suggested it explored markets in Africa, West Asia, and South America.

Won't spare those involved in Delhi riots: Shah

Opposition demands home minister's resignation

ARCHIS MOHAN
New Delhi, 11 March

"WE WILL SPARE NO ONE IRRESPECTIVE OF THEIR RELIGION, CASTE, AND POLITICAL AFFILIATION. SUCH ACTION WILL BE TAKEN THAT IT WILL BE A LESSON FOR THE COUNTRY ON WHAT BEFALLS THOSE WHO INDULGE IN RIOTING"
AMIT SHAH
Home minister

In a stormy debate in Lok Sabha on Wednesday on the recent communal riots in Delhi, Union Home Minister Amit Shah said none found involved, irrespective of their religion, caste, or party affiliation, would be spared. He said the violence was a pre-planned conspiracy. In the debate, some of the Opposition members questioned the role of the Delhi Police and of Shah himself, and demanded that he resign owning moral responsibility.

Congress' Adhir Ranjan Chowdhury, Trinamool Congress' Saugata Roy, Biju Janata Dal's Pinaki Misra, and others, demanded an independent inquiry and questioned why the violence could not be controlled for three days. Misra said Prime Minister Narendra Modi and Shah had "lost the most" because of the riots and their "sheen" had worn off. He said Shah's reputation as a strong administrator had "taken a beating". In his reply, Shah lauded the Delhi Police for not allowing the riots to spread to the rest of the national Capital. He expressed grief over the death of people in the violence, and said the Delhi Police succeeded in controlling riots within 36 hours.

He said that a total of 2,647 people have been detained or arrested. The home minister said "no innocent" will be "harassed". National Security Advisor (NSA) Ajit Doval visited riot- affected areas on my request to raise morale of the Delhi police, Shah said. "We wanted discussion on Delhi violence (in Parliament) after Holi to avoid communal flare-up during festival time," he said. Shah said he monitored the situation sitting with the Delhi Police brass, and did not attend the lunch, dinner, and reception that the government had hosted for visiting Donald Trump. He said he didn't want to disrupt police work by visiting riot-hit areas.

The home minister said that over 700 FIRs against people of both communities had been registered and video footage using facial recognition software is being analysed.

He said more than 300 people had crossed over from Uttar Pradesh into northeast Delhi to engineer the riots. He said three people who funded the riots have been arrested. Shah said Congress leaders instigated the riots through their speeches at the Ramlila Ground in Delhi in December. The Congress staged a walkout during Shah's reply. To some MPs stating that of the 53 killed in the riots, 40 were Muslims, two cops, and 11 Hindus, which tells the tale of which community bore the brunt, Shah said "52 Indians died, 526 Indians were injured — don't discriminate among them on the basis of religion."

Congress' Chowdhury said the situation came under control soon after the NSA visited the areas. "Why couldn't the home minister go... NSA reports to the Prime Minister. Does this mean that the Prime Minister's Office has lost faith in the home ministry?" Chowdhury asked. Chowdhury alleged that Delhi High Court judge S Muralidhar was transferred as he had questioned the failure of Delhi Police in containing the violence. AIMIM leader Asaduddin Owaisi said there is a "tsunami of Hindutva hate" and called for an impartial probe to find the perpetrators of the violence.

Saudi discount won't have big impact on retail prices: IOC chief

CRUDE IMPORTS FROM SAUDI ARABIA Quantity (million tonne)

2016-17	39.5
2017-18	36.9
2018-19	39.8
2019-20*	20.7

* April-Sept; Source: MoPNG

PRICE BUILD-UP (DELHI) (₹/litre)

PETROL		DIESEL
32.61	Base price	36.21
0.32	Freight etc	0.29
32.93	Price charged to dealers *	36.5
19.98	Add: Excise duty	15.83
3.55	Add: Dealer commission (average)	2.49
15.25	Add : VAT **	9.48
71.71	**Retail selling price at Delhi-(rounded)**	**64.3**

*excluding Excise Duty and VAT; ** (including VAT on Dealer Commission)

SANJIV SINGH,
Chairman, Indian Oil Corporation

"AFTER THE RECENT SAUDI ARABIA AND RUSSIA TALKS, THEY (SAUDI ARABIA) HAVE REDUCED THE OSP FOR ASIA, NOT JUST FOR CHINA. SO INDIA WILL BENEFIT. DEPENDING UPON THE CRUDE, IT WILL BE AROUND $5–6 A BARREL FROM APRIL"

SHINE JACOB & JYOTI MUKUL
New Delhi, 11 March

India is likely to gain $5-6 a barrel in oil import after Saudi Arabia offered a discount on its official selling price (OSP) for Asia.

