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Business Standard

THE MARKETS ON MONDAY		Chg#
Sensex	38,144.0▼	153.3
Nifty	11,132.8▼	69.0
Nifty futures*	11,123.7▼	9.0
Dollar	₹72.7	₹72.2**
Euro	₹80.7	₹79.5**
Brent crude ($/bbl)##	50.4##	50.0**
Gold (10 gm)###	₹42,157.0▼	₹197.0

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

COMPANIES P2
COKE WANTS INDIA TO BE IN TOP THREE MARKETS

COMPANIES P2
TATAS LIKELY TO TAKE A CALL ON AIR INDIA BID THIS WEEK

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

FORMER GE CHAIRMAN JACK WELCH DIES AT 84

PHOTO: BLOOMBERG

Jack Welch, who grew General Electric during the 1980s and 1990s into the most valuable public company in the United States, has died at the age of 84. Welch — known as "Neutron Jack" for cutting thousands of jobs — bought and sold scores of businesses, expanding the industrial giant into financial services and consulting. Under him, GE's market value grew from $12 billion to $410 billion. 20▶

ECONOMY & PUBLIC AFFAIRS P18
NHAI likely to roll out InvIT in May

The National Highways Authority of India (NHAI) is gearing up to place its first set of road projects with an infrastructure investment trust (InvIT) in May. Also, institutional investors and private funds will be offered equity in the projects. A date-wise action plan would be put in place in order to make the first such offering operational by May this year. **MEGHA MANCHANDA** reports

ECONOMY P4
Manufacturing PMI growth slows to 54.5

The country's manufacturing sector activity eased in February from a near eight-year high in the previous month and business sentiment took a hit. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) stood at 54.5, after scaling an eight-year high of 55.3 in January. In PMI parlance, a print above 50 means expansion.

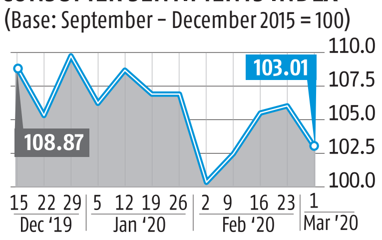
FITCH CUTS INDIA GROWTH FORECAST FOR FY20 P4

COMPANIES P5
Nokia president & CEO Rajeev Suri steps down

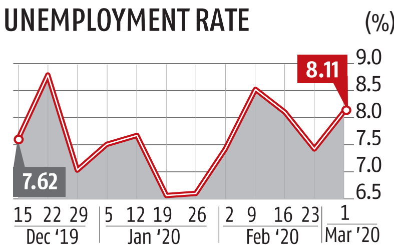
Rajeev Suri, president and chief executive at Nokia, is stepping down from his role to pursue opportunities outside the company, a statement from Nokia said on Monday. Pekka Lundmark, the current CEO of energy firm Fortum, will take over on September 1. Suri, 52, will work towards smooth transition with his successor before he leaves in August.

THE CMIE TRACKER

CONSUMER SENTIMENTS INDEX
(Base: September - December 2015 = 100)



UNEMPLOYMENT RATE (%)



Source: CMIE

LABOUR METRICS FLOUNDER IN FEBRUARY 8▶

Markets seesaw as corona fears linger

Recovery halted as new cases surface, Sensex falls 153 points after climbing 785 points

SUNDAR SETHURAMAN & SAMIE MODAK
Mumbai, 2 March

The rebound in domestic markets, which had seen a 7 per cent fall in the past six sessions, was stopped in its tracks after the health ministry reported two new coronavirus cases on Monday. Besides, an Italian tourist also tested positive for coronavirus in Jaipur, according to the Rajasthan government.

Supported by gains in Asian markets, the benchmark indices opened sharply higher, with the Sensex climbing as much as 785 points or 2 per cent only to reverse all gains in the last hour of trade. At one point, the Sensex was down 511 points over its previous close of 37,785.

After a highly volatile session, it finally settled at 38,144, down 153 points, or 0.4 per cent. It has now dropped for the seventh straight session and lost 3,180 points or 7.7 per cent since February 19. The Nifty closed at 11,133, down 69 points, or 0.62 per cent.

The broader index also witnessed one of its most volatile sessions ever, swinging nearly 400 points, or 3.6 per cent.

The 50 stocks in the index swung an average 5.7 per cent. The previous instance of such a wild swing was on September 19, when the indices reacted to the surprise cut in corporation tax. YES Bank swung 16.2 per cent — the most among Nifty components — followed by SBI, which moved almost 9 per cent. The India VIX, a gauge for market volatility, touched a low of 19.92 and a high of 26.34 — a movement of 32 per cent.

CORONAVIRUS OUTBREAK

Most Asian indices closed with gains on optimism that global central banks would announce stimulus packages.

On Friday, US Fed Chairman Jerome Powell signalled a rate cut, by pledging to act appropriately. The Bank of Japan issued a statement, saying it would strive to provide ample liquidity and ensure stability in financial markets through appropriate market operations and asset purchases.

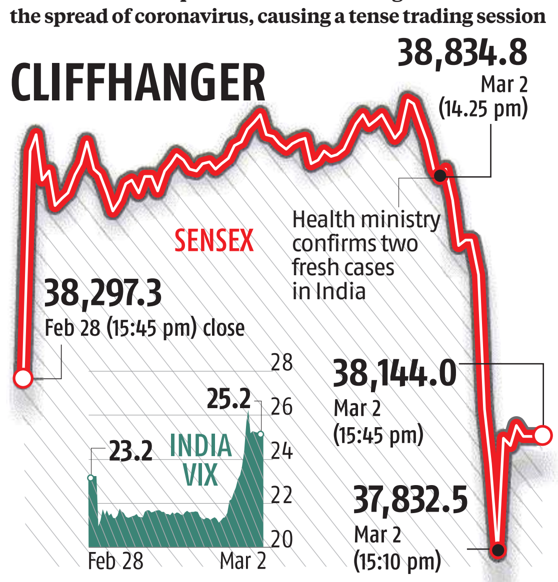
Market players said the central banks' pledge was a positive. However, investors were sceptical about India being able to contain the spread of coronavirus.

Turn to Page 17▶

PHOTO: PTI

Investors were sceptical about India being able to contain the spread of coronavirus, causing a tense trading session

CLIFFHANGER



Gold, silver surge

Gold and silver futures saw a sharp jump on the MCX against Friday's close. Both precious metals rose in excess of 1 per cent. Gold April futures rose 1.55 per cent to trade at ₹42,038/10g.

₹ at 16-month low

The rupee fell sharply on news of two more people testing positive in India, on Monday. The rupee closed at 72.73 a dollar, against its previous close of 72.24, a 16-month low.

IN A TIZZY

Nearly 90% of components were more volatile than the Nifty

High-to-low swing (%)
Figures in bracket: 1-day chg in %

YES Bank	16.2 (-6.6)
Tata Steel	9.1 (-4.6)
Hindalco	9.0 (-2.9)
SBI	9.0 (-5.1)
Vedanta	8.7 (-2.5)

Divestment feels meltdown heat, may miss target

Govt staring at deficit of ₹10,000 crore

ARUP ROYCHOUDHURY
New Delhi, 2 March

The Centre is unlikely to meet its 2019-20 revised divestment target of ₹65,000 crore because of bearish market conditions, according to officials. With a number of offers for sale (OFS) such as NMDC, SAIL, PFC, Coal India, IRCON and Hindustan Aeronautics planned for March getting deferred, the divestment target could fall short by close to ₹10,000 crore, government estimates suggest.

The only transactions 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 PSUs, it's learnt.

"We had a number of OFS in the pipeline and wanted to do some of them within this month. We had even done roadshows. But the market has been falling due to coronavirus and other global cues. We won't go to the market in such conditions," said a senior government official.

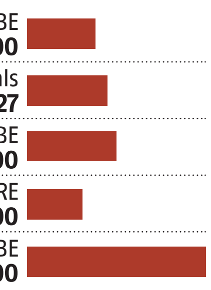
The finance ministry is internally expecting close to ₹15,000 crore from NTPC's acquisition of THDC and NEEPCO, and about ₹5,000 crore from the planned IPO of IRFC, besides some buybacks.

So far, the Department of Investment and Public Asset Management has mopped up a little above ₹35,000 crore. The transactions mentioned above will take the disinvestment proceeds to around ₹55,000 crore, which will be ₹10,000-crore short of the revised estimates.

The target for the current fiscal was revised downwards to ₹65,000 crore from ₹1.05 trillion. Turn to Page 17▶

STATUS CHECK

Figures in ₹ crore



2018-19 BE	80,000
2018-19 Actuals	94,727
2019-20 BE	1,05,000
2019-20 RE	65,000
2020-21 BE	2,10,000

Source: indiabudget.gov.in

MINISTRY RED-FLAGS DIVESTMENT IN NTPC, PFC, POWERGRID P4

Travel firms stop hiring, hikes

ANEESH PHADNIS
Mumbai, 2 March

Travel companies have deferred staff increments and put recruitment on hold, in view of the impact of coronavirus on the tourism sector.

Bookings for South-East Asia have hit a snag, and travel firms are bracing for further cancellations with the virus now having spread to Europe. Group tours to Europe begin from April, coinciding with the end of the academic calendar.

Thomas Cook has deferred salary hikes to cut down on expenses. It has informed its employees that the decision was in view of unpredictable market conditions.

The company did not respond to an email from *Business Standard*.

However, in a share buyback notification last week, it had said that the combined impact of a sluggish economy and difficult trading conditions due to coronavirus had resulted in slowing demand.

Firms are also putting a freeze on hiring and slashing other expenses. "Hiring is on a standstill, except where absolutely essential," said Amey Amladi, chief operating officer of Akbar Group. "We have postponed all infrastructure upgrades and office improvement works," said Isha Goyal, director of Stic Travel Group.

Globally, the aviation and travel sector is counting its losses as the outbreak has forced countries to close borders, suspend visas, and cancel flights.

Last week, the International Air Transport Association had estimated a $30-billion revenue loss for airlines, with Chinese carriers taking the maximum hit. Since then, Italy, South Korea, and Japan have reported a large number of cases, leading to flight cancellations to these countries. Turn to Page 17▶

Carmakers, suppliers brace for stormy days

SHALLY SETH MOHILE
Mumbai, 2 March

After battling a prolonged slowdown and disruption caused by new emission standards over the past 18 months, the automobile industry is now bracing itself for a 'wash out' in March owing to the impact of the coronavirus pandemic.

Expect overall sales to fall by 25-30 per cent year-on-year, warns Rajan Wadhera, president of the Society of Indian Automobile Manufacturers.

The industry had already been expecting March to be a volatile month because the new BS-VI emission norms kick in on April 1. But adding to the doldrums is that COVID-19 has affected the supplies of critical auto parts from China, particularly for BS-VI vehicles.

"Commercial vehicles will be hit the most as procuring parts for them from China will be a challenge," said Wadhera. Turn to Page 17▶

ON SKIDDY ROAD

- **China accounts for 26%** of auto component imports
- **The pandemic is set to derail supplies** to BS-VI models
- **Auto sales in March** to fall 25-30%
- **Commercial vehicles sales** to be hit the most

On women's day, Modi to log out

ARCHIS MOHAN & NEHA ALAWADHI
New Delhi, 2 March

Prime Minister Narendra Modi on Monday said he could give up his social media accounts on Sunday, raising a storm on the internet.

In a post that went up simultaneously on all his social media profiles at around 9 pm, he said: "This Sunday, thinking of giving up my social media accounts on Facebook, Twitter, Instagram & YouTube. Will keep you all posted." The post garnered a flood of likes and retweets within a span of just a few minutes.

By late Monday, #NoSir, #ModiJi, #NarendraModi were trending on Twitter, and netizens implored him not to quit his profiles, all of which have following in millions.

Some speculated the PM may be planning to switch to an Indian platform, much like China's Weibo on which Modi made his debut on May 4, 2015, or might even shift all his communications on to the NaMo app. Some said that the PM might have got hurt at social media having contributed to the riots in Delhi.

However, a source close to the PM's office said Modi was just taking a day off from social media platforms, in the meantime allowing women to post on his behalf. Sunday, March 8, is international women's day. Turn to Page 17▶

FOLLOWER COUNT

(Figures in million)

Instagram	narendramodi	35.2
Twitter	@narendramodi	53.3
Twitter	@PMOIndia	32.0
Facebook	Narendra Modi	44.72
YouTube	Narendra Modi	4.51

Channel for growth: The second coming of regional television

Bhojpuri, Punjabi, Gujarati, Odia are among the new languages driving growth and action in the television market

VANITA KOHLI-KHANDEKAR
New Delhi, 2 March

What is Punjabiyat? What touches Punjabi audiences the most?

Prathyusha Agarwal, chief consumer officer of Zee Entertainment, in the run-up to the launch of Zee Punjabi in 2020, "we spent three months in 2018 trying to understand the passions in Punjab".

They were love for the army, stories of partition, and strength of Punjabi women, which then came to be reflected in shows on Zee Punjabi. The channel has done well to gain a (claimed) third of the small Punjabi general entertainment market.

Similar intense exercises in understanding movie-viewing habits went into Zee Biskope (Bhojpuri, January), Zee Thirai (Tamil, February) and the upcoming Zee Picchar (Kannada). With Picchar, Zee's tally of regional channels will rise to 24 from 18 in 2017.

Zee, however, is not alone. Viacom18 launched Colors Gujarati Cinema and Colors Bangla Cinema last year, taking its regional tally to 14 (including HD). Disney's Star India has been quite aggressive in the last couple of years, going from 14 regional channels in 2017 to 22 at present.

Many sports channels have feeds in Tamil, Telugu, Bengali, and other languages. "The last three years have seen a paradigm shift in regional markets," says Kevin Vaz, CEO (regional entertainment channels), Star India.

The reasons are not hard to find. Going by Broadcast Audience Research Council (BARC) numbers, TV reaches 836 million Indians, of which 762 million are regular viewers for an average of 4 hours. The ₹74,000-crore industry has seen viewership growing in double digits for some time.

A major part of this growth in viewership has come from Telugu, Malayalam, Marathi, and Bengali. The viewership share of regional languages has been growing from about 36 per cent in 2015 to 40 per cent in 2019. During this period, the share of Hindi fell from 42.2 per cent to 34 per cent.

Networks such as Star, Zee, and Viacom18 get roughly half their viewership from regional languages. This is up from 20-25 per cent a decade ago.

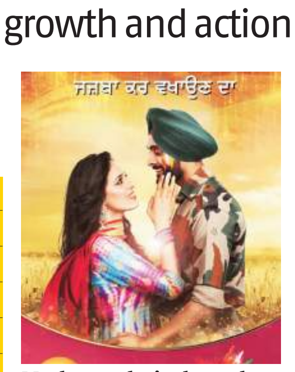
My Kannada, your Bhojpuri, his Marathi

This round of growth, however, is different in two ways. First, there is no talk of creating a cheap, low-cost 'regional' product. Turn to Page 17▶

REGIONAL SUPREMACY

Network	Viewership share (2019, %) Hindi	Regional	Channels Hindi	Regional	Revenues (₹ cr) FY19
Sun	0	10.3	0	32	3,782
Disney-Star	8.7	9.9	18	22	11,956
Zee	9.3	9.5	17	23	7,934
Viacom18	3.4	2.9	5	14	3,667
Sony	5.9	2.5	11	2	6,309

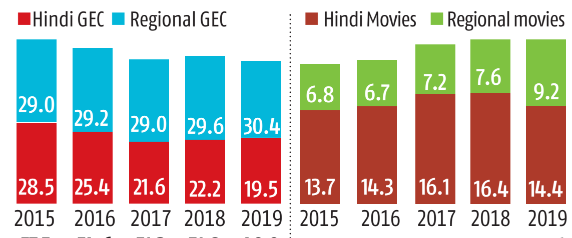
Viewership share is all India, ages 2 and above. Source: BARC India, RoC and companies



Market analysis showed love for the army was a hit

CONTENT IS KING

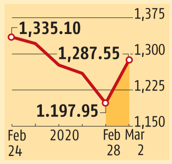
in (%)



Target group: India, ages four and above; viewership share of general entertainment channels (GEC), and movies. Source: BARC India

STOCKS IN THE NEWS

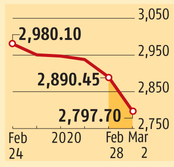
Shriram Transport Finance



Plans to raise funds via debt securities

₹1,287.55 CLOSE
▲7.48% UP*

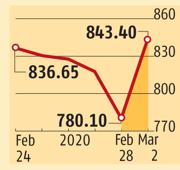
Bajaj Auto



Total sales in February down 10 per cent to 354,913 units; YoY

₹2,797.70 CLOSE
▼3.21% DOWN*

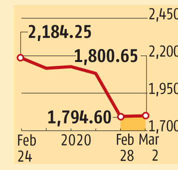
Escorts



February tractor sales up 16 per cent at 8,049 units; YoY

₹843.40 CLOSE
▲ 8.11% UP*

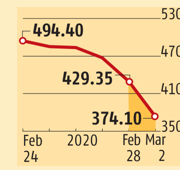
Affle (India)



Signed agreement to acquire Mediasmart

₹1,800.65 CLOSE
▲0.33% UP*

Inox Leisure



Top loser among the S&P BSE 500 index stocks

₹374.10 CLOSE
▼ 12.87% DOWN*

*OVER PREVIOUS CLOSE

Tatas may take call on Air India bid this week

JV with Singapore Airlines, Temasek may submit EoI

ARINDAM MAJUMDER
New Delhi, 2 March

Tata Sons and Singapore Airlines are actively weighing the option to bid for Air India and a decision to submit an expression of interest (EoI) could be taken soon.

Sources aware of the development said the board of Tata Sons, the holding company of the group, would meet later this week and possibly take up the Air India matter for approval.

Singapore government's sovereign fund Temasek is also likely to be a part of the consortium being planned for the Air India bid, one of the sources said.

When asked about Tata group's interest in Air India, Bhaskar Bhat, chairman of Vistara and a director in Tata Sons board, said the group was evaluating options.

"We are evaluating Air India. Which company would not be interested in evaluating a sovereign airline of the country?...Whether we bid or not comes later," he said. On whether Vistara or Tata Sons was evaluating Air India, Bhat said, "We (Vistara) are a joint venture".

The government has decided to sell 100 per cent stake in the airline and has invited bids for it. The last date to submit bids is March 17 but the deadline could be extended if there are requests from potential bidders.

Officials involved in Air India's sale process said a big reason why the Tata group didn't submit a bid last time was the government's decision to hold on to 24 per cent stake. "They were interested last time too. But a big hurdle was that they wouldn't have been able to merge Air India with Vistara unless they owned 100 per cent," another source said.

Vistara Chairman Bhaskar Bhat (*centre*) with the cabin crew of the airline during the launch of Boeing 787-9 Dreamliner in Delhi on Monday PHOTO: PTI

"WHICH COMPANY WOULD NOT BE INTERESTED IN EVALUATING A SOVEREIGN AIRLINE OF THE COUNTRY? WHETHER WE BID OR NOT COMES LATER"

BHASKAR BHAT
Vistara CEO

After its unsuccessful bid to sell Air India in 2018, the central government this time has decided to off-load its entire stake.

Tatas, the salt-to-software conglomerate, and Singapore's national airline operate Vistara, which inducted its first wide body aircraft Boeing 787-9 Dreamliner on Monday.

The wide body aircraft is the centre piece of Vistara's business plan. It's expecting that supremacy in long-haul international routes will help it recoup losses due to the cut-throat domestic market dominated by low-cost airlines.

That's among the reasons the Tata group is interested in Air India, which has slots and bilateral rights in all major airports across the world including some of the most constrained like Heathrow in London.

Unavailability of slots at Heathrow has forced Vistara to plan its London flight into Gatwick Airport- the city's secondary airport which isn't popular among full service airlines. "Anyone who operates to London ideally wants Heathrow Airport. We tried a lot but finding a slot in Heathrow is quite impossible at this point of time. No one wants to give up. We may start with Gatwick and shift to Heathrow whenever slots are available," a Vistara executive said.

IN BRIEF

Infosys pays ₹6 lakh in compounding fee

Infosys said it has paid ₹6 lakh as compounding fees in the matter related to severance agreement with former CFO Rajiv Bansal (*pictured*). In November last year, Infosys (along with certain current and former key managerial personnel) submitted applications with the Registrar of Companies for compounding of certain alleged offences that pertain to matters related to the severance agreement executed with Bansal in October 2015. **PTI**

Kia says sold 15,644 units in Feb, now third-largest carmaker

Kia Motors India on Monday said its wholesales in February stood at 15,644 units. It despatched 14,024 units of Seltos and 1,620 units of Carnival to dealers last month, Kia Motors India said. The automaker said it had now become the third-largest car manufacturer in the country. "Our latest offering, the Carnival, has been received well and this has helped adding to our sales numbers," Kia Motors India Managing Director and CEO Kookhyun Shim said. "With the new compact SUV, Sonet, launch slated for the second half of the year, I am confident we will continue to carry this momentum." **PTI**

Cox & Kings reports alleged fraud in accounts of UK arm

Cox & Kings said its new auditors have noticed the use of "allegedly forged financial statements" in the accounts of its UK-based subsidiary Prometheon Enterprise. The firm said audited financial statements of Prometheon were not signed by Raffingers — the auditor of its UK-based arm. Cox & Kings is going through corporate insolvency resolution process. **PTI**

Oppo to set up 5G lab in India, expand IoT product portfolio

Mobile handset company Oppo has said it would set up a 5G laboratory in India and expand the internet of things product portfolio. The firm unveiled two models of Reno3 Pro smartphones priced at ₹29,990 and ₹32,990, respectively. **PTI**

Dayapatra Nevatia of Accenture named new Mindtree COO

IT company Mindtree said on Monday it had appointed Dayapatra Nevatia chief operating officer. The former Accenture executive will be based in Bengaluru, it added. At Accenture, Nevatia was the MD and director of delivery for advanced technology centres in India. **PTI**

Nilekani's firm invests in used-car retail firm Spinny

Online used-car retailing platform Spinny on Monday said it has raised $43.7 million (about ₹315 crore) funding led by Fundamentum Partnership, a growth-capital fund backed by Nandan Nilekani and Sanjeev Aggarwal. **PTI**

IOC may enter JV to make recharge-free e-vehicle batteries

Indian Oil is in talks with domestic electric vehicle makers to start field trials for metal-air batteries that Phinergy, an Israeli company in which the oil marketer recently picked up minority stake, specialises in. Indian Oil chairman Sanjiv Singh also said they would soon form a JV with Phinergy to set up a unit to make the metal-air batteries that don't need electricity for recharges. **PTI**

Piramal receives $900 mn on closing sale of DRG biz

Piramal Enterprises said it has received $900 million (₹6,500 crore) on completion of divestment of stake in its health care insights and analytics business to US firm Clarivate Analytics. In January, the company announced an agreement for sale of its Decision Resources Group business to Clarivate Analytics for $950 million. **PTI**

Kotak fund invests ₹500 crore in debt-laden Jindal Stainless

Kotak Investment Advisors-managed Kotak Special Situations Fund (KSSF) announced an investment of ₹500 crore in Jindal Stainless (JSL) in the form of debt and equity. This will help the stainless steel producer come out of the corporate debt restructuring (CDR) process as it will aid in repaying its loans and debt obligations to banks, said Kotak Investment Advisors in its release. Kotak Special Situations Fund is a $1 billion fund with a mandate to invest in special situations in India. **ADITI DIVEKAR**

'Coke wants India to be its 3rd largest mkt'

VIVEAT SUSAN PINTO
Mumbai, 2 March

Coca-Cola, the largest beverage company, wants to make India its third-largest market in the world, chairman and global chief executive officer (CEO) James Quincey has said.

