EPFO CUTS INTEREST RATE ON PF DEPOSITS TO 8.5% FOR 2019-20

The Employees Provident Fund Organisation (EPFO) on Thursday lowered the interest rate on provident fund deposits to a seven-year low of 8.5 per cent for the current financial year, down 15 basis points from 2018-19. Labour Minister Santosh Gangwar said the EPFO would have a surplus of over ₹700 crore on providing an 8.5 per cent rate of interest on EPF for this fiscal. 4

Dow Jones tumbles as virus fears hit California

US indices fell sharply on Thursday as the swift spread of coronavirus in the country led California to declare an emergency. At 11:35 pm (IST) the Dow Jones Industrial Average was down 941 points, or 3.48 per cent, while airline stocks were hammered by crippled travel demand. The S&P500 was down 105.25 points or 3.37 per cent, while the Nasdaq was trading 262 points or 2.91 per cent lower.

ECONOMY & PUBLIC AFFAIRS P14

OPEC backs biggest oil cut since 2008 crisis

OPEC agreed on Thursday to cut oil output by an extra 1.5 million barrels per day (bpd) in the second quarter of 2020 to support prices that have been hit by the coronavirus outbreak, but made its action conditional on Russia and others joining in.

THE SMART INVESTOR P10

SBI Cards IPO closes, subscribed 26 times

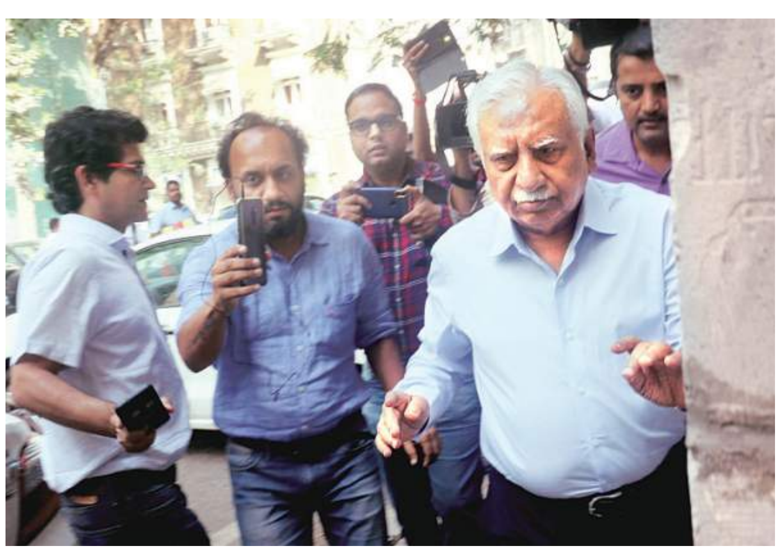
The SBI Cards initial public offering (IPO) has managed to attract bids worth ₹2 trillion, in spite of challenging market conditions. This has made it among the most subscribed offerings in absolute terms. The share offer generated close to 2.7 billion bids (26x). The high net worth individual portion of the IPO was subscribed 44x, with the retail portion being subscribed 2.5x.

ECONOMY & PUBLIC AFFAIRS P14

Can't cherry-pick Vivad se Vishwas issues: Govt

Picking and choosing issues under one order will not be allowed and the tax dispute will be settled under the Vivad se Vishwas scheme. Disputes relating to wealth, securities transactions, commodities transaction tax, and the equalisation levy will not be covered.

GOYAL FACES ED HEAT



Naresh Goyal, former chairman of now-defunct Jet Airways, arrives at the Enforcement Directorate (ED) office in Mumbai for a second day of questioning. The ED has registered a case against Goyal under the Prevention of Money Laundering Act. Searches were carried out at Goyal's residence by officials on Wednesday evening

PHOTO: KAMLESH PEDNEKAR

Telecom firms want CAG to sign off on AGR dues

SURAJEET DAS GUPTA
New Delhi, 5 March

Telecom operators have approached the Department of Telecommunications (DoT) to rope in the Comptroller and Auditor General (CAG) to simultaneously audit their books in order to arrive at a final resolution of the dues which they must pay on the licence fee and spectrum user charges as required by the Supreme Court.

"We have requested the DoT to finalise the amounts claimed by operators and resolve the matter so there is no prolonged debate. This will mean completing any required reviews, audits, and even bringing in the CAG to complete their audits, if this is advisable for a full and final resolution," said Cellular Operators' Association of India Director General Rajan Mathews.

PAGE 2
TELCOS PROPOSE FLOOR PRICE FOR MOBILE DATA

"The CAG has a backlog in auditing our books, so they need to be brought in on the same page. Telcos do not want any fresh demands being raised a few years later."

The demand makes sense, given the huge gap between what the operators, based on their assessment of the dues, are paying as compared with the DoT's demand. Turn to Page 15

DISPUTE OVER DUES

(Figures in ₹ crore)

	Total dues (as demanded by DoT)	Payment made	Balance dues
Voda Idea	53,038	3,500	**49,538**
Bharti Airtel/ Telenor*	37,740	18,000	**19,740**
Tata Tele	13,823	4,197	**9,626**
Reliance Jio	60	195	**–**

*Telenor was acquired by Bharti Airtel

Sources: COAI, industry

KOCHHAR PLEA AGAINST JOB TERMINATION DISMISSED

SUBRATA PANDA
Mumbai, 5 March

The Bombay High Court on Thursday dismissed the writ petition filed by Chanda Kochhar against her termination as managing director and chief executive officer of ICICI Bank, and the clawback of her bonuses.

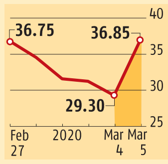
A division Bench of Justices N M Jamdar and M S Karnik accepted the contention of the lender that Kochhar's writ petition was not maintainable because the dispute concerned a private banking company and was over contractual terms.

"The termination of the petitioner is in the realm of a contractual relationship," the Bench said in its order.

It said courts could not exercise their writ jurisdiction when employment in a private entity was regulated by contracts. Turn to Page 15

STOCKS IN THE NEWS

YES Bank

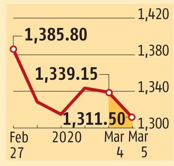


Govt approves plan for SBI-led consortium to buy stake in bank: Reports

₹36.85 CLOSE

▲ 25.77% UP*

Reliance Industries

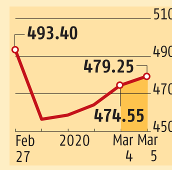


Top loser among Sensex stocks

₹1,311.50 CLOSE

▼ 2.06% DOWN*

Mahindra & Mahindra

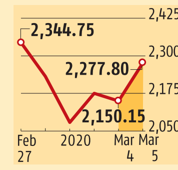


Expects supply disruptions may continue for a part of April before recovery is seen

₹479.25 CLOSE

▲ 0.99% UP*

V-Mart Retail

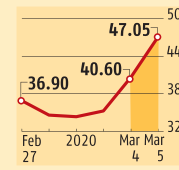


Improving prospects will help garner better valuation, say analysts

₹2,277.80 CLOSE

▲ 5.94% UP*

Oriental Bank of Commerce



Govt approved amalgamation of 10 PSU banks into 4

₹47.05 CLOSE

▲ 15.89% UP*

*OVER PREVIOUS CLOSE

IN BRIEF

Reliance Retail acquires Shri Kannan Departmental Store

Reliance Retail Ventures (RRVL), a subsidiary of Reliance Industries Limited , has acquired Shri Kannan Departmental Store (SKDS) for a consideration of ₹152.5 crore. RRVL will acquire 786,191 equity shares representing 100 per cent of the equity share capital of SKDS. The company is engaged in the business of retailing fruits & vegetables, dairy, staples, home and personal care, and general merchandise to consumers. **BS REPORTER**

Zydus launches drug for non-cirrhotic liver disease

In a major breakthrough for the treatment of non-alcoholic liver disease that could prevent liver transplants, Cadila Healthcare (Zydus Cadila) has announced the world's first drug for treating non-cirrhotic non-alcoholic SteatoHepatitis. A new drug application for the company's drug — Saroglitazar — has now been approved by the DCGI. **BS REPORTER**

Apollo Tyres to cut 750 jobs at Netherlands plant

Apollo Tyres on Thursday said it will cut 750 jobs at its plant in the Netherlands over a period of two years in order to have a "sustainable business" and focus on producing only high-value tyres. The tyre major had acquired Vredestein Banden BV for an undisclosed sum in 2009. **PTI**

DLF plans to raise ₹1,000 crore via issue of NCDs

Realty major DLF on Thursday said it plans to raise ₹1,000 crore through issue of non-convertible debentures (NCDs). A meeting of the finance committee of the board of directors is scheduled to be held on March 7 to consider this proposal, the company said in a regulatory filing. **PTI**

Cyient appoints Karthikeyan Natarajan president

IT firm Cyient on Thursday said it has appointed former Tech Mahindra executive Karthikeyan Natarajan as president and chief operating officer. As Cyient focuses on its transformation from a service to a solutions company, Natarajan's appointment will bring valuable leadership to the Cyient executive team, a statement said. **PTI**

Lodha's overseas subsidiary raises $200 million

Lodha Developers International, a wholly-owned subsidiary of Macrotech Developers, announced that it has raised $200 million in senior secured notes, due in 2023. It would use the proceeds of the issue to fully repay its outstanding $324-million senior notes. **BS REPORTER**

JLR ties up with Tata Power for EV charging solutions

Jaguar Land Rover (JLR) India on Thursday said it has entered into a partnership with Tata Power for end-to-end electric vehicle (EV) charging solutions. As part of the association, Tata Power will provide charging solutions for JLR in India across its retail network of 27 outlets in 24 cities and at customers' residence and/or office. **PTI**

Gyana raises $3.9 million from Biz Stone

London-based data science start-up Gyana on Thursday said it has raised $3.9 million (about ₹28.5 crore) in pre-Series A round of funding led by Fuel Adventures, Twitter co-founder Biz Stone, Green Shores Capital and U+I. Gyana plans to use the latest round of funding to support growing its product user base. **PTI**

Etihad Airways' annual loss narrows to less than $1 bn

Abu Dhabi's Etihad Airways continued to make progress, paring back its sprawling operation and shrinking the annual loss by about one third even as revenue declined. While it's made progress, the airline still lost $870 million in 2019, bringing the deficit over four years to $5.67 billion. **BLOOMBERG**

TALE OF TELCOS

Centre has no bailout plan for Vodafone Idea

Any relief for the telecom sector to come after the SC hearing on March 17

MEGHA MANCHANDA
New Delhi, 5 March

A day before Vodafone Group Chief Executive Nick Read was scheduled to meet Union Telecom Minister Ravi Shankar Prasad, sources in the government said the relief, if any, would be for all and not just one player.

The UK-headquartered telco, which operates its India business in partnership with Kumar Mangalam Birla-led Idea, has maintained it would not be possible to continue as a going concern without any relief from the government on payment of dues linked to adjusted gross revenue (AGR).

Read, who'll be on a short visit to India at a time when Vodafone Idea is struggling to survive, is expected to meet Prasad, Finance Minister Nirmala Sitharaman and Home Minister Amit Shah on Friday. There's no word yet on a meeting with Prime Minister Narendra Modi.

Ruling out any bailout package specifically for Vodafone Idea, an official said that the Department of Telecommunications (DoT) was very clear that any step that the government may propose would be for the industry. "Relief measures for telcos will have to be approved by the Union Cabinet. Any relief, if at all, will be decided only after the March 17 hearing in the Supreme Court," a source said.

It is learnt that several measures are being considered to ease financial stress in the telecom sector. The industry has sought government relief on the reduction in spectrum usage charge and licence fees, besides long-term staggered payment of AGR dues along with a moratorium.

Vodafone Idea has deposited ₹3,500 crore in two tranches to DoT but is still assessing its full AGR dues. According to the government's calculation, Vodafone Idea owes more than ₹50,000 crore in AGR dues. Tata Teleservices has paid ₹4,197 crore, against the government calculation of ₹14,000 crore of AGR dues.

Bharti Airtel, on February 29, had said it had completed assessing its AGR dues. According to the company's self-assessment exercise, its dues worked out to ₹13,004 crore, which it has paid off. The company paid an additional ₹5,000 crore to be adjusted later. The government estimate of Bharti's AGR dues was ₹35,500 crore. On Wednesday, the DoT asked the telecom companies to make full payments in compliance with the Supreme Court order.

In a communication to all the 18 mobile service providers, many of which have gone out of business or sold to others, DoT has sought full and final dues as directed by the Supreme Court on October 24, 2019.

Vodafone CEO Nick Read is expected to meet Telecom Minister Ravi Shankar Prasad, as well as the finance minister and home minister on Friday PHOTO: BLOOMBERG

Firms want floor price for mobile data

MEGHA MANCHANDA
New Delhi, 5 March

Telecom service providers Bharti Airtel, Vodafone Idea, and Reliance Jio have sought a minimum floor price for mobile data services, and have said that they want voice call tariffs to be left to market forces.

They added that data prices must be regulated, keeping in consideration the financial health of the sector. "We recommend that a floor price be set for mobile data services. It is critical that the floor price should be made applicable to all categories of tariff plans (i.e. retail consumer, corporate, tendered or other contracts, segmented, and any other including one-on-one)," Airtel said.

Airtel recommends fixing a floor price for data services for a period of two years through three possible approaches.