However, a substantial portion of this will be neutralised by the fall in rupee value and government taxes on petroleum products. The crude oil impact on prices of petrol and diesel would be 40-50 per cent of the total price. The Indian crude oil basket fell to $34.52 a barrel after the fall in global prices, more than half the $71 it averaged in April 2019. The rupee's value has, however, depreciated. A dollar is now ₹73.95, from ₹69.89 last year.

According to Sanjiv Singh, chairman of Indian Oil Corporation, each rupee depreciation results in ₹2,500 crore of more outgo on crude oil import. "It is immaterial if we convert (the Saudi discount) into the retail price but the cut in price could be 55-60 paise a litre."

Singh said IOC would incur significant inventory loss with the price fall. "It will also affect our quarterly and yearly results. It is a concern because it impacts our balance sheet." The impact cannot be neutralised in subsequent quarters, since it is coming in the financial year's final quarter, ending March 2020.

"After the recent Saudi Arabia and Russia talks, they (Saudi Arabia) have reduced the OSP for Asia. Depending upon the crude, it will be $5-6 a barrel from April. Besides, other countries from which we import use Saudi OSP as their benchmark," Singh told *Business Standard*.

Saudi Arabia declares the official selling price for three regions – Asia, Europe and America every month, on the fifth. This is based on the grade of oil; there are markers, based on which a discount or premium is given. For Asia, the marker is Dubai-Oman. For Europe, it would be Brent; for the US. it would be ASCI. According to official figures, India imported 21 million tonnes in the first half of this financial year (April-September 2019). Each one rupee depreciation results in a 55-56p increase in product price, everything else remaining the same. About ₹2.5 a litre of price increase last year was only because of exchange rate movements. Singh says his company is, however, hedged; its products are also benchmarked in dollars.

The three large producers — Saudi Arabia, Russia and the United States — have their own drivers and strategy, he said. However, current market dynamics go beyond the demand-supply situation.

"There is also a shrinking demand for products in the global market. Probably, after a long time, we are seeing that product demand in the true sense is driving crude prices." If crude is moving separately and products are driven by demand and supply, the crack (differential between product and crude price) is healthy. "If you remember 2014-15, when crude fell, we still had decent cracks. This time, when crude was sliding, the cracks were also extremely poor." Singh said India benefited from lower prices because the working capital requirement of oil companies goes down and the internal energy cost for refiners also goes down — nine per cent of the crude is used for refinery requirements. "However, such a huge slide in a single quarter, and clubbed with low cracks, is extremely challenging for oil companies. We will have massive inventory losses."

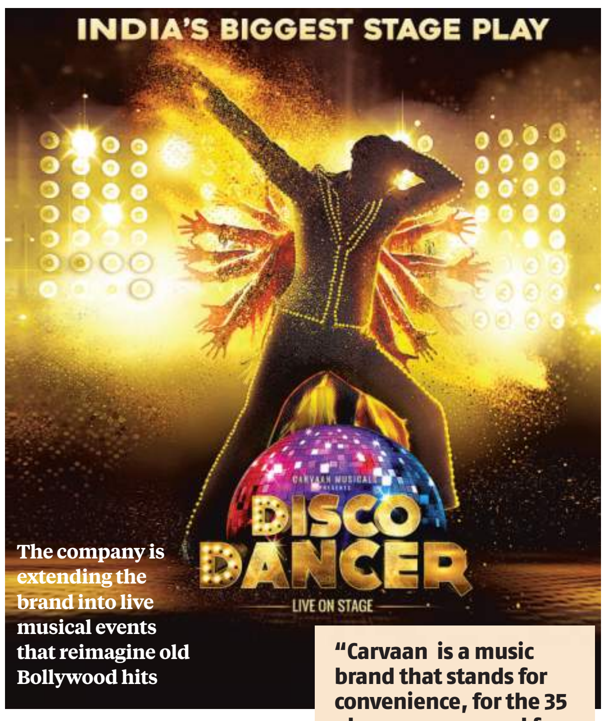
If cracks are healthy, and crude prices move up or down, the OMCs are naturally hedged, as product prices are also based on international prices. "Higher the crude price, my working capital requirement goes up, my interest rate burden also goes up by that extent and we have inventory gain in the balance sheet. The reverse happens when prices are going down."