On his third visit to the country, Quincey (55), also indicated that the India business had touched 1 billion in unit sales in calendar year 2019. The local arm of the Atlanta-headquartered firm was now looking to double volumes to two billion (in unit sales) within five years, he said. The statement comes as the domestic market continues to be wrecked by a consumption slowdown, which is showing no signs of abating any time soon.

Quincey said a 'short-term' blip in consumption does not affect the company's long-term plans for growth. "India is one of the strategic markets for The Coca-Cola Company. It continues to make a strong contribution to global results, presenting opportunity and growth potential," he said.

"We are transforming to becoming a total beverage company with strong local roots. In the past two years, the portfolio of beverages has expanded in a segmented manner," he said.

As things stand now, India ranks fifth in the world for Coca-Cola, ahead of Japan. It lags behind the US, Mexico, China and Brazil, which are Coca-Cola's top four markets globally. Coca-Cola has both carbonated and non-carbonated drinks in India, which according to Quincey has been clipping at a 'strong pace'.

Coca-Cola is now betting on categories such as enhanced hydration, dilutables and low-calorie drinks, Quincey said. Analysts tracking the company said the India business of Coca-Cola has registered steady volume growth for at least two years now, led by its carbonated and non-carbonated product portfolio. The combined revenue of Coca-Cola's domestic bottling and marketing operations, according to regulatory filings and analysts, stands at over ₹13,000 crore for FY18-19.

In December, Coca-Cola had realigned its bottling operations in North India, transferring four territories to existing bottlers.

The company has declined speculation that it proposes to exit bottling operations in India altogether, saying that it will continue investing in all aspects of the business.

In 2012, Coca-Cola had announced plans to invest $5 billion in India by 2020. "These investments are on track," said Quincey, adding that an additional $1.7 billion committed towards building a "fruit circular economy" in the country would be closed ahead of its 2023 deadline.

Quincey also said the company would continue to push "smaller packs, drive innovation and roll out local drinks and flavours" in line with its global strategy.

In India, for instance, the company was aiding cultivation of mangoes, apples, grapes, litchi and oranges, used for its juice portfolio under Minute Maid.

The company is also looking at reducing sugar in its drinks amid growing demand from consumers for the same. The sugar content in Maaza and Thums Up, for instance, had been reduced in the past eight months, Quincey said.

"INDIA IS ONE OF THE STRATEGIC MARKETS FOR COCA-COLA"

"IT CONTINUES TO MAKE A STRONG CONTRIBUTION TO GLOBAL RESULTS"

JAMES QUINCEY
Chairman and global chief executive

Two-wheeler sales skid but exports on the rise

T E NARASIMHAN
Chennai, 2 March

TVS Motor's domestic two-wheeler sales recorded a decline of 27 per cent at 169,684 units in February 2020 against 231,582 units in February 2019. Total two-wheeler sales, including exports, were 235,891 units in February 2020, against 285,611 units in February 2019, a decline of 17.4 per cent. Motorcycles logged sales of 118,514 units in February 2020 against 122,551 units in February 2019, a fall of 3.3 per cent. Scooters registered a fall of 30 per cent with sales at 60,633 units in February 2020 against 86,935 units in February 2019.

But the company's total exports grew 25 per cent from 66,570 units in February 2019 to 82,877 units in February 2020. Two-wheeler exports grew 23 per cent, increasing from 54,029 units in February 2019 to 66,207 units in February 2020. Three-wheeler sales grew 26.4 per cent to 17,370 units during the month compared to 13,742 units during the same month last year.

Overall sales of TVS declined 15.4 per cent to 253,261 units during February from 299,353 units during the same month of last year. TVS said it was on track to reduce dealer level BS-IV stocks.

MARKET MATHS
(Number of units)

Company	Feb 2020	Feb 2019	Change (%)
Suzuki	58,644	57,174	2.6
TVS	1,69,684	2,31,582	-27
Hero	4,80,196	6,00,616	-20
Bajaj	1,46,876	1,86,523	-21
Total	8,55,400	10,75,895	-21

Source: Companies

CV sales continue to fall

T E NARASIMHAN
Chennai, 2 March

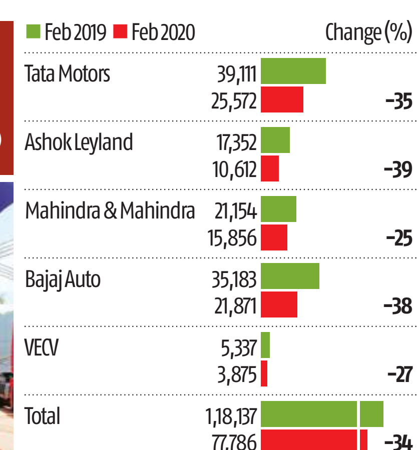
Sales for the commercial vehicles (CV) industry continues to be in doldrums, after falling for more than one-and-a-half years. Top CV makers' cumulative sales dropped by 35 per cent in February 2020 compared last February.

Girish Wagh, president, CV business unit, Tata Motors, said retail sales in February was ahead of wholesale sales by 37 per cent, bringing down stocks further to an all-time low.

Anand Mahindra, chairman, Mahindra Group, said auto wholesale volumes in February were anomalously low, given the disruption in supply chains and the change-over to BS-VI emission norms. "However, I see the tractor industry volumes as an encouraging sign of a potential revival in the rural economy," he said. He said, "We are on track for the BS-VI migration, with BS-IV stocks being consumed according to plan and BS-VI production initiated. Supply disruptions owing to the Covid-19 outbreak in China could have some impact on BS-VI transition and all efforts are underway to mitigate it."

Satyakam Arya, MD and chief executive, Daimler India Commercial Vehicle, expects the industry to decline by 10 per cent, and in worst case, the dip will be 20-25 per cent.

COMMERCIAL VEHICLE SALES FEB 2020*
(Number of units)



*Inclusive of M&HCV, ICV, LCV, commercial passenger carriers

More than 30% of top 50 listed companies complete digital overhaul

PAVAN LALL
Mumbai, 2 March

A little more than one third of the top 50 companies by market capitalisation have completed digital transformational processes with visible business impact, according to research by McKinsey & Co. At least 32 per cent have started seeing results, 42 per cent of the sample set are getting started with transformation projects but haven't yet seen substantial impact, while the remaining 26 per cent are at an early experimentation stage, says Kushe Bahl, partner with McKinsey Digital and leader of the McKinsey Analytics Practices in India.

The key building blocks of a successful digital transformation include the right aspiration and vision, organisational structures across functions, building capability among people, and a mindset change but that also required an executive position within an organisation to drive change forward via a "transformation office". Transformation offices have either a chief transformation officer who is the chief programme manager and oversees all the different digital initiatives, a chief data officer (CDO) who serves to harness resource pools or a chief digital officer (CDO) who builds an organisation from the outside with start-ups and tech vendors who provide support and service.

DRIVING TRANSFORMATION

Executive	Designation	Company
JAYANTA BANERJEE	Group CIO	Tata Steel
MANISH GUPTA	Director of digital platforms & innovation, marketing technology	Mastercard
ANJANI RATHOR	Chief digital officer	HDFC Bank
DEEPAK SHARMA	President and chief digital officer	Kotak Mahindra Bank
SWAMINATHAN JANAKIRAMAN	DMD & chief digital officer	State Bank of India
VENKATESH NATARAJAN	Chief digital officer and senior VP-IT	Ashok Leyland
AARTI SUBRAMANIAN	Group chief digital officer	Tata Sons
DEEP THOMAS	Chief data and analytics officer	Aditya Birla Group

Source: McKinsey

The industries that are rapidly moving towards digital transformation are financial services, auto, telecom, and to a lesser degree, manufacturing.

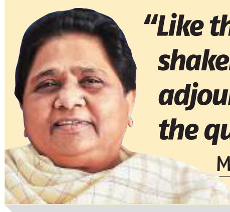
The State Bank of India's digital banking platform Yono is the largest e-commerce platform outside of pure-play e-commerce firms, its officials have said. SBI has over a 100 partners and is engaged in large numbers of redirections to Amazon, Flipkart and IRCTC.

The other example of digital transformation is Tata Steel, which was recently inducted in World Economic Forum's Global Lighthouse Network. Tata Steel's greenfield steel plant in Kalinganagar has improved time to market by 50 per cent, because of investments in digital and analytics solutions, as well as capability-building to develop the digital skills junior resources.

In the recent past, automotive manufacturer Ashok Leyland has identified digital as a critical strategy to tap the fragmented ₹60,000-crore aftermarket. On an average, the distance between garages run by original equipment manufacturers (OEM) and service stations is 100 km, while local garages are at every 3 km. The firm has mapped 20,000 mechanics for its digital initiative. Bahl says a transformation office can vary in size from five to six people and be as large as 150 people. "Artificial Intelligence (AI) is very much part of the agenda and a powerful tool when used for transformations," Bahl says. What does that cost? A full IT overhaul to digital for a large corporation can easily run into hundreds of crores over many years. However, most enterprises already have quality tech that can be easily upgraded with a lower-cost technology approach that augments as opposed to replaces.

The return on investment (ROI) on a digital capex is also higher at around 300 per cent, Bahl says. "Earlier, there was talk of how old would be disrupted by new and how legacy companies would die but today, AI gives companies the chance to optimise their processes. Take steel, for example. It will always be about selling steel but you can get better at selling it and making it."

Most large firms already have a CDO in place. Uma Talreja, chief marketing and customer officer, overseeing digital functions for Shoppers Stop, says the key to following ROI after a digital transformation is to not just record and tabulate digital or e-commerce sales only but to see how the entire top-line is growing. "The thing about digital is that it is also a huge influence in growing overall business," Talreja says. Shoppers Stop started its digital journey two and a half years ago. Talreja says it takes three-five years to see absolute returns on digital overhauls kick in.



"Like the 1984 anti-Sikh riots, the recent violence in Delhi has shaken the entire country. It would be better if Parliament adjourns all business, and holds an open debate and answers the questions of the public. But, not doing this is unfortunate"

MAYAWATI
Bahujan Samaj Party chief

"India is being recognised as an entrepreneurial nation, and for this, our hard-working youth deserves praise. Because of them, we have the largest start-up ecosystem and got success from tech to space science"

RAM NATH KOVIND
President

"This (NRC) is a process that is entirely internal to India. Therefore, there will be no implications for the government and people of Bangladesh. You have our assurance on that count"

HARSH VARDHAN SHRINGLA
Foreign secretary

IN BRIEF

Govt to allow onion export from March 15, tweets Goyal

The government will allow export of onions from March 15 in the interest of farmers, Commerce and Industry Minister Piyush Goyal (*pictured*) said on Monday. The decision will help boost the income of farmers, the minister said in a tweet. The government last week decided to lift nearly six-month-old ban on export of onions as prices are likely to fall sharply due to bumper rabi crop. The ban was imposed after the prices of the commodity skyrocketed. Now, onion prices have stabilised and there is bumper crop also. Expected monthly harvest in March is over 4 million tonne, against 2.8 mt last year, Food Minister Ram Vilas Paswan had said last week. PTI

PNB Housing board to take a call on raising funds today

PNB Housing Finance's board will meet on Tuesday to take up plans for raising equity capital (about ₹1,500-1,600 crore) to support business growth. The firm has kept options open to raise money through qualified institutions placement, or a preferential issue. Its share price was down 6 per cent at ₹338.2 per share on the BSE. BS REPORTER

GST officials detect fake invoices, arrest 3 in Delhi

GST officials have arrested three persons involved in floating 17 fake firms and wrongfully availing credit on taxes paid on input worth ₹436 crore by issuing fake invoices. Officers of the Central GST Delhi East Commissionerate detected that the fraudulently availed input tax credit by these firms was used to file refund claims to the tune of ₹11.55 crore. PTI

UP CM says Jewar to make Noida investment hub

Uttar Pradesh Chief Minister Yogi Adityanath on Monday said the proposed Jewar international airport in Greater Noida would position Noida region as a global investment hub in the next 5-10 years. The CM inaugurated or laid the foundation of 23 projects worth more than ₹2,800 crore. BS REPORTER

Fuel demand likely to rebound to 3.8% in FY21: Ministry

Fuel demand is forecast to rebound to 3.8 per cent in the next fiscal year, from its slowest pace in six years, according to oil ministry estimates. Petroleum product demand in FY21 is likely to total 222.79 million tonnes, up from 216 mt estimate for this fiscal year, the Petroleum Planning and Analysis Cell (PPAC) said. PTI

Recovery via IBC better than other options: IBBI chief

Asserting that recovery through Insolvency and Bankruptcy Code (IBC) has been better, IBBI Chairperson M S Sahoo said creditors had recovered ₹1.6 trillion, which is 207 per cent of the realisable value of assets of 190 companies rescued till December last year under it. He said incidental recovery had been pretty good under the Code. PTI

Ministry for not extending duty on palm oil imports

The Directorate General of Trade Remedies (DGTR) has not recommended extension of bilateral safeguard duty on imports of a particular variety of palm oil from Malaysia, according to a notification. The DGTR had in August started a probe into an alleged jump in imports of refined bleached deodorised palmolein and refined bleached deodorised palm oil from Malaysia following a complaint. PTI

Feb manufacturing PMI slips marginally to 54.5

Coronavirus scare keeps companies spooked and business optimism low

SUBHAYAN CHAKRABORTY
New Delhi, 2 March

The manufacturing sector maintained strong growth momentum for a second straight month in February, even as the outlook remained bleak because of the coronavirus outbreak, said a monthly survey released on Monday.

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) stood at 54.5 in February, slightly lower than the eight-year high of 55.3 in January. In PMI parlance, a print above 50 means expansion, while a score below that denotes contraction. The beleaguered sector has continued to strengthen ever since PMI fell to a two-year low of 50.6 in October. However, official data shows that contraction remained entrenched in the manufacturing sector till December.

India's overall industrial production fell 0.3 per cent in December. However, some economists see an increase in core sector output as a sign of moderating decline. Core sector expanded 2.2 per cent in January, a mild increase from 2.1 per cent in December.

As of February, manufacturing production increased at a similar pace to January's 91-month high, as companies reacted positively to new business gains and favourable market conditions. At the sub-sector level, growth was led by consumer goods makers, followed closely by intermediate goods producers, as new orders rose at a faster clip.

February data showed that exports contributed to the expansion in total sales, with Indian companies noting the second strongest improvement in international demand for their goods since November 2018. In end-2019, manufacturers had fallen back to demand from overseas markets to rescue them at times of lax domestic demand. Foreign orders expanded for the 28th month in a row, the survey said.

However, the subdued mood over the coronavirus outbreak restricted new hiring in the sector. The increase in hiring is the weakest in last three months. In November, the survey had noted massive layoffs.

But firms continued to increase input buying as robust sales growth and higher production needs held steady. In turn, stocks of purchases continued to expand in February, with the pace of accumulation being the quickest in close to three-and-a-half years, the survey said.

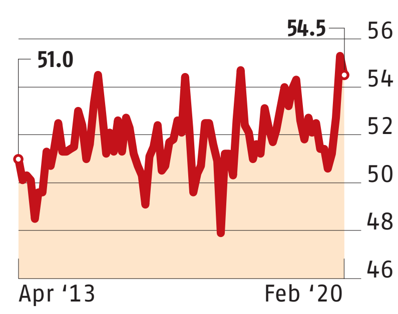
Latest data also pointed to a general lack of pressure on the capacity of manufacturers and their suppliers, with vendor performance and backlogs increasing only fractionally.

While average cost burdens increased further, inflation was moderate, one that was negligible by historical standards. Input goods like chemicals, food, metals, paper, plastics and textiles, mostly from China, continued to get costlier as China's factories remain closed.

However, the rate of charge inflation crept upwards slowly, a trend that has been a key theme of the manufacturing PMI survey for over a year, the survey noted.

Business sentiment remained under pressure due to uncertainty over whether domestic demand would recover. "Also, alarm bells are ringing for Indian goods producers as the COVID-19 outbreak poses threats to exports and supply chains. Businesses became less confident about the year-ahead outlook for output, in turn restricting hiring activity," said Pollyanna de Lima, principal economist at IHS Markit.

GROWTH TRAJECTORY



Note: A reading above 50 denotes expansion, while below 50 denotes contraction
Source: IHS Markit

Fitch cuts India's growth forecast to 4.9% for FY20

Fitch Solutions on Monday cut its forecast for India's economic growth to 4.9 per cent in the current fiscal year, saying manufacturing could come under pressure from weak domestic demand and supply chain disruptions due to the coronavirus outbreak.

The gross domestic product (GDP) growth is forecast to recover slightly to 5.4 per cent in 2020-21, it said. "We are revising down our forecast for India's real GDP growth to 4.9 per cent in FY20, from 5.1 per cent previously, and 5.4 per cent in FY21, from 5.9 per cent previously," the agency said.

The real GDP growth decelerated to 4.7 per cent in the third quarter, from an upwardly revised 5.1 per cent in Q2, owing to slower government consumption, a contraction in gross fixed capital formation, and a smaller net exports contribution. "A failure of the FY21 Union Budget to provide support to the industry will also bring little reprieve for a sluggish industry already coming under heavy pressure from a credit squeeze following the collapse of several key NBFCs," it said. PTI

GST COLLECTIONS: HOW TOP 10 STATES FARE

Of the top 10 states in terms of goods and services tax (GST) collections from domestic activities, six saw a fall in year-on-year growth in February. While three states — Karnataka, Uttar Pradesh, and West Bengal — witnessed a significant increase in GST collections, Rajasthan saw a tad one percentage point rise.

COMPILED BY INDIVJAL DHASMANA

Top 10 in terms of GST collections from domestic activities

	Jan '20 (₹ crore)	Feb '20 (₹ crore)	YoY growth (%) Jan '20	YoY growth (%) Feb '20
MAHARASHTRA	18,085	15,735	19	12
GUJARAT	7,330	7,216	19	11
KARNATAKA	7,605	7,414	4	14
TAMIL NADU	6,703	6,427	18	8
UTTAR PRADESH	5,698	5,776	4	13
HARYANA	5,487	5,266	14	8
WEST BENGAL	3,747	3,942	7	13
DELHI	3,967	3,835	13	12
TELANGANA	3,787	3,667	19	6
RAJASTHAN	3,030	2,932	9	10

Source: Finance Ministry

Ministry red-flags divestment in NTPC, PFC, PowerGrid

PRESS TRUST OF INDIA
New Delhi, 2 March

The Power Ministry has raised concerns over the proposed strategic divestment of government equity in NTPC, PFC, and PowerGrid, which may bring down its stake to below 51 per cent.

However, a final call on the proposed government stake sale is yet to be taken as the ministry has conveyed its reservations to the Finance Ministry.

"There are issues. There will be some advantages and there will be some disadvantages," Power Secretary S N Sahai told reporters on the sideline of 19th Foundation Day celebrations of Bureau of Energy Efficiency (BEE) on Monday.

Asked whether the power ministry has rejected the proposal, he said: "There is nothing like rejection. Each proposal has two sides, the advantages and disadvantages, we have conveyed both of them to the Finance Ministry. We have told them about the disadvantages, and we are cognizant of the advantages."

He further said that the ministry has highlighted both aspects of the issue and no stand has been taken yet, and these are part of deliberations on the proposal.

Earlier, under disinvestment plan, it was proposed to divest government equity below 51 per cent of its stake in certain public sector undertakings, including NTPC, PowerGrid and Power Finance Corporation (PFC).

Thereafter certain foreign bond holder in these PSU had raised concerns about that. The power entities are supposed to compensate bondholders after reduction of the government stake to below 51 per cent.

Moreover, the PSUs have raised concerns about this proposal saying that it would not go down well with investors particularly foreign lenders.

An official said that the power ministry has forwarded these PSUs concerns over reducing government stake below 51 per cent to the Finance Ministry.

Presently, the government owns 54.14 per cent in NTPC, 54.96 per cent in PowerGrid and 55.99 per cent in PFC.

On foundation day celebrations, the BEE launched star rating programme for deep freezers and light commercial air conditioners (LCAC).

The star labelling programme for deep freezer and LCAC together are expected to save about nine billion units of electricity and reduce CO2 emission by 7.7 mt by 2030. The star labeling for the two appliances are launched under voluntary mode which would be converted into mandatory mode after market transformation.

The power ministry has already conveyed its reservations to the finance ministry

CRISIL SME TRACKER

Profitability of dairy units will rebound in next fiscal

CRISIL EXPECTS A sharp hike in milk procurement costs relative to milk retail prices to deal a huge blow to the earnings before interest, tax, depreciation and amortisation (Ebitda) margins of dairy processors — especially private small and medium enterprises (SMEs) — in the current fiscal year (FY20).

The all-India milk procurement cost is estimated to have risen 19 per cent year-on-year (YoY) for dairy processors over April-December 2019, and is expected to rise by 18-20 per cent for the full fiscal.

The uptick in prices has been fuelled by a 5-6 per cent decline in milk production in the current fiscal year — due to high temperatures during April-June, and floods in July-August.

Retail milk prices rose by 3-4 per cent during April-December 2019, and are expected to rise 10 per cent during January-March 2020, thus closing this fiscal 5 per cent higher YoY.

The impact will be magnified in states such as Karnataka and Haryana, where state governments offer a subsidy of ₹4-6 per litre on milk supplied to cooperatives. While large private players are able to match the price offered by cooperatives to obtain the quantity of milk they require, SMEs are unable to do so, and fail to procure as much milk as they require.

Milk procurement prices are expected to stabilise in FY21, given abundant availability of water, following a monsoon that was 10 per cent surplus compared with the long period average.

Though the surplus monsoon played spoilsport for kharif crops, lowering production by an estimated 6 per cent, it has boosted sowing of rabi crops and is expected to lead to a healthy harvest, improve animal health, and exert downward pressure on fodder prices in coming months.

With the monsoon expected to be normal in 2020 too, milk procurement prices are likely to be stable hereon. This is expected to stabilise milk procurement costs, easing pressure on SME margins from Q1FY21.

ALLOWING LIFE INSURERS TO SELL HEALTH POLICIES

Standalone firms to lose out but buyers will gain: Experts

Non-life insurance companies will face stiff competition from life insurers

SUBRATA PANDA
Mumbai, 2 March

The Insurance Regulatory and Development Authority's (Irdai) move to set up a committee for studying the feasibility of allowing life insurance companies to offer indemnity-based health insurance policies has sparked a debate in the industry. The overarching view is that standalone health insurers would lose the most in this scenario.

Non-life insurers would not be affected severely as they could focus on other segments. Within the health segment, they could also look at selling more benefit-based products, which thus far formed a minuscule portion of their health business, experts said.

"It is likely to impact standalone health insurers more than multi-line insurers, since the latter have other products to offer in the market," said Subramanyam Brahmajoysula, head-underwriting and reinsurance, SBI General Insurance. "Life insurance firms have a superior distribution network. Health insurance indemnity policies can be complex and in-depth knowledge of the product features is required to provide appropriate advice to customers. This is an area where non-life insurance advisors might have an advantage, at least initially."

Moreover, experts believe if the regulator goes with the idea, Life Insurance Corporation (LIC), because of its size and reach, will benefit the most, and non-life insurers will have to be on their toes as to how they fulfil customer expectations. The overarching thought behind the move is to improve the penetration of the health insurance business in India. Before 2015, life insurance companies were allowed to sell indemnity based products, as well as benefit-based products. But in 2015, the regulator decided that to allow life insurance companies to sell benefit-based products, but not indemnity based products.

As far as health insurance is concerned, industry experts say, it has always been dominated by non-life insurers. But capacity building in underwriting and claims management is expensive and both standalone health insurance and general insurance firms are struggling to make portfolios large and viable.

"The life insurance industry has an enormous distribution network. If you look at LIC, it has 1.2 million agents and all other companies put together have a got a million agents. So 2.2 million agents will be selling health insurance. It will be a game-changer not only for LIC, but also for the industry and the country," said N S Kannan, MD & CEO of ICICI Prudential Life Insurance, at the *Business Standard* Insurance Roundtable 2020.