First, the floor for a voice unlimited bundle with 1 GB of data in a month could be set at ₹165 (which includes ₹75 as minimum subscription charge, ₹60 for unlimited voice, and ₹30 for 1 GB of data). The method will lead to a full cost recovery and deliver a steady state of return on capital employed (RoCE) of 15 per cent for telcos. In the second approach, first data block of 5 GB data could be fixed at ₹30 and subsequent blocks at ₹20, ₹10, and ₹5. Price per GB in this approach is estimated to be ₹22, based on current consumption and RoCE of 10 per cent.

The third approach suggests that constructs of current daily GB packs go up, for instance, the starting per day GB pack (1 GB per day) for a month moves up from ₹219 to ₹349. Price per GB is estimated to be ₹22 and RoCE is 10 per cent.

Jio said that tariffs must not be hiked abruptly, as it may dampen usage considerably. For now, it can be raised to ₹15 per GB, and gradually to ₹20 per GB after 6-9 months, based on data consumption. Trai may review its tariff order after 3 years, Jio said. While Vodafone Idea and Jio advocated for restriction on telecom service providers offering free off-net calls as long as interconnection usage charges are applicable, Airtel opposed it.

Telcos said voice used to be a major source of telecom revenues in the past. However, today, its contribution to total revenues has dropped sharply. Further, with the deployment of new technologies, voice is also being carried as data. With this convergence in place, data is already the mainstream revenue for telecom operators.

"We, therefore, do not propose any specific floor price for voice, and voice price may be kept under forbearance," Airtel said in its response.

Jio said that floor price should not be considered for voice, as it is a basic essential service, and any change in the pricing principles would impact the margins of telecom subscribers.

Industry body Cellular Operators' Association of India (COAI) said that fixing the floor price for data services will provide sustainability and recover costs, remove financial stress, enable competition in market, help investments, and allow the industry to compete on the basis of quality of services.

WHAT TELCOS WANT

- Bharti Airtel recommends fixing a floor price for data services for a period of two years
- Jio said that tariffs can be raised to ₹15 per GB, and gradually to ₹20 per GB after 6-9 months

Jindal Stainless exits corporate debt framework

KEY FINANCIALS

Consolidated — Figures in ₹ crore

Year end	Net sales	PBIDT	PAT	Total debt	Debt-equity ratio
FY16	7,144	559	-556	10,347	11.3
FY17	9,279	1,229	82	5,888	4.7
FY18	11,638	1,406	343	4,408	2.2
FY19	13,557	1,210	142	3,693	1.3
9MFY20	9,857	996	136	3,681	1.4

Figures for nine months of FY20 is according to results filing

Source: Capitaline

ADITI DIVEKAR
Mumbai, 5 March

Jindal Stainless (JSL) has announced its exit from the corporate debt restructuring (CDR) framework with effect from March 31, 2019. The Delhi-based company on Wednesday received a letter from the consortium of CDR lenders to this effect.

Existing CDR lenders have realised the full recompense of about ₹275 crore in cash, which will add to their income in FY20. Additionally, JSL has fully redeemed the outstanding Optionally Convertible Redeemable Preference Shares (OCRPS), which were issued to lenders in June 2017, and has paid around ₹558 crore, taking lenders' aggregate realisation to ₹833 crore.

Earlier, the promoter group entity infused equity and subsequently JSL issued non-convertible debentures (NCDs) worth ₹400 crore to Kotak Special Situations Fund (KSSF). These funds assisted JSL in redeeming the OCRPS.

KSSF has acquired about 5 per cent equity stake in JSL through the secondary market, which demonstrates increased investor confidence in the company's operations and growth outlook.

"The exit from CDR marks a significant step forward for JSL. This underlines improvement in JSL's liquidity profile and profitability. The exit will not only provide financial and operational flexibility to our business, but will pave the way for a new growth phase. The CDR tenure was prolonged as sustained imports impacted our top-line growth. We are grateful to all our stakeholders, especially our lenders, for their continued faith," Managing Director Abhyuday Jindal said.

The company has seen an improvement in net debt-equity ratio, which stood at 1.3 as on December 31, 2019, compared to 3.2 as of March 2017. JSL has made significant investments to build infrastructure for stainless steel manufacturing at Jajpur, Odisha. The Jajpur facility has the potential to open up even more avenues for development of downstream stainless steel units across the region, thereby increasing capital investment and employment generation.

JSL's CDR tenure was unduly extended, as consistent dumping of stainless steel flat products over the past several years from China and other countries continued to hurt margins. Surplus production in those countries was dumped into growing markets like India.

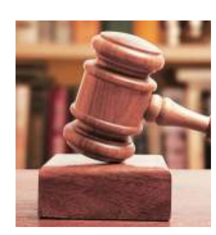
Trade remedial measures like anti-dumping duty and countervailing duty to create a level-playing field are being consistently circumvented, rendering them ineffective.

However, removing bottlenecks and improving internal processes helped JSL sustain operations. Currently, the company has an installed capacity of 1.1 million tonnes.

₹750 cr paid by JAL was for Jaypee Infratech: NCLT

₹750 crore deposited by Jaypee Infratech's parent firm Jaiprakash Associates (JAL) with the SC registry was a payment towards obligation of Jaypee and should be treated as the asset of the corporate debtor, the NCLT has observed. **PTI**

NCLT allows MCA's plea to reopen CG Power's accounts



The NCLT on Thursday allowed a government petition seeking to reopen CG Power and Industrial Solutions' accounts from FY15 to FY19. The tribunal also denied founder Gautam Thapar's plea to grant stay on the order. **PTI**

'BMW will continue to gain segment share despite slowdown'

Luxury carmaker BMW on Thursday launched a facelift of its entry-level SUV, BMW X1, which it hopes will accelerate growth. In an interaction with **T E Narasimhan & Gireesh Babu**, **RUDRATEJ SINGH**, president and chief executive of BMW Group India, says the company has remained competitive despite headwinds. Edited excerpts:

How has the luxury segment been affected by the slowdown? How is BMW handling this?
We are yet to come out from the slowdown. You are not seeing significant signs of improvement this year. Despite this meltdown, BMW was competitive in terms of volumes last year. We have gained share in the luxury segment. With the strategy that we put in place between 2018 and 2019 of putting our freshest, newest products out there... you will see the benefits of that coming in 2020 as well. We are confident that even in 2020 we will continue to gain segment share.

The impact of a slowdown, ironically, is harder on the luxury segment than on overall market. The reason is tremendous amount of stress, plus tax that the premium segment has to give out. BMW is not just about luxury, it is bringing in new sensibilities, technology, safety parameters into the country. So, we are increasing standards of products and services and that comes at a cost. We should not be looked at only as a luxury product.

We sold 9,000 BMWs, 641 MINIs, and 2,403 motorcycle units. We expanded our dealerships, worked on our pricing and cost of ownership strategies. We have 80 touch points across the country and we will be expanding this to 100 in 2020. In BMW Motorrad, we grew at 10 per cent under very challenging conditions last year, and we are confident for the next two-three years that we will disrupt the market.

Q&A

RUDRATEJ SINGH
President & CEO, BMW Group India

When do you expect a recovery?
With headwinds being added every day, with the supply chain issues that we may see going forward, it might be a few more quarters. It might get worse before it gets better. On the supply side, at a macro level, the government is doing a few things that will help us in the medium and long term. But in the short term, it is for the companies and the manufacturers to create demand.

What is the status of transition to BS-VI?
All our products now in the market are BS-VI (Bharat Stage-VI) compliant in March itself. We have some stock of BS-IV variants of a few models left, and I would recommend everyone who is interested in to move very quickly.

What are your plans to be on top of the segment?
BMW will remain extremely competitive in a highly volatile market. We are extremely confident of being competitive under headwinds. Our ability to grow the segment is our only sign of competitiveness, not playing this game of leadership in a 1 per cent segment. A 1 per cent segment doesn't warrant running victory laps of leadership. Competition is our ability to increase a segment to 5-6 per cent and grow BMW as the lion's share of that.

How is the X1 facelift going to help in this?
X1 is a very significant player, because it has been the entry into BMW for many aspirants over the pst 10-11 years. It has already clocked 20,000 numbers. In terms of percentage, it is already about 30 per cent and growing every year. So we are very confident of the 2020 volumes. We are starting the year with an online launch. We have some very aggressive pricing (starting at ₹35.9 lakh), but that is not the only part of the access strategy. For the early bird booking in March, we are offering five years/60,000 km services and warranty, which is segment leading and a buyback after five years at ₹15 lakh. Besides, we have attractive financing schemes.

Singh with the updated version of BMW's entry-level sports utility vehicle X1, priced between ₹35.9 lakh and ₹42.9 lakh (ex-showroom)

Is it for the first time you are launching a product online?
X1 is the most progressive brand in our portfolio. It attracts young people. In today's situation with the coronavirus outbreak and the sentiment being the way it is, we would like to just encourage people to use technology as well. We are turning an adversity into an opportunity to make sure that people are safe, but also have a thrilling experience. Once it's a success, we will do many more of these.

What will be the coronavirus' impact?
Whether the impact on supply chain hits us will be seen only in the next quarter. I think people are underestimating it, because the supply chain impact always comes with a lag. Nobody can predict where it is going right now. But, if it gets worse, the industry will also face some headwinds. At BMW, we have secured supply chain pipeline for the next few months and after that we will have to see.

Essar to embark on new phase of growth: Ruias

DEV CHATTERJEE
Mumbai, 5 March

The promoters of Essar Group are planning a comeback, with the company willing to restart investing in India and overseas.

In a letter to investors and the media, company promoters have said that the group currently generates earnings of about ₹1 trillion ($14 billion) per annum — mainly from its refinery in the UK.

"Armed with a substantially lighter balance sheet, Essar is well poised to embark on a new phase of growth, while driving growth in its existing portfolio. Essar will continue to use its entrepreneurial skills, vast pool of human resources, and decades of experience and innovation in pursuing fresh opportunities and creating value for all its stakeholders," group's promoters Shashi, Ravi and Prashant Ruia said. A few years ago, the group took a conscious call to reduce its debt in response to the evolving global and domestic economic scenario and to the regulatory obstacles faced by its steel and power businesses. "Committed gas supply delas for the Essar Steel complex were withdrawn in 2012 and allotted coal mines for power plants were cancelled in 2014, leading to partial closure of some of our prime operating assets. We have dealt decisively and proactively with these challenges and decided that it would be prudent to drastically reduce our borrowings," the letter said.

The group repaid about ₹1.4 trillion of debt to the banking system over the past three years. "The greenfield assets built by Essar have attracted significant foreign direct investment (FDI) of $40 billion, which is reflective of the superior and world-class quality of our assets. The Essar Oil-Rosneft deal alone saw over ₹86,000 crore of FDI, the country's largest to date," the promoters said.

Last year, the firm lost its 10 mtpa steel complex to ArcelorMittal after banks took the company to the NCLT for a loan default. Currently, the group owns ports, mining and shipping and power projects in India and overseas.

QUICK VIEW

Essar generated ₹1 trillion revenue in 2019

- **Energy:** Oil, gas and coal bed methane exploration & production in India, Vietnam and Nigeria; oil refining and retail in Stanlow, UK; power generation in India and Canada
- **Metals & mining:** Iron ore mining, pelletisation and coal mining in the USA and Indonesia
- **Infrastructure:** Ports and terminals in India, the UK, Africa; turnkey project construction in India and West Asia
- **Services:** Shipping and oilfield services
- **Technology:** Digital solutions and customer experience platforms in India, Europe and the USA

Sterling to add non-members, double key count to fight slump

SHALLY SETH MOHILE
Mumbai, 5 March

Sterling Holidays & Resorts is looking to double the number of rooms to 5,000 by 2024 and increase the share of non-members at a rapid pace as it seeks to make deeper inroads into India's burgeoning domestic travel market, said Ramesh Ramanathan, chairman and managing director of the company.

"We will grow rapidly and double the number of rooms to 5,000 by 2024," he said. The Thomas Cook India subsidiary, which until a few years ago, was a timeshare holiday company, is now a hybrid between a time share and hotel company, with members and non-members accounting for each half in the revenue mix.

However, with the number of coronavirus cases rising at a fast pace in India, Ramanathan remains cautious. "At this point, being a domestic market-focused firm, we seem to be doing fine. We haven't seen any cancellations by our members. However, if the outbreak does get bigger, it will definitely have an impact as there is restricted movement of people and a preference to stay at home," he said. The going has been pretty smooth so far, with an average occupancy of 60-70 per cent across all its properties, he said.

With outbound travel from India being hit because of the viral outbreak, there is an opportunity for a higher occupancy and average room rate (ARR) if it doesn't spread further in India, he said. February saw a year-on-year increase of 5-6 per cent in terms of occupancy, and so did March.

Meanwhile, even as the company that competes with Mahindra Holidays & Resorts has been adding an average of over 3,000 members every year, Ramanathan expects the ratio to be skewed in the favour of non-members, as millennials and new-age travelers don't like the idea of ownership — be it a car or a membership of a resort.

The increase in share of non-members will also be fueled by the expansion in the number of rooms. "We will need to fill these rooms and we cannot just depend on the growth of membership," said Ramanathan.

All the expansion will be done through a management contract route. Sterling is in talks with several owners across various holiday destinations, including Igatpuri and Karjat in Maharashtra.

Over the past three years, since Sterling undertook the rebranding exercise, it has been adding specific dimensions to holiday destinations to address specific travel needs under three heads — weekend get-aways, pilgrimage, and heritage. Its properties in the first category, for instance, are large with lawns and banquet halls to cater to conferences and destination weddings, said Ramanathan.

Meanwhile, given the growing demand for experiential holidays by new-age travellers, Sterling has been increasing the number of resorts that can allow guests to discover and experience, said Ramanathan.