Carvaan plays the extensions game

Is Saregama stretching its brand too thin by chasing it down an experiential track?

VANITA KOHLI-KHANDEKAR
New Delhi, 11 March

Disco Dancer is one those cult films that only an eighties kid can get. Mithun Chakraborty dancing to Bappi Lahiri's 'I am a *Disco dancer*' is part of the 80's nostalgia package; just like Anil Kapoor movies, Nazia Hasan and George Michael. Disco Dancer with all its kitsch comes alive later this year at the National Sport Complex of India in Mumbai and at the Jawaharlal Nehru Weightlifting Indoor Auditorium in New Delhi. The 40 people Broadway-style musical produced by Saregama's Carvaan Musicals has been reimagined by music composers Salim-Sulaiman. Also on the anvil is another show by Carvaan Musicals, based on another iconic eighties film that Saregama owns the music rights to, Subhash Ghai's Karz.



The company is extending the brand into live musical events that reimagine old Bollywood hits

And that begs the question: What are the limits of brand extension? In 2017 Saregama launched Carvaan, a device with 5,000 old songs loaded in. It became a huge hit selling over two million units so far and rejuvenating India's oldest music company. Then came the variations, in Tamil, Marathi and other languages and Carvaan Minis around special themes such as Gurbani or Bhagwad Gita readings.

In 2019 came the phone-shaped Carvaan Go with 3,500 songs and Carvaan Lounge in association with Amazon Prime Music. "Carvaan Lounge is about new singers giving a twist to old songs," says Vikram Mehra, managing director, Saregama India. Think of it as a Coke Studio kind of platform that renders versions from Saregama's most precious asset, its library of 120,000 songs across 18 languages. In 2019 it also began to offer Carvaan Wifi giving curated access to non-Saregama music, podcasts and other pieces of content. Earlier this year came Carvaan Earphones and a content partnership programme. And now the stage productions. Has Saregama stretched the brand Carvaan too much?

"It hasn't," says brand strategy consultant, Lubna Khan. "A lot depends on how you define your brand and the brand promise. It is perfectly fine to redefine the brand when you are looking to grow and look at adjacent categories. But it is important to check what the new extension would borrow from the core brand or what would it build back in the brand," she explains.

> **"Carvaan is a music brand that stands for convenience, for the 35 plus age group and for nostalgia and it has a premium image"**
>
> VIKRAM MEHRA
> MD, Saregama India.

"Carvaan is a music brand that stands for convenience, for the 35 plus age group and for nostalgia and it has a premium image," says Mehra. And everything it has done so far is true to that, he contends. For instance many people in the target group would love to attend a music concert. But the experience is often disappointing. Bad loos, uncomfortable seats or poor food make live events in India a mixed bag that many older people prefer to miss. Carvaan Musicals is an attempt to offer the same mix of nostalgia and convenience in music. Khan agrees, "Nostalgia, convenience, simplicity with regards to access to music is what the core brand (Carvaan) is about. They (Saregama) have tried to bring it out through other things." The key to successful extension lies in sticking to what the brand is about, even if there is a lucrative opportunity to extend it, says Khan.

This then begs a second question. What do these extensions mean for the top line and bottom-line? The answer is a complex one.

Saregama had been meandering along, even stagnating in some years till 2017 when it launched Carvaan. From ₹231 crore in FY2017 the firm's revenues have grown to ₹601 crore in FY 2019. Music accounts for ₹489 crore of this amount. The rest is from producing TV content, films (under the Yoodlee banner) and publications (Open magazine). Over the same period overall margins have more than doubled.

The ₹489 crore from the music business comes from Carvaan, licensing income from OTTs, music platforms, TV firms and just about anyone that wants to use Saregama's library. Plus there are ad revenues from its thriving YouTube presence.

Carvaan arguably brings a larger proportion of music revenues, but it comes at a price. The licensing business on the other hand is profitable since much of its earnings go straight to the bottom-line. But Carvaan has helped create a virtuous circle. The music library generates revenue, which is invested into new businesses and which, in turn, helps strengthen the library. This makes the licensing business even more profitable. With wheels under its feet, it is going to be a while before Saregama stops spinning Brand Carvaan.