If some portions of the general insurance segment are being opened up, then some of life insurance may also open up, said the CEO of a general insurance company. The health insurance segment is growing and the more firms create awareness, the more they can capitalise on it. Experts said it should not be seen as cannibalisation but as a developmental goal.

NON-LIFE INSURERS REGISTER 15% GROWTH IN PREMIUMS

Non-life insurers have registered 15 per cent growth in premiums underwritten by them between April and January of this financial year. In absolute terms, premiums underwritten by the insurers totalled to ₹1.59 trillion, against ₹1.39 trillion in the same period last financial year. The private non-life insurers grew at 15 per cent in the period, with highest growth recorded in fire, health, and motor segments, while aviation, crop insurance, and credit guarantee struggled. State-owned insurers posted 9 per cent growth in premiums with crop, fire, and credit guarantee insurance performing well. Segments like motor, health, and personal accident lagged behind.

Segment-wise gross premium underwritten by non-life insurers for April-January FY20 (₹ crore)

	Fire	Marine	Engineering	Motor	Health	Crop	Credit	Aviation	Liability	Personal accident	Others	Total
PRIVATE	7,749	1,637	1,042	36,320	11,228	13,430	227	131	1,652	2,746	1,609	77,770
Growth (%)	40	12	10	18	20	0	4	4	14	6	10	15
STATE-OWNED	5,881	1,433	1,144	21,219	20,396	6,522	54	451	723	1,121	1,925	60,869
Growth (%)	31	7	6	-2	5	84	80	33	3	-6	-9	9
INDUSTRY TOTAL*	13,630	3,069	2,185	57,539	42,328	28,753	1,191	582	2,348	4,371	3,534	159,557
Growth (%)	36	9	8	9	15	24	-4	25	10	3	-1	15

*Includes performance of standalone health insurers and specialised PSU insurers

Source: Irdai

Samsung fined ₹37 L for not passing GST benefits

DILASHA SETH
New Delhi, 2 February

India's profiteering watchdog has ordered Samsung to pay nearly ₹38 lakh for not passing on goods and services tax (GST) rate cut benefits on television sets to consumers.

The National Anti-Profiteering Authority (NAA) held that the South Korean company did not reduce the selling price of its 32-inch LED TV 32FH4003. This was despite a cut in GST rates to 18 per cent, from 28 per cent, on television sets.

Besides, the company was also fined for not passing on the rate cut benefit on power banks amounting to ₹29,736, taking the total profiteered amount to ₹37.85 lakh.

The GST Council had reduced rates on television sets above 26 inches and up to 32 inches screen size. Also, GST on power banks was reduced to 18 per cent from 28 per cent from January 1, 2019.

"The prices of products affected by the rate reduction were not decreased commensurately. Hence, it was a violation of Section 171(1) of the CGST Act 2017," the NAA said in its order. The order said that if there was any increase in costs, the firm should have increased the prices before December 31, 2018. "However, it cannot be accepted that costs had increased on the intervening night of December 31, 2018, and January 1, 2019, when the rate reduction had happened. This had forced the company to increase prices exactly equal to the reduction of tax rate. Such an uncanny coincidence is unheard of and hence there is no doubt that the respondent had increased prices for appropriating the benefit of tax reduction," said the order.

The NAA directed commissioners of central GST (CGST) and state GST (SGST) to ensure that the amount profiteered by Samsung is deposited in the consumer welfare funds of the central and state governments.

In its defence, Samsung had called the case arbitrary. This is because applicants had submitted screenshots of price as listed on an online marketplace without giving any evidence to substantiate that the supply actually took place.

Samsung said the TV model was being sold on Amazon.in, a third party marketplace. Also, Samsung was not the supplier but Jumbo Distributors and EP Electronic Paradise were.

The anti-profiteering mechanism is a three-stage process. There is a state-level screening committee for local complaints and a standing committee for national-level complaints. Then, there is an investigation by the directorate general of anti-profiteering and a probe by the decision-making body, the NAA.

Nestlé and Johnson & Johnson are among companies that have contested the NAA's orders against them in the high court and got a temporary stay.

RBL, Zomato, Mastercard to launch new co-branded credit cards

NEHA ALAWADHI
New Delhi, 2 March

Mastercard is banking big on its co-branded card in partnership with Zomato and RBL, in a bid to tap the potential of online food delivery market, which has been expanding beyond big cities.

The 'Edition Cards' will offer a host of benefits for cardholders every time they use Zomato or spend online and offline. The co-branded card, which comes in two variants — Edition and Edition Classic, will offer benefits such as Zomato Gold membership, cash back as well as airport lounge access.

"We started (the co-branded cards programme) three years ago... one of the reasons you're seeing more of these launches is because we're talking directly to the merchants," said Rajeev Kumar, senior vice-president, market development, South Asia, Mastercard.

Uber elevates India tech leader to global role

Uber has elevated Vidhya Duthaluru, who heads a 70-member engineering team at the Bengaluru technology centre, to global engineering head of the the company's customer care platform.

Duthaluru becomes the first Indian woman in a technology role to lead a global team. She will be responsible for the entire customer support engineering operations at Uber globally, and will have teams in Palo Alto and San Francisco offices report to her, Uber said on Monday. "I am delighted to be given this incredible opportunity to scale up the global customer obsession engineering team," Duthaluru said.

In December, *Business Standard* reported that Uber was prepping India as a key engineering hub to support its operations. It plans to increase engineering staff to 1,000 and divert work on many key functions to India. YUVRAJ MALIK

Nokia CEO Rajeev Suri calls it a day after 25-year stint

YUVRAJ MALIK
New Delhi, 2 March

Rajeev Suri, president and chief executive officer (CEO) at Finnish telecommunication major Nokia, is stepping down from his role to pursue opportunities outside the company, the firm stated on Monday. Pekka Lundmark, the current CEO of energy firm Fortum, will take over as president and CEO on September 1.

Suri, 52, will work towards smooth transition with his successor before he leaves. "After 25 years at Nokia, I have wanted to do something different," said Suri. "Nokia will always be a part of me, and I want to thank everyone who I have worked with over the years for helping make Nokia a better place and me a better leader. I leave the company with a belief that a return to better performance is on the horizon and with pride for what we have accomplished over time. Pekka is an excellent choice for Nokia," he said. Suri was appointed CEO in April 2014. His departure comes at a time when Nokia is facing a decline in earnings and talks are rife of a potential deal to sell some assets or merger with another telecommunications firm.

A *Bloomberg* report on February 26 said the Finnish company was in talks with peer Ericsson AB for a merger or partnership in certain business areas. This follows remarks by the US government that European telecom makers must be supported to fight against Huawei, which US banned in 2019.

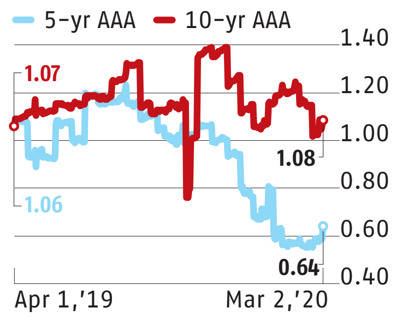
The US should be 'actively considering' investments in Nokia or Ericsson to counter the threat posed by China's dominance of emerging 5G technology, Attorney General William Barr had said in February, according to *Bloomberg*.

Bond spreads shrink but no cheer

Experts say it'll be wrong to assume that bond market is welcoming back corporates

ANUP ROY
Mumbai, 2 March

CLOSING GAP
Corp-G-Sec yield in %



Compiled by BS Research Bureau Source: Bloomberg

The spreads between corporate bonds and equivalent maturity government bonds have come down substantially. Although this gives an impression that the bond market is welcoming back corporates, experts say it would be a wrong conclusion to draw.

The spread between the 10-year AAA-rated corporate and equivalent maturity government bonds have fallen to 108 basis points, from about 140 basis points in October end last year.

The drop is even sharper for the five-year segment where the spread has contracted to 64 basis points, from about 110 basis points at the end of October.

This may give an impression that the rate transmission the Reserve Bank of India (RBI) hoped for may have happened in the corporate bond segment, too. That would also mean that Indian companies can raise bonds at a cheaper rate from the market.

But issuances in corporate bonds are actually falling, largely because non-banking financial companies (NBFC) are staying away from issuing fresh papers.

This is creating its own demand for every new issuance. And that may explain why corporate bond yields are also falling.

As prices of bonds rise, the yields fall and vice versa.

"Compression in spread between G-Sec and corporate bond is largely to do with favourable demand-supply dynamics and improvement in the interest rate outlook. However, in the case of risk premium or market liquidity, they haven't improved considerably," said Soumyajit Niyogi, associate director at India Ratings and Research.

At 6.80 per cent for a five-year maturity AAA-rated paper, Indian corporate bonds still offer one of the highest returns for a foreign investor. In case of public sector enterprises, the yield is about 15-basis points lower. Still, those are attractive yields for almost risk-free returns.

But foreigners are not major investors in these markets, even as the government has opened up more space for them in the Budget.

Mutual funds, by far, are the largest buyers of corporate bonds. But they are not as active as before after the IL&FS crisis where AAA-rated bonds got downgraded to junk in a matter of few weeks.

The lack of supply also makes the new issuances in the top-rated category costlier for investors.

The government bond yields have also fallen after the liquidity infusion exercise by the RBI.

For example, the 10-year government bond yields have fallen from 6.80 per cent at the end of December to 6.35 per cent.

Similarly, corporate bond yields have also fallen as general liquidity improved. The 10-year AAA-rated corporate bond yield, in the same period, has fallen from 7.86 per cent to 7.43 per cent.

But both yields need not move together, said Badrish Kulhalli, head of fixed income at HDFC Life Insurance.

"Both the yields don't necessarily move in tandem. High spreads are often not an indication of dislocation, but it's just normal leads and lags," said Kulhalli.

Vivaad se Vishwas to help save time, money: FM

PRESS TRUST OF INDIA
New Delhi, 2 March

"THE SCHEME WILL GIVE SETTLEMENT OPTION TO ALL THOSE WITH DISPUTED TAX... THIS WILL BE OF GREAT HELP BECAUSE PEOPLE SPENT A LOT OF TIME AND MONEY IN SETTLING CASES"

NIRMALA SITHARAMAN,
Finance minister

Finance Minister Nirmala Sitharaman on Monday said the direct tax dispute resolution scheme announced in the Budget would be of great help to people as it would save time and money spent in fighting cases.

As many as 483,000 direct tax cases worth ₹9.32 trillion are locked in various appellate forums such as Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal, High Courts, Supreme Court, and Debt Recovery Tribunals.

"The scheme will give settlement option to all those with disputed tax... This will be of great help because people spent a lot of time and money in settling cases," Sitharaman said while moving the Direct Tax Vivaad se Vishwas Bill, 2020 amid a din in the Lok Sabha.

She said the government had taken measures to reduce litigation and a similar scheme was announced for indirect tax disputes.

Under the proposed scheme, taxpayers willing to settle disputes shall be allowed a complete waiver of interest and penalty if they pay the entire amount of tax in dispute by March 31 this year, following which a 10 per cent additional disputed tax shall have to be paid over and above the tax liability.

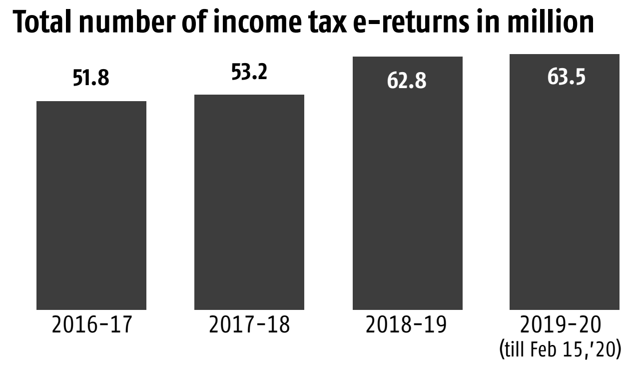
Further, where arrears relate to disputed interest or penalty only, then 25 per cent of disputed penalty or interest shall have to be paid if the payment is made by March 31, beyond which the same shall be enhanced to 30 per cent.

63.5 MN ITRs E-FILED TILL MID-FEB

The number of income tax returns (ITRs) filed through electronic mode has been increasing since the assessment year 2016-17 (AY17). The number of ITRs at 63.5 million till February 15 for AY20 has already surpassed that for AY19. The belated returns for AY20 can be submitted till March 31, 2020. Therefore this number will increase further, Minister of State for Finance Anurag Thakur said in a written reply in the Lok Sabha. He said the tax department had identified 1.56 million non-filers for AY19 through the non-filers monitoring system.

INDIVJAL DHASMANA

Total number of income tax e-returns in million



Source: Data given in written reply by Anurag Thakur in the Lok Sabha

States spent 14% less in 2015-18 to meet fiscal deficit targets

JAYAJIT DASH
Bhubaneswar, 2 March

States spent 14 per cent less capital between 2015 and 2018 than they had budgeted to meet fiscal deficit targets, said a report.

"Given the increasingly higher share of states in capital outlay of the country, it is important to note that cutback in capital outlay by states has been more than other components of their Budget. As the actual receipts have been significantly lower (9 per cent on average during the 2015-18 period), the states have had to cut their expenditure in order to meet fiscal deficit targets," a study by Delhi-based PRS Legislative Research noted.

During the 2010-20 period, states on an average spent higher on capital outlay as compared to the Centre. For instance, in FY20, capital outlay of states and the Centre are estimated to be 2.8% and 1.8% of GDP, respectively

"During this period, committed expenditure items comprising salaries, pensions, and interest payments have formed 53 per cent of the revenue expenditure. These are expenditure obligations which are difficult to reduce during the year. As revenue expenditure is less compressible, a disproportionate cutback is observed in capital outlay," the study added.

During the 2015-20 period, four states have, on average, spent more on capital outlay than they budgeted — Odisha (8 per cent), Haryana (6 per cent), Himachal Pradesh (5 per cent) and Karnataka (2 per cent). States which ended up spending significantly less than what they budgeted include Jammu & Kashmir (51 per cent), Assam (51 per cent) and Goa (50 per cent).

Capital outlay is the component of the government's expenditure which leads to creation of assets, such as roads and bridges, schools, and hospitals.

During the 2010-20 period, on average, have spent higher on capital outlay as compared to the Centre. For instance, in 2019-20, capital outlay of states and the Centre are estimated to be 2.8 per cent of gross domestic product, or GDP (₹5.7 trillion), and 1.8 per cent of GDP (₹3.8 trillion), respectively.

The size of the expenditure budget of states has increased over the years owing to revenue augmentation by the states as well as increased devolution from the Centre.

"The gap between a government's expenditure and receipts is funded through borrowings, which is subject to limits under the FRBM (Fiscal Responsibility & Budget Management) framework. States have managed to keep revenue deficit under control (0.1 per cent during the 2015-18 period) unlike the Centre (2.4 per cent during the same period). Consequently, states have had more funds for capital outlay," the report said.

RBI receives ₹1.71 trn in LTRO

PRESS TRUST OF INDIA
Mumbai, 2 March

The Reserve Bank of India (RBI) on Monday said it has received ₹1.71 trillion in the third long-term repo operation (LTRO) conducted for an amount of ₹25,000 crore.

The central bank received 66 bids in the three-year tenor LTRO, which has reversal date on March 1, 2023.

"The total bids that were received amounted to ₹171,965 crore, implying a bid to cover ratio (i e., the amount of bids received relative to the notified amount) of 6.9," the RBI said in a release.

As against this, the RBI allotted an amount of ₹25,028 crore, with a pro-rata allotment percentage to 14.54 per cent.

The RBI will conduct another LTRO for three-year tenor worth ₹25,000 crore on March 9.

It has already conducted two LTROs for ₹25,000 crore each on February 17 and February 24. In the February 17 LTRO for three-year tenor, it received bids amounting to ₹1.944 trillion.

In the second LTRO for one-year tenor conducted on February 24, the RBI got 52 bids amounting to ₹1.23 trillion.

In last month's bi-monthly policy review, the RBI had announced term repurchase agreements (repos) of one-year and three-year tenors for a total amount of ₹1 trillion at the policy repo rate, from the fortnight beginning February 15.

LTROs are aimed at helping banks to reduce their lending rates, thereby quickening the monetary policy transmission.

The new kid in town

Edtech products and companies are still looked at with suspicion by brick-and-mortar players in India's education space

OUT OF THE BLUE

ANJULI BHARGAVA

Even as India grapples with improving its brick-and-mortar institutes, the new kid in town is the edtech (technology in education) sector that is making inroads into the country.

While working on a two-part series on this relatively unknown creature, I learnt to my absolute astonishment that in a span of less than a decade, a total of close to 4,600 startups have jumped into the fray. Venture capital in excess of $2 billion has flown into Indian edtech companies since 2014, far lower than in China (over $12 billion) and the USA (over $8 billion) but more than the European Union ($1.27 billion), as per data compiled by HolonIQ, a global intelligence platform for education.

But even as edtech firms try to find their feet and entrench themselves in India's education space, there are many who are not convinced of the intent, content and applicability of the solutions offered by the players in the space. Let me elaborate.

Like any new industry in India, many fly-by-night operators, hoping to earn a quick buck are jumping in. Almost every day, a new venture is launched or a new tie-up is announced, most are bootstrapped and many disappear within a year of launch. While some are good ideas, not all can be translated into good businesses and the rate of failure is high.

In India, there are around 10 players, including a clutch of Bengaluru-headquartered companies like Byju's, Unacademy, Vedantu, Simplilearn, iNurture, Educational Initiatives and others like Toppr (Mumbai), Extra Marks (Noida), Next Education (Hyderabad) and Merit Nation (Delhi) that investors have bet their money on. But even among those who have managed to corner the funds, analysts argue that companies are currently a bit like headless chickens, jumping into new segments based on a rival's success and without doing their homework. Analysts are of the view that many players including the biggest, Byju's, appear to be in it for the valuation game and less concerned with the value created (more on this in a separate column).

But even if one assumes that companies are there with the right intent, not everyone is convinced about the content on offer and its effectiveness. I discovered to my surprise that very few products on offer in the Indian market had any independent third party impact evaluation done on them and that includes Byju's. Anita Kishore, chief of strategy for the company, told me that it "could consider having an independent impact study done" but confirmed that none had been done so far. On further research, I found only one credible independent impact evaluation study done on Mindspark (an adaptive learning programme developed by Bengaluru-headquartered Educational Initiatives) in after-school centres in Delhi. The Central Square Foundation — that tracks the ed-tech sector — confirmed that a couple of more third party evaluations are underway but the results are not out yet.

This failure or reluctance to conduct independent evaluations on the products they offer makes school principals, educationists, academicians and other operators wary of adopting the new products on offer and reduces their overall credibility. At least 10 principals I spoke to argued that the products on offer can at best marginally pique a student's curiosity or occasionally clarify a doubt. The CEO of The Education Alliance, a not-for-profit that is working with governments to improve their schools, Amitav Virmani argues that till the newbies are unable to provide verifiable data and concrete evidence of improved learning outcomes, ed-tech solutions will continue to remain a "fad" or a "buzzword".

What's worrying is that users too tend to see the offerings as a "fad". In a world exploding with choices and with attention spans plummeting, the latest fad or app takes the users' fancy. Retaining the attention of subscribers on their platform — be it parents or students — is still a huge challenge for almost all the players. Many parents attest that even before the paid subscription runs out, their child has lost interest in the product and wants what his or her peers are using. An endless revolving door, there's no guarantee that a subscriber who was with you in one year will be there in the next.

Where analysts and experts are by and large in agreement is that edtech can make a world of difference in bridging the gap in outcomes low-income communities typically face. But for that to happen, many barriers including language, affordability, awareness levels among others, have to be overcome. India is still a long way from that.

CHINESE WHISPERS

Adjourned after *halla bol*

The Rajya Sabha transacted little business on Monday because of uproar by Opposition parties over the recent violence in Delhi. The House was adjourned in the morning, till 2 pm. When it re-assembled, Opposition MPs entered the Well of the House and shouted slogans. Deputy Chairman Harivansh, who was conducting the proceedings, resisted from adjourning the House and asked HRD Minister Ramesh Pokhriyal to initiate discussion on a Bill to establish Sanskrit universities. Opposition MPs raised the pitch and shouted slogans, attacking the government. However, the Chair did not adjourn the House. After Pokhriyal, the Bharatiya Janata Party's Satyanarayan Jatiya started speaking on the Bill. Finding the pitch and the quality of sloganeering feeble, Congress MP B K Hariprasad jumped in and shouted "*halla bol, tadipar pe halla bol*". The chair adjourned the House for the day in a minute.

Bengal's pride

The Arvind Kejriwal-led Aam Aadmi Party's (AAP's) success in the recently-concluded Delhi Assembly polls has encouraged the Trinamool Congress to start its campaign for next year's Assembly elections in West Bengal right away. Also with just months to go for the civic polls, Bengal Chief Minister and Trinamool chief Mamata Banerjee on Monday launched a mass outreach programme, "Banglar gorbo Mamata" (Bengal's pride Mamata), focusing on the Bengali pride and Banerjee's leadership. With this, the party hopes to counter the Bharatiya Janata Party's upsurge in the state. For 75 days, over 100,000 Trinamool workers will explain to people why Banerjee is key to Bengal's development and to preserve its communal harmony. Election strategist Prashant Kishor, who helped the AAP, is also helping the Trinamool.

Medical test for brokers

In the past, while framing regulations, the Securities and Exchange Board of India has tried to protect retail investors from risky instruments such as derivatives trading. To do so, the market regulator has directed brokers to check if the customer they are onboarding has the wherewithal to deal with the securities market. Income status and financial market awareness are two of the parameters brokers rely on. Given the spike in volatility in the market, the joke doing the rounds in the market community is that brokers should also ask for medical fitness certificates, including cardiogram and blood pressure readings, at the time of opening new accounts.

Coronavirus spreads to metals

The epidemic is bad news for Indian steel manufacturers

KUNAL BOSE

In many ways, China's industrial economy remains a riddle wrapped in an enigma. This characteristic was evident when the World Steel Association (WSA) reported recently that China, which has over 53 per cent share of global steel production, managed to lift output in January by 7.2 per cent year on year to 84.3 million tonnes (mt). The riddle is on two counts: First, January is marked by Lunar New Year holidays when manufacturing and trading are at a low ebb. But when the week-long break was over, Beijing sought to contain the damage wrecked by the rapidly spreading coronavirus by extending the holiday more than once and restricting travel. All this kept factory attendance low.

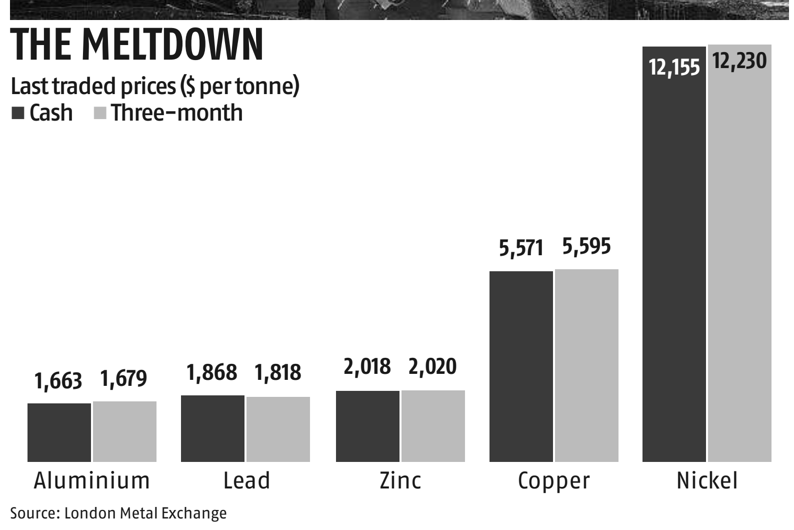
In such circumstances, the January steel production is logic-defying - when infrastructure and construction projects and metal-consuming downstream units, struggling to mobilise manpower, could not but depress local demand for steel in China. The WSA ahead of the virus outbreak and ArcelorMittal afterwards thought Chinese domestic steel demand would be up just one per cent this year, a tectonic change over estimated growth of 7.8 per cent in 2019 when there was a production spike of 8.3 per cent to 996.3 mt.