Sterling's resort in Kodai Valley
PHOTO: COMPANY

MORE ROOM

- The Thomas Cook India subsidiary will double its room count by 2024
- Expansion to be done through management contract route
- To lend sharper focus in growing non-members
- Has a membership base of 89,000 presently

Air India arm to maintain P&W's geared turbofan engines in India

PRESS TRUST OF INDIA
New Delhi, 5 March

The US-based aircraft engine maker Pratt & Whitney on Thursday announced that Air India's arm AIESL will maintain the company's geared turbofan (GTF) engines in the country.

At present, Pratt & Whitney (P&W) has more than 700 aircraft in service in India, including more than 150 GTF-powered A320neo family aircraft.

A320neo planes have been grappling with snags for nearly four years. A substantial number of such neos are operated in India by IndiGo and GoAir.

P&W has already a tie-up with Air India Engineering Services (AIESL) for maintenance of its 4056 engine model. These engines power Boeing 747-series aircraft. AIESL will service PW1100G-JM engines at its facility in Mumbai, P&W, which is a part of the United Technology Corporation (UTC), said in a release.

PTI had reported it last week that P&W had signed an agreement with AIESL for its engine maintenance services in India. "With AIESL performing maintenance on our high-tech GTF engines, we are excited to strengthen our global MRO capacity and capabilities for customers on the ground in India," said Joe Sylvestro, vice president of Aftermarket Operations at Pratt & Whitney.

"As the demand for air travel grows in India, we look forward to furthering the growth of Indian aviation," Sylvestro added.

The partnership with AIESL's will be put in place in a phased manner, starting with engine upgrade and module exchange capabilities as immediate support of the GTF fleet in India, the company said, adding the facility has already received its first GTF engine.

"It's an exciting time for us as we prepare for the GTF engine," said HR Jagannath, CEO of AIESL.

"AIESL has been engaged in providing engine maintenance, repair and overhaul (MRO) services to Air India and other operators for over 50 years now. Our association with Pratt & Whitney goes back a long time as well," he said. The GTF engine provides us with the opportunity to showcase our capabilities and establish AIESL as one of the premier engine MROs in Asia, he added.

"Pratt & Whitney is committed to investing in the success of the aviation industry in India, and to build capabilities for high value services that will help airlines get the best from their next-generation products," said Ashmita Sethi, managing director of India for Pratt & Whitney.

Gaana looks to sing profit tune in 3 years

SOHINI DAS
Mumbai, 5 March

Music streaming app Gaana, the largest in terms of market share in India, is eyeing to turn operationally profitable in three years, riding on new user acquisitions.

The platform, which has a 45 million strong library, now has 152 million monthly active users (MAUs). Prashan Agarwal, chief executive officer of Gaana, said he expects this to increase to 165 million by the end of the current fiscal (FY20), and by 2021 Gaana hopes to scale to 225 million MAUs.

Paid users are still a small percentage of the total user base, but are growing rapidly, claimed Agarwal. "We have grown almost four times (in terms of paid subscribers) in the last one year," he added.

He said both the paid subscription revenue and advertisement revenue were growing at 100 per cent. "We think in the next two to three years, this business will be in the investment mode. Effectively, we are looking at an Ebitda (earnings before interest, taxes, depreciation and amortisation) positive business by 2023.

At present ad revenue is around 65 per cent of total revenues and by 2023 the revenue break-up would be even between advertisement and subscription. Over 90 per cent of users would continue to be on the free tier.

"Four years from now, we expect the market would get to around 600 million users and by that time we expect a 6-7 per cent (or around 40 million) paid subscribers across the ecosystem and we should have the majority of that," Agarwal said.

Gaana currently enjoys a 30 per cent market share (as of January) according to OTT Audience Measurement Insights, an audience measurement service launched by WPP-owned media measurement platform Kantar and audience measurement technology company VTION.

The Mumbai and Delhi markets are top for music streaming platforms and they are saturating. But beyond these two, the top 20 markets are growing at a healthy clip and so are hinterland markets.

Content available across music platforms are from music labels and are non-exclusive in nature. "We have original content under Gaana originals and at this point the plan is to use this as a tool to acquire customers. The content, however, is not behind paywall. Gaana has till date launched 380 originals in the last two years. And we will continue to launch at a similar rate," Agarwal added.

Gaana, which has a 45 million strong library, now has 152 mn monthly active users

Paid users get high quality music, option to download, listen offline, and an advertisement-free experience.

Gaana is investing in technology to build scale for machine learning and recommendation, which powers about 22 per cent of consumption.

Slowdown makes Emami delay product launches

AVISHEK RAKSHIT
Kolkata, 5 March

The economic slowdown is prompting Emami to go slow on launches.

Harsha V Agarwal, director of Emami, said, "We will now be more cautious with new launches as we do not want to take unnecessary risk when consumer sentiment is weak."

According to the company, its male grooming range continued to be under pressure because of the ongoing adverse environment for discretionary consumption, leading to a decline of 39 per cent in the third quarter in the current financial year. The underperformance of its winter portfolio and decline in male grooming products led to flat revenue growth during the quarter.

So far, all the launches have been under the health care portfolio in the Zandu brand this financial year. Emami launched Zandu SwasthyaVeda Revitalizer, an Ayurvedic tonic for healthy ageing, followed by Zandu Ayurvedic Cough Syrup, which is based on a non-drowsy formulation. In the women care segment, Zandu Striveda Menso-Ease, targeted towards young consumers who face menstrual difficulties, has also been launched. Under the ₹1,000-crore brand — Navratna, a warm oil, for winter, was expanded across north and central India.

According to Mohan Goenka, director of Emami, the firm intends to launch a slew of products. He said market conditions would stabilise in the next two to three quarters. The recovery is expected to be driven largely by higher spends by the government-run rural infrastructure and better agricultural growth.

Abneesh Roy, executive vice-president of institutional equities, Edelweiss Securities, said it was rational for Emami to delay rolling new products when an uptick in consumption was questionable, as it would help derisk the exposure to an extent.

In the last financial year, Emami had launched products across portfolio. In the male grooming range, HE Magic Duo, a package offering two distinct fragrances in one bottle, was launched followed by the 5-in-1 Pimple Clear Instant Fairness Face Wash in the Fair and Handsome brand.

In the Zandu brand, Diabrishta-21, a formulation that diabetic consumers can consume, along with their regular medicines to improve their daily health, was rolled out. In the women care range, Zandu Striveda was also launched.

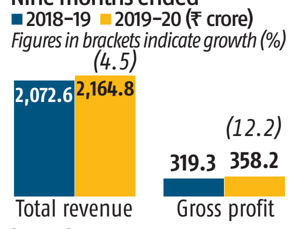
"We want to leverage our existing brands by investing in them for fuelling further growth. We constantly evaluate opportunities for launching products, mostly as an extension of our existing brands in order to strengthen the core power brands," Agarwal said.

Goenka said corrective steps to check the decline in male grooming was being undertaken that would yield result in the first quarter of the next financial year. The launches, once the market stabilizes, is expected majorly in health care and personal care segments.

According to the company, despite the muted environment in Q3, its pain management range grew 13 per cent, Navratna grew 11 per cent, Kesh King range grew 18 per cent, 7 Oils in One grew 66 per cent and health care range grew 4 per cent; while male grooming led by the HE brand declined 39 per cent and BoroPlus range declined 12 per cent.

So far, all the launches have been under the health care portfolio in the Zandu brand this financial year

BALANCE SHEET
Nine months ended
■ 2018-19 ■ 2019-20 (₹ crore)
Figures in brackets indicate growth (%)



Source: Company

Tiktok seeks dismissal of PIL demanding app ban

PRESS TRUST OF INDIA
New Delhi, 5 March

Social media app Tiktok on Thursday sought dismissal of a plea seeking to ban the app, and told the Bombay High Court that there is a laid down procedure under the Information Technology Act to filter any objectionable content online.

Senior counsel Milind Sathe, appearing for the video sharing app, sought dismissal of a public interest litigation which sought ban on the app while claiming that its unfiltered content was causing harm to youth of the country. "There is a procedure laid down under Section 69-A of the Information Technology Act which says if a person has any grievance regarding online content then he or she can approach the nodal officer and seek for it to be removed," Sathe said. A division bench of Acting Chief Justice B P Dharmadhikari and Justice N R Borkar directed the petitioner's lawyer to respond to the point raised by the company and posted the matter for further hearing after three weeks.

The petition was filed in November 2019 by city-based woman Heena Darvesh, claiming that the TikTok app has resulted in several criminal offences and deaths.

Tata Motors asked to pay ₹3.5 lakh for misleading ad

PRESS TRUST OF INDIA
New Delhi, 5 March

The country's apex consumer commission, NCDRC, has asked Tata Motors to pay ₹3.5 lakh towards compensation and punitive damages for misleading advertisements making false mileage claims regarding its car Tata Indigo.

The commission observed that the customer was allured to buy the car due to the claims made in the advertisement, but test drives done on different dates showed that the car's mileage was not as promised.

The National Consumer Disputes Redressal Commission (NCDRC) directed Tata Motors to pay compensation of ₹2 lakh to Kolkata-resident Pradipta Kundu and asked it to deposit ₹1.5 lakh towards punitive damages with the state consumer welfare fund.

NCDRC rejected the review petition filed by Tata Motors and upheld the state commission's order which had directed the company to pay ₹3.5 lakh in total for taking recourse to deceptive trade practice by way of misleading advertisement.

Kundu, who purchased a Tata Indigo in 2011 after seeing an advertisement which claimed its milegae to be 25 kilometres per litre, was disappointed to find out that the car did not provide the promised mileage.

The advertisement had also claimed that it was India's most fuel efficient car and that it was an offer for a limited period.

Kundu had moved the district forum after the company refused to replace the car.

The district forum directed Tata Motors to refund the cost of the vehicle, which was ₹4.8 lakh along with a compensation of ₹5 lakh and cost of ₹10,000. The company later moved the state commission against the district forum's order.

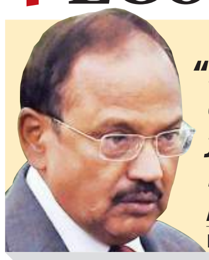
Google set to upload 2nd Cloud region in India

Google on Thursday announced its plans to open a Delhi cloud region, expected in 2021. This will be the company's second cloud region in India since it launched one in Mumbai in 2017. The new cloud region will expand Google's existing network which stands at eight regions in the Asia-Pacific and 22 regions globally today, it said. Google cloud regions bring Google Cloud Platform (GCP) services to global organisations in industries like media and entertainment, retail and "As the company's customers in India grow and diversify, Google continues to advance and invest in its cloud infrastructure to help regulated industries such as health care and financial services, as well as public sector organisations across India achieve their goals," it said. **PTI**

Alibaba to offer $144 million in subsidies as shopping suffers

REUTERS
Shanghai, 5 March

China's Alibaba Group will provide 1 billion yuan ($144 million) in spending subsidies for a March online shopping festival to counter the impact of the coronavirus outbreak. Alibaba's announcement, made in a social media post on Thursday, comes as the e-commerce giant wrestles with depressed consumer spending in China, which is in a state of semi-quarantine as a result of the coronavirus epidemic.



"Lawmaking is the most sacrosanct job in a democracy. It isn't done by an imperial ruler or from the pulpit of a religious leader but by representatives of the people"

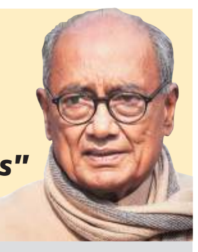
AJIT DOVAL
National security advisor

"The snatching of papers from the Speaker's table is (of) utmost disrespect to the Chair. We condemn this. This is unprecedented and has never happened in the history of Parliament"

PRALHAD JOSHI
Minister of parliamentary affairs

"Horse-trading by the BJP in Madhya Pradesh has come to light. But their plans were not fulfilled. Thanks to all the MLAs"

DIGVIJAYA SINGH
Congress veteran



Rupee logs first gain in 5 days, ends 6 paise higher

The rupee snapped its four-session losing run on Thursday to close 6 paise higher at 73.33 against the US dollar amid hopes that efforts by countries and global agencies would offset financial damage from the novel coronavirus outbreak. Besides, easing crude oil prices and weakness in the dollar vis-a-vis other key global currencies also helped the rupee build resistance. At the interbank foreign bank exchange, the domestic unit opened on a positive note, but soon gripped by an intense volatility. During the session, the rupee swung between a high of 73.04 and a low of 73.56 against the American unit.

It finally settled at 73.33, showing a rise of 6 paise over its previous close. Global crude oil benchmark Brent Futures dropped 1.16 per cent to $50.91 per barrel. PTI

Sharad Pawar to file nomination for RS polls: NCP

NCP chief Sharad Pawar will file his nomination for the March 26 Rajya Sabha polls on March 11, party sources said on Thursday.