FROM PAGE 1

YES Bank...

This is because the circular finetuned an earlier set of guidelines issued on January 13, 2012. There is also nothing to suggest in both the RBI's November 2019 and the superseded 2012 notifications that the claw-back and/or malus will only be applicable to MD and CEO — as in the case of YES Bank's founder and former MD Rana Kapoor in 2019; and ICICI Bank's Chanda Kochhar for related-party transactions involving her husband Deepak Kochhar in 2018.

The objective of the revised norms of November 2019 on compensation was to better align these with the Financial Stability Board's (FSB's) "Principles and Implementation Standards for Sound Compensation Practices and the Supplementary Guidance" of March 2018 on the use of compensation tools to address misconduct risk. It was pointed out that the YES Bank blowout is the first clear -- and worst possible test -- for the RBI as the FSB monitors the global financial system, and was set up after G20 London summit in April 2009 as a successor to the Financial Stability Forum. The impact of the claw-back in YES Bank, when executed, will be equivalent to the triggering of Section 35A of the Banking Regulation (BR) Act. This empowers the central bank "to examine on oath any director or other officer (or employee) of the banking company in relation to its business". This provision in the BR Act has never been used in the central bank's 85-year history. It is also surmised that there could be intense scrutiny of other private banks and the performance of their top management as well, and there could be a delay in the payout for FY19 and FY20. The central bank took time to clear the stock options and bonuses of private bank CEOs in FY18 – it was settled after FY19 was over. The banking regulator has effectively signalled to the top management of all private banks that it means serious business, and their books of FY20 will be under intense scrutiny. It is also giving a signal to potential whistle-blowers to wake up. In the case of YES Bank, the full extent of the impairment in its books will be clear on March 14. SBI is expected to closely look into the books. This is of particular import as tax-payers money is going into the exercise, and the RBI had also detected a divergence of ₹11,932 crore in bad loans reported by SBI for FY19. YES Bank, had a gross non-performing asset divergence of ₹3,277 crore, and at 41 per cent of its reported gross NPA, was the largest such case among nine banks which fell into the same bracket.

Govt suspends...

"All existing visas, except diplomatic, official, UN/international organisations, employment and project visas stand suspended till April 15, 2020. This will come into effect from 1200 GMT on March 13, 2020, at the port of departure," a government statement said. A meeting between the Fifteenth Finance Commission and finance ministers of various states, scheduled to be held on Friday, has been deferred due to the pandemic. The meeting was to discuss issues related to the final report of the Commission for FYs 2021-26, which is likely to be submitted in October.

The government advised incoming travellers, including Indian nationals, to avoid non-essential travel. It said they can be quarantined for a minimum of 14 days on their arrival in India. It "strongly advised" Indian nationals to avoid all non-essential travel abroad. "On their return, they can be subjected to quarantine for a minimum of 14 days," it said. Any foreign national who intends to travel to India for a compelling reason may contact the nearest Indian mission, the government said. It said all incoming travellers, including Indian nationals, arriving from or having visited China, Italy, Iran, Republic of Korea, France, Spain, and Germany after February 15 would be quarantined for a minimum 14 days. The government said international traffic through land borders, will be restricted to designated check posts with robust screening facilities. These will be notified separately by the home ministry.

The government's decision to suspend visas for all countries will hit inbound travel and lead to a further cancellation of flights. Already, Indian and foreign carriers have been adjusting schedules in view of visa restrictions in India and overseas. Sources said Air India was stopping its flights to Italy and Korea. Several other airlines, including Cathay Pacific, Singapore Airlines, Thai and ANA, have curtailed their India flights.

'This has been one of the toughest yrs'

It would be good if the economy also grows faster, and the fiscal situation in India, the Middle-East and Africa improves because that will help us to gather momentum. Therefore, one hopes for those positive signals as one looks ahead. The services business is predominantly in the US and Europe. I hope the current coronavirus situation resolves itself at the earliest and business continues as it is. We are on the job on 'Lakshya 2026'. It's still work in progress. I think by September sometime, we should be ready with it.

What are your plans on capital allocation? Is share buyback on the table?

At the moment, there is no buyback contemplated. We did try it a year back. Due to the consolidation of debt, the regulator took another view, but I think they've clarified it now. If there is a possibility that exists to benefit our shareholders, we will be the first company to think about it.