Because of the sheer size of its steel industry, whatever happens in China impacts the rest of the world, including India, always fearful of artificially-priced imports of steel products.

"What do you expect Chinese steelmakers, starved of domestic inquiries, to do when inventories of finished products rise sharply on the back of production spurt? They will be desperate to export as much as possible," says an industry official here. He adds that when domestic steel sales are about one-third the pre-coronavirus level, some of China's leading steel groups are offering price discounts of up to $55 a tonne on hot-rolled coil (HRC) to become early sellers in South East Asia in particular. For example, Hebei-based Anfeng Iron & Steel managed to sell large quantities of HRC to Vietnam last month at prices that other Chinese steelmakers found market-disruptive.

China's export aggression brings bad forebodings for Indian steelmakers whose exports have ranged from a low of 6.36 mt in 2018-19 to a high of 9.62 mt the previous year. India is now likely to be robbed of the advantage of selling steel in South East Asia. Coronavirus is likely to keep up the pressure on Indian domestic steel prices in the near term. Financial services group Edelweiss says India may also have to contend with more HRC imports from Japan and South Korea offering a discount of 3 to 4 per cent over prices.

The post-coronavirus pressures on steel will automatically result in intra-year demand volatility for raw materials such as iron ore and metallurgical coal and uncertainty in seaborne supplies. An outlook report from BHP Billiton, the world's largest miner and with a major profile in copper and nickel, says "effectively" containing COVID-19 this month could lead to an accelerated run rate in construction and manufacturing post-March, compensating for the loss in the year's first quarter. Major erosions in share prices of commodity companies across the globe are proof of how the rapid worldwide spread of the virus, first identified in December in Hubei province capital Wuhan, has badly shaken market confidence.



Source: London Metal Exchange

The optics of the market look poor in the short to medium term. Three-month aluminium on London Metal Exchange (LME) has slipped well below $1,700 a tonne and at that price smelters, which do not have the benefit of use of hydel and gas-based electricity, are all losing money. The global demand fall was made worse by high January aluminium production at 5.451 mt. LME copper is languishing at below $5,560 a tonne, a far cry from over $8,000 a tonne in 2012-13. High stockpiles at LME and Shanghai confirm weak zinc demand, with the three-month LME price hitting its lowest since July 2016.

Crude oil has also proved to be a particularly weak asset. Brent futures are down more than 25 per cent since the coronavirus scare started making headlines. West Texas Intermediate crude futures, too, came under similar pressure on lack of enquiries and cancellation of contracts. Many companies are parking their crude on very large crude carriers.

In the context of global economic outlook and the virus, S&P Global Platts has sharply cut in its estimate for world crude demand growth in 2020 to 860,000 barrels per day (B/D) from its earlier projection of 1.33 million. So oil is heading for the slowest growth since 2011. This may sound cynical, but the fall in oil prices on epidemic fears will bring major relief to India, which imports nearly 85 per cent of its crude requirements. But in the immediate term, India is bracing for production disruptions in automobile, cell phone and white goods manufacturers with components supply from China drying up. Pharmaceutical companies here dependent on China for drug ingredients are suffering as supplies are thinning. In that sense, the global coronavirus epidemics has many side effects.

ON THE JOB

Labour metrics flounder in February

Relatively stable or tending-to-rise unemployment rate combined with falling labour participation indicate employment rate is falling

MAHESH VYAS

In February 2020, the unemployment rate was 7.8 per cent. This is higher than it was in January 2020, when the unemployment rate was 7.2 per cent. During the four weeks of February, the unemployment rate was above 8 per cent for three weeks. It was 8.5 per cent in the first week, 8.1 in the second week and again in the fourth week. The rate fell to 7.4 per cent in the third week, which pulled down the average for the month to 7.8 per cent.

The unemployment rate has risen in 2019-20. The average rate for the first 11 months, April through February was 7.5 per cent. This is much higher than the 6.3 per cent average recorded during the same months of 2018-19.

While the unemployment rate has risen during the current year, it stopped rising after it touched 8 per cent in the middle of the year. The rate seems to have come off a peak of 8.2 per cent in August 2019 and slid down well below 7.5 per cent during November, December and January.

The 7.8 per cent unemployment rate recorded for February is therefore, higher than the recent average.

The unemployment rate rose in February because people lost jobs and swelled the ranks of the unemployed. The number of people estimated to be employed dropped rather sharply by 5.5 million from 411.3 million in January 2020 to 405.8 million in February 2020. During the same period, the number of persons unemployed and actively looking for jobs increased by 2.5 million, from 31.7 million to 34.2 million. Another half million added to the count of passively unemployed who were willing to work but were actively job hunting.

The remaining 3 million who lost jobs left the labour force and joined the count of those who were not interested in working. This is what is officially called as "not in the labour force". "The not in labour force" also increased because of the regular increase in the working age population.

Thus, during February, employment fell by 5.5 million, unemployed increased by 3 million and those not in the labour force increased by 5 million.

This is not a very nice report card for the month. But, a caveat is in order.

These monthly estimations are volatile. Changes in monthly estimates could reflect changes in the sample besides changes in the estimates themselves, such as the unemployment rate or the number of employed. A moving average of four months reflects the medium and short-term trends much better than the monthly estimates.

These moving averages tell us that in the past two-three years, the count of the labour force is not growing much but that of the people out of the labour force is growing rapidly. The labour force grew from a low of 420 million in mid-2017 to 440 million in the four months ending February 2020. The count of out-of-labour-force grew from 550 million to nearly 600 million in the same time. The growth in the labour force was 20 million, while that in those out of labour force was 50 million.

Similarly, over the same time horizon, while the count of employed has stagnated at around 406 million, the count of unemployed has almost doubled from about 17 million to 33 million.

In the shorter-run, the four-month moving average suggests that the unemployment rate has stopped increasing and seems shy of crossing the 8 per cent mark. However, the increase in the unemployment rate in February 2020 was higher than the trend suggested and the weekly unemployment rates of the month suggest that it did remain higher than 8 per cent through most of the month. Nevertheless, the generally weak trend in the unemployment rate comes at a cost of low and falling labour participation rate. Recent trends suggest a weakening of the labour participation rate. The rate seems to have fallen decisively below 43 per cent. This is a bigger cause for concern than the likelihood of the unemployment rate breaching 8 per cent.

This combined effect of a relatively stable or tending-to-rise unemployment rate and a falling labour participation rate indicates that the employment rate is falling.

The employment rate fell rather sharply to 39.3 per cent in February 2020, from 39.9 per cent in January 2020. At this level, 39.28 per cent to be precise, it was just a whisker away from its lowest level, which was 39.24 per cent in November 2019. The employment rate is the summary indicator India should be looking at rather than the unemployment rate, which is more relevant to a developed country. It is the per cent of working-age people who are employed. This is depressingly low and worryingly, it keeps falling.

The author is MD & CEO, CMIE

LETTERS

Stop reckless poll promises

Israeli Prime Minister Netanyahu, desperate to get re-elected amidst grave charges of financial bungling against him, has promised to annex the West Bank territory within weeks of coming back to power, implying a violent war against the present Palestinian occupants. A joint US-Israeli mapping committee has already earmarked the West Bank areas, as per President Donald Trump's latest Middle East peace plan, ahead of the US presidential election scheduled later this year. Across the globe democratic leaders make pre-poll promises like the anti-immigrant rhetoric in the US and Europe and like our own leaders offering freebies, farm loan waivers and so on, ignoring the disastrous socio-economic consequences. There is an urgent need to correct this anomaly by putting in place a system to prevent leaders from making reckless election promises.

Mahendra B Jain Bengaluru

Here's why...

This has reference to Tamal Bandyopadhyay's, "Have our bankers forgotten to lend?" (March 2). This follows the finance minister's recent exhortation to lend money to the credit starved micro, small and medium enterprises.

The reluctance of bankers to be over-enthusiastic in granting loans should be seen through the prism of the changed banking scenario. Two aspects of banking have clouded the landscape — the basket of bad debts and their profitability.

Many banks are laden with massive amounts of non-performing assets. A lot of effort and time is being expended in a bid to recover these loans. The new legal measures provided to help recover bad loans provides a glimmer of hope. But these must be fast-tracked to show more visible results. Many senior bank officials have had legal proceedings initiated for loans granted years ago. No amount of assurances from ministers that there won't be victimisation will not cut ice till it happens at the ground level.

The physical and mental agony the individual and his/her family undergoes when they are investigated by agencies is a deterrent. A bank official who grants loans and if it becomes toxic can be hauled over the coals. But another official who does not grant loans, cannot be punished. Hence there is a reluctance to stick one's neck out. Branch and bank profitability is now gaining more currency. Provisions for bad debts eats into the profitability. With stringent asset classifications, income can only be booked if recovered. Granting more loans, if not serviced regularly, will adversely impact the profit of the unit concerned. In the past, rural and semi-urban pockets were major beneficiaries of the government sponsored scheme loans. Vested interests gave the feeling to borrowers these were government largesse not be to be repaid.

The article also made a sweeping comment about private sector banks being "dens of sales persons, not bankers anymore". What is wrong with banks selling insurance and mutual funds? It is far better for a customer to buy insurance and mutual funds from his banker than sundry agents. Bank staff selling insurance and mutual funds are certified sellers and in case of a mis-sell, recourse for redressal is available through the bank. This avenue for redressal is not available when individual agents (mis)sell financial products and vanish.

K V Premraj Mumbai

Falling short

The readiness to take risks and importantly to stay with its USP defines a successful political entity. Having mislaid both, the Congress has lost direction, the Left Front has faded away, cocooned in its dated ideology, and the Bharatiya Janata Party is at the crossroads risking its principles and policies in a personality-driven hubris. Caught up in the updraft of two huge back-to-back wins, Delhi Chief Minister Arvind Kejriwal's Aam Aadmi Party seems to be discarding the plank of change and liberalism to move to familiar podiums of identity politics. If it is toying with soft Hindutva today, it may move to soft secularism, semi-hard nationalism and so on, forgoing a niche, which it could have broadened otherwise. Clearly Kejriwal's ambition is not tall enough to face the rough and confrontational politics that propelled a modest activist to a constructive power player.

R Narayanan Navi Mumbai

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HAMBONE

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Don't increase GST

Higher tax rates will stifle demand and growth

Goods and services tax (GST) collection crossed the ₹1 trillion mark for the fourth month in a row. The government collected ₹1.05 trillion in February, which was 8.3 per cent higher than in the same period last year, but was lower than the ₹1.1 trillion collected in the previous month. While it is encouraging to see the GST mop-up stabilising above the ₹1 trillion mark, experts note that higher collections could be a result of blocking input credit. Therefore, it will be important to see if the trend sustains in the coming months, especially after the end of the current fiscal year. Despite the improvement, growth in collection remains significantly lower than the underlying assumption. As a result, states need to be compensated for the shortfall, and this could become a source of confrontation between the Union and state governments.

The Union government has noted that, according to the law, compensation to states can only be paid from the compensation fund. In a recent interaction with *The Indian Express*, for instance, Union Revenue Secretary Ajay Bhushan Pandey noted: "…if there is a shortfall which is more than what the compensation fund is giving, then the GST Council has to see what measures it can take to either increase the compensation cess amount or consider the raise." As this newspaper reported recently, despite using the surplus from previous years, the compensation shortfall in the current year would be to the tune of ₹28,000 crore. Since the collection of the compensation cess is not enough, the GST Council might consider raising the cess or rates. It would be well advised to not increase taxes at this point. Growth in economic activity is weak, and an increase in GST rates or cess will further stifle demand and reduce the possibility of revival. The Indian economy grew at a modest pace of 4.7 per cent in the third quarter of the current fiscal year, compared with the revised estimate of 5.1 per cent in the previous quarter.

Further, it is important to realise that the idea of compensating states for 14 per cent growth in GST collection was unrealistic from the beginning. Therefore, the Council would do well to recalibrate the extent of compensation. It is highly unlikely that consumption tax will grow at 14 per cent when the economy is expected to grow by just 7.5 per cent in nominal terms (as in the current fiscal year) or even 10 per cent (as projected in the next fiscal year). Besides, the Council should not have lower rates, as it did on multiple occasions in the past before the system and revenue had stabilised.

It is likely that states will not be willing to accept lower compensation because their budgets will get affected. Economic slowdown has anyway affected both the flow of central taxes to states and collection of other indirect taxes. But raising tax rates at this stage would do more harm than good. Instead, the Council should work on plugging the leakages in the GST system, which would help increase revenue. Adjusting the compensation to a realistic level will also incentivise states to do more to mobilise revenues. In the meantime, state budgets will need to be attuned to the economic realities.

A one-sided accord

India has little to gain from the US–Taliban peace deal

The presence of the Indian ambassador to Qatar at the ceremony to seal the US-Taliban peace agreement, which aims to mark the end of 18 years of war, masks the paltry gains that accrue to India from the deal. The two agreements are one-sided and designed to deliver electoral gains for US President Donald Trump without reciprocal conditions on a terrorist group that threatens the security architecture of the region. The agreements set out a path to peace over the next 14 months: They involve a drawdown of US troops from 12,000-14,000 to 8,000 in four and a half months and prisoner swaps starting March 10 — the start date for an intra-Afghan dialogue — and extending over three months. The US has also committed to taking Taliban leaders off the UN Security Council's sanctions list by May 29, 2020, a move that will help Pakistan avert a blacklisting on the upcoming Financial Action Task Force assessment. The most onerous reciprocity the deal places on the Taliban is the non-binding assurance that no groups inimical to the US and its allies will be allowed to function in the country.

There are several worries for India embedded in this transparently inadequate deal, chiefly New Delhi's relations with the Taliban and its links with Pakistan. Those relations have been fraught ever since the Taliban played a key role, together with Pakistan's ISI, in hijacking IC 814 to force the release of three terrorists lodged in Indian jails. India has consistently supported non-Taliban forces, such as the Northern Alliance, recognises Ashraf Ghani's democratically elected government — which is, significantly, not a party to the pull-out agreement — and retains contacts with non-Pashtun groups.

At the people-to-people level, India enjoys considerable popularity owing to its solid development work and the asylum it granted to Afghans at the height of the Taliban insurgency. But the hard fact is that the Taliban has been given a carte blanche to re-establish its medieval, heroin-financed caliphate once the US forces depart. This is likely to see the triumph of the powerful Peshawar-based warlord Sirajuddin Haqqani. Though Mr Haqqani wrote in the *The New York Times* last week endorsing the deal, it is impossible to infer that the Taliban's most militarily dominant faction is committed to peace. His shadowy network has close links with the Al Qaeda, and the Lashkar-e-Taiba, the Kashmir-focused terror outfit. Even if he abides by the commitment not to attack US allies, it is unclear if India falls in that category. Foreign Minister S Jaishankar said India hoped to play a role in the "intra-Afghan" dialogue that will follow between the Taliban, the government in Kabul, and other Afghan factions. Prospects of this dialogue occurring at all look bleak.

First, President Ashraf Ghani has already declined to follow the timetable for prison releases. Second, Afghanistan is facing an internal crisis since a five-month stalemate over elections has Mr Ghani's leading opponent, Abdullah Abdullah, threatening to form a parallel government. In this confusion, it may be wise for India to engage. But it is no less important for the government to prepare for more trouble along the Kashmir border too.

ILLUSTRATION: AJAY MOHANTY

A telecom crisis, once again

An implosion of the sector will have economy-wide ramifications. This is the last thing India needs now

RAHUL KHULLAR

October 2019: The Supreme Court (SC) upholds the government's definition of gross revenues (GR) and directs telcos to cough up trillions of rupees in arrears, interest and penalty. On February 14, 2020, the SC fulminates at non-compliance of its orders. The government scurries for cover and asks telcos to pay their dues by midnight. Telcos make some payments over the next week. A flurry of meetings between telecom chieftains, ministers and top government officials follows. Four months have elapsed and no solution appears to be in sight.

Senior journalists, lawyers and telecom sector experts have criticised the SC rulings as flawed and erring grievously. The judgment is perceived to be plain unfair because: (a) it takes a legalistic view of the licence conditions altogether ignoring the "arbitrary" and patently unfair definition of GR; (b) it presumes that telcos signed the "contract" willingly (as if they had any choice but to sign); (c) there was a genuine dispute between the telcos and the government — till 2011, the SC did not question the genuineness of the dispute; (d) the Telecom Disputes Settlement and Appellate Tribunal (TDSAT), always headed by an eminent retired SC judge, had repeatedly ruled in favour of the telcos, so it was reasonable for the telcos to believe that they had a cause of action; (e) the imposition of interest, penalty and interest on penalty goes too far as the presumption that there was a wilful disobedience of the law is ill-founded. Moreover, there are unintended consequences that the SC appears to have overlooked, viz. arrears of dues from non-telcos such as GAIL, Power Grid and OIL.

It is useful to get a sense of the magnitude of the problem. Updated estimates suggest that the total dues are ₹3.9 trillion to ₹1.4 trillion (telcos) and ₹2.5 trillion (non-telcos). That means barely 10 firms have dues amounting to 2 per cent of gross domestic product (GDP) ; in fact, just two firms have arrears amounting to 0.75 per cent of GDP. The dues amount to 20 per cent of the Central government's total revenue receipts for 2020-21. That is the staggering amount involved.

First, look at the telcos. The sector's total annual adjusted gross revenues (AGR, their net revenues) amount to 100 per cent of the dues. That's right; the entire sector's annual AGR would be needed to pay off the government's dues. The sector's profitability has been seriously strained these past three years. There is no internal resource accrual for fresh investment. How are a handful of firms going to stump up sums of this order?

Now, turn an eye to the collateral damage to the non-telcos. Three companies account for 75 per cent of the ₹2.5 trillion dues, namely, GAIL, Power Grid and OIL. The ratio of the company's dues to its total annual revenues is as follows: GAIL (160 per cent), Power Grid (88 per cent) and OIL (330 per cent). To gauge the impact on the firm's finances, consider this: The ratio of their dues to reserves and surplus is: GAIL (300 per cent) and OIL (150 per cent). Complying with the SC's order will, in a trice, wipe out all their reserves; and, they will still have to borrow huge sums to meet the balance.

Much has already been written about the economic impact of these rulings. The telecom sector will be reduced to a duopoly —possibly, a monopoly. New investment in telecom will dry up; the planned spectrum auction for 5G will struggle to succeed; and, one telco major will go belly up. The adverse direct and indirect employment impact is obvious. Some non-telcos —all in the public sector — will be effectively bankrupt; forget about investment by these public sector units. The spillover effects on the banking sector will cause the greatest harm. Brace yourself for a new round of non-performing assets (NPAs). The banking system had barely dug itself out of the NPA mess; it will be clobbered back into that hole. Senior bankers have already aired their serious concern (read jitters). Exhortations to shed risk-aversion will fall on deaf ears. The revival of investment demand and credit flows? Forget it.

Here are some options that ought to be considered. First, waive the interest, penalty and interest on penalty. This amounts to 73 per cent of all dues. It preserves the "principle" upheld by the SC; however, it also recognises that there was no wilful defiance of the law that is an essential ingredient to attract the levy of penalty. Second, convert all the dues into an interest-free loan to be repaid in 15 equal annual instalments. At a discount rate of 9 per cent, this translates to a grant component of 46 per cent. That is to say in terms of their net present value (NPV) all firms get a relief of 46 per cent. Third, accept the Telecom Regulatory Authority of India's recommendations of January 2015 on the definition of GR and applicable GR; this will end the agony of the non-telcos (at least prospectively). A fourth option doing the rounds is to declare a licence fee/spectrum usage charge holiday for five years. This entails an NPV loss of roughly ₹0.8 trillion. The hitch is that this does not address the immediacy of the problem; firms have to stump up the dues first and then wait for the relief! And, everyone knows what happens in the long run.

Central Bank governors are, by nature, cautious and reticent. Recently, the Governor of RBI said that the overhang of NPAs "remains relatively high…weighing on credit growth". In the same breath he added banking will "encounter challenges from events…around the telecom sector". Harken to his words.

An implosion of the telecom sector with economy-wide ramifications is the last thing India needs right now. The government cannot afford to dither. It is time to step up.

The writer is former chairman, Trai

Policy challenges of India's trek to bond indices

SOUMYA KANTI GHOSH

India seems to be taking the first steps towards integrating itself with the global bond indices. Understandably, there is palpable excitement in the financial markets, given the large upside it could result in terms of capital flows. Yet, it is pertinent to get a complete picture of the impact analysis. This will be useful for both the Reserve Bank of India (RBI) and the government in formulating policies. Interestingly, the news of coronavirus and the release of gross domestic product (GDP) data have made such policy construct more challenging.

It was in 2013, when India was in the throes of the taper tantrum, that the idea of the country joining the global bond indices was first mooted. At that point, the central bank was still in a dilemma. In a post-policy interaction, this is what the bank had to say: "We still have to take a calibrated call because in the recent past we have seen when we have opened up more towards the debt segment, maximum heat has come from debt segment, outflows have been very large, and a lot of volatility has been caused because of this debt segment".

In fact, the advantages of debt portfolio capital flows are many for the host country from where they originate, and, hence, there is always a cacophony around India getting included in the bond indices. For example, the advantages of an integrated global financial market with the ageing population in developed economies is that with a rising supply of savings, households can invest in emerging economies and earn a higher return than in the domestic economy. Thus, by encouraging capital mobility, it may be possible to shift a part of the demographic burden on young populations in developing countries favouring ageing populations in developed countries (Attanasio and Violante, 2007). A shift in the demographic burden can, thus, be effectively engineered by a change in ownership pattern of domestic government debt.

Let us now fast forward to the current context. With the global economy thrown into disarray following the outbreak of coronavirus, there has been a sizeable portfolio capital outflow of \$2.2 billion, with \$1.5 billion because of debt alone. This reverses the positive capital outflow during October 2019 to January 2020 at \$5.5 billion. Clearly, if we are willing to get into the bond indices, we must also be careful of the significant volatilities in the financial markets. This could make the job of the RBI more difficult in terms of intervening in the foreign exchange markets, as it could act as a double-edged sword in times of liquidity overhang in the system — as is being witnessed currently .

If the volatility in the financial market continues for a prolonged period, it could also result in important implications for asset prices, and, hence, the creation of wealth, which can have important ramifications for the conduct of monetary policy.

There are other important changes that we may have to navigate through. For example, the total supply of G-Secs in FY21 could be close to ₹10.5 trillion, of which demand of securities from banks (based on statutory liquidity ratio requirements and trend growth in NDTL, or net demand and time liabilities) will be around ₹3.7 trillion. The insurance sector could subscribe to ₹3.85 trillion (based on current share). The rest of the amount could be invested by mutual funds, foreign portfolio investment (FPI) and others, with the FPI share at ₹62,000 crore.

However, in the current scenario, when the Budget seeks to eliminate tax exemptions on insurance products, the appetite for G-secs from the insurance sector and pensions funds, which are the key players for long-term securities of 15 years and above, can be impacted. This must be compensated by FPI flows. It may be noted that the government is already talking about ₹70,000 crore of special FPI securities under the bond indices. In case FPI bonds are unable to compensate, then the RBI might have to step in through open market purchases. In fact, the FRBM Act provides for an escape clause where the government can borrow from the RBI to finance its temporary mismatch between receipts and expenditure with the advice of the fiscal council, which, however, is yet to be set up. In such an extreme case, private placement with the RBI may be the option for meeting increased demand for borrowing. Already, there is demand from certain quarters for the RBI to do open market operations (OMO), despite the liquidity surplus in the banking system being close to ₹3 trillion in February.