The term of seven Rajya Sabha members from Maharashtra is ending this year, which has necessitated the election. PTI

DoT, BSNL pensioners plan Parliament march next week

Retired employees of the Department of Telecommunications (DoT) and BSNL are planning a march to Parliament next week, demanding revision in their pension and its delinking from wage revision. "All-India BSNL DOT Pensioners Association is set for a Parliament march on March 12," the Association said. PTI

Irdai proposes hike on 3rd-party motor insurance premium

Third-party (TP) insurance premium for cars, two-wheelers and transport vehicles may go up with regulator Irdai proposing substantial increase in premium rates from the next financial year starting April 1, 2020. The regulator has come out with a draft of new rates for TP premium for the next financial year. PTI

US denied one in five H1-B petitions in 2019: Study

The US has denied one in every fifth new petitions for the most-sought after H-1B visas in 2019 to individuals with the denial rate higher for Indian IT companies like the TCS and Infosys in comparison to the US firms, according to a study from official figures. PTI

Delink Census from NPR: Economists, social scientists

A group of 190 economists and social scientists have appealed to the government to delink Census 2021 from the National Population Register (NPR) exercise, saying there is an apprehension that it could be used to determine citizenship and linking the two is a violation of the Census Act. A statement was posted on the website of International Development Economics Associates. The step assumes significance as states like Kerala, Rajasthan and West Bengal have refused to implement NPR. PTI

7 Cong members suspended for rest of session

Lok Sabha passed a motion suspending seven Congress MPs for the remaining period of the Budget session for their "gross misconduct" after they snatched papers from the Speaker's table and "utter disregard" for House rules. PTI

Nirbhaya case: Court fixes March 20 for execution of convicts

A Delhi court issued a fresh date, March 20 at 5.30 am, for execution of the four convicts in the Nirbhaya gang rape and murder case. Additional Sessions Judge Dharmendra Rana fixed the new date after being informed by the Delhi government that the convicts have exhausted all their legal remedies. PTI

HSBC files winding up plea against IL&FS firm in S'pore

Global banking giant HSBC has filed a winding up petition in a Singapore court against an overseas subsidiary of IL&FS Transport Services (ITNL) for recovery of dues totalling more than ₹1,000 crore. PTI

Farmers anxious as weather turns adverse

SANJEEB MUKHERJEE
New Delhi, 5 March

It's that time of the year when millions of farmers in north, central, and west India eagerly look towards the sky for any adverse weather development that can damage their much-cherished winter crop, due for harvest in the next few weeks.

Though unseasonal rain and hailstorm in February-March are not unusual, the stakes this year are slightly higher because probably after many seasons, the market prices of several crops are better than in previous years, kindling hope that returns in 2020 could be better than those in the last few years at least in the case of some crops.

Gross value added (GVA) in agriculture and allied activities also points towards a better picture. GVA for agriculture and allied activities in 2019-20 is projected to rise at 11.3 per cent at current prices and 3.7 per cent at constant prices.

The latest forecast of the India Meteorological Department (IMD) shows on March 5 and 6, heavy rain with thunderstorm and hailstorm is expected in isolated regions of Punjab, Haryana, Rajasthan, Chandigarh, Delhi, and west Uttar Pradesh.

The extent, spread and frequency of the rainfall in the coming weeks will determine the extent of damage to standing crops. As an emergency measure, Uttar Pradesh Chief Minister Yogi Adityanath late Thursday instructed district officials to immediately visit the hailstorm- and rain-affected areas in their districts to assess the damage to standing crops and provide immediate relief to farmers.

In the past 24 hours, according to the IMD, untimely rain and hailstorm have hit only isolated pockets of Madhya Pradesh, Rajasthan, Haryana, Chandigarh, and Delhi.

The extent, spread and frequency of the rainfall in the coming weeks will determine the extent of damage to standing crops

"In some areas, this could be beneficial for crops if they are in the growing stage. So far (till Thursday noon) we haven't received any report of widespread damage. Also, the hailstorm to date hasn't been severe enough to cause panic," S K Malhotra, agriculture commissioner of the Government of India, told *Business Standard*.

But some differ in detail.

"We have ground reports of hailstorm affecting almost 60 villages in Singrauli district of Madhya Pradesh, 40 villages in Seoni, along with parts of Seedhi, Damoh, Rewa, and Shahdol. Barring Singrauli, there haven't been reports of any big damage to standing wheat, *chana*, and mustard," said Bhagwan Meena, spokesperson and founder member of the Rashtriya Kisan Mazdoor Sangh, a Madhya Pradesh-based farmers' group.

He said if the weather remained benign for the next 15 days at least in Madhya Pradesh, farmers would escape unhurt because in most places in the state the harvest of wheat, mustard, and chana had started.

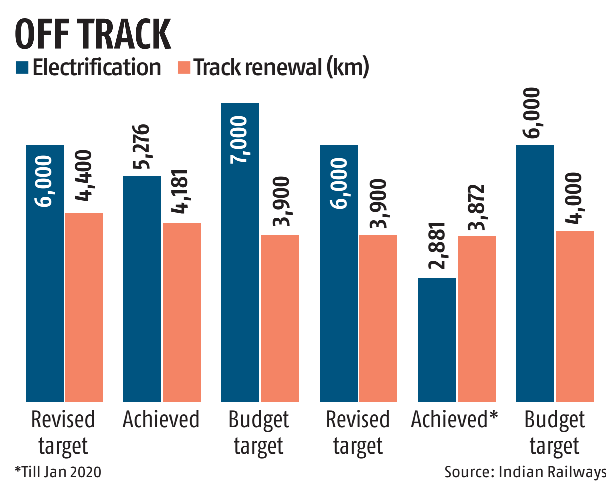
Wheat acreage in Madhya Pradesh in 2019-20 touched a record, almost 8 million hectares, about 33 per cent higher than in 2018-19. Overall, the wheat crop has been sown in around 33.61 million hectares this year, 12.32 per cent higher than last year.

"In wheat I don't see any big impact due to the rain and it could be beneficial for some farmers as it saves one irrigation, but, yes, hailstorm could be harmful. We haven't got any report of any large-scale damage to the standing wheat crop due to the adverse weather," said G P Singh, director of Indian Institute of Wheat and Barley Research.

Singh said in the case of mustard, damage would be determined by the extent of the crop harvested.

Railways may miss 100% electrification target

Needs to electrify 9,700 km annually, has achieved only 41% of target till Jan



SHINE JACOB
New Delhi, 5 March

To achieve the target of 100 per cent electrification by December 2023, the Indian Railways will have to electrify over 9,700 km annually for the next four years. However, the national transporter is unlikely to achieve this target, as during the current year only 2,881 km or around 41 per cent of the Budget Estimates for 2019-20 was achieved till January 2020.

So far, only 55 per cent of the railway track has been electrified. For 2020-21, too, the national transporter has set a target of only 6,000 km, which means the target will have to be raised in the coming years.

As of January this year, only about 58 per cent electrification has been achieved of the total track length of 93,902 km.

In its response to the parliamentary standing committee on Railways, the ministry said, "The pace which has been achieved in 2018-19 and 2019-20 shall be maintained in the coming years and the balance routes shall be commissioned by December 2023, positively."

During 2018-19, the railways had achieved the highest-ever electrification of 5,276 km — 29 per cent more than the previous year's achievement of 4,087 km — but the pace has slackened in the current year.

The Railway Board assured the House panel that it was taking various measures, including delegation of full powers to zonal railways for contract management, irrespective of the value of the contract.

In addition, contracts worth more than ₹100 crore are now being executed on the EPC (engineering procurement construction) mode for expeditious execution.

Despite a poor performance in electrification, track renewal seems to be heading towards an all-time high, as the railways laid 3,872 km of tracks till January this year, compared to 4,181 km of tracks renewed last year.

"During 2018-19, progress for track renewal for 4,181 km was achieved against a target of 4,400 km, which is 4.98 per cent lower. The shortfall is mainly because of non-supply of full quantity of rails from Steel Authority of India," the railways said in its response to the panel.

During 2019-20, against a proportionate target of track renewal for 3,250 km up to January this year, a progress of 3,872 km has been achieved, which was 19 per cent more than the target.

The railways said that to spend the available resources in a focused manner, the projects have been prioritised. Accordingly, 58 have been identified as super critical and 68 are critical projects.

The super critical projects are targeted for completion by December 2021 and critical projects by March 2024 and all other sanctioned doubling projects are targeted to be completed by March 2024.

The ministry also informed the panel that the conversion to broad gauge is around 2,200 km. Barring around 800 km of heritage lines, the entire railway network would be converted to broad gauge by 2022-23.

EPFO cuts rate to 7-year low of 8.5% for FY20

EPFO will be left with a surplus of ₹700 cr

SOMESH JHA
New Delhi, 5 March

The Employees' Provident Fund Organisation (EPFO) on Thursday decided to slash the interest rates on provident fund savings of formal sector workers to a seven-year low of 8.5 per cent for the year 2019-20.

The EPFO had given an interest rate of 8.65 per cent in the previous financial year to roughly 170 million subscribers.

The decision was mainly because of two reasons: EPFO getting a lower rate of return on its investments in government securities and the body's view to keep higher surplus owing to economic uncertainties, two people who were part of the deliberations said.

The decision was taken at the EPFO's central board of trustees (CBT) meeting chaired by Labour and Employment Minister Santosh Kumar Gangwar.

The interest rate will be notified by the labour ministry after getting approval from the finance ministry. The interest rate on EPF savings will be the lowest since 2011-12 when it stood at 8.25 per cent. In 2012-13, the EPFO had given a rate of return of 8.5 per cent.

"The trade unions are unhappy with the decision. The rate of return on government securities has been coming down and the EPFO had limited surplus to offer higher rate," said EPFO's CBT member A K Padmanabhan.

SAVINGS INSTRUMENTS

Rate of interest	(in %)
EPF	8.5*
PPF	7.9
5-year time deposit	7.7
National Savings Certificate	7.9
General Provident Fund	7.9
Savings deposit	4

*Yet to be notified; proposed for 2019-20
Source: EPFO, Finance Ministry

By agreeing to give an interest rate of 8.5 per cent, the EPFO will be left with a surplus of around ₹700 crore, a CBT member said, requesting anonymity. The EPFO could have offered a higher interest rate of 8.55 per cent, keeping a surplus of around ₹300 crore, but decided not to do so.

"The economic conditions are not conducive. The impact of coronavirus on the global and domestic economy is yet to be seen. Hence, the EPFO decided to keep a higher surplus thereby offering a lower rate of interest," the official said. Increasing the interest to 8.6 per cent or at the present rate of 8.65 per cent was not an option as the EPFO would have left with a deficit in its funds. When the EPFO had notified an interest rate of 8.65 per cent — the first hike in three years — in 2018-19, it had kept a surplus of around ₹150 crore.

The new rate of interest is higher than the return on investment in small saving schemes and that of provident fund schemes for government employees.

Access to funding improves for NBFCs but not yet at pre-IL&FS level

Debt capital markets continue to shy away from the shadow banking sector

SUBRATA PANDA
Mumbai, 5 March

India's shadow banking sector seems to be coming out of its blues and banks have opened their credit tap. However, the bond markets continue to be suspicious as some non-banking finance companies (NBFCs) continue to default or are struggling to get buyers in resolution processes.

NBFCs are certainly not as flush with liquidity as they were in the pre-IL&FS period, but Reserve Bank of India (RBI) Governor Shaktikanta Das said on Tuesday that the stress had been contained to three-four large firms, from 10-12 a few months ago.

Das said in an interview to *Bloomberg* that, overall, there was improvement in the NBFC space as they were able to access funds both from the market and banks. Things broadly seem to be under control, the governor said.

Data supports this view at least as far as banking liquidity is concerned. Bank credit to NBFCs, as of January 2020, saw a 32 per cent increase year-on-year, while non-food credit growth was merely 8.5 per cent, RBI data showed. Credit deployment to NBFCs by the banking sector from March 2019 to January 2020 saw a 15 per cent growth as opposed to 12.3 per cent growth in the year ago period.

Dinanath Dubhashi, managing director & chief executive officer of L&T Finance Holdings, said, "High rated NBFCs with strong parentage and prudent business practices have put the challenges of the past year well behind them. Their robust ALM policies have ensured that they were not only able to tide over the difficult period, but actually emerge stronger".

"We are seeing bank sanctions rising in the last three months or so and are seeing an increase in the drawdowns by NBFCs. Bank credit growth to NBFCs is 4 times the overall credit growth," said Krishnan Sitaraman, senior director, CRISIL Ratings.

Industry experts said banks were getting more comfortable with lending to NBFCs, but were also segregating them into categories. They are more comfortable lending to NBFCs backed by strong parentage or ones that are part of a strong corporate group. In such cases, funding is back to normal. Similarly, NBFCs that are more into retail have seen funding normalise.

It is NBFCs that have a considerable wholesale portfolio that are struggling as there are concerns on the asset class they have on their books, because much of their loans are to developers, a portion of which is under moratorium.

"While liquidity for NBFCs has improved in the past few months, we need to bring back confidence and encourage banks to release money into the system on a continuous basis. Otherwise, the lack of credit flow will continue to hurt the economy. An economy cannot function effectively without sufficient money supply," said Rakesh Kumar Bhutoria, CEO, Srei Infrastructure Finance.

While bank funding to NBFCs has increased, access to funds from the debt capital market remains muted.

"The debt capital market is still not comfortable in providing funds to NBFCs with a huge wholesale book. Debt capital market continues to remain selective to the ones that are backed by a strong parent and the ones that have a sizeable retail portfolio," said Anil Gupta, vice-president & sector head, ICRA.

"In terms of pricing, it has declined over the last one year and if we look at the debt capital market, the bond issuances yields has declined over last year and is largely in line with the market trend but the credit spread continues to remain over 100 bps over government securities for AAA-rated issuers," he added.

NBFCs had a good run for five years till September 2018, when access to both debt and equity funding was fairly smooth and at relatively cheap rates. Then IL&FS defaulted on its debt obligations, and this became an inflection point after which funding access tightened considerably.