Are more inorganic growth options being explored?

There are no inorganic plans. We have started a fund called L&T Innovation Fund to invest in slightly mature start-ups in areas similar to our business. We have identified a couple of investments and will take them forward if we find them good. And then there is L&T Nxt, our digital journey within the company, using technologies such as internet of things, robotics, data analytics, machine learning, and artificial intelligence. Now we want to take this experiment which we did within the company to the outside world.

How does India look in terms of opportunities in defence?

Defence is a permanent start-up. We set up a factory for the K9 Vajra Guns order, but we would like to get continuous orders once this order is complete. So this is a bit of what you would call a story, which is positive but does not get going. We can use the facility for some other purpose and that we have already identified. Now that the skill set will get used for something else, in future if we get the order, we will need to rediscover the tempo which can be a bit frustrating.

GST on...

A registered taxpayer may claim refund of unclaimed ITC on account of a higher tax on input and lower tax on output. For example, the GST rate on mobile phones is 12 per cent; those on phone parts and batteries is 18 per cent. Last year, a manufacturer claimed a refund of close to ₹4,100 crore. So, one proposal before the Council is to hike the rate on mobile phones to 18 per cent. Similarly, the GST on fabric could be raised from the current one of 5 per cent, to 12 per cent — different types of yarn are taxed at the later rate. Initially, the Council had not allowed fabric makers to claim ITC refund but later relented and allowed these in its July 2018 meeting.

Scindia joins BJP as MP govt totters

Gets Rajya Sabha candidate ticket from Madhya Pradesh

SANDEEP KUMAR & PTI
Bhopal/New Delhi, 11 March

Long-time Congress leader Jyotiraditya Scindia crossed over to the Bharatiya Janata Party (BJP) on Wednesday, leaving the Madhya Pradesh government tottering and both parties scrambling to send their legislators far away from the state capital.

Amid reports that he will be the BJP's nominee from the state for the Rajya Sabha, and speculation that he could join the Union Cabinet in the impending reshuffle after the Rajya Sabha polls on March 26 and the end of the Parliament session on April 3, Scindia said he was "pained" at not being able to serve people and he described the Congress as a party living in denial. On reports that Scindia tried to meet him but was denied an appointment, Congress leader Rahul Gandhi said, "He is the only chap in Congress who could walk into my house anytime."

Former Congress leader Jyotiraditya Scindia joined BJP at the party headquarters in New Delhi, on Wednesday PHOTO: PTI

Parties herd MLAs to resorts in 'friendly states'

While MP's ruling Congress, pushed to the brink of collapse after the resignation of 22 legislators close to Scindia, herded about 90 of its legislators to resorts near Jaipur, the state's opposition BJP sent its MLAs to a luxury hotel in Gurugram. And 19 of those who resigned and whose letters were taken to the Speaker by the BJP are secluded in a hotel in Bengaluru.

> "THE CONGRESS OF TODAY IS NO LONGER THE PARTY IT WAS. THE PARTY IS DENYING REALITY. NEW THOUGHTS, NEW IDEOLOGY AND NEW LEADERSHIP ARE NOT BEING ACKNOWLEDGED... INDIA'S FUTURE IS FULLY SECURE IN HIS (MODI'S) HANDS"
>
> JYOTIRADITYA SCINDIA

As the number crunching intensified and resort politics played out in 'friendly states' — Rajasthan is ruled by the Congress and Haryana and Karnataka by the BJP — Scindia formally joined the BJP in the presence of party president J P Nadda and said the country's "future was fully secure in the hands of Prime Minister Narendra Modi".

52 years on, another Scindia's Cong exit puts MP govt in crisis

Fifty-two years after 'Rajmata' Vijaya Raje Scindia, a prominent member of the Gwalior royal dynasty, quit the Congress and caused the party-led government in MP to collapse, history appeared to be repeating itself. Scindia, 49, belongs to the erstwhile royal family of Gwalior. While his father Madhavrao Scindia won his first Lok Sabha polls in 1971 on a Jana Sangh ticket but joined the Congress in 1980, his grandmother Vijaya Raje Scindia was one of the founder members of the BJP and his aunts Yashodhara Raje Scindia and Vasundhara Raje Scindia are members of the BJP. Madhavrao quit the Congress in 1996 and formed a party, but returned to the Congress later.