We believe such demand for OMO, coupled with the recent steps taken by the RBI in undertaking operation twist, LTRO and CRR should also be viewed against the persistent demand weakness in the system. The release of the latest GDP data shows that growth in Q1 of the current fiscal was at 5.6 per cent and has progressively declined thereafter to 4.7 per cent in the current quarter. As this period also coincides with the RBI cutting rates by a cumulative 135 basis points, this possibly changes the narrative of rate cuts stimulating the economy.

While the RBI under the current dispensation must be wholeheartedly complimented for trying to wade through an impossible web of monetary transmission, adequate liquidity, credit spread and even preventing exchange rate appreciation apart from fighting inflation. It is to be noted that provision of abundant liquidity can also result in policy reversals that might be damaging.

For example, following demonetisation, market participants became used to getting easy money, and this may have resulted in accentuating the nonbanking finance company (NBFC) crisis. Such abundant liquidity also resulted in the calibrated monetary tightening during 2018, particularly when the economy was battered by capital outflow choking off systemic liquidity and dampening animal spirits. We must thus guard against easy money over a long period in the current scenario. The only good thing is that the RBI is currently experimenting with outcome-based liquidity regime. This must continue.

The writer is group chief economic advisor, State Bank of India. Views are personal

Out of alignment

BOOK REVIEW

ANITA INDER SINGH

Tanvi Madan's *Fateful Triangle* shows why Communist China cast a shadow on Indo-US ties after Jawaharlal Nehru's first official visit to the US in 1949. Washington saw China as a foe, New Delhi as a neighbour with which India must engage. India recognised the communist regime. India and the US perceived China as a geopolitical threat and competitor—and still do. Can they forge closer ties to counter China's influence in Asia? That outcome is neither impossible nor inevitable, argues Tanvi Madan.

The US thought India's progress was essential to counter China: India stressed strong defence forces. Ms Madan rightly points out that India was a low priority for the US during the Cold War. Not even India's flowering democracy enhanced India's importance for the US: Washington believed that America and its West European allies could prove that democracies and progress were intertwined. But the US rejected Pakistan's demand to end aid to India and to press it to resolve the Kashmir dispute. American largesse would prevent India from becoming communist.

Ms Madan confirms America's dislike of nonalignment but points out that neither Truman, Eisenhower, Kennedy, Lyndon Johnson nor Richard Nixon wanted India as an ally. An economically weak India would be an additional security burden for the US and for the American taxpayer because, as Eisenhower put it, the US would have to defend "2,000 miles more of active frontier". America was not aiming to win India over but to ensure that it was not lost to the other side.

In fact, the mistrust between India and the US always complicated their ties. The US wanted trust to precede the transfer of military technology. But India saw *offers* of military technology — such as those offered by the Soviets — as building trust. The mistrust and suspicion between India and the US persist to this day.

FATEFUL TRIANGLE: How China Shaped U.S.—India Relations During The Cold War
Author: Tanvi Madan
Publisher: Penguin Random House
Price: ₹799

How did the US administration react when it perceived Nehru to be acting against US interests, for instance, at the Bandung Conference in 1955, when he seemingly placed the Chinese pariah on the world stage? In general, this reviewer wonders why Ms Madan did not consult the private papers of Presidents Truman and Eisenhower for the first part of the book, especially since she has made good use of the private collections of subsequent American presidents.

Her evidence reconfirms that Nehru was no admirer of China or the Soviet Union. But Ms Madan is silent on Krishna Menon's reported influence over Nehru, since he was a reason Washington often took a dim view of nonalignment. Why did Eisenhower, well disposed to India, view him as a menace?

How much the US helped India hinged on its own relationship with China. India itself tilted towards the US during its 1962 war with China, and towards the Soviet Union in 1971, as the Sino-US entente emerged.

Nonalignment never prevented India from getting close to either superpower, but mutual interests decided the "tilt".

During the 1962 Sino-Indian war the US considered sending an aircraft carrier to the Bay of Bengal to display to China its support for India. It warned Beijing that it would help India in the event of a Chinese attack. But in 1971, at the time of the Bangladesh war, the US deployed the aircraft carrier *Enterprise* to the Bay of Bengal to show its opposition to India. The US now wanted to cultivate China. And it turned to Pakistan, not India, to be its secret diplomatic conduit to China. Meanwhile, Henry Kissinger regarded the Indo-Soviet Treaty as a bombshell, but he thought that the Soviets could use their influence to restrain India.

China's economic rise after 1979 changed its place in the US-India ties. America started looking at it as a major strategic and economic partner and helped it to enhance its economic and strategic profile. But India needed American backing against China. Manmohan Singh broke India's dependence on Russian arms by deciding on the purchase of American weapons. Donald Trump and Narendra Modi have strengthened the defence tie but Ms Madan does not spell out the difference between a strategic partnership and an alliance.

India is careful not to let its closer ties with the US sour its relationships with China and Russia. Meanwhile, Washington continues to raise questions about India's ability and capacity to enlarge its role against China. The US thinks in terms of adversaries and allies, India in terms of multiple partners. But could India's "strategic autonomy" become a rigid doctrine that could work against its own interests?

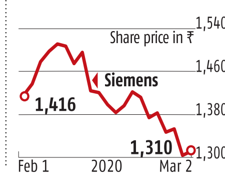
America's appreciation of China's progress raises the broader question facing Washington and New Delhi. In the face of contemporary India's economic decline, how much will India contribute to America's Indo-Pacific? The query is being raised in Washington, if only because strategic ends and economic means are always intertwined. Ms Madan does not quite answer that question.

In the 21st century Indian and American thinking on, and expectations of, the relationship remain unaligned. India and the US will have to work hard to further deepen their tie. That is the sober conclusion of Ms Madan's timely book.

The reviewer is a Founding Professor of the Centre for Peace and Conflict Resolution in New Delhi. Website: www.anitaindersingh.com

Business Standard
The Smart Investor
MUMBAI | TUESDAY, 3 MARCH 2020
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: STREET CAUTIOUS ON SIEMENS



Even after an 8.8 per cent decline in the past month, the stock of Siemens is unlikely to rebound in a hurry. Worries over recovery in the capital expenditure cycle and overall industrial growth, owing to continued weakness in the economy, are keeping analysts cautious about Siemens' near-term growth

"This (recent fall in market) is now a 10% drawdown from the peak, pretty much in line with the post-2011 average. Nothing abnormal, as yet. If you started in the 90s, like I did, then you wonder why there is so much fuss about a 10% pullback. Moves that size were very frequent then."

VETRI SUBRAMANIAM,
Head (equity), UTI Mutual Fund

SBI Cards IPO: New rules may restrict multiple FPI bids

ASHLEY COUTINHO
Mumbai, 2 March

A section of foreign portfolio investors (FPIs) may not be able to place multiple applications in the initial public offering (IPO) of SBI Cards and Payment Services (SBI Cards).

The offering, the fourth-largest in the domestic market, is expected to generate high interest from institutional investors, given that it is the first credit card company to go public.

The 2019 operational guidelines for FPIs allow multiple bids to be submitted in an IPO but only under the multiple investment managers (MIM) structure with the same permanent account number (PAN) and different beneficiary account numbers, client IDs, and depository participant IDs. This means that all non-MIM investors with the same PAN but different demat accounts will be treated as a single investor and will not be able to place multiple bids in an IPO. The MIM structure allows investment through different investment managers but with the same PAN.

In general, the applications of all those putting in multiple bids through a single PAN card in a single IPO get rejected, according to the current regulatory norms. However, an exception was made for mutual funds and foreign institutional investors (FIIs) under the earlier norms.

"Bids by mutual funds, and sub-accounts of FIIs (or FIIs and its sub-accounts) submitted with the same PAN but with different beneficiary account numbers, client IDs and DP IDs may not be treated as multiple bids," observed the Securities and Exchange Board of India's (Sebi's) general information document (GID) issued in 2003.

The current GID, however, permits only FPIs with MIM structures to submit multiple applications.

"Sebi should recognise that there are some valid structures other than MIMs under the current FPI regime having the same PAN but different demat accounts. These should be allowed to put in multiple applications," said a custodian.

The new guidelines could impact umbrella funds that have a common FPI registration across sub-funds. An umbrella fund is a collective investment scheme that exists as a single legal entity, but has several distinct sub-funds which, in effect, are traded as individual investment funds.

This is common in Europe with SICAV (Société d'investissement à Capital Variable) funds, which are similar to open-end mutual funds. About 20 per cent of SICAV funds investing into India could have a common FPI registration and could get impacted, reckon experts.

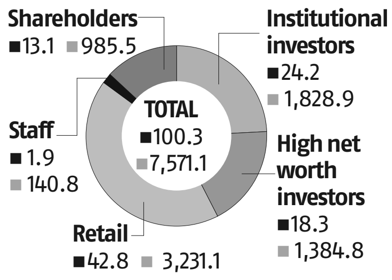
The 2019 operating guidelines for FPIs also prescribe a separate registration for proprietary derivative investments and ODI activities of an FPI. So, an FPI issuing participatory notes (p-notes), or offshore derivatives instruments (ODIs), cannot invest in derivatives under the same registration and vice-versa.

The issuer of an ODI is typically a prime broker, such as Citibank, JPMorgan or BNP Paribas. These are issued to overseas investors who want to invest in the Indian stock market without registering themselves with Sebi.

Post the new guidelines, these brokers are required to create two separate investment accounts: One for their own prop money and the other for investment on behalf of clients through ODIs. Since both these accounts have the same PAN, they cannot be used for bidding separately in an IPO. The bidding will have to be done through one of the accounts, which may put some investors at a disadvantage.

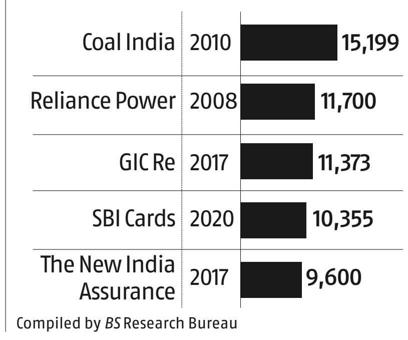
"To add to the confusion, the regulator had in the recent past hinted that ODI issuers cannot invest in IPOs. There is as yet no clarity on the same," said another person. SBI Cards, the biggest credit card issuer in India after HDFC Bank, had an 18 per cent market share in outstanding credit cards at the end of September 2019, and a 17-18 per cent share in the number of credit card transactions/value of credit card transactions in the first half of FY20.

SHARE OF THE PIE



Note: *At top-end; SBI Cards has already issued shares worth nearly ₹2,800 cr to anchor investors. Source: NSE

INDIA'S LARGEST IPOs



Compiled by *BS* Research Bureau

Share sale garners 38% subscription on Day 1

Despite volatility in the market, the ₹10,350-crore initial public offering (IPO) of SBI Cards and Payment Services is off to a good a start. The share sale garnered 38 per cent subscription on Monday. Bulk of the bids have come from small investors, exchange data shows. On Friday, it had allotted shares worth nearly ₹2,800-crore to anchor investors. SBI Card's IPO closes on Wednesday for institutional investors, and a day later for retail and wealthy investors.

BS REPORTER

EMERGING MARKET ACTION

Markets got knockout blow from ETFs

SAMIE MODAK
Mumbai, 2 March

Sharp outflows from exchange-traded funds (ETFs) investing in emerging markets (EMs) accentuated the market fall last week. Many global markets saw their worst weekly setbacks since the 2008 global financial crisis.

The MSCI EM index dropped 7.2 per cent last week as investors, spooked by the impact of the coronavirus outbreak on the economy and corporate earnings, pulled out from risky assets.

According to the data compiled by *Bloomberg*, US-listed ETFs that buy EM stocks and bonds saw redemption to the tune of $3.73 million — most in more than a year. Nearly $3.4 billion was from equities. ETFs, which invest in Hong Kong-listed Chinese stocks, saw outflows of nearly $1.4 billion — most among EMs. Indian markets witnessed the second-worst outflows at $416 million, 18 times more than the previous week.

US-listed EM ETFs form one of the many categories of overseas investors that invest in the domestic markets. There are also domestic ETFs and those listed outside the US. Further, there are actively-managed funds, which invest in the markets based on money managers' discretion. The total FPI pullout from the domestic market, according to the Sebi data, was $1.8 billion. Therefore, a fourth of the outflows were from the US-based EM ETF.

Market players say global ETFs have become market influencers. Before the coronavirus scare, EM ETFs had witnessed huge inflows aided by the benign monetary stance adopted by global central banks. This had helped the domestic markets scale record highs in mid-January, despite the sluggish economic data and weak Q3 corporate numbers.

ETF flows will be sensitive to the spread and impact of coronavirus, experts say. If the redemption pressure continues, it would be difficult to stem the losses in the domestic market, they say. On the contrary, inflows into ETFs could resume if central banks signal that they are willing to ease their monetary policies, experts add. Following last week's pullout, inflows into EM ETFs have dropped to $570 million.

THE FLOW OF THINGS

Most EM equities saw a sharp ETF pullout last week

	ETF flows ($ mn)			Assets ($ bn)
	Equity	Debt	Total	
China*	-1,372.5	-4.1	-1,376.6	83.7
Taiwan	-329.6	0.0	-329.6	28.4
India	-414.6	-1.3	-415.9	24.9
Brazil	-134.8	-20.7	-155.5	24.8
S Korea	-304.8	0.0	-304.8	16.0
Russia	-172.2	-14.7	-186.9	9.9
Brazil	-134.8	-20.7	-155.5	24.8
S Africa	-131.1	-14.6	-145.7	9.4
Total EMs	-3,401.9	-325.7	-3,727.6	257.4

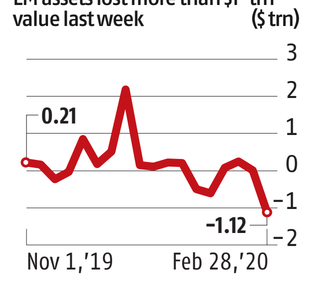
Source: Bloomberg; Note: *Hong Kong listed; Data for last week

Eyes on bailout after $1-trillion wipeout

BLOOMBERG
2 March

VIRUS-HIT

EM assets lost more than $1-trn value last week



With the world reeling from one of the biggest risk sell-offs since the 2008 global financial crisis, more coronavirus-fueled declines in emerging markets may only be tempered by the prospect of coordinated central bank action or large fiscal stimulus.

More than $1.1 trillion was wiped off the value of developing-nation stocks and bonds last week as the economic impact of the coronavirus worsened. Currencies and equities rounded off February with back-to-back monthly declines, while bond spreads widened by the most since August.

On Monday, emerging stocks and currencies reversed some of the losses after the Bank of Japan and Italy's government announced stimulus measures. Markets "may improve on central-bank pivots, with a coordinated G-20 fiscal pump not out of the question," Stephen Innes, the Bangkok-based chief market strategist at Axicorp, said on Sunday. "Given the tightening of financial conditions due to the stock-market meltdown, the US Federal Reserve will deliver to weaken the dollar. If none of this works, just pray."

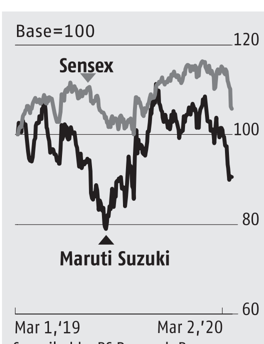
Developing assets tumbled in the five days through Friday as oil prices crashed and investors piled into havens, with US Treasury yields dropping to all-time lows. Little was spared. MSCI's gauge of emerging equities dropped 7.3 per cent, the most since 2011. The Russian ruble, South African rand and Colombian peso all weakened more than 4 per cent against the dollar. As the virus continued its spread, with Latin America and Africa confirming their first cases, expectations grew that the WHO would declare a pandemic.

THE COMPASS

New launches to sustain Maruti's market share

The shift to an all-petrol portfolio is unlikely to dent the firm's share

RAM PRASAD SAHU



Compiled by BS Research Bureau

Maruti Suzuki's February sales volumes at 147,000 units were better than Street estimates, which had pegged the same at around 140,000. Boosted by the launch of entry-level S-Presso, the sales in the mini segment grew 11 per cent.

The mini segment has been a weak link in the portfolio for Maruti, as Alto sales have been on the downtrend for some time. Year-to-date (YTD) volumes in this segment are down by 34 per cent, though traction in S-Presso's sales could arrest a bit of the slide.

The key for the Street, however, is the sales momentum in the compact segment, which accounts for more than half of its domestic volumes. Sales of WagonR, Swift, Celerio, Ignis, Baleno, and Dzire fell by 4 per cent in the month, given that the company has discontinued the diesel versions of Swift, Baleno, and Dzire. What should stabilise volumes in the segment is the refreshed version of Ignis, launched recently, and a Dzire facelift expected in April.

The 3.5 per cent uptick in the utility vehicle portfolio was a surprise, given that a sizeable portion of this portfolio is powered by diesel engines. About half of the company's diesel volumes is contributed by the Vitara Brezza's diesel variant. With the company deciding to stop the sales of diesel variants, the segment's sales were expected to be impacted. The company has launched the 1.5-litre petrol version of Vitara Brezza recently to tap the demand in this segment.

Analysts at Phillip Capital say the company could replicate the success of the previous Brezza model with the new petrol version, given the strong urban demand for petrol-powered vehicles, shift towards petrol in compact sports utility vehicles, competitive pricing, and comparable performance.

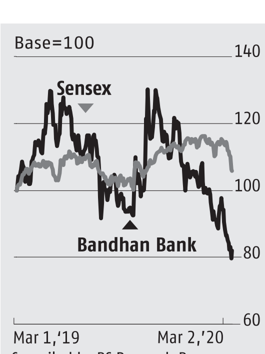
While Maruti has lost market share by 140 basis points in YTD sales to 50.6 per cent, given multiple launches by its competition, analysts expect it to recover its market share on the back of new launches. Analysts at Elara Capital say that non-Maruti new model launches are unable to sustain market share gains, even after the success of the initial launch.

While near-term growth could be muted, given that consumers are postponing purchases and the company is shifting to an all-petrol portfolio, analysts are positive about Maruti's prospects as new launches and lower discounts should reflect on sales and margins in the coming quarters.

Risks yet to subside for Bandhan Bank

Stock trades below its listing pricing, shedding over 22 per cent year-to-date

RAM PRASAD SAHU



Compiled by BS Research Bureau

Last Tuesday, the Reserve Bank of India (RBI) lifted the ban on Bandhan Bank opening new branches. Accordingly, the bank now plans to open 250 branches by the end of CY20. While the news seems to have helped Bandhan's stock — which is down 2.6 per cent since last Tuesday, versus a 5.3 per cent fall in the Sensex — it is still down by over 22 per cent year-to-date because of concerns over slowing growth and asset quality.

Signs of these were visible in its December quarter (Q3) results. Though still high, growth in assets under management or AUM (excluding Gruh Finance) dipped to 33 per cent year-on-year (YoY) in Q3, as against 35-40 per cent in earlier quarters. Further, gross non-performing assets (NPA) inched up to 1.93 per cent, from 1.76 per cent in the September quarter. Investors need to brace for a further slowdown as a recent report by Microfinance Institutions Network (MFIN) indicated that the microfinance (MFI) industry tempered growth in Q3 to 24 per cent YoY, as against 30 per cent-plus growth seen earlier. For Bandhan, MFI accounts for 61 per cent of the total loan book, and Assam (eye of the crisis) accounts for 16.4 per cent of its MFI loans and 10 per cent of loan exposure, second to West Bengal, which accounts for 45.8 per cent of its MFI loans. Another report by rating agency CRIF Highmark noted that delinquencies between 31 days and 180 days have doubled YoY to 1.5 per cent in Q3.

The question also is whether the RBI lifting the curb on the bank's branch expansion can help it diversify the loan book. Even as the Gruh Finance acquisition gave it a head-start in expanding its non-MFI business, Bandhan seems to have hit an air pocket since then. The share of non-MFI loans remained stagnant at 39 per cent (29 per cent contributed by Gruh) in Q3, indicating that other streams of businesses aren't helping much yet. Moreover, promoters of Bandhan Bank have to reduce their stake to 40 per cent, from 61 per cent. Chandrasekhar Ghosh, CEO, Bandhan Bank, had earlier indicated the bank would not explore an inorganic mode of reducing promoters' stake in the lender, implying that the supply of shares in the open market may remain high. If demand for the stock isn't encouraging, the scope for a sharp rebound in its price remains limited.

In short, the negatives still outweigh the positives. From nearly all analysts tracking the stock having a positive view on it a year ago, now only 70 per cent of those polled on Bloomberg have a 'buy' rating. Even if the valuation at 3.8x FY21 estimated book is attractive, investors should wait for easing of some of the fundamental concerns.

Sebi levies ₹10.75-cr fine on Aksh Optifibre & its directors

Markets regulator Sebi has imposed a total fine of ₹10.75 crore on Aksh Optifibre and its five directors in a matter related to manipulation in issuance of global depository receipts (GDR). The directors are facing fines in the range of ₹10-20 lakh each.

The order follows a probe conducted by the regulator between August-September 2010. Sebi noted that the company had issued 1.17 million GDRs worth $25 million in September 2010.

PTI

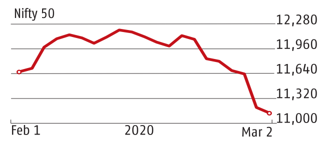
TODAY'S PICKS

BY DEVANGSHU DATTA

Nifty

Current: 11,132.75 (fut: 11,145)

Target: NA

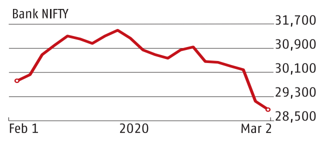


Stop long positions at 11050. Stop short positions at 11250. Big moves could go till 11350, 10950. Trend likely to be volatile but bearish. A long Mar 12, 10800p (140) , short 10700p (132) could triple in value if the market drops 2 per cent before expiry.

Bank Nifty

Current: 28,868 (28,927)

Target: NA

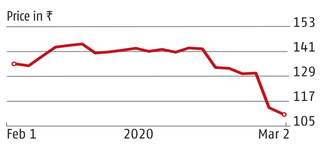


Stop long positions at 28750. Stop short positions at 29100. Big moves could go till 29300, 28550. Trend remains bearish.

Vedanta

Current: ₹111

Target: ₹107.5

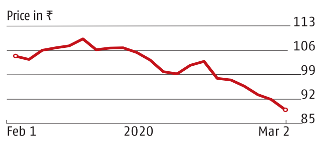


Keep a stop at 113 and go short. Add to the position between 108-109. Book profits at 107.5.

ONGC

Current: ₹89

Target: ₹87

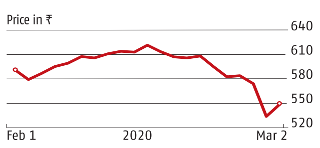


Keep a stop at 90 and go short. Add to the position between 87.5-88. Book profits at 87.