In the current financial year (financial year 2019-20, or FY20), the assets under management (AUM) of NBFCs have grown about 6-8 per cent, while in the pre-2018 era they grew at a CAGR (compound annual growth rate) of 16 per cent.

With muted funding from debt capital market, NBFCs are trying to balance the fall by looking at alternate sources.

"NBFCs are looking at alternative funding sources like securitisations and retail bond issuances. Some of them are also doing overseas bond issuances like Masala Bonds, ECBs (external commercial borrowing)," Sitaraman said.

"NBFCs have taken steps to improve the ALM position and it is looking a more balanced now than 15 months back. Earlier, the short-term borrowings by NBFCs had shot up and now that has come down as dependence on commercial papers has reduced," Sitaraman added.

Also, NBFCs are holding more liquidity on their balance sheet, so their liquidity profile has improved. This has, however, come at the expense of growth, which at 6-8 per cent this fiscal will be at a decadal low. They are also now co-originating loans with banks, wherein they will service the loans and get a fee, but their borrowing requirements will be lower as this will be an asset-light growth model.

Industry experts say, over time, there have been some policy measures from RBI and Ministry of Finance that have gradually improved the scenario, especially from the banking side.

The last default was Altico Capital, which was 4-5 months ago and since then there hasn't been a major default. But if there is a default in the near future, then the normalisation will be pushed back a few quarters.

With inputs from Namrata Acharya

BANK CREDIT TO NBFC SECTOR (in ₹crore)

■ YoY growth% ■ YTD growth%

Sector	Jan 19	Mar 19	Jan-20	
Non-food	820,4289	863,3419	890,0136	8.50
				3.10
NBFCs	557,602	641,208	737,198	32.20
				15

YoY: year-on-year, YTD: year-to-date Source: RBI

Non-bank lenders defying caution

The non-bank lenders' segment is "defying caution" and growing the riskier unsecured loans portfolio at a pace of 25 per cent in the current fiscal, a report said.

A rising propensity for personal loans and attractive risk-adjusted returns are the possible reasons driving the non-banking finance companies (NBFC) to grow on such loans, domestic rating agency Crisil said.

The going has been very difficult for the NBFC segment since the crisis at infra-focused lender IL&FS in September 2018. PTI

YES Bank's ride ends in forced bailout

DEV CHATTERJEE
Mumbai, 5 March

Since the founder and former CEO Rana Kapoor *(left)* was forced to exit the bank by the RBI in January last year, new CEO Ravneet Gill — hired from Deutsche Bank — was tasked with reviving the bank. However, Gill failed to bring any respectable investor on board

The YES Bank board has been superseded by the Reserve Bank of India (RBI) and the private lender has become the target of a forced bailout, given the huge bad debt level in its corporate and real estate portfolios. This is in contrast to a few years ago, when it was the fastest-growing bank.

The lender took more risks compared to its peers, say bankers. "Even when other private sector banks would reject loans to corporate clients, it was YES Bank that came to their rescue," said a former executive.

Hence, it was not a surprise that the bank built a portfolio of bad loans to corporations. Companies that failed to repay loans include Dewan Housing Finance, Essel group, CG Power, Anil Ambani group, and Videocon.

Earlier this week, Reliance Infrastructure said it had defaulted on interest and principal payments on a ₹3,600-crore loan to YES Bank.

Since the founder and former CEO Rana Kapoor was forced to exit the bank by the RBI in January last year, new CEO Ravneet Gill — hired from Deutsche Bank — was tasked with reviving the bank. However, Gill failed to bring any respectable investor on board, even as several names were linked from Microsoft and Paytm to JC Flowers and Tilden Park Capital. On the contrary, one of the potential investors turned out to be as bizarre as a man who had filed for bankruptcy in Canada.

"None of the investors saw any value even as its management went around soliciting investors," said an analyst.

The crisis in slow motion, however, helped several insiders exit the company's stock. Rana Kapoor had famously tweeted that YES Bank's shares were as good as "diamonds", and that he would never sell and bequeath the "diamonds" to his children. However, Kapoor's shares — a lot of which were pledged — were sold by lenders as share prices tanked.

By November 2019, Kapoor sold his remaining 0.8 per cent stake when the stock was trading at ₹64 a share. On Thursday, the stock closed at ₹37 — up 26 per cent following unconfirmed reports that State Bank of India was taking over the bank. It was at its peak of ₹383 in August 2018.

JPMorgan said that following the "forced" bailout, investors would likely want the bank to be acquired at near-zero value, to account for risks associated with the stress book and likely loss in deposits.

"In sum, we think the bank needs to be recapitalised at nominal equity value, and could test dilution of additional tier-1 (AT1s)," said JPMorgan analysts in a note on Thursday, while cutting the bank's target price to ₹1.

Analysts said YES Bank failed to get any marquee foreign investor given the uncertainties around asset quality, which had been plaguing the bank for at least a year. With a gross non-performing asset ratio of 7.4 per cent, YES Bank's asset quality is the weakest among top private banks.

In its inspection report of 2019, the RBI had found ₹3,277 crore of divergence in non-performing assets, which would keep provisioning costs higher in the ensuing quarters. The lender has still not announced its December quarter (Q3) results, and a board meeting was scheduled for March 14 to consider its Q3 results, before the RBI superseded the bank's board.

In November, Moody's had warned that the bank had close to ₹31,400 crore in additional loans and investments (about 10.4 per cent of YES Bank's total loans and investments), which are rated below-investment grade. About 40 per cent of loans may turn debt, it warned.

The slowdown in commercial real estate further eroded the asset quality as the bank had a sizeable exposure to weaker companies in the sector.

As of September 2019, its exposure to housing finance companies and non-banking financial companies represented 6 per cent of its total exposure to the property sector. At the same time, the lender had 7.2 per cent direct exposure to the commercial and residential real estate sector.

Foreign brokerages attach ₹1 value to YES stock

SUBRATA PANDA
Mumbai, 5 March

JP Morgan cut its target price for YES Bank on Thursday to ₹1 per share, taking into account the potential fall in the lender's net worth due to stressed assets. Macquarie Capital Securities also said if State Bank of India (SBI) decided to buy stake in the bank, they should buy it at ₹1 per share as the net worth is hugely impaired.

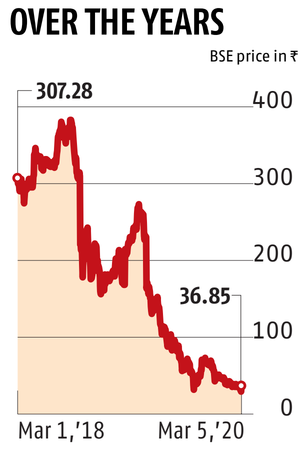
"We believe forced bailout investors will likely want the bank to be acquired at near-zero value to account for risks associated with the stress book and likely loss of deposits. We think the bank will need to be recapitalised at nominal equity value and could test dilution of additional tier 1 (AT1) capital. We remain underweight and cut our target price to ₹1 as we believe net worth is largely impaired," JP Morgan said.

Explaining its reasons for the meagre price for YES Bank shares, Macquarie said the bank has a net worth of ₹25,000 crore. However, its BB and below rated loan portfolio is approximately ₹30,000 crore and the BBB below book is almost ₹50,000 crore. "If we assume substantial portion of BB and below is wiped off, and say 10-15 per cent of the BBB book is to be written off, it implies the current net worth of the bank is zero (after factoring in 25 per cent of the tax benefits)," it said.

YES Bank's shares soared 26 per cent to ₹36.85 on Thursday after reports said that SBI-led consortium would buy a significant stake in the bank. But the share price may not hold at current levels if these brokerages' projections turn true.

"The quasi-sovereign bailout, we believe, is a bondholder/depositor bailout and not an equity one. Hence, today's rally in the stock is unjustified. The new capital will likely come in at a steep discount to current share price," JP Morgan said.

OVER THE YEARS



Worse, it would send out wrong signals. Any bail out of a private sector entity by public sector undertakings (PSUs), government, or taxpayers indeed creates a moral hazard. "The fact that the government is considering such a bail out proposal shows the risk inherent in investing in PSU banks/companies who continue to be subjected to the vagaries and compulsions of the government. The bigger casualty is taxpayers as their money is being used to infuse capital in PSU banks time and again. It is the taxpayers who are bailing out YES Bank indirectly," wrote analysts at Macquarie led by Suresh Ganapathy.

The acquisition of a significant stake in YES Bank may not be good for SBI's shareholders either, say analysts. "It will be incrementally negative for its valuations, as it sets a precedent for nationalisation of any future private losses. Part of this is already captured in the sharp discount at which the stock trades versus private peers," JP Morgan said.

There could be other challenges. "One buys a bank for its liabilities franchise and not for its assets. We are unsure of YES Bank's quality of liabilities franchise, which perhaps could have further got affected due to the current solvency issues. Consolidation would have brought about a lot of integration challenges as well as legal challenges, as we believe SBI Act needs to be amended for SBI to acquire a private sector bank. Even in this case, the deal will require blessings of the regulator as well as the government," Macquarie said.

ED grills Goyal, asks him to appear today

SHRIMI CHOUDHARY
New Delhi, 5 March

Jet and Goyal have been under the agency's lens for alleged violation of foreign exchange regulations during the signing of a $150–million deal with strategic partner Etihad Airways in 2014 for a loyalty programme

The Enforcement Directorate (ED) has asked Naresh Goyal, former chairman of now-defunct Jet Airways, to appear before it again on Friday for further questioning in connection with a money laundering probe registered against him on Tuesday.

This will be the third consecutive day of questioning. On Wednesday, he was summoned to ED Mumbai's office, where he was interrogated for four hours and taken to his residence later in the evening. On Thursday, too, he was grilled for a few hours.

Sources in ED said the probe indicated that funds were siphoned off through entities created abroad and the money was diverted to the personal accounts of Goyal and his family.

The agency has also detained Goyal's fund manager as he was allegedly in charge of the former's personal finances.

ED, which had conducted extensive search operations at Goyal's residences on Wednesday, seized several digital documents and records pertaining to alleged fictitious transactions, an official said.

ED's case is based on the first information report filed by the Mumbai police, which is necessary to probe "predicate offence" under Prevention of Money Laundering Act (PMLA).

Sources said that the probe agency could also write to lenders who did not get back their money, like State Bank of India, and nudge them to file a complaint.

Jet and Goyal have been under the agency's lens for alleged violation of foreign exchange regulations during the signing of a $150-million deal with strategic partner Etihad Airways in 2014 for a loyalty programme.

During the FEMA (Foreign Exchange Management Act) probe, the agency had alleged that Goyal's companies executed several "colourable transactions" under the guise of selling and distribution expenses.

"Commission and other fictitious expenses were booked at unrealistically high prices and, therefore, they were projecting huge losses," ED had said last year.

Further, Jet Airways had executed allegedly suspicious aircraft lease transactions with ghost entities located abroad, made payments towards lease rentals, and in exchange diverted the monies to Goyal, ED had said.

Hiring, the Welch way

The CEO of CEOs used the "4Es and 1P" principle to recruit a winning team

HUMAN FACTOR

SHYAMAL MAJUMDAR

Winning was published by HarperCollins in 2005 and gave a fascinating peek into the leadership journey of Jack Welch who died earlier this week. Welch, who continues to be known as the CEO of CEOs even though his legacy at GE took a blow after he retired, was once asked at a public function, "What is the one thing you should ask in an interview to help you decide whom to hire?".

Welch was well known for his quick repartee, but this was one question that stumped him. He got the answer only a few years later. In *Winning*, Welch says if he had just one area to probe in a hiring interview, it would be about why the candidate left his previous job, and the one before that.

"Was it the environment? Was it the boss? Was it the team? What exactly made you leave? There is so much information in those answers. Keep digging and dig deep. Maybe the candidate just expects too much from a job or a company. Maybe he wants a boss who is entirely hands-off or teammates who always agree. Maybe he wants too much reward too fast. Or maybe she's leaving her last job because she has just what you want: too much energy to be held back, so much ability to energise she wants to manage more people, too much edge for a namby-pamby employer and such a strong ability to execute she needs more challenge," Welch, who co-authored the book, wrote.

The summary of what Welch was saying is this: Why a person has left a job or jobs tells you more about them than almost any other piece of data. Hiring managers all over the world would do well to follow the advice — something they often tend to ignore during an interview process. That's because hiring good people is hard, but hiring great people is brutally hard.

His other favourite questions during a job interview were these: What does your competitive environment look like? In the last three years what have your competitors done? In the same period what have you done? Welch strongly believed that any leader or manager worth his/her salt should be able to answer the questions.

In recent years, many have questioned Welch's strategy, leadership style and legacy. He is also known more as "Neutron Jack" for cutting thousands of jobs as a part of his policy of firing 10 per cent of his workforce every year. But the fact still is that he brought in many revolutionary changes in how hiring was done and had an uncanny ability to hire the right people while giving them room to spread their wings under his "Lead more, manage less" philosophy.

That led to the famous "four Es (Energy, Energise, Edge, Execution) and one P (Passion)" principle of hiring. This is what they stand for:

- Energy: Welch felt leaders with energy assume that the status quo is not good enough; last year's performance again this year is not good enough; single digit growth is not good enough and business as usual is not good enough.
- Energise: People who energise can inspire their team to take on the impossible and enjoy doing it. The ability to energise is apparent in someone with an in-depth knowledge of their business, who sets a powerful personal example, and has strong persuasion skills.
- Edge: People with Edge make timely decisions (even the tough ones), spot new innovations, new markets and opportunities and have the ability to take calculated risks and even encourage others to do so.
- Execution: This is often ignored by interviewers. Somebody can have bright ideas, but can he deliver? People with good execution skills do not promise anything easily. Once they do, the top management or the board knows that it can consider it done.
- Passion: Passion is what holds the four Es together. Leaders must have a passion for what they are doing because then they would give it everything they have to make it happen.