Calling MP a piece of his heart *(dil ka bhag)*, Scindia said his dream for the state had been shattered in the last 18 months — when the Congress won the assembly elections and Kamal Nath became CM. The former Union minister and four-time Congress MP, known to be close to Rahul Gandhi, said the party was "not what it used to be".

His resignation from the Congress along with MLAs "loyal" to him on Tuesday has put a big question mark over the future of the Kamal Nath-led government, which came to power with a wafer-thin majority in the 230-member assembly. The effective strength is now 228. It also has the support of four independents, two BSP legislators and one SP MLA, but some may now switch sides to the BJP. If the resignations of the 22 MLAs are accepted, the strength of the assembly will fall to 206. The Congress, on its own, will then be left with 92 seats while the BJP has 107 seats with the magic number for a majority being 104.

While several Congress leaders took to social media to criticised Scindia, senior Congress leaders Mallikarjun Kharge and Anand Sharma said they were shocked at the development, and said Scindia's ideological commitment to Congress values was not in question. As many as 17 out of 19 Scindia loyalist MLAs posted videos expressing their solidarity with Scindia. Imarti Devi said, "We are happy Scindiaji has taken this decision. I will always stay with him, even if I had to jump in a well."

However, sources said there were tensions also within the BJP. Prabhat Jha, who was to be sent to the Rajya Sabha by the BJP, is said to be unhappy now that he could risk losing his nomination. The Budget session of the MP Assembly will begin on March 16.

The Congress expressed confidence it would win a trust vote in the assembly. "We have 95 MLAs here (at the Bhopal airport). Independent MLAs and BSP and SP legislators are also supporting us," state minister Priyavrat Singh said in Bhopal before taking off for Jaipur.

"We will prove our majority," senior Congress leader Digvijaya Singh said.

"If Rajmata Sahab was here today, she would be elated to see you put the nation first. I admire your strength of character and courage. It's good to be on the same team. Welcome to the BJP"

VASUNDHARA RAJE
BJP national vice-president

"Hey @PMOIndia, while you were busy destabilising an elected Congress Govt, you may have missed noticing the 35 per cent crash in global oil prices. Could you please pass on the benefit to Indians by slashing #petrol prices to under 60? per litre? Will help boost the stalled economy"

RAHUL GANDHI
Congress leader

"We did not anticipate that Scindia will quit... Someone who has got so much from the party... The Congress could have easily sent him to the RS with 122 MLAs on its side. (But) only Modi-Shah can make (him) a cabinet minister"

DIGVIJAYA SINGH
Senior Congress leader

"Unfortunate to see @JM_Scindia parting ways with @INCIndia. I wish things could have been resolved collaboratively within the party "

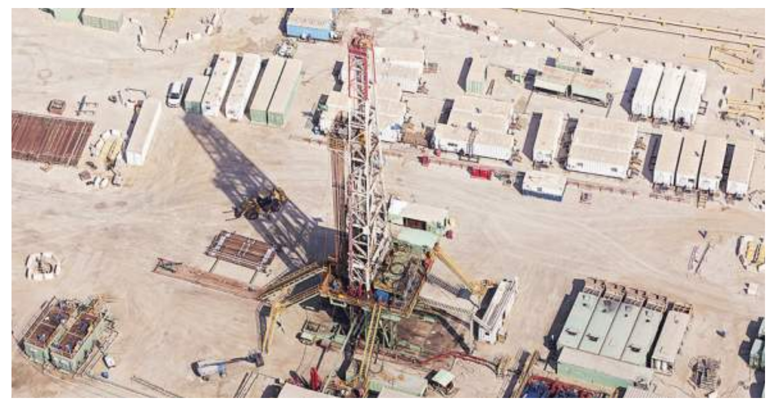
SACHIN PILOT
Rajasthan Deputy CM

Oil war escalates after Saudi and UAE promise flood of crude

GRANT SMITH, VERITY RATCLIFFE & ANTHONY DIPAOLA
London/Dubai, 11 March

The battle for control of the global oil market intensified again on Wednesday as Saudi Arabia promised to increase production capacity and the United Arab Emirates said it plans to pump as much as possible next month.

Riyadh said it will boost capacity to an unprecedented 13 million barrels a day, doubling down on Tuesday's pledge of extra output in April. The UAE, a close Saudi ally, then promised to push more crude to customers than it normally produces. These are fresh shots in an all-out war that has seen prices crash and the outlook for the market darken as nations prepare to pump as much as they can.