HCL Tech

Current: ₹550

Target: ₹560



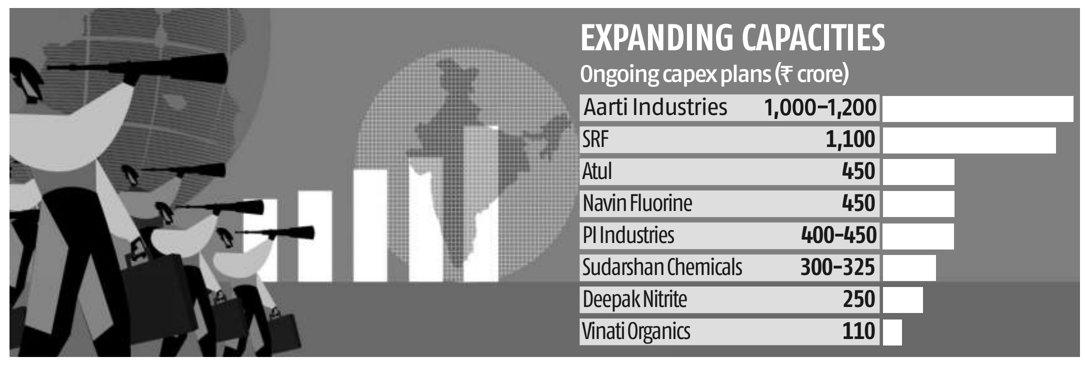
Keep a stop at 545 and go long. Add to the position between 556-558. Book profits at 560.

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

Speciality chemicals story still has more legs to run

Supply disruption in China, new orders, and expansion are key positives

UJJVAL JAUHARI
New Delhi, 2 March



The speciality chemicals segment stands out in the current economic scenario — it is witnessing a rise in orders and expansion of capacities.

In addition to the regular order flows, trends in the global chemicals space are expected to lead to near-term opportunities for Indian companies. Given the expansions, tie-ups with foreign majors, and innovative product launches, analysts believe there could be further upside from the current levels.

Listed speciality chemical players have consistently generated wealth for investors, with the Street taking note of the improvement in the operational performance led by revenue growth and margin expansion. The quarter gone by was no different. Although revenues growth was slower because of the falling chemical prices, operating profit growth remained in double digits.

Analysts at IIFL said speciality chemical players, such as SRF, Deepak Nitrite, Navin Fluorine, and Neogen, fared better. They expect the coronavirus outbreak to benefit upstream producers in Q4FY20.

Because of the outbreak of coronavirus in China, supplies from this region have come to a standstill. This has resulted in inching up of chemical prices, too, which is beneficial for Indian chemical players. Further, global agro and speciality chemical companies are eyeing India as a reliable partner, says Rishabh Bothra, analyst at Sharekhan.

What makes Indian companies competitive as compared to China is the availability of skilled labour at a lower cost. Companies, such as Galaxy Surfactants and Fine Organics, catering for the fast-moving consumer goods, home and personal care, and food ingredient segments are also well placed. Their differentiated business models and a higher level of product customisation ensure strong entry barriers.

Also, in terms of availability of raw material, these companies are in a sweet spot. Apart from domestic supplies, geographical advantage benefits them, given the proximity to Africa, West Asia and Southeast Asia which ensures competitive imports.

The Street's sentiment for speciality chemical companies got a boost recently from a ₹2,900-crore order for Navin Fluorine from a multinational company to manufacture and supply a high-performance product in the fluorochemicals space. This could further strengthen the view of India being a favoured destination for long-term supply contracts related to niche chemicals.

The prospects of the sector are also reflected in the aggressive capex plans announced by key players. This should act as a base for the next phase of growth. While Navin Fluorine is to take up capex worth ₹450 crore given the large order it has received, Aarti Industries, SRF, PI industries, Vinati Organics, Deepak Nitrite, Alkyl Amines are also expanding capacities. Aarti Industries' plan for FY20 envisages capex of ₹1,000-1,200 crore. SRF after committing ₹1,000 crore for FY20 will put in another ₹700-800 crore in FY21, as well. Other players have capex commitments of up to ₹500 crore.

Among major players, Aarti Industries remains the top pick for analysts at Edelweiss Research, given attractive valuations. Investors can also look at SRF, Fine Organics, and Galaxy Surfactants post a correction.

STRONG OPERATIONAL IMPROVEMENT

In ₹cr	Net sales	% chg y-o-y	Ebitda	Margin (%)	Net profit	% chg y-o-y
SRF	8,870	17.5	1,860	21.0	979	14.8
PI	4,406	26.6	953	21.6	640	29.1
Aarti	5,526	19.6	1,242	22.5	696	24.0
Atul	4,882	14.1	1,041	21.3	701	7.6
Vinati	1,345	23.3	494	36.7	372	12.7
Navin	1,265	17.1	327	25.9	235	24.7

FY21 estimates; Ebitda: earnings before interest, tax, depreciation and amortisation
Source: Bloomberg

Call option writers pocket sharp gains

JASH KRIPLANI
Mumbai, 2 March

Call option writing (selling) saw heavy interest on Monday, even as the markets showed strong signs of recovery in the first half of the trading session. Traders with such positions witnessed sharp gains, as call option premiums eroded with the markets giving up gains.

"The trend is expected to be cautious, as globally things have not yet settled down. The market movement in the first half of the session can be largely attributed to positive cues from the Asian markets, and how the US futures performed on Monday," said Yogesh Radke, head of alternative and quantitative research at Edelweiss.

Call options are bought when the market trend is expected to be bullish, as premiums move in tandem with the market gains. In contrast, such contracts are sold when a bearish trend is expected, as erosion of premiums on these contracts benefit call writers.

The call option contracts with a strike price of 11,300 saw premium erosion of nearly 40 per cent. The strike price saw an additional open interest (OI) for 527,100 contracts, indicating strong participation from traders. The strike price of 11,400 saw premium erosion of 44 per cent. The strike price had seen additional OI for 529,875 contracts.

On Monday, the Nifty touched the day's high of 11,433 points, gaining as much as 232 points. This led to a sharp surge in premiums of call options. Market participants say traders taking positions at high premiums were able to extract over 70 per cent gains from writing call options at these levels.

"Recovery is likely to be shaky and fragile. The index is likely to face stiff resistance near the 11,550 zone. It is a typical 'sell on rise' market and bottom-fishing should be avoided for any longs. Friday's sharp sell-off has impacted the overall market trend," said Amit Shah, analyst at Indiabulls Securities. "The next support zone on the downside for markets is at 10,900-11,000," Shah added.

CASHING IN

'Call' sellers gained as markets corrected after strong upmove

Strike price	% premium erosion	additional OI
11,300	39.92	5,27,100
11,400	44.24	5,29,875

NIFTY

Open	High	Close
11,387	11,433	11,132

Source: NSE , OI = open interest

Direct plan investors get more heft

Instead of transacting through MF houses, they can buy and sell direct plans from the exchanges

BINDISHA SARANG

Direct plan investors in mutual funds have a good reason to cheer. Market regulator, the Securities and Exchanges Board of India (Sebi), allowed investors to purchase and redeem mutual funds (MF) units directly from the stock exchange platforms. This means that high net worth individuals and others who have done their research can directly buy, say five schemes of different fund houses from the exchange platform directly instead of having to go to their respective websites.

The stock exchange platforms – BSE Star Mutual Fund and NSE NMF II – are very popular for purchase and redemption of mutual fund units. The BSE Star MF processed over 1 million transactions worth ₹1,075 crore in a single day in February. This move is likely to give them more boost. Says Gaurav Rastogi, Founder & CEO, Kuvera.in: "The latest step further prods investors to go for direct plans of mutual fund houses. We already use BSEStarMF for our transaction processing. So the better the exchange infrastructure gets, the better it is for the industry overall."

As of now, when it comes to buying MFs, you can either go through the regular route or direct route. The former is a tad bit expensive as the MF distributor earns a commission for selecting the scheme and helping you with the transaction. For the latter, you could either go to online portals like Kuvera.in, Paytm Money, Groww and the like. There are also registrar and transfer agents like CAMS and Karvy, Mutual Fund Utilities – an aggregation platform owned by several asset management companies, launched by the Association of Mutual Funds of India (Amfi). Swapnil Kendhe, a fee-only RIA says: "Now, investors can get investments consolidated at one place, without the help of any intermediary."

Kendhe so far prefers CAMS app, which allows direct plans without use of any intermediary, and thinks the stock exchange platforms would be the right choice too. CAMS has a service that allows you to invest via systemic investment plan (SIP) and also lumpsum amount.

As far as Mutual Fund Utilities goes, it allows you to invest in as many as 38 fund houses out of the total of 44 asset management companies in India. It also provides Robo-advisories through a customised portfolio using algorithms and technology. However, for several Robo-advisors and free transaction platforms, they have a slightly earlier cut-off time to qualify to get the same day's net asset value (NAV). Reason: They deal with exchanges, who collect these order and send them to the registrar and transfer agents.

In other words, theirs is an additional step. Robo-advisory is a good option when you need help investing for financial goals like retirement, but don't want or can't afford a complete life financial plan. Your advisory needs changes over time and these platform handles that and provides the right guidance at the right time. As far as the latest stock-exchange platforms they will let you invest in MF till the official cut-off time.

Currently, several registered investment advisors are already using the stock exchange platforms to buying, selling MF as well as setting SIPs and others. The same facilities will be now available for direct investors.

More on business-standard.com

BUILDING BIGGER CORPUS

Equity fund category	Expense ratio Regular (%)	Direct (%)	Difference (% point)
Large-cap	2.26	1.28	0.98
Large, and-midcap	2.24	1.17	1.07
Multi-cap	2.24	1.16	1.08
Mid-cap	2.23	1.09	1.14
Small-cap	2.30	1.06	1.24

Source: mutualfundindia.com

COMMODITIES

Recovery in commodity prices likely to be a blip

RAJESH BHAYANI
Mumbai, 2 March

Metals, gold, and crude out prices saw some short-covering and an improvement in early trades in the international market on Monday. The prices of nickel and lead were up over 1 per cent; copper, aluminium, and zinc improved, too.

Brent crude oil jumped over 3 per cent in early futures trade to around $51.3 per barrel, but later gave up some of the gains. Gold and silver, too, recovered. On the MCX, most commodities were trading higher.

The short covering of all beaten-down commodities — which started late on Friday -- continued. Stimulus measures by China and other Asian nations helped in recovery. However, "it's difficult to say the worst is over," said T Gnanasekar, director, CommTrendz Research.

He said the recovery may be short-lived because of the rapidly spreading coronavirus. In that case what seems a temporary risk may cause a structural economic problem. "If the spread of the virus was restricted to China, there was a possibility of a revival down the line. But, since it is spreading to multiple countries, the outbreak is likely to cause structural economic weakness." What may happen is, Gnanaseka said, "central banks across the globe acting together by cutting rates and giving more stimulus packages".

Since the outbreak of coronavirus in China, metal and crude oil prices have seen a sharp fall between 7 per cent and 17 per cent. Steel and iron ore are in no better shape. Chemical, petrochemical, and many agri-commodity prices, including palm oil, too, have come under pressure.

China has been announcing stimulus packages since the trade war between it and the US started. These were to support its industries. While the trade war almost settled with a phase one deal, the problems have not ended. Sandeep Daga, director, Regsus Consulting, said: "Coronavirus-related slowdown is a harsh reality. Several countries have pulled down growth forecasts for Q1. Upcoming data could be bad."

What about stimulus packages announced by many countries? "That should provide a booster to the economy and the markets in the next quarter. We sincerely doubt that the patient can be released from the hospital," said Daga.

Natixis Commodity Research, a division of London-based investment bank Natixis, has downgraded the outlook for all metals for this year. It, in its latest report, said: "China produces and consumes 56 per cent of the world's aluminium; it also produces 38 per cent of the world's refined copper and consumes 52 per cent of it".

Natixis said in the case of aluminium production, there are procurement issues regarding both bauxite and caustic soda. As for copper, sulphuric acid production (which comes out as a byproduct of the mainstream copper production) has created logistical issues as smelters are struggling to stock it. Hubei, the epicentre of the outbreak, is China's largest phosphate fertiliser producer — it consumes 20 per cent of the country's sulphuric acid production.

REBOUND SHORT-LIVED?

Commodity	Mar 2, 2020	% Change*
Copper ($ /tonne)	5,666	**0.6**
Zinc ($/tonne)	2,029	**0.4**
Nickel ($/tonne)	12,545	**2.4**
Aluminium ($/tonne)	1,700	**0.3**
Lead ($/tonne)	1,871	**1.2**
MCX Crude Oil Futures (₹BBL)	3,317	**1.7**
MCX Gold Future (₹10 gm)	42,039	**1.6**
MCX Silver Future (₹Kg)	44,850	**2.0**
Brent Crude Future ($/BBL)	50	**-0.4**

*Change over the previous day's close
Source: LME, MCX, exchanges

Compiled by BS Research Bureau

PRICE CARD

As on March 3	International Price	%Chg#	Domestic Price	%Chg#
METALS ($/tonne)				
Aluminium	1,663.0	-7.1	1,924.9	2.2
Copper	5,573.0	-4.8	6,146.0	-1.3
Zinc	2,018.5	-11.7	2,199.9	-16.1
Gold ($/ounce)	1,597.7*	9.2	1,802.9	9.8
Silver ($/ounce)	16.8*	-0.6	19.3	0.5
ENERGY				
Crude Oil ($/bbl)	50.2*	-17.4	51.2	-17.2
Natural Gas ($/mmBtu)	1.7*	-25.8	1.7	-26.6
AGRI COMMODITIES ($/tonne)				
Wheat	187.0	0.8	288.7	-3.1
Maize	184.4*	0.3	245.7	-10.7
Sugar	397.1*	16.0	477.7	-1.2
Palm oil	617.5	-5.4	996.8	-4.0
Cotton	1,357.8	-3.5	1,483.3	-5.4

* As on Mar 02, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 72.7 & 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

Domino effect: Tea sector stares at a mega crisis

AVISHEK RAKSHIT
Kolkata, 2 March

Tea exports from India are set to feel the jitters of the coronavirus outbreak as shipments in crucial export zones are likely to shrink substantially. The Tea Board has raised an alarm, calling for an exporters' meet this week to find a solution to the crisis.

"Looking at the trends arising out of the coronavirus outbreak and other factors, we feel that the tea sector is headed for a huge crisis this year. Already, there is financial stress in the sector and it may worsen this year," A K Ray, deputy chairman of the Tea Board, told *Business Standard*.

The alarm follows the deadly virus's effect on India's key export market – Iran and other countries including Japan, which cancelled a tea exhibition. Last year, Iran overtook Russia to become India's top tea export destination at 53.45 million kg (mkg), which led to revival in the costlier whole leaf tea exports. Unlike Russia, which is primarily a low-priced crush, tear, curl (CTC) market, the entire export to Iran is whole leaf, which is priced 80-150 per cent higher than the usual CTC tea.

Exports to China – epicentre of the coronavirus outbreak – have also been hit. Primarily a green tea market, China was also emerging a new destination for CTC tea from India. Last year, exports to China had risen by over 30 per cent at more than 13 million kg (mkg).

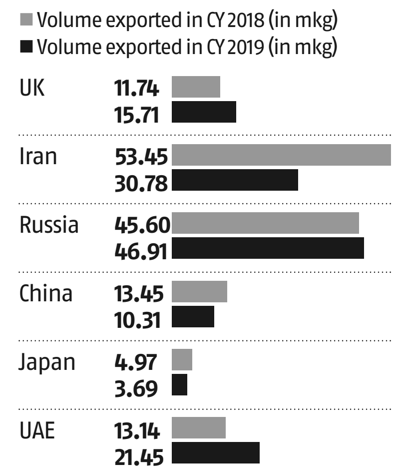
Japan, which is a major market for the costly Darjeeling tea (at 5 mkg), has also been affected by the virus and shipments to this country is expected to fall.

Usually February-April is a significant period for tea companies as forward contracts are signed during this time. Industry officials noted that owing to the epidemic, contracts are not getting signed. This left the Tea Board worried.

Also, exports to West Asia, excluding Iran, registered a 41 per cent fall at around 23 mkg due to the prevalent geopolitical tensions. Exports to the UK also saw a 25 per cent decline at around 12 mkg, primarily due to Brexit. To make matters worse, exports to Pakistan, formerly the fourth largest export market for India, has also hit rock bottom.

Ray said that while the export situation is expected to be gloomy this year, India is also burdened with over production this year. In 2019, domestic production increased by around four per cent at a record 1,390 mkg while domestic consumption stagnated and export volume fell by around three per cent.

CRUCIAL MARKETS FOR INDIAN TEA

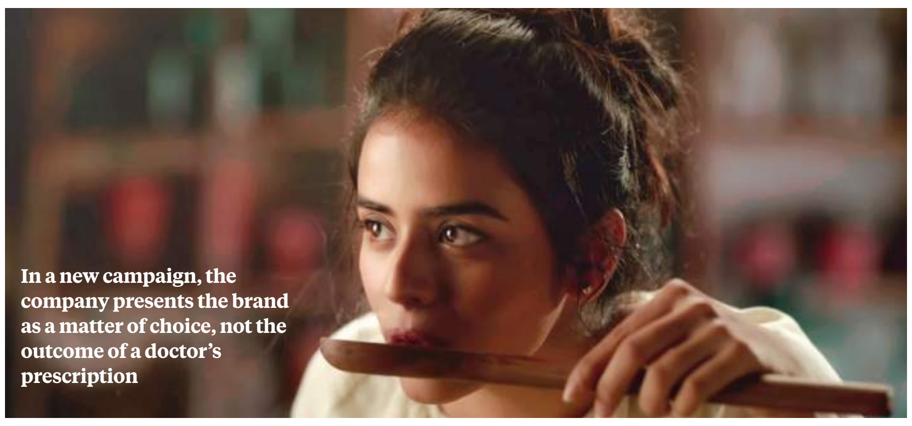


Source: Tea Board of India

Sensodyne drops the white coat, unmasks a new image

The toothpaste brand from GSK Consumer ditches the old prescriptive advertising routine, as it looks to widen its appeal among young users

T E NARASIMHAN
Chennai, 2 March



In a new campaign, the company presents the brand as a matter of choice, not the outcome of a doctor's prescription

For close to a decade, Sensodyne has been pitched as a special toothpaste for sensitive teeth. One that gets inside people's homes, not because it offers a fresh feel or, kills bad breath, but via a doctor's recommendation. A white-coat clad and stethoscope wielding model has been its face, almost ever since its launch in 2011. Now in a new, digital-first campaign, GSK Consumer is recasting its toothpaste in a new mould, asking people to choose the brand for the love of good food above all else. The objective is to make the brand more relatable, the company said, but will this mean losing the distinctive nature of its appeal?

GSK Consumer Healthcare's oral care brand Sensodyne tackles Dentine Hyper Sensitivity (DHS), a condition about which the company has sought to build awareness and sensitivity. Its efforts have had the brand gain almost half the share (49 per cent) of the sensitive tooth paste market in the country, the company said. There is room for growth within the segment, but even more so outside. Hence experts say it is to tap the potential customer base outside the subset of people with 'sensitive gums' that the brand's core promise is being repurposed.

"The campaign is designed to connect with people who hold back from enjoying their favourite foods, and therefore compromise," says Anurita Chopra, area marketing lead, oral care, GSK Consumer Healthcare. Visually appealing, the ads are built on the premise that the problem of sensitive teeth is more common than one thinks it is.

Titled #ForTheLoveOf, the campaign is based on research done by the company that showed that one in three people suffer from tooth sensitivity in India, but only one in five take any action. As a brand, it has been driving category building and has worked towards bringing about a shift in consumer behaviour and understanding, according to Chopra.

GSK's pharma imagery has worked for Sensodyne in the past (as part of the deal between HUL and GSK, Sensodyne will continue to be owned by latter), but Harish Bijoor, brand-expert and founder, Harish Bijoor Consults says, "Dental science and dental hygiene accoutrements market today is a highly segmented one. The toothpaste is the lowest common denominator in this arena. And out here, the ordinary toothpaste of the fluouride or gel variety is a competence that is OTC. Sensodyne and its category is a prescriptive oriented category."

Given the unique proposition that Sensodyne has built for itself, is the brand straying afar from its core offering, by adopting a general tone in its communication? The ₹10,400 crore toothpaste market in India is highly penetrated category growing at a steady rate and in the last few years, there has been a fresh momentum due to a growth in use of specialised toothpastes. The sensitivity category stands at ₹1,100 Cr and Sensodyne leads the segment, followed by Colgate Sensitive at 10 per cent market share and then a host of other players such as Thermoseal, Emoform, Sensoform, Vantej etc.

"We will continue to invest in the brand and its category building initiatives"

ANURITA CHOPRA
Area marketing lead, oral care, GSK Consumer Healthcare

Given that the category is already highly penetrated, most of the gains are through upgrades to premium/specialised tooth pastes, price increases and increase in the repertoire of brands in the house holds. To grow therefore, brands such as Sensodyne need to tap into the general category.

Sensodyne's journey thus far, according to experts, has been primarily about spreading the net and drawing as many people as it can into its ambit, within the sensitive gums segment. If it has to grow, the brand must first expand the category, say experts.

The latest campaign, developed in partnership with Grey India and Wunderman Thompson, is a digital first campaign. "This is testimony to the brand's successful strategy in India. We will continue to invest in the brand and its category building initiatives," said Chopra.

The company has launched on-the-ground campaigns with several malls to spread its use among the people. It has also made advances in the market through collaborations with dental health care professionals. The brand has launched variants, expanded into adjacent need spaces through offerings which delivered on sensitivity plus benefits such as Sensodyne Deep Clean, and Sensodyne Multicare. The new campaign marks a fresh attempt to expand the brand's appeal and reach and chart a course in hitherto uncharted waters.

FROM PAGE 1

Markets...

"The markets do not know how to react to the corona outbreak; they play the worst-case scenario. If there is no bad news overnight, we could come back tomorrow re-thinking," said Andrew Holland, CEO of Avendus Capital Alternate Strategies.

The news of new corona cases could not have come at a worse time for India, which is reeling under an economic and political crisis. "Every Fortune 500 company, which was reliant on China for the manufacture of its products, will have to diversify its production chain. If our manufacturing states can grab this opportunity, this could be a heaven-sent," said Saurabh Mukherjhea, founder of Marcellus Investments.

Barring three, all sectoral indices of the BSE ended the session in the red. Metal as well as oil and gas stocks were the worst-affected, with their respective gauges falling 2 per cent each. Two-third of Sensex components ended with losses. SBI was the worst-performing Sensex stock.

Divestment...

In her 2020-21 Budget, Finance Minister Nirmala Sitharaman also revised downwards the tax revenue and total expenditure estimates for 2019-20, and widened the fiscal deficit target for the year to 3.8 per cent of gross domestic product from 3.3 per cent.

"The IRFC IPO will be done even in this market. Whenever there is a short window of opportunity this month, the IPO will be done. The OFSs are now likely to be done after March 31," said the official. This means they will contribute to the 2020-21 budgeted divestment proceeds of ₹2.1 trillion.

Last week, the Centre had divested 10 per cent of its stake in RITES through OFS. The issuance bombed. "We raised just around ₹400 crore versus expectations of ₹1,000 crore," the official said.

Travel firms...

Expedia said it was laying off 3,000 employees globally, beginning with Hong Kong and Singapore. Emirates and Singapore Airlines, too, have announced cost-cutting.

Singapore Airlines is implementing a 5-15 per cent salary cut for employees, including its CEO and senior management, while Emirates is offering voluntary leave without pay. "There are no last-minute cancellations. Fresh bookings are, however, being postponed. We do not have visibility on business for the April-June period," said the head of a travel company.

Italy is an important destination for Indians. Typically, group tours from India begin from London and end in Rome. "The government has issued an advisory to curb non-essential travel to Italy. As we head towards the peak summer season, we anticipate a drop of 12-15 per cent in bookings," said Sabina Chopra, co-founder, Yatra.com.

A MakeMyTrip spokesperson said: "There has been a definite slowdown in outbound travel bookings. Travellers are being extremely cautious in making foreign travel plans. Our outbound business stands at 20 per cent of the overall business, which includes South East Asia. We do expect a potential impact if the outbreak spreads westwards. We have not seen any noticeable dip in domestic bookings."

Carmakers...