Welch was quite clear that if this hiring process is followed, you get people who can do their job better than anyone else has done it before. Not only will they be able to present the employees with a vision and inspire them, more critically, they would be able to deliver that vision to their customers.

Auditors and fraud

We need to look at the entire ecosystem to minimise corporate frauds and not just focus on auditors

ASHOK MAHINDRA

On February 6, the Ministry of Company Affairs (MCA) came out with a consultation paper on what could possibly be far-reaching changes to the auditing profession. In addition, the MCA, by its order dated February 25, mandated that auditors need to report on nearly 30 more matters on Company Auditor's Report Order (CARO). All this because of the inability of auditors to detect fraud? In the fight against corporate fraud, we need to be realistic and understand that it will never be possible to ever arrive at a zero-fraud situation. Fraud can at best be controlled but not eradicated. We need to realistically look at the entire ecosystem of auditors, independent directors, audit committees, finance managers, system of justice, whistle-blowers, rating agencies, banks and regulators to minimise the occurrence of frauds in corporate India, and not focus exclusively on auditors.

Every business failure or fraud is not an audit failure. Regulators have taken a very aggressive approach against auditors. We have multiple agencies regulating auditors, such as the MCA, Sebi, RBI, SFIO, NFRA, ICAI and ED often with overlapping jurisdiction. We have charge sheets against auditors not only for the failure to detect fraud, but also for having actively connived with the perpetrators of the fraud. A financial audit may or may not uncover intentional fraud. Auditors are not insurers. Every business failure or fraud is not an audit failure. Regulators need to move with care and caution in levying charges of collusion based on strong and conclusive evidence. Moreover, regulators should have domain knowledge and be familiar with all the current accounting and auditing standards to ensure fairness and objectivity in the process. An informed view needs to be taken before throwing the book and cracking the whip against auditors.

Voluntary ban on non-audit services by the auditing profession is a gigantic step. The audit profession has taken a remarkable step forward in that certain big firms such as Deloitte, PwC and Grant Thornton have volunteered not to undertake any non-audit services, like consulting, due diligence or any other advisory service for their audit clients. This voluntary action is self-regulated and extends beyond non-audit services permissible under the prevailing regulations. No country, except the UK has such a ban. This is a gigantic step forward by the auditing profession. The audit profession needs to further examine the feasibility of an operational split between audit and non-audit services with separate CEO and board for each.

In the USA in the early 2000s a number of frauds led to major reforms like the Sarbanes-Oxley Act and the Public Company Accounting Oversight Board (PCAOB). The frauds at Enron, WorldCom and Madoff led to swift and heavy prison terms for the culpable parties. Jeffrey Skilling of Enron was put in a federal prison for 24 years, Bernard Ebbers in WorldCom for 25 years and Bernie Madoff in the Madoff Ponzi Scheme for 150 years. Contrast this with the self-confessed Satyam fraud in 2009. The conviction took six years and the culpable party is out on bail having served 33 months in prison. We need to look beyond statutory auditors, independent directors and audit committees, at measures to reform and invest more in our system of justice as a deterrent against future corporate frauds and have laws that focus on enforcement and justice that catch the crooked.

Whistle-blowers policy is another area of reform required in India as a deterrent against frauds. Famous frauds are replete with successful whistle-blowers. Sherron Watkins in Enron; Dinesh Thakur in Ranbaxy; Singaravelu in Tri-Sure who informed about the secret godowns. More recently, whistle-blowers have alleged wrongdoing in Infosys and Sun Pharma. Indian law does provide for whistle-blower complaints to be looked at by the audit committees of the concerned companies, but there is no separate whistle-blower act, like the one in the USA and there is no separate agency, like the Office of the Whistle-Blower Protection Programme. The USA law provides greater anonymity and protection from victimisation than Indian law.

Finance Managers are required by law to certify the financial statements. We must go further and levy greater penalties and make them criminally liable for frauds. Material frauds are unlikely to take place without the active connivance of finance managers. It is the finance managers and their team which pass the bogus entries to mask the fraud at the instance of the perpetrators and mislead the auditors and audit committees.

The withdrawal of the Tata Finance Special Investigative Report in 2002 led to a raid of the audit firm by the Registrar of Companies to seize files related to the special report on the belief that documents were being destroyed. This was reported by the media. After investigation by the regulator, absolutely no destruction of records was found, but the damage had already been done. This was a heady mix of sensational news and vilification of the audit firm in the media — a trial by media headlines. Today, the SFIO and the Sebi have even greater powers to issue charge sheets or orders against auditors and independent directors that can damage reputations and therefore should be used with maturity and careful consideration. We need accountability from regulators and less top down regulation regardless of their effectiveness and consequences. Bureaucrats have an impulse to overregulate as in the case of the recent CARO order.

The requirement for independent directors' registration with unnecessary details before February 29 by MCA, is another example of irritation and overkill. Professionals and others who value their reputation may now refuse to seek careers as auditors, independent directors and members of audit committees. They will avoid or resign from companies where they ascertain regulator risk, as has already started. This will be a retrograde step for such institutions. Let us not pronounce persons guilty without cause or attach their assets or we may end up without the sufficient number for the over 5,000 listed companies in India.

In conclusion, the government and regulators have to work with all impacted parties to find solutions to these concerns and ensure that the relevant institutions mentioned above are strengthened and not weakened. In addition, we have to look at other targets for reforms, like our system of justice, whistle-blowers and finance managers as deterrents to corporate frauds. The growth rate of the Indian economy is sluggish, hovering at 4.8 per cent and we have the highest rate of unemployment in 45 years and at this time, more than any other time, India needs a favourable foreign investment climate with an enlightened regulatory system.

The writer is a former senior partner of A F Ferguson & Co. and was involved in the Tri-Sure case and Tata Finance special investigative report

ILLUSTRATION: BINAY SINHA

CHINESE WHISPERS

Sanitised laughter

The serious concern of Covid-19 elicited laughter in Parliament after a Rajya Sabha MP on Thursday showed up in a face mask, carrying a bottle of hand sanitiser. He was also carrying a letter addressed to the chairperson of the Upper House, requesting him to instal technologies such as thermal imaging on the Parliament premises, to screen potential carriers of coronavirus. Things, however, took a hilarious turn when the AAP MP approached an actor-turned-politician who is also a Union minister, with the bottle of sanitiser still in his hand. The minister apparently told him: "*Actor main hoon, acting aap kar rahe hain* (I am the actor, but you are the one acting)." Those gathered burst out in laughter.

Dampener for drinkers

"Alcohol cures coronavirus" might have started as a harmless joke on social media but such is the nature of the medium that nothing remains innocuous beyond a point. On Thursday, the Press Information Bureau had to come up with an official clarification in a tweet quoting the World Health Organization's tweet from February 26: "Another misinformation on #Coronavirus circulating on social media asserts that consumption of alcohol prevents #Coronavirus infection. This rumour is #Fake! Drinking alcohol does not protect you from #nCoV infection." Despite the implausibility of this theory, those who love their drink would have jumped with joy when the rumour first hit their phone screens and promptly forwarded those messages. Will this latest clarification sober them up? After all, if there is one thing that spreads faster than a virus, it's rumours on social media.

Opposition praises ministry

Opposition members on the parliamentary committee on transport, tourism and culture are increasingly getting intrigued at the questions of their Bharatiya Janata Party (BJP) colleagues to officials representing the Ministry of Road Transport and Highways. The committee looks at the functioning of five ministries — civil aviation, tourism, culture, road transport and highways and shipping. While the Opposition members are all praise for the manner in which Ministry of Road Transport and Highways proactively answers their queries and addresses their problems during meetings, the BJP members complain that their concerns have not been addressed or the ministry has a lackadaisical attitude. The ministry has also come under fire over allegations that rioters in Delhi used its Vahan app to identify owners of vehicles and burn them during the recent violence.

INSIGHT

Cryptocurrency: Looking ahead

JAIDEEP REDDY & VAIBHAV PARIKH

After the Supreme Court's judgment Wednesday setting aside the RBI circular prohibiting banks from facilitating virtual currency/cryptocurrency/crypto-asset transactions the question arises what next.

The judgment holds that while the RBI had the power to take note of and deal with virtual currencies, the prohibition was excessive since it cut off the lifeline of an otherwise legitimate trade. It also holds the RBI did not show any harm to its regulated entities as a result of their facilitating virtual currency trade and any defects in the functioning of virtual currency exchanges.

The Supreme Court has therefore corrected an anomalous position: That a trade is permitted under law, but is denied access to the essential infrastructure of trade in the modern economy, the banking system.

This puts the ball back in the court of the industry, the RBI, the central government and other government agencies. Industry will need to continue to show that virtual currency trade can be carried on in a safe and responsible manner with self-imposed safeguards, such as adequate customer due diligence. The RBI will need to decide whether to impose less restrictive norms on its regulated entities as a condition to their facilitating virtual currency transactions. An example is the prescription of enhanced customer due diligence norms, which the RBI already has the power to do under the Prevention of Money Laundering Act (PMLA). This approach has been taken by countries such as South Korea.

The Centre will need to consider whether to introduce a new regime to regulate virtual currency transactions. The judgment, in its application of the doctrine of proportionality to the RBI circular, shows this doctrine would also have to be applied to any other measure related to virtual currencies, including any law passed by Parliament. In our submission, an outright ban on virtual currencies would be a disproportionate measure by the government, since many less intrusive measures are available. As recognised by the court, the same committee that eventually proposed an outright ban had in fact initially proposed a detailed regulatory framework to license virtual currency intermediaries like exchanges. A note by the committee had stated, "[v]ery few countries have actually banned [virtual currencies]. A ban might not be in step with India's position as an important centre of Information Technology services". It also stated, "[p]roblems related to information asymmetry, concerns around market risks, law enforcement or threat to financial system cannot be adequately addressed through a ban." One immediate step that could be taken by the government is to designate virtual currency intermediaries as reporting entities under the PMLA.

It is worth remembering that virtual currency transactions do not operate in a complete regulatory vacuum. Several existing laws such as the Consumer Protection Act, Information Technology Act, Foreign Exchange Management Act, PMLA, besides tax, deposit-related and criminal laws apply to the virtual currency domain just as they apply to any other economic activity. In fact, action has already been taken in India under many of these laws against errant persons and entities operating in the virtual currency domain.

However, just as banks, non-banks, payment systems, stock exchanges, securities and insurance intermediaries, and telecom companies are regulated, the government should consider specifically regulating virtual currency intermediaries by licensing and supervision. This should ideally be done by a new expert regulatory body with capability in technology, economics and finance. This will bring the industry within the visibility of regulators, avoiding concerns of a parallel ecosystem operating under the radar. Almost all developed jurisdictions have adopted a regulatory approach to address the same concerns cited by Indian authorities.

Ultimately, all new technologies and innovations challenge traditional policy. Even electricity and motor vehicles initially scared society and regulators. And in a 1948 government of India report, the Indian stock market was found to be plagued with a set of serious, systemic faults. Most recently, the internet has brought and continues to bring policy challenges, like privacy issues, content regulation issues and cybercrime. Virtual currencies too bring with them risks and benefits. They have the potential to result in more efficient and secure transfers of value. They are also used in many blockchain implementations, like Ethereum. There are scores of software programmers in India who have upskilled themselves in this technology, which is part of the progress of the internet and software. Professors from the Massachusetts Institute of Technology have made mathematical breakthroughs to create new virtual currencies. The phenomenon should therefore not be seen as a conduit for nefarious activities.

Republics like ours will always choose to proportionately regulate the risks while preserving the rights of their citizens. The Supreme Court judgment is a powerful affirmation of this principle.

Reddy and Parikh are leaders in technology law practice of Nishith Desai Associates.
Disclaimer: *The authors represented the Internet and Mobile Association of India in its petition challenging the RBI circular*

LETTERS

Testing times

This refers to the editorial "Way forward on coronavirus" (March 5). Indeed, this crisis, like any other, will test not only our preparedness, but how much progress we have made in research and development in the pharmaceutical sector. Presently, shortage of doctors and trained staff is a serious issue. Tackling it in the metro cities cannot be that challenging, but in smaller cities and villages, it will be really difficult to handle. It is the times like this when the poor doctor-to-patient ratio troubles us, as against 1:1,000 WHO recommendation, we have 1:1,457 ratio. The general public need to be clearly and regularly communicated about the quarantine facilities; the hospital staff also needs to be trained about the dos and don'ts. Last, but never the least, clear and transparent communication between authorities and people will go a long way in ensuring that there is no unnecessary panic among people.

Bal Govind Noida

Uncertain spin

The US Federal Reserve has come up with an unprecedented depth of rate cut and that too, much before its slated review. Globally central banks seem to go by dated text-book monetary prescriptions than insights gathered from financial crises. It has been flitting from concerns over inflation to liquidity flooding and occasionally to exchange-value correction. Post-(Donald) Trump disruption and now Covid-19, monetary policy worldwide pivoted at the start of the year from tightening to easing. The pace of rate cuts accelerated during 2018 as the US tried to reshape the global trading system that threatened economic growth, disrupting cross-border supply chains, business confidence and investment.

In contrast to 2018, when the central banks raised interest rates, the benchmark interest rates were cut 67 times in the third quarter of 2019 world over. What use of monetary interventions that induce unsteady flow of funds among economies when the flow of global trade itself is caught up in a vortex of uncertain spin and depth?