"Saudi Arabia is pulling the trigger of its oil bazooka," said Olivier Jakob, managing director at consultant Petromatrix GmbH in Zug, Switzerland.

The moves come after an alliance between the Opec cartel — effectively headed by the Gulf nations — and Russia collapsed acrimoniously last week. The country, for its part, has announced that it will retaliate by activating additional supplies of its own. Yet Moscow, which has nowhere near the quantities of untapped production held by the Gulf states, has also tempered its message, saying it remains open to resuming cooperation.

Until Friday, Saudi Arabia, UAE and Russia had been part of a global coalition known as Opec+, which for the past three years had restricted crude output to shore up prices against a relentless tide of American shale oil. Only in July, Russia and Saudi Arabia touted their alliance as a marriage to "eternity". All of that has now spectacularly collapsed.

The deadly coronavirus has played its part. Saudi Arabia had been insisting for weeks that the group needed deeper production cuts to tackle the demand loss caused by the quickly spreading virus. Russia on the other hand resisted as it wanted more evidence of the impact on consumption.

The standoff has drawn in US President Donald Trump, who spoke with Saudi Crown Prince Mohammed bin Salman by phone this week. It followed the Department of Energy denouncing "attempts by state actors to manipulate and shock oil markets." The department didn't name Saudi Arabia nor Russia. The kingdom's de-facto leader is, however, showing no signs of relenting. The country's energy ministry ordered Saudi Aramco to boost its output capacity by 1 million barrels a day, the first increase in at least a decade.

Abu Dhabi National Oil Co will provide customers with 4 million barrels a day next month, it said on Wednesday. The country's output capacity is 3.5 million barrels a day, according to the International Energy Agency.

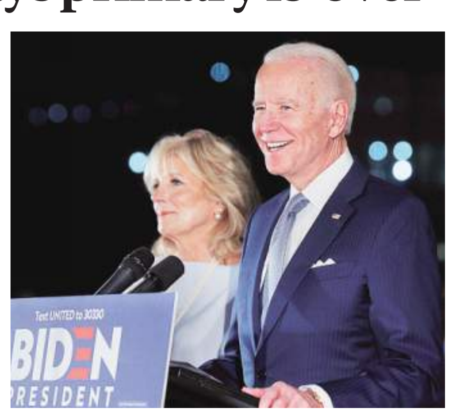
But Adnoc can ramp up fields beyond their normal capacity to put more supply on the market, according to people with knowledge of the company's operations.

BLOOMBERG

Biden super PAC says primary is 'over'

A pro-Joe Biden super PAC declared the Democratic primary essentially 'over' after Tuesday's primaries. In a memo to supporters released on Wednesday, Unite the Country announced it had secured huge donations and commitments since the former vice president won South Carolina and started racking up wins in primaries across the country.

"Last night's results made one thing clear: the functional primary phase of this election is over," the memo said. "With last night's wins, and states like Florida, Illinois, and Ohio that will vote on March 17, Joe Biden's delegate lead over Bernie Sanders will be equal to, and possibly even higher than, Hillary Clinton's at the same stage of the election." The group said it has raised nearly $10 million in the past 10 days and had three times that much committed. It said it would keep working to ensure that Biden accrues a majority of all pledged delegates to the nominating convention.



Democratic US presidential candidate and former Vice President Joe Biden with his wife Jill during a primary night news conference at The National Constitution Center in Philadelphia, Pennsylvania, US PHOTO: REUTERS

Bernie Sanders's brand of democratic socialism is hurting him among Florida Latinos, who favour Joe Biden in the March 17 primary by double digits in a recent poll. But even if Sanders were to win the nomination, he might lose these voters to Donald Trump, according to a Telemundo survey conducted by Mason-Dixon.

In the poll, 48 per cent of Latinos in Florida backed Biden, while only 37 per cent supported Sanders in the primary. In a Trump-Sanders contest, 45 per cent said they would vote for Trump and 44 per cent said they would back Sanders. By comparison, in a Trump-Biden contest, 58 per cent said they would back Biden and 38 per cent said they would vote for Trump.

Sanders has done well among Latino voters in other states, but Florida immigrants who fled Nicaragua, Venezuela and Cuba tend to view socialism negatively, according to Democratic analysts there.

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