According to Deepak Jain, president of Auto Component Manufacturers' Association, India's auto component industry imported parts worth $17 billion in the financial year 2018-19. Of this, China's share was $4.5 billion.

To be sure, China is ahead of other countries in BS-VI. Most global suppliers have used China to develop those parts as it allowed them to achieve the kind of scale not possible in India or elsewhere, explained Wadhera. All truck makers saw their dispatches drop more than 45 per cent last month as compared to a year ago as they curtailed dispatches to dealers and remained cautious of stockpiling ahead of the new emission norms coming into effect. Automakers in India count dispatches to dealers as sales. Sanjeev Vasdev, managing director at Flash Electronics, which counts several two wheeler makers including Bajaj Auto as its key customers, is also worried. "The impact of the coronavirus will be felt from this month onwards in a major way and will be more critical for some manufacturers, especially the ones that have their BS-VI roll out scheduled," said Vasdev.

Channel for...

If anything, the hair-splitting over tastes, textures, and dialects is on another level.

Agarwal highlights some complexities. "Southern markets are at a better stage of evolution than Hindi, on both penetration (of TV) and consumption. In Marathi, Bangla or other languages, there is an overlap with Hindi. Among Marathi audiences, for instance, 70 per cent of the consumption is in Hindi and 30 per cent in Marathi. In Bangla, 45 per cent consumption is in Bengali. The south is predominantly about 'my language'. On the Karnataka border, you might have bilingual consumption in Telugu/Kannada or Marathi/Kannada."

Ravish Kumar, head (regional TV network), Viacom18, points to subtler differences: "Programme tastes in Marathi are more understated and more rooted. In Tamil and Telugu, they could go over the top. Bengali is struggling to find an identity."

This has implications on everything — programming, advertising, and costs. "Earlier, there was lot of homogenisation in regional markets. Now, 80 per cent of the programming is unique to that market; just 20 per cent would be remakes or dubs," says Kumar. "Even the biggest formats — whether KBC or Bigg Boss — are on regional TV. It is about local content with national-level production values," says Vaz.

When regional channels move from 12-13 hours of original content a week to 25 hours, time spent usually doubles or trebles, reckons Agarwal. The second difference is the choice of languages. In the nineties, various players had tried Punjabi, Gujarati, and languages with a Hindi overlap. Except for Marathi and Bangla, local content in other languages did not work.

In the last five years, many of these genres have shown growth for various reasons. For instance, several local players have seeded the market in Punjabi. In Bhojpuri and Odia, BARC finally has a good sample to generate TV ratings. This in turn brought in advertisers prompting national players to invest in those markets.

More on business-standard.com

Modi to log out..

Congress leader Rahul Gandhi replied to Modi's post, tweeting: "Give up hatred, not social media accounts." To that, Tripura chief minister (CM) Biplab Deb retorted: "So that's the reason (Congress president) Sonia Gandhi doesn't have any social media account?"

Congress spokesperson Randeep Singh Surjewala tweeted: "Earnestly wish you would give this advice to the concerted army of trolls, who abuse-intimidate-badger-threaten others every second in your name!" Amruta Fadnavis, spouse of former Maharashtra CM Devendra Fadnavis, tweeted: "Sometimes it's the smallest decision that can change our life forever! I will follow the path of my leader."

NHAI likely to roll out InvIT in May

MEGHA MANCHANDA
New Delhi, 2 March

The National Highways Authority of India (NHAI) is gearing up to place its first set of road projects with an infrastructure investment trust (InvIT) in May. Also, institutional investors and private funds will be offered equity in the projects.

Finalising an InvIT is a lengthy process. A date-wise action plan would be put in place in order to make the first such offering operational by May this year, a senior NHAI official told *Business Standard*.

"Our first offering will be through private placement. After seeing the performance, we will think of a public offer," he said. The bouquet of projects to be offered under the proposed InvIT are being finalised.

InvIT is a scheme similar to mutual funds that paves the way for investment in infrastructure projects from individuals and institutional investors.

On December 11, 2019, the Union Cabinet gave its approval to NHAI to set up an InvIT to monetise highway assets. In January 2020, Union road transport and highways minister Nitin Gadkari unveiled the roadmap for InvIT, through which NHAI would initially raise ₹15,000-20,000 crore.

NHAI InvIT would be the Centre's first such offering.

Government-controlled Power Grid Corporation of India (PGCIL) is in the process of placing some of its transmission projects in an InvIT.

NHAI's offer is part of the central government's plans to tap alternative sources of financing to boost public spending in the infrastructure sector. This is especially at a time when private sector investment is drying up in the build, operate and transfer (BOT) mode.

Under the BOT model, the initial cost is borne by the developer, though at the time of bidding, it can ask for government subsidy.

In addition to the InvIT offer, the government is tying up with domestic lenders to raise money for long-gestation projects. The Union highways ministry is working closely with the Reserve Bank of India on this.

According to a senior NHAI official, a date-wise action plan would be put in place to make the first such offering operational by May

InvITs offer investors regular yields for investing in infrastructure projects. Two private sector road developers – IRB Infrastructure Developer and MEP Infra – have tapped the InvIT route to raise funds.

"Given the magnitude of the Bharatmala programme (₹5.35 trillion), NHAI would need adequate funds to complete the projects within the prescribed timelines. As part of this exercise, a workable option is to monetise the completed and operational national highway assets. This will unlock their value and offer attractive schemes to private players to invest in construction of new national highways," said a government press note in December.

NHAI's InvIT will be a trust established by NHAI under the Indian Trust Act, 1882 and Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014.

The InvIT Trust will hold assets either directly or through a special purpose vehicle or a holding. It will also facilitate a corpus from special institutions and prompt them to stay invested in the infrastructure sector.

On December 31, 2019, finance minister Nirmala Sitharaman unveiled the ₹1 trillion National Infrastructure Pipeline for five years. For this, it will be necessary to have various sources of funding.

The infrastructure pipeline consists of 39 per cent projects each by the Centre and states, and 22 per cent by the private sector.

As part of the infrastructure vision 2025, the government has envisaged enhanced road connectivity to the remotest areas. It also plans trunk connectivity through expressways, major economic corridors, strategic areas and tourist destinations.

RBI to PSBs: Take steps to boost lending

SUBRATA PANDA & ABHIJIT LELE
Mumbai, 2 March

In a meeting with the chiefs of public sector banks (PSBs) on Monday, Reserve Bank of India (RBI) officials asked them to take steps towards boosting credit growth in the economy.

"The moot point was why credit growth was still muted, and there was an exchange of views between the bankers and RBI Governor Shaktikanta Das. Since private sector banks are seeing credit growth, public sector banks, too, will have to ensure that credit growth picks up," said a senior executive of a public sector bank.

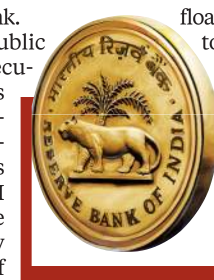
Another public sector bank executive, who was part of the meeting, said state-owned banks informed the RBI that after the asset quality review, their staff members have been spending considerable time on recoveries and resolutions, and there was less emphasis on sales and business development across regions. But, now the situation is changing and banks have put more teams on the street (pushing loans and financial products).

Bank credit growth declined to 8.5 per cent in January, from 13.5 per cent in the year-ago period, because of a sharp slowdown in loans to the services sector, according to the RBI data. Growth in advances to the services sector decelerated to 8.9 per cent, from 23.9 per cent in January 2019. Bank loan growth to non-banking financial companies slowed to 32.2 per cent in the reporting month, from 48.3 per cent growth a year ago. During the month, the personal loans segment grew 16.9 per cent.

The discussion was also focused on the resolution of stressed assets under the June 7 circular brought in by the RBI, and the concern over rising stress in the micro, small and medium enterprise (MSME) sector. The central bank had recently extended by one year the relaxation in classifying stressed MSME loans.

There was, however, no discussion on the issue of the impact of the coronavirus epidemic and the recently released gross domestic product (GDP) numbers.

In its last monetary policy review, held in early February, the RBI had introduced measures like long-term repo operations (LTRO) and external benchmarking of new floating rate loans by banks to medium enterprises.



A banker said the RBI also nudged banks sitting on huge liquidity coming from CASA to lend more, and not use LTRO for treasury operations

The RBI conducted term repos of one-year and three-year tenors from the fortnight beginning February 15. The overall size of these LTROs is ₹1 trillion. It has already conducted two auctions for ₹25,000 crore each.

On the issue of LTRO, the RBI pointed out that PSBs that rely heavily on term deposits, which generally have a high-interest rate, can move to LTRO. It will reduce their cost of funds and help ramp up lending. It also nudged banks sitting on huge liquidity coming from CASA to lend more, and not use LTRO for treasury operations, said the first banker quoted above.

"While the RBI reiterated that this liquidity window is to be used to draw funds only for lending, there was no moral suasion for banks with surplus funds to refrain from using this facility," said the second banker.

Since June 2019, the RBI has ensured that comfortable liquidity is available in the system to facilitate the transmission of monetary policy actions and the flow of credit in the economy. This was done to assure banks about the availability of durable liquidity at a reasonable cost based on the prevailing market conditions.

Feb jobless rate rises to 7.8%, highest in 4 months

REUTERS
New Delhi, 2 March

The country's unemployment rate rose to 7.78 per cent in February, the highest since October 2019, and up from 7.16 per cent in January, according to the data released by the Centre for Monitoring Indian Economy (CMIE) on Monday, reflecting the impact of a slowdown in the economy.

India's economy expanded at its slowest pace in more than six years in the last three months of 2019, with analysts predicting further deceleration as the global coronavirus outbreak stifles growth in Asia's third-largest economy.

In rural areas, the unemployment rate increased to 7.37 per cent in February from 5.97 per cent in the previous month, while in urban areas, it fell to 8.65 per cent from 9.70 per cent, the data released by CMIE, a Mumbai-based private think-tank showed.

NBFC-MFIs show moderation in leverage for three quarters

ABHIJIT LELE
Mumbai, 2 March

The leverage of non-banking financial companies (NBFCs), which are working as microfinance institutions (MFIs), has improved for three consecutive quarters, from 3.5 per cent in March 2019 to 3 per cent in December 2019, on the back of a rise in outstanding equity capital.

During the December quarter (Q3FY20), NBFC-MFIs received a total of ₹10,960 crore in debt funding, up 16 per cent from Q2FY20. Total equity grew 8 per cent during the same period and is at ₹15,567 crore.

Harsh Shrivastava, chief executive, Microfinance Institutions Network (MFIN), said capital inflows are rising in the NBFC-MFI segment which is doing better financially — a sign of healthy profile.

The funds were not available to small MFIs in the aftermath of Infrastructure Leasing & Financial Services (IL&FS) crisis in 2018. The funding support, especially from banks, to finance companies improved in the last 12 months after the Reserve Bank of India and the government took various measures to improve liquidity.

The MFIN data shows that the outstanding borrowings at the end of each quarter of the current financial year have grown. The outstanding borrowings increased from ₹38,760 crore in March 2019 to ₹47,269 crore in December 2019.

LEVERAGE OF MFIs IMPROVES (in ₹cr)

Quarter	Debt	Equity	Debit/ equity ratio
Dec 2018	43,313	14,216	3.0
Mar 2019	38,760	11,055	3.5
Jun 2019	40,050	12,107	3.3
Sep 2019	43,942	14,406	3.1
Dec 2019	47,269	15,567	3.0

Source: MFIN micrometer

The Asset Liability Management (ALM) analysis shows that all sizes of NBFC-MFIs are well placed in terms of ALM across various buckets. The borrowings of MFIs are of longer term while assets are of shorter term, and as a result, they have a comfortable gap as on December 30, 2019 to manage their obligations for the upcoming quarter and up to the next 12 months.

The equity also showed a rising trend in 9 months ended December 2019. The net worth of NBFC-MFIs rose from ₹11,055 crore in March 2019 to ₹15,567 crore in December 2019. The investors have a positive outlook on the sector as growth potential in this segment is high and asset quality profile is better, though an increase in dues was seen in the third quarter, analysts said.

Jet fuel price down 10%, second cut in 2 months

PRESS TRUST OF INDIA
New Delhi, 2 March

Jet fuel (ATF) prices were on Monday slashed by a steep 10 per cent, the second straight reduction in rates in as many months, as international oil prices slumped on fears of the spread of coronavirus.

Aviation turbine fuel (ATF) price was cut by ₹6,590.62 per kilolitre (kl), or 10.3 per cent, to ₹56,859.01 per kl in Delhi.

This is the second straight cut in ATF rates. Prices were cut by ₹874.13 per kl with effect from February 1.

Simultaneously, the rates of non-subsidised cooking gas (LPG) were cut by ₹53, wiping away a third of the record ₹144.50 per cylinder price hike effected last month, according to a price notification issued by state-owned oil firms.

The rate of non-subsidised cooking gas (LPG) was also reduced to ₹805.50 per 14.2-kg cylinder from ₹858.50 previously.

Allahabad Bank and Indian Bank to have 10,000 branches in 2 yrs after merger

NAMRATA ACHARYA
Kolkata, 2 March

The merged entity of Allahabad Bank and Indian Bank will have around 10,000 branches, with combined business of ₹10 trillion in the next two to three years, according to a top official of Allahabad Bank.

At the end of December 2019, the total business of Allahabad Bank was around ₹3.9 trillion, while that of Indian Bank was close to ₹4.5 trillion. Thus, the combined business stood at about ₹8.4 trillion.

Meanwhile, the bank is awaiting government notification on the merger, and is prepared to meet April 1 deadline, said the official.

"It is basically a horizontal merger. It does not take a lot of time. Effective date is most likely be April 1. But it will at least take 12-18 months for us for complete integration of all the processes. Complete integration of core banking system (CBS) will not happen from Day One of the merger," he said.

According to an official, Allahabad Bank is awaiting government notification on the merger, and is prepared to meet April 1 deadline

In case of the merger, none of the branches will be closed as the two banks are present in distinct geographies. "In our case, the greatest advantage is none of the branch is going to be closed. Only those branches that are adjacent to each other will be combined," the official said.

Under the mega merger plan by Union Finance Minister Nirmala Sitharaman, 10 public sector banks would be consolidated into four. Punjab National Bank, Oriental Bank of Commerce, and United Bank of India will combine to form the nation's second-largest lender; Canara Bank and Syndicate Bank will merge; Union Bank of India will amalgamate with Andhra Bank and Corporation Bank; and Indian Bank will merge with Allahabad Bank. The consolidation exercise will bring down the number of nationalised public sector banks to 12 from 27 in 2017.

Real negotiations yet to start in Afghanistan: Jaishankar

AJAI SHUKLA
New Delhi, 2 March

India remained on the sidelines as the US and the Taliban signed a peace agreement in Doha on Saturday, but hopes to play a role in the "intra-Afghan" dialogue that will follow between the Taliban, the government in Kabul, and other Afghan factions.

Foreign Minister S Jaishankar, addressing a conference in Delhi on Monday, downplayed the agreement in Doha that commits the US to pull out from Afghanistan by May 2021. "What we saw at Doha was not a surprise. Everybody knew something like this was happening. It was almost like finally seeing *Pakeezah* after 17 trailers of the movie," he said.

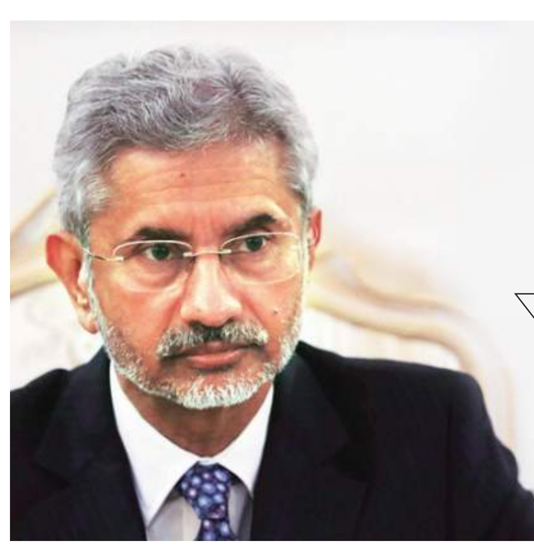
Pakistan played a major role in bringing the Taliban to the table. Key Taliban leaders, such as Mullah Abdul Baradar, who signed the agreement, have spent years in Quetta under the control of the Pakistan government. "To my mind, the real negotiations will start now. Then we will have to see whether many of the assumptions that we had, how cohesive are various players, what do they do, what are their demands. Finally does Taliban join a democratic set up or does a democratic set up follow [and] adjusts to the Taliban," said Jaishankar.

Hinting at a possible Indian role in the "intra-Afghan dialogue" the foreign minister stated: "There is a lot of interest in various countries, like the neighbours of Afghanistan and those who have interests there. Who plays what role will take a little while to work out."

India enjoys significant leverage in Afghanistan due to its enduring relationships with non-Pashtun groups, and traditional contacts with Pashtun groups, though not the Taliban. President Ashraf Ghani's government in Kabul, which was not party to the Doha pullout agreement, also has strong relations with New Delhi.

India's contacts with Pashtun leaders remained alive through the Taliban insurgency, thanks to a range of "small development projects" that Indian development supported over the past 18 years in the Pashtun heartland of southern and eastern Afghanistan.

Jaishankar made clear India's opposition to imposing the Taliban's medieval worldview on an Afghanistan where there is widespread acceptance of democracy, women's rights, human rights, and modern technology. The Doha agreement does not bind the Taliban to protect these advances.



"WHAT WE SAW AT DOHA WAS NOT A SURPRISE. EVERYBODY KNEW SOMETHING LIKE THIS WAS HAPPENING. IT WAS ALMOST LIKE FINALLY SEEING *PAKEEZAH* AFTER 17 TRAILERS OF THE MOVIE"

S JAISHANKAR, Foreign minister

"I do believe that the past 18 years have brought about big changes (in Afghanistan). I would remind people that this is not the Afghanistan of 2000-2001. To the US and to the West, our message has been that the achievements of the past 18 years, it is in global interest that those achievements are secured and protected," said Jaishankar.

Alongside the "intra-Afghan dialogue" that is due to commence on March 10, the US is to facilitate a Pakistan-Afghanistan dialogue aimed at border security and ending terror safe havens. Describing these as "issues for which right now there are no clear answers", the foreign minister stated: "You are watching that space, I am watching that space and that space is going to evolve."

'Need to have sober conversations'

A mix of ideologies, identities and history with business, politics and strategy can create a very "potent cocktail" and the need of the hour is to have sober conversations, Jaishankar said while talking about changing dynamics of geo-politics globally.

He said the few years had demonstrated a growing capacity of India to contribute to the global discourse and made a difference to international outcomes. "We significantly shaped the connectivity debate at a time when the world was still confused. And backed that up with a plethora of projects, including in our immediate neighbourhood," he said.

Jaishankar said India's single-minded campaign against terrorism has brought that issue into sharp focus in key world forums, including at the G-20. "Where maritime security is concerned, India has emerged as a key player, especially in the Indian Ocean," he added.

(With PTI inputs)

Taliban ends partial truce as Afghan violence resumes

PTI/AFP
Kabul, 2 March

A deadly blast shattered a period of relative calm in Afghanistan on Monday, as the Taliban told fighters to resume operations against Afghan security forces — just days after signing a deal with Washington aimed at ushering in a new era of peace.

No group immediately claimed responsibility for the attack at a football ground in Khost in eastern Afghanistan, where three brothers were killed, officials told *AFP*.

The blast occurred at around the same time the Taliban ordered fighters to start up attacks against Afghan army and police forces, bringing to an apparent end the "reduction in violence" period that had seen a dramatic drop in bloodshed.

The partial truce between the US, the Taliban and Afghan security forces lasted for the week running up to the signing of an accord between the US and the insurgents in Doha on Saturday, and was extended over the weekend.

"The reduction in violence... has ended now and our operations will continue as normal," Taliban spokesman Zabihullah Mujahid told *AFP*. "According to the (US-Taliban) agreement, our mujahideen will not attack foreign forces but our operations will continue against the Kabul administration forces." The Taliban's military commission circulated an order telling fighters to resume operations, according to a document provided to *AFP* by an insurgent source.

The order comes a day after President Ashraf Ghani said he would continue the partial truce at least until talks between Afghan officials and the Taliban kick-off, supposedly on March 10.

Fawad Aman, deputy spokesman for the defence ministry, said on Monday the government was "checking to see if (the truce) had ended". "We have not had any reports of any big attacks in the country yet," he said before the blast at the football match.

The Doha deal includes a commitment to swap 5,000 Taliban prisoners held by the government for 1,000 captives, but president Ashraf Ghani has said the US has no authority to negotiate such an exchange

The US forces in Afghanistan declined to comment. Ahead of the signing of Saturday's deal, Washington said it expected the Taliban to maintain the reduction of violence ahead of the launch of intra-Afghan talks, slated to take place in Oslo.

The Taliban's resumption of attacks comes after Ghani warned the insurgents Sunday that he was not committed to a key clause in the Doha deal involving the release of thousands of Taliban prisoners.

Speaking to *AFP* on condition of anonymity, a Taliban source in Pakistan accused Ghani's government of acting in bad faith over the issue. The Doha deal includes a commitment to swap 5,000 Taliban prisoners held by the government in return for 1,000 captives, but on Sunday Ghani said Washington had no authority to negotiate such an exchange.

"Ghani's stand shows that the Americans hadn't done the groundwork before signing the agreement," the source said.

According to Khost police chief Sayed Ahmad Babazai, the blast at the football match killed three people and wounded 11 more. "A motorcycle rigged with a bomb exploded during a football match," Babazai told *AFP*.

Abdul Fatah Wakman, president of the Khost Football Federation, said the three killed were brothers. Since the deal signing on Saturday, the Taliban have been publicly celebrating their "victory" over the US.

Under the terms of the deal, foreign forces will quit Afghanistan within 14 months, subject to Taliban security guarantees and a pledge by the insurgents to hold talks with the Kabul government. While supporters of the accord say it marks a critical first step toward peace, many Afghans fear it amounts to little more than a US capitulation that will ultimately see the Taliban return to power. The extent to which that happens hinges on the coming dialogue between the Taliban, the Ghani administration, and other Afghan political players.

CORONAVIRUS OUTBREAK

OECD slashes India's FY21 growth forecast to 5.1% on virus woes

HAS INFECTED NEARLY 90, 000 ACROSS THE GLOBE AND KILLED MORE THAN 3,000

THE EPIDEMIC HAS PUSHED THE WORLD ECONOMY TO ITS FIRST CONTRACTION SINCE THE 2009 RECESSION

AGENCIES
2 March

Global agency OECD on Monday lowered India's GDP growth forecast to 5.1 per cent, from its earlier projection of 6.2 per cent, for 2020 on concerns over the impact of deadly coronavirus on the domestic as well as the global economy.

The Organisation for Economic Cooperation and Development (OECD) said the adverse impact on confidence, financial markets, travel sector and disruption to supply chains contributes to the downward revisions in all the G20 economies in 2020, particularly ones strongly interconnected to China.

India is a member of G20, a grouping of developed and developing economies.

According to the latest OECD Interim Economic Outlook Forecasts, India's real GDP growth is expected at 5.1 per cent during the fiscal year starting April 1, 2020, and improve to 5.6 per cent in the following year. The latest projection for 2020-21 is 1.1 percentage point lower than the November 2019 forecast.

The Economic Survey tabled by the government in Parliament has projected India's economic growth at 6 -6.5 per cent in the next fiscal year. The National Statistical Office (NSO) estimates India's GDP growth at 5 per cent during 2019-20.

The OECD has projected India's growth at 4.9 per cent for the financial year ending March 2020.

The report said coronavirus (COVID-19) outbreak has already brought considerable human suffering and major economic disruption.