R Narayanan Navi Mumbai

Not a great idea

This refers to the editorial, "Licence to harass" (March 4). In the past, the revenue department has withdrawn many of its appeals pending at various levels for the reason that the issue involved in a squarely similar case had been finalised by the ruling of the apex court. This step was fair enough on the part of department. Now, it has cast on taxpayers the responsibility to come forward and pay the dues and withdraw their appeals if the issue involved had been decided by the apex court against them even if it is against the advice of their counsels or consultants. The scheme launched is a call the assesses/taxpayers have to take. Any prudent taxpayer will rush to avail of this opportunity if the case against him is sound and genuine. The scheme should be given widespread publicity but linking performance appraisal and career prospects of the officials with the response of the taxpayers is certainly not a great idea. Pressing officials to make the taxpayers accept the scheme may have a demoralising effect on the officials apart from tax terrorism as mentioned. If such an opportunity is not availed of by the taxpayers on a large scale, it should be understood that either a majority of cases made by department are fabricated and untenable or the taxpayer wants to frustrate the revenue department using the legal recourse available to them.

Bijay Kr Sinha Delhi

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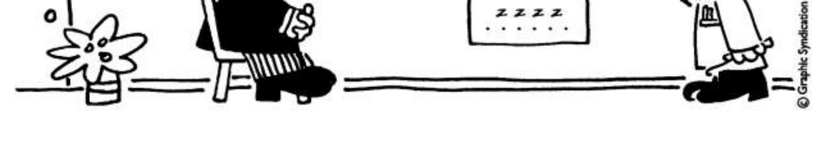
HAMBONE



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Illogical ban

Monitoring of cryptocurrency is a much better option

The Supreme Court ruled on Wednesday that the Reserve Bank of India's (RBI's) ban on banks dealing with the accounts of cryptocurrency traders and exchanges was unconstitutional. The ban, which came into force in April 2018, has crippled the Indian cryptocurrency industry. It was challenged by the Internet & Mobile Association of India (IAMA), and struck down by a three-member Bench. The IAMA pleaded that dealing and trading in cryptocurrency was a legitimate business activity and that the RBI did not have jurisdiction over it as these assets could be classified as commodities rather than currency. This judgment offers relief to the industry since banks can facilitate cryptocurrency trading but there is a cloud on the horizon. The government is said to be drafting legislation to criminalise all cryptocurrency transactions, as recommended by a panel in July 2019.

The apex court judgment should, however, be welcomed for several reasons. It is argued that cryptocurrencies should not be banned as a class, though central banks are divided on this issue. Japan, South Korea, and several other countries recognise specific cryptocurrencies as legitimate and lay down stringent rules on transactions involving these. Cryptocurrencies can considerably ease cross-border transactions, for example. Blockchain technology, underpinning many cryptocurrencies, is also versatile and innovative. It creates electronic ledgers, where every transaction is recorded, and is open to verification by many persons, while maintaining confidentiality. It quickly detects fakes, and disallows duplicate transactions. Blockchain, which was conceptualised for the verification of anonymous peer-to-peer transactions in bitcoin, has since been adapted for many other purposes, including "trustless" contract enforcement between anonymous parties, the verification of municipal works, and the authentication of luxury goods such as artwork, designer clothes, and vintage wine.

Blockchain has also been adopted by many financial service providers and investment banks for use in internal audits since they raise the bar against employees committing fraud. Shutting down cryptocurrency has also meant shutting down innovation in this area. In addition, several cryptocurrencies such as bitcoin, ethereum, and ripple have value as alternative investments. These currencies enabled savvy traders to hedge global volatility during the financial turmoil of 2012-13, and also in the last six months. In late 2017-18, Indian exchanges were signing up 300,000 new traders every month, and India was consistently logging high trading volumes. The ban prevented Indians from taking advantage of these instruments and forced Indian exchanges to close down, triggering the loss of employment and investments.

Certainly, cryptocurrencies are volatile and a lack of understanding can lead to heavy losses for traders. But that is true for most financial assets. Traders and investors must learn to live with those risks. Rather than impose bans, it would be more pragmatic to institute awareness campaigns to alert investors to specific risks, and to monitor trades for fraud and scams. Local cryptocurrency exchanges could be asked to adhere to the KYC norms followed by stock exchanges. The data would also be easily available to regulators if it is stored on local servers. Hence, there should not be fears about tax evasion and money-laundering. A vibrant cryptocurrency segment could add value to India's financial sector.

Don't chase numbers

FPOs will work well only if constraints are removed

The programme to promote 10,000 farmer producer organisations (FPOs), launched formally by Prime Minister Narendra Modi last week, can prove a game changer for agriculture if they are given a favourable economic and legal environment to function as professionally managed business enterprises. With cooperatives having, by and large, failed to live up to the expectations, the FPOs — virtually the hybrids of cooperative and joint stock companies — are being envisaged as the implicit third sector of the economy other than the private and public sectors. They are supposed to possess the virtues of both the cooperatives and the private companies but without inheriting their vices.

However, the experience of their functioning over the past decade indicates that they face formidable constraints in accessing institutional finance, marketing farm produce, and entering into contract farming deals. They, therefore, need the government's backing but without bureaucratic and political interference of the kind that has proved the nemesis of several cooperative organisations and parastatals. Banks are usually wary of lending to FPOs because they do not have any assets of their own to offer as collateral. Most of the assets belong to their member farmers. However, the way the government seeks to tackle this issue under the new scheme does not inspire much confidence in its outcome. The two main measures mooted for this purpose are equity infusion and creating a Credit Guarantee Fund of up to ₹1,000 crore under the National Bank for Agriculture and Rural Development. Both of these are marred by imperfections. The government equity participation can potentially pave the way for unwarranted official, as also political, meddling in their affairs, which can be ruinous for them. The proposed credit fund, on the other hand, is too meagre to meet the needs of around 5,500 existing and 10,000 proposed FPOs.

The FPOs are supposed to help farmers in procuring farm inputs and selling the produce at the collectively bargained best prices. But they find it hard to do so in the *mandis* run by the agricultural produce marketing committees (APMCs). Neither the original nor amended marketing laws of the states have provisions for granting trading licences to the FPOs. They have to face the hostility of the middlemen (*arhtiyas*) in connivance with the APMCs. No doubt, being the bulk sellers or buyers, the FPOs are eligible for trading through the electronic-National Agricultural Market (e-NAM), but this mode of marketing is still in its infancy. Most of the deals through the e-platforms are either between the traders operating in the same *mandis* or in the *mandis* of the same state. More agricultural marketing reforms are, thus, imperative to enable the FPOs to perform their legitimate task.

The FPOs face handicaps also in striking contract farming deals on behalf of their member farmers. The contract farming laws of most states, including the Model Bill drafted by the Centre, provide only for agreements with individual farmers and not with their groups or FPOs. This lacuna needs to be rectified to enable the FPOs negotiate better deals with agro-industries and ensure fulfilling commitments. The government also needs to create infrastructure and facilities for capacity building and professional training of human resource for manning the FPOs. Unless these issues are suitably addressed, the FPOs might find it hard to survive, let alone help raise the income of their member farmers.

ILLUSTRATION: BINAY SINHA

Defending the indefensible?

It is becoming increasingly hard for India to ignore the global antipathy to its majoritarian politics

The United States State department has over 50,000 employees. Of these, just under 14,000 are foreign service officers who are assisted by another 50,000 bureaucrats. The Indian Foreign Service has 850 officers. Most of these are deployed in Delhi and concentrated in a few missions abroad. Many, if not most, of these are junior (the service takes in three dozen recruits a year, and so at least 300 of them have less than 10 years of experience) and not authorised to take decisions.

Our diplomats are all bureaucrats. There are no ambassadorial positions that are given to political appointees. This means that the service is hierarchical and designed for line functions rather than initiatives. The ministry of external affairs lists the diplomats' functions as:

"Representing India in its Embassies, High Commissions, Consulates, and Permanent Missions to multilateral organisations like the UN; protecting India's national interests in the country of his/her posting; promoting friendly relations with the receiving state as also its people, including NRIs/PIOs; reporting accurately on developments in the country of posting which are likely to influence the formulation of India's policies; negotiating agreements on various issues with the authorities of the receiving state; and extending consular facilities to foreigners and Indian nationals abroad."

AAKAR PATEL

This is what the diplomacy is geared to do. India is not equipped to aggressively take on the world. We don't have the capacity to bite off more than we can chew. We aspire to things such as being added to the permanent five in the United Nations Security Council, and this means that we need to have proactive diplomatic capacities in addition to extracurricular activity like hosting "Namaste Trump" and "Howdy Modi" and all of that.

On March 2, the foreign minister of Iran Javad Zarif tweeted: "Iran condemns the wave of organised violence against Indian Muslims. For centuries, Iran has been a friend of India. We urge Indian authorities to ensure the well-being of ALL Indians & not let senseless thuggery prevail. Path forward lies in peaceful dialogue and rule of law."

What he said was unexceptionable. How he said it is how adults speak. If we are to be honest with ourselves, we have to admit that he spoke the truth. India's response was to throw a tantrum, summon the Irani ambassador and say that "it was conveyed that his selective and tendentious characterisation of recent events in Delhi are not acceptable. We do not expect such comments from a country such as Iran."

On March 3, in the United Kingdom's House of Commons, Labour, Scottish National Party, Liberal Democrats and Conservative MPs, including Indian-origin MPs, queued up to criticise India over the Delhi violence and the Citizenship Amendment Act (CAA). In the House of Lords on March 1, speeches were made over India abusing its minorities. India has not yet responded to these.

The United States Commission on International Religious Freedom has been active for months on India and has released a fact sheet warning that the CAA "could lead to the widespread disenfranchisement of India's Muslims" and that it "represents a significant downward turn in religious freedom in India." It has also been active in monitoring the Delhi violence.

On February 27, India put out statements that "strongly rejected comments by a US commission on religious freedom, the Organisation of Islamic Cooperation and US presidential nominee Bernie Sanders on violence in the national capital, calling their criticism factually inaccurate, misleading, and an attempt to politicise the issue."

Other leaders like Elizabeth Warren and the young and charismatic Congresswoman Alexandria Ocasio-Cortez have also attacked India at the same time. On March 4, the Modi government announced that it had been informed by the United Nations High Commissioner for Human Rights Michelle Bachelet that the UNHCHR was going to intervene in the Supreme Court on the issue of the CAA's unconstitutionality. The UNHCHR would "assist the court to examine the compatibility of CAA with India's Constitution, in light of India's obligations under international human rights laws. The interpretation of India's international human rights obligations would include the right to equality before the law and the prohibition of discrimination among refugees and migrants," the UN body said. It also talks about "the CAA's impact on the protection of human rights of migrants, including refugees in India." And UNHCHR said its intervention was "not restricted to issues raised by the petitions in the court on the CAA."

India was caught off-guard by this, and even the ministry of external affairs journalists who usually toe the line on "national interest" were appalled that this should have happened. India's official response was that the CAA was an internal matter. Columnist and former diplomat M K Bhadrakumar wrote that "there is a paradox here. Remember, one of the first foreign policy initiatives by PM Modi after coming to power in 2014 was to address a Circular letter to the heads of governments of all UN member countries soliciting their support for India's claim to be represented permanently in the UN Security Council. Whereas, Modi government is now lamenting that the UN itself is intrusive."

On March 4, Colorado Democrat Joe Neguse became the 66th Congressman to sign the United States House Resolution 745. It urges "the Republic of India to end the restrictions on communications and mass detentions in Jammu and Kashmir as swiftly as possible and preserve religious freedom for all residents." The resolution has bipartisan support and has been snowballing in numbers. It is because of this pressure that India opened up the Internet to Kashmiris on March 4.

There is another resolution in the European Union, which has to be voted on at the end of this month. It condemns the CAA and dissects the problems with it. This week there were protests and sit-ins in 18 European cities against the violence in Delhi and the government role or inaction in it.

India has become overwhelmed by the tidal wave of antipathy globally to the path it has taken under this government. A path of naked majoritarianism that is sidestepping the Constitution and introducing law and practice that the world does not see as being correct or in line with India's traditions and history.

There is no possibility that we will be able to resist pressure of the magnitude described above in the longer or medium term. The writing is on the wall.

Economic lessons of coronavirus

The outbreak of the coronavirus epidemic is neither unprecedented nor intractable. However, its genesis in China, and its transitive impact on global economic activity, portend important lessons for economists.

Globalisation brings structural risks that have to be analytically recognised and addressed: Globalisation represented the triumph of the theory of comparative advantage as technology and innovation lowered the barriers to locating production in the most globally competitive locations. Production costs fell, and global aggregate demand increased, just as predicted by that theory. China was the biggest driver of this structural change due to its sheer size and scale. The outbreak of coronavirus in China has effectively shown that there are serious structural risks that can disrupt the working of the principle of comparative advantage.

RATHIN ROY

Macroeconomic interventions will not counter these risks: The Federal Reserve acted swiftly to cut interest rates by 50 basis points. But this only assuaged the US stock markets for 15 minutes, as they recognised that such cuts, which essentially cheapen the price of capital and indicate a higher tolerance for inflation, would not address the structural problem of a breakdown in global supply chains. This breakdown could mean, simply, that increased consumer spending would not be matched with a supply response, resulting in inflation without a corresponding counter-recessionary benefit. Domestic investment to create alternative supply chains would take time, and would only respond to cheaper capital costs if businesses perceive the rate cut to be permanent and — importantly— if aggregate demand would not dampen, given that alternative supply chains would be more expensive than the China driven one. A conversation with an Indian manufacturer of transformers confirmed this to me. His profitable company would not relocate production of intermediates currently imported from China. Such a relocation, even if financed by cheap capital, would require the company to sell its product at significantly higher prices, which would not support current demand levels. It would make better business sense to wait and shrink production in the interim.