Output contractions in China are being felt around the world, reflecting the key and rising role China has in global supply chains, travel and commodity markets. Subsequent outbreaks in other economies are having similar effects, albeit on a smaller scale.

Global economic growth will sink to levels not seen in over a decade as the coronavirus outbreak hammers demand and supply, challenging central banks and governments to respond to a fast-changing situation, according to the OECD.

South Korean soldiers wearing protective suits spray disinfectant in Daegu
PHOTO: AP/PTI

Global manufacturing contracted in February by the most since 2009 as the coronavirus severely disrupted demand, trade and supply chains

As central banks around the world try to calm a market panic, the Paris-based group also warned of possible global contraction this quarter. It cut its full-year growth to just 2.4 per cent from 2.9 per cent, which would be the weakest since 2009.

Global manufacturing contracted in February by the most since 2009 as the coronavirus severely disrupted demand, trade and supply chains.

The JPMorgan Global Manufacturing PMI fell 3.2 points to 47.2, snapping a three-month streak of expansionary readings, according to a report released Monday. Production plunged the most in almost two decades while the measure of new export orders also fell to the lowest since 2009.

WHAT YOU NEED TO KNOW

- Nine times more new virus cases outside than in China in the last 24 hours, says WHO
- Containment is still possible, the head of WHO said, urging countries not to give up
- Second death reported in the US, and more infections have been detected
- The European Union sounds high alert
- Air India quarantines crew of the flight on which a COVID-19 patient flew to Delhi
- Iran cases surge 50%, top 1,500; 4,335 infected in South Korea
- Saudi Arabia, New York City, Brussels, Berlin report first cases
- Coronavirus kills an adviser to Iran's Ayatollah Khamenei
- Italy death toll jumps to 52
- Chinese institute says African swine fever vaccine effective in lab tests
- G-7 finance chiefs, central bankers plan virus call on Tuesday
- Sweden bans Iran flights over coronavirus

Car firms take digital route for launches

BLOOMBERG
Frankfurt/Munich, 2 March

With the annual Geneva car show cancelled for the first time since the World War II era, automakers are going virtual in a bid to wow the hordes who would otherwise descend on the Swiss city to get a closer look at the latest models.

BMW will live stream the debut of its i4 battery-car concept on Tuesday, while Mercedes-Benz's popular E-Class sedan and Audi's A3 sportback and all-electric E-Tron S will also be touted in digital displays.

Even as manufacturers have been pulling back from auto shows in recent years, the gatherings still attract media, suppliers and aficionados eager to run their hands over the latest upholstery trend or settle in behind the wheels of new vehicles.

Audi parent Volkswagen used last year's Frankfurt event to unveil its ID.3 electric car, and to spread the message that the world's largest auto manufacturer was moving on after the diesel-cheating crisis and honing its image as a leader in the transition to battery powered-cars.

The Geneva showcase, which was scheduled to start this week, was called off due to the rapid spread of the coronavirus in Europe. Carmakers were forced into contingency planning, with online events emerging as a way to salvage part of their marketing efforts. Scrapping the show will cost a few million euros, PSA Chief Executive Officer Carlos Tavares said in an LCI television interview Sunday, adding that the company's Citroen brand amplified its DS9 launch on social media.

BMW was aiming to make a big splash for its i4, a car meant to help reassert the German company's momentum in electric vehicles. The group is sticking to the same program on Tuesday, albeit with a "digital press conference" by Chief Executive Officer Oliver Zipse, who will speak from BMW's Munich headquarters.

Even before being cancelled, the Geneva show — a luxury-car expo that's typically dominated by glitzy rides from the likes of Ferrari, Porsche and Mercedes's AMG unit — was in danger of being overshadowed by industry woes. The virus outbreak, which has depressed car sales in China and disrupted supplier lines, adds to the challenges. Trade wars and tariffs, and an economic slowdown sent sales into a tailspin last year in China, the world's largest auto market and a key country for exports for the three big German manufacturers.

'High risks'

At home, European automakers are saddled with tough emissions rules that have forced them to speed up the expensive roll-out of new electric vehicles. Then there's the lingering tension with the US over trade policy that could bring additional tariffs.

AIRBNB's PATH TO STOCK LISTING THIS YEAR AT RISK

One of the most anticipated public listings of 2020 is in danger of being derailed by the spread of coronavirus.

Airbnb, operator of the largest home-sharing service, has been working toward a stock market debut this year and was looking to start the process around March or April, people with knowledge of the matter said. That kickoff could get pushed back, some of them said. And now, with consumers and businesses cancelling travel plans around the globe, Airbnb's plan is at risk of slipping into 2021. "You want to come in with your best foot forward in a public listing – and this virus is hitting Airbnb hard," said David Hsu, a professor at the University of Pennsylvania's Wharton Business School.

The company has to weigh the risks of entering the public markets after an unprofitable year, when investors have already been burned by the poor performance of other technology public offerings — and when the travel sector is under so much pressure, Hsu said. "I wouldn't be surprised to see this particular listing delayed," he added. Founded in 2008, Airbnb ushered in a new era of travel by convincing millions of people to open up their homes to strangers. The $31 billion start-up runs a global platform connecting those who are willing to rent their homes to guests looking for a cheap place to stay.
BLOOMBERG

IATA for suspension of slot rules

ANEESH PHADNIS
Mumbai, 2 March

The civil aviation ministry is likely to accept International Air Transport Association's (IATA) demand for suspension of the rules on allocation and use of airport slots. IATA, which represents over 250 airlines, has requested global regulators for suspension of the rules in view of the coronavirus outbreak resulting in widespread cancellation and suspension of international flights.

"Around 43 per cent of all passengers depart from over 200 slot-coordinated airports worldwide. At present, the rules for slot allocation mean that airlines must operate at least 80 per cent of their allocated slots under normal circumstances. Failure to comply with this means the airline loses its right to the slot the next equivalent season. In exceptional circumstances, regulators can relax this requirement," IATA said in a statement today.

It further said: "Suspending the requirement for the entire season (to October 2020) will mean that airlines can respond to market conditions with appropriate capacity levels, avoiding any need to run empty services in order to maintain slots. Aircraft can be reallocated to other routes or parked; crew can have certainty on their schedules," it added. "It is a force majeure kind of situation. The situation is not in airline's control," an official said, indicating that the government may accept IATA's demand. Indian carriers have suspended flights to China and Hong Kong, while international airlines have cut frequencies to India.

Polished diamond exports likely to fall 20% in FY20

India's cut and polished diamond exports are likely to decline 20 per cent in the current financial year amid weak global demand following travel and trade curbs to prevent spread of coronavirus. The data compiled by Gems and Jewellery Export Promotion Council (GJEPC) already shows a 17 per cent fall in India's cut and polished diamond exports to $16.32 billion during April 2019-January 2020. The figure was $19.61 billion in the corresponding period last year. The decline is expected to be severe in the January-March quarter because of the lockdown in China. Exports to China, which cumulatively purchases nearly 40 per cent of India's cut and polished diamonds directly and indirectly through Hong Kong, have come to a standstill. CRISIL, too, sees a fall in India's diamond exports. "India's diamond exports could shrink by a fifth to around $19 billion by the end of FY21, from $24 billion in FY19... Much of its (outbreak's) impact would be seen in 2019-20," said Rahul Guha, director, Crisil Ratings. DILIP KUMAR JHA

DELHI VIOLENCE

Little business in Parliament as Opposition wants Shah out

ARCHIS MOHAN
New Delhi, 2 March

The two Houses of Parliament, which met on Monday after the Budget session recess, could transact little business as Opposition MPs protested over the communal violence in the national capital.

In the Lok Sabha, Bharatiya Janata Party (BJP) and Congress MPs pushed and shoved each other, as Opposition parties demanded the resignation of Home Minister Amit Shah.

In the Rajya Sabha, Opposition members submitted notices for a discussion on the violence in Delhi, and demanded that Prime Minister Narendra Modi and Shah gave a statement in the House.

Earlier in the morning before Parliament convened, Opposition MPs protested in front of the statue of Mahatma Gandhi. As the Lok Sabha convened, Speaker Om Birla adjourned the House until 2 pm as a mark of respect for sitting MP Baidyanath Prasad Mahto, who passed away last week. When the House met again, the Lok Sabha was adjourned thrice – first till 3 pm, then till 4 pm, and then 4.30 pm amid the ruckus. It was finally adjourned for the day.

At 2pm, Opposition MPs, especially those from the Congress, went into the area of the Treasury benches carrying a black banner, which demanded Shah's resignation. When the Congress' Gaurav Gogoi and Ravneet Singh Bittu holding the black banner went to the Treasury benches, where the BJP's Sanjay Jaiswal was speaking on the Vivaad Se Vishwas Bill, the ruling party's members, including Ramesh Bidhuri and Nishikant Dubey, asked them to return to the Well. Some Congress members tore papers and hurled them in the air.

Several BJP MPs, including from backbenches, rushed towards the Congress members. Members from both sides then started pushing and shoving each other, following which the proceedings were adjourned till 3 pm by the Speaker. Jaiswal later said the scuffle happened as Congress MPs holding a banner wanted to obstruct him from speaking.

Union ministers Ravi Shankar Prasad and Smriti Irani were seen trying to pacify the agitated members. Congress President Sonia Gandhi and party leader Rahul Gandhi were present in the House during the uproar.

Irani later alleged Congress MPs in the Lok Sabha misbehaved with women BJP members, who have also complained to the Speaker. The Congress' Ramya Haridas alleged being manhandled by BJP MPs.

When the House reassembled at 3 pm, some BJP members were seen blocking the way to their side of the Well. The BJP's Rama Devi, who was in the Chair, adjourned the House again till 4 pm saying: "Whatever you have done is wrong." But the ruckus continued when the House again met and it was adjourned till 4.30 pm by the Chair.

However, the slogan-shouting by BJP members continued. They chanted slogans like "*Mahatma Gandhi amar rahein, nakli Gandhi jail mein rahein* (Long live Mahatma Gandhi, fake Gandhis stay in jail)".

Some Opposition members placed a placard demanding Shah's resignation on the Speaker's table, but it was immediately removed by the staff.

Amid the din, two Bills — The Medical Termination of Pregnancy (Amendment) Bill and Mineral Laws Amendment Bill— were introduced. Also, the Direct Tax Vivaad Se Vishwas Bill was moved for consideration and passing.

In the Rajya Sabha, Chairman M Venkaiah Naidu gave a report to the House on the work that department-related Standing Committees did on demands for grants of all the ministries as proposed in the Budget.

Congress MPs Rahul Gandhi, Adhir Ranjan Chowdhury and other s protest against Home Minister Amit Shah over his handling of the violence in Delhi
PHOTO: PTI

369 FIRs, 1,300 arrested

Nearly 1,300 people have been arrested or detained, so far, in connection with last week's communal violence in northeast Delhi, where 98 per cent of the students appeared for board exams in the affected areas on Monday amid tight security.

Authorities maintained that the situation remained calm in the area with no fresh violence for past five days, even as police arrested 40 people across the national capital for allegedly spreading false rumours of violence that had triggered panic in the city on Sunday night.

Police have been conducting flag marches and holding meetings with locals in Jafrabad, Maujpur, Babarpur, Chand Bagh, Shiv Vihar, Bhajanpura, Yamuna Vihar and Mustafabad which witnessed a deadly communal violence over the amended citizenship law last week.

"The Delhi Police has registered 369 FIRs and arrested or detained 1,284 persons in connection with the northeast Delhi violence," an official said. The police, however, did not reveal any information about those held, sparking demand by political parties and activists that they make public details of these people as per law. PTI

***(Top)* Trinamool Congress leaders raise a riot over Delhi violence during the ongoing Budget session in New Delhi. *(Right)* Delhi Police offers flowers to students as they leave after appearing for Class 10 and 12 exams in the riot-affected Jafrabad area of northeast Delhi**
PHOTOS: PTI

Protests, riots hit businesses in varying degrees: Coca-Cola CEO

Protests and riots impact businesses in a society in varying degrees, and India needs to solve problems it is grappling with in a "democratic" manner, global beverages major Coca-Cola's Global Chairman and CEO James Quincey said on Monday. He added that democracy is a big attribute that makes Coca-Cola look at India as a market with long-term potential. India is currently the fifth-largest market by volume for the company and it is aiming for doubling of sales in the next five years to become the fourth largest, he said. PTI

JACK WELCH (1935-2020)

Wall St darling & management guru who remade GE dies at 84

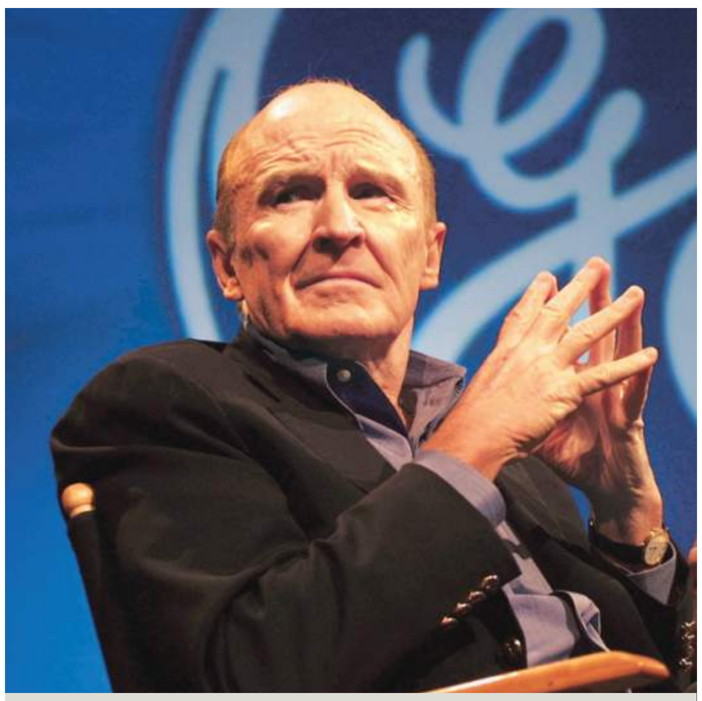
Jack Welch, the champion of corporate efficiency who built General Electric (GE) into one of the world's largest firms and influenced generations of business leaders, has died. He was 84.

The former GE chairman and chief executive officer, whose blunt style and ceaseless cost cutting earned him the sobriquet "Neutron Jack," mentored proteges who went on to run some of the world's best-known companies. Named "Manager of the Century" by *Fortune* magazine in 1999, he presided over a stock surge of almost 3,000 per cent during a two-decade tenure before his legacy was dented in retirement by GE's share plunge.

"He became the gold standard of greatness, the icon of industrial imagination," said Jeffrey Sonnenfeld, a Yale University business professor who knew Welch since the 1980s. "His track record over those 20 years as CEO is hard to see excelled anywhere." Known simply as Jack to even low-level employees, Welch became the youngest CEO in GE's history in 1981.

He created a leaner company, yet one whose dependence on finance would eventually prove to be a threat. Along the way, he molded GE's culture to reflect his demanding personality, one larger than his 5-foot-7-inch (1.7-meter) frame.

"I like challenging people. I like debate. I like all those things," he told interviewer Charlie Rose less than two months after his 2001 retirement. "And yet I love having a drink with 'em, too."



"A successful leader can shock an organisation and lead its recovery. An unsuccessful leader will shock an organisation and paralyse it. Organisations constantly need to be regenerated"

JACK WELCH

In an interview with the Industry Week in 1994

Second career

Welch stepped down four days before the September 11 terrorist attacks. He remained active for more than a decade as a consultant and media commentator. Business leaders extolled his ability to boost profit and shareholder wealth with his restless, results-driven approach. GE became the world's biggest company by market value at more than $500 billion in 1999.

Imitators across corporate America copied his leadership strategies, and recruiters snapped up lieutenants including W James McNerney Jr, who later became Boeing Co's CEO, and Robert Nardelli, who ran Home Depot Inc. and Chrysler. Another GE executive, Jeffrey Immelt, would best them to succeed Welch.

Welch's legacy took a blow after he retired. The shares would lag behind the pre-September 11 level for virtually all of Immelt's 16 years as CEO. GE lost more than $200 billion in market value in a two-year stretch ending December 31, 2018. The company's latest CEO, Larry Culp, has overseen a partial comeback. GE Capital under Welch grew so vast that unit's struggles in the 2008-2009 financial crisis would imperil all of GE. The company has since exited nearly all of the lending businesses.

Growing up in Massachusetts, he was outspoken and athletic. He played golf, hockey, and baseball at Salem High School, where he was voted "most talkative and noisiest" boy by classmates and wrote in the school literary magazine that he wanted to "make a million." Welch's mother infused him with self-confidence and helped him overcome a boyhood stutter — "the most influential person in my life," he wrote in his autobiography *Jack: Straight From the Gut*.

'You punk!'

After a close hockey defeat as a youngster, Welch flung his stick across the ice, prompting his mother to march into the locker room, grab him by the jersey and shout: "You punk! If you don't know how to lose, you'll never know how to win."

'Tremendous passion'

Welch knew thousands of employees by name and would send handwritten notes to them. "He had tremendous passion for the business, but he also had tremendous passion for people," William Conaty, whose 40-year GE career included serving as human resources chief under Welch, said in a 2014 interview. "If your wife was sick, he'd want to know how she was doing."

Welch also worked six days a week, taking only Sunday off to golf — he called working weekends "a blast" — and expected similar dedication from those who wanted to get ahead. "I never once asked anyone, 'Is there someplace you would rather be — or need to be — for your family or favourite hobby or whatever?'" he said in his 2005 book, *Winning*. BLOOMBERG

DONALD TRUMP

President of the United States

"There was no corporate leader like "neutron" Jack. He was my friend and supporter. We made wonderful deals together. He will never be forgotten. My warmest sympathies to his wonderful wife & family!"

LAWRENCE CULP

CEO of GE

"Jack was larger than life and the heart of GE for half a century. He reshaped the face of our company and the business world. He was a strong and constant influence throughout my career"

JAMIE DIMON

CEO of JPMorgan Chase

"Jack was an exceptional man and an outstanding leader who had such enormous impact on the role of business in our country."

Trump says "very safe" to hold campaign rallies despite virus spread

PRESS TRUST OF INDIA
Washington, 2 March

US President Donald Trump on Monday insisted that campaign rallies do not put his supporters at risk of catching or spreading the coronavirus, and insisted the country was well prepared for the disease.

"I think it's very safe," to continue holding frequent rallies across the country, Trump said when questioned in the Oval Office.

"You could ask that to the Democrats because they're having a lot of rallies," said Trump, who is campaigning for a second term in November's elections.

The real-estate tycoon was scheduled to hold another rally in North Carolina later Monday, after a meeting with the heads of large pharmaceutical companies to discuss efforts to contain the virus.

"We've asked them to accelerate whatever they're doing in terms of a vaccine," Trump said.

The United States has been spared the worst so far as the virus spreads around the world, but over the weekend it announced its first two recorded deaths, in the area around Seattle in the western state of Washington, which has been the worst hit region in the country.

New York announced its first case of the disease

New York announced its first case of the disease, a 39-year-old health care worker who had recently returned from Iran, which has been particularly badly hit.

"In general, there is no doubt that there will be more cases where we find people who test positive," said Governor Andrew Cuomo. "This is New York, we're a gateway to the world." But he added that "there is no reason for undue anxiety — the general risk remains low in New York."

Nirbhaya case: Delhi court defers hanging of convicts

A Delhi court on Monday deferred till further order the hanging of four death row convicts in the 2012 Nirbhaya gang rape and murder case pending disposal of a convict's mercy plea.

All the convicts in the case were to be hanged together on Tuesday at 6 am.

The execution of their death warrants has now been deferred thrice due to delays in exhausting legal remedies. Additional Sessions Judge Dharmender Rana said the death sentence cannot be executed pending disposal of mercy petition of convict Pawan Gupta. "Despite stiff resistance from the victim's side, I am of the opinion that any condemned convict must not meet his Creator with a grievance in his bosom that the courts of the country have not acted fairly in granting him an opportunity to exhaust his legal remedies," the judge said. PTI

If Sanders wins big on Super Tuesday, he'll be hard to stop

BLOOMBERG
Washington, 2 March

The Democratic Party's best chance to stop Bernie Sanders from winning its presidential nomination comes on Super Tuesday, but his two top challengers — a newly buoyant Joe Biden and a beleaguered Michael Bloomberg — both face huge obstacles to doing so.

Sanders is heavily favored to come out of Super Tuesday with a slew of delegates and perhaps an insurmountable lead, despite deep worry in establishment Democratic circles that he would lose to President Donald Trump. So if the nominee is going to be anyone but Sanders, Democrats in the 14 states voting in the single-biggest day of balloting need to choose an alternative.

"Well, I think it's no secret that the establishment is getting very nervous, whether it is the corporate wing of the Democratic Party or the political leadership. And the argument that we can't beat Trump is absolutely wrong," Sanders told reporters in Los Angeles.

With his commanding win in South Carolina Saturday, Biden pitched himself as that candidate, and many party leaders rallied to his side with well-timed endorsements. But he's low on cash, his Super Tuesday operation is negligible and the sprawling map negates his strongest asset: a folksy one-on-one appeal.

That leaves Bloomberg, the former New York mayor who has risen to the top tier through the force of more than $538 million in advertising. He has defied new calls to drop out — coming loudest from the Biden camp — before he has earned a delegate or appeared on a ballot.

Bloomberg bet his whole candidacy on Super Tuesday, the first time he'll face voters, but if anything, he seems to be stalling right at the moment he hoped to peak. A pair of shaky debate performances and fresh scrutiny of his record on minorities and women has tarnished his persona as the competent alternative to a president he calls dangerously incompetent.

Pete Buttigieg, Elizabeth Warren and Amy Klobuchar all won delegates in early contests but were boxed out in South Carolina. Buttigieg saw no path forward, and without much money left, dropped out of the race Sunday.

Unless Warren or Klobuchar can mount an improbable upset win on Tuesday, their continued presence in the race only helps Sanders, by diffusing the anti-Sanders delegates. They, too, are likely to face pressure to drop out if they fare poorly on Super Tuesday. Klobuchar, in particular, will be pressed to step aside, even though she probably will carry her home state of Minnesota.

Without Buttigieg, Tuesday now has five competitive candidates -- and the bigger the field, the better it is for Sanders, who commands an army of supporters fiercely loyal to him, his unorthodox campaign persona and left-of-center policy prescriptions.

Super Tuesday awards 1,344 delegates overall -- most of the 1,991 needed to clinch the nomination on the first ballot at the Democratic National Convention, with 415 coming out of California alone, where Sanders leads. He could put himself almost out of reach if he gets the lion's share of the day's spoils and others carve up the rest. There are other big delegate hauls out there, including an April 28 primary day that includes New York state, but Tuesday's is the biggest.

"Fragmentation is a big problem," said David Price, a North Carolina congressman who has endorsed Biden. "It's about having so many candidates who are dividing the vote. It's a problem going into Super Tuesday but I certainly hope that coming out of Super Tuesday we can see a path forward where not all those candidates remain in the race and we can begin to focus on fewer contenders."

The sprawling field also has spurred worries among Democrats that no candidate can win the required delegates needed to secure the nomination on the first convention ballot, leading to a messy and divisive floor fight over the nomination.

Democratic rules leave open such a possibility by requiring a candidate to get at least 15 per cent — either statewide or in a congressional or state legislative district — to win delegates. That means even someone who does poorly in the statewide totals can pocket a few delegates and make it hard for one person to amass enough to win outright before the July convention.

It looks like only Sanders — who's polling at about 30 per cent nationally — can consistently hit that mark. He's leading in the polls in California, Texas, Virginia, Massachusetts, Colorado and Utah, according to the RealClearPolitics average of polls taken before South Carolina.

In those polls, Biden led only in North Carolina, the third-biggest Super Tuesday state, although several smaller states have no reliable public polling to set expectations.