Decentralised supply chains: Economic activity traditionally involved integrated production clusters because of the high cost of logistics. Competition served to provide alternative suppliers for intermediate goods. Supply chains tended, therefore, to be decentralised and to operate with multiple competing suppliers. Globalisation and supply chain integration meant that only the most efficient location survived: Within that location there is competition, but the location itself becomes an effective monopoly. Decentralised supply chains will become competitive if the risks to such locational monopolies, made apparent by the coronavirus epidemic, are incorporated into investment decisions.

Precautionary inventory management: Before the era of cheap logistics, inventory management was focussed on ensuring that firms did not suffer market share losses due to supply chain disruptions. But the logistics innovation and information technology revolutions have made it attractive to minimise inventory holding. This is likely to reverse as companies learn that risks posed by global supply chain disruptions can increase fragility. When Jaguar Land Rover has to ship car parts in suitcases so as to counter supply chain disruptions, then a rethink on optimal inventories is inevitable.

The demise of multilateralism will need to be reversed: It is a paradox that globalisation was accompanied by the collapse of its potentially biggest safety net — multilateral coordinated action. Notwithstanding the great success of multilateral coordination in abatement of the HIV AIDS crisis, and the demonstrated success in dealing with potential disruptive threats like cartelised oil prices and the ozone hole challenge, multilateral coordination to alleviate real sector global threats declined precipitously over the past 30 years. Multilateral coordination became focused on trade and financial regulation. The coronavirus epidemic highlights the need to start thinking more actively about multilateral coordination, especially when it comes to supply chain management and global human shocks, including, but not confined to, health emergencies and climate uncertainties.

Importance of domestic demand and frugal logistics: This is perhaps the most important lesson for both developed and developing countries. The pharmaceutical supply chain has involved India producing generics and exporting these to Europe while importing intermediates from China. India supplies 26 per cent of Europe's generics and 24 per cent of US generics. But the coronavirus crisis has meant that India's ability to produce these generics has been constrained by a bottleneck on intermediate imports on China. This has led to export restrictions on generics, which has caused a supply crisis in the developed world.

We thus need to rethink the role of logistics in maximising growth, and the costs and benefits of being part of global supply chains. This does not mean we turn inward but rather that we recognise the importance of being frugal with logistics. A frugal logistics chain promotes both decentralised supply and lower risk of disruption.

Going forward, there are two important things that large emerging economies like India need to consider. First, a growth strategy that is based on meeting a broad-based composition of demand is a more resilient strategy than logistics-intensive export-led growth. Second, attention should focus on how to deliver output with less, as opposed to cheaper, or more plentiful, logistics in a quest to better fit in with global supply chains that we now see pose significant risks to economic activity when there are disruptions. Making local with less movement of goods, inputs, and people offers a more resilient growth path.

The writer is director, National Institute of Public Finance and Policy. Views are personal

Forgotten hero

BOOK REVIEW

SARTHAK CHOUDHURY

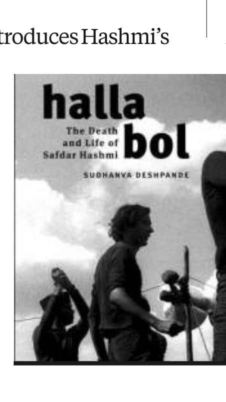
Although I have been a journalist for nearly three years, the first time I heard of Safdar Hashmi was when Kerala Chief Minister Pinarayi Vijayan met Jawaharlal University Students' Union President Aishe Ghosh after she was attacked by masked goons and gave her the book under review as a gift.

It was a thoughtful present. For a generation unacquainted with Safdar Hashmi, Sudhanva Deshpande's book *Halla Bol: The Death and Life of Safdar Hashmi*, replete with hope and humour, tells us what it means to live resistance, since Hashmi's theatre was an extension of his politics.

Mr Deshpande's book begins on the fateful morning of January 1, 1989, with the attack on Jana Natya Manch (Janam) and Hashmi, then just 34 years old. Hashmi was severely beaten and left to die. A worker named Ram Bahadur was shot, just to reinforce the murderers' message. "[Hashmi] was unconscious. There was blood all over his head, his hair dripping wet," Mr Deshpande writes.

In recreating the tragedy, he also reveals the rot in the justice system. The ambulance and the police didn't even turn up. Hashmi was transported, first by rickshaw, then a cab and finally another car. Then he was shuttled among different hospitals, which lacked amenities to treat his wounds. On the other hand, the police failed to catch Hashmi's attackers. They arrested a man who had approached them to report the crime instead.

Mr Deshpande introduces Hashmi's wife Moloyashree (referred to as Mala in the book) and her courage in the face of tragedy. He tells us how Hashmi met Mala through theatre. It was hard to resist a smile reading about Hashmi's failed attempt at changing his surname after they married.



HALLA BOL: THE DEATH AND LIFE OF SAFDAR HASHMI
Author: Sudhanva Deshpande
Publisher: LeftWord
Price: ₹495

Mala, in fact, was the driving force behind Janam re-performing *Halla Bol* (the street play that was being staged when Hashmi was attacked), two days after his murder. He says, "In that simple act, of leading us in a performance at the spot where her comrade and friend, the love of her life, had been felled, she, more than anyone else, captured that incandescent moment."

Mr Deshpande moves on to tell us about Hashmi's early years and the formation of Janam from Indian People's Theatre Association (IPTA), a dynamic all-India movement that had brought together the best performers in the anti-colonial struggles in the 1940s. Cracks within the IPTA started emerging after the Communist Party of India split in 1964. Hashmi was a part of the group that wanted to "perform more and more for the working class and farmers". He and other young radicals were evicted from the group and went on the found Janam.

Mr Deshpande offers insights on the thoughts and ideas behind each of the plays Janam performed. He shows how social context was important for everything Janam did. For example, *Machine*, one of Janam's earliest plays, emerged after Hashmi learned that six workers in a factory were shot dead after they demanded parking for their bicycles and a canteen to heat their food. Hashmi also insisted that the performance space for this play had to be accessible to all classes, especially workers. Another of his plays, *Aurat*, tackled the challenges women face in various spheres of life.

"Safdar was a non-believer… imbued him with unshakable faith that a just world could be created," Mr Deshpande writes. *Halla Bol* was a case in point. It was a clarion call against inequality and capitalism.

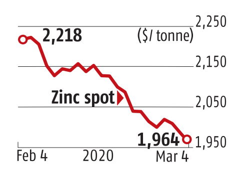
Media reports tell us that he was attacked by Congress goons because he was performing *Halla Bol* as part of the CPI (M) campaign for the Ghaziabad municipal elections. But Mr Deshpande —- true to his left-leaning credentials — imbues Hashmi's death with an ideological hue. "Safdar was targeted because he put himself between his killers and his comrades in the class struggle," he says.

Mr Deshpande, managing editor of LeftWord, which has published this book, is an old friend of Hashmi and that friendship permeates this account. It is not written as a conventional biography. Even after all these years, he remembers minute details such as the months leading up to the attack. In an interview with another newspaper, Mr Deshpande said, 'The attack politicised me." Hashmi's killing politicised an entire generation. Maybe this book would do the same for ours, although as he points out, it might take time.

Hashmi's death and, more significantly, his life, teaches us what it means to stand up for our beliefs.

Business Standard
MUMBAI | FRIDAY, 6 MARCH 2020
The Smart Investor
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

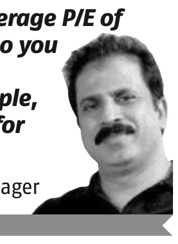
QUICK TAKE: ZINC TO STAY SUBDUED ON HIGHER SUPPLY



Zinc has fallen over 11 per cent in one month on increased arrivals in LME-registered warehouses. With supply forecast to outstrip demand in 2020, increased pressure on global economy due to coronavirus will reduce demand further. Thus, zinc prices will remain weak

"Cream of stock market (147 cos with ₹65 trn m-cap) trading at average P/E of 52x despite 10% correction! Do you think this would sustain? Alternatively, you can buy Apple, Google, Microsoft, Facebook for P/E of 24-30x"

PORINJU VELIYATH, Portfolio Manager



MFs ready ground for commodity play

Begin roll-out of investment products, target new hires

JASH KRIPLANI
Mumbai, 5 March

Mutual fund (MF) players are reviewing their bench strength as they start rolling out schemes to manage commodity-linked products. This follows the Securities and Exchange Board of India (Sebi) move to open up the commodity derivatives segment for the ₹27-trillion MF industry.

"We will look at hiring more analysts and fund managers, given the diverse basket of commodities available after Sebi gave its go-ahead to MFs," said Aurobinda Gayan, head (commodities strategy), Tata MF.

The fund house recently floated the Tata Multi Asset Opportunities Fund, which can take 10-25 per cent exposure to commodity derivatives.

According to industry sources, some of the fund houses are also planning an alternate investment fund (AIF), that can take exposure to commodity derivatives.

Last year, the capital markets regulator allowed MFs to participate in exchange traded commodity derivatives, except 'sensitive commodities'. This effectively gives MFs access to 20-25 commodities to trade in.

Nippon Life India MF is another fund house looking to build a product portfolio linked to commodity derivatives.

"Besides portfolio diversification, commodity markets also throw up medium-to-long-term investment opportunities in individual commodities. We intend to offer products that allow investors to participate in such opportunities — both in active and passive space," said Sundeep Sikka, executive director and chief executive officer (CEO) of Nippon Life India MF.

"Commodity arbitrage is an interesting space that will evolve as we move forward. We will increase our team strength and resources as we get there," he added.

The fund house has also filed for a multi-asset fund, which can allocate 10-30 per cent of its funds to commodity derivatives.

Among other players, Edelweiss MF and PGIM India MF are those planning to launch a commodity-linked product.

NEW AVENUES

20-25 Number of commodities MFs can trade in

30% Threshold for commodity exposure in multi-asset schemes

10% Limit for exposure in one commodity by any scheme

$1 trillion Global level of commodity exposure by fund houses

"This opens up avenues for further diversification to help investors deal with volatility, which tends to be part of most investment outcomes. We are exploring such offerings, but it is important to build the right expertise around this," said Ajit Menon, CEO of PGIM India MF.

"We are evaluating the opportunity and will wait for a suitable time to launch such a fund," said Radhika Gupta, chief executive officer of Edelweiss MF.

Industry participants say that globally, commodities have emerged as a popular investment for MFs.

According to estimates, close to $1 trillion is held globally by various fund houses.

Experts say that Indian MF investors may take time to warm up to commodities as an asset class.

"Investors have traditionally considered only gold for their commodity allocation. Even though a multi-asset fund can be important for asset allocation, investors are likely to stick to plain-vanilla debt or equity fund for their core allocations," said Amol Joshi, founder of Plan Rupee Investment Services.

Even as the market watchdog has allowed MFs to invest in commodities, it has put certain restrictions on the investment limits.

For instance, an MF scheme cannot have more than 10 per cent of its assets exposed to single good or commodity at any point of time.

The overall exposure to commodities cannot exceed more than 30 per cent in case of multi-asset schemes. In the case of a hybrid scheme (or any scheme apart from multi-assets), overall exposure cannot be more than ten per cent.

Further, given the longer market hours for the commodity markets, fund houses will have to report the net asset value of the commodity-linked scheme by 9am on the following day.

SBI Cards IPO subscribed 26x

SUNDAR SETHURAMAN
Mumbai, 5 March

SBI Cards and Payment Services' initial public offering (IPO) has managed to attract bids worth ₹2 trillion, in spite of challenging market conditions. This has made it among the most subscribed offerings in absolute terms.

The 100-million share offering generated close to 2.7 billion bids (26x). The high networth individual (HNI) portion of the IPO was subscribed 44x, with the retail portion being subscribed 2.5x.

The employee segment registered 4.7x subscription, while the shareholder category was subscribed 25x — making it a rare instance in which the employee and shareholder segments garnered higher subscription than the retail segment.

Shareholders of parent State Bank of India (SBI) were eligible to apply through the 'shareholder' category.

The institutional portion of the IPO, which closed on Wednesday, had garnered 57x subscription.

"Despite tough market conditions, the IPO did well as SBI Cards is a high-quality unique franchise from the strong SBI stable. Its business model has resonated with best of institutional Investors across the world," said Salil Pitale, joint mananging director and co-chief executive officer of Axis Capital.

Good profitability, high return ratios, and strong growth potential were other key factors, he added.

Most brokerages had recommended their clients to subscribe to the SBI Cards IPO, citing similar reasons.

"Given its dominant position in the credit card market and strong parentage, SBI Cards is well-placed to benefit from the rising trend of digital payments and e-commerce. Strong growth, stable asset quality, and superior return ratios provide comfort and justify the premium valuation. Further, being the first in the segment to get listed, it could generate high investor interest," said a note from Motilal Oswal.

"SBI Cards offers investment opportunity in a unique business model with strong profitability. Sustainability of higher business growth and strong return ratios, justifies premium valuation for the business," said another note by ICICI Direct.

Given the huge oversubscription, shares of SBI Cards will be priced at the upper end of the price band of ₹750-755 per share. At the top end, SBI Cards' post-issue market capitalisation works out to around ₹71,000 crore, making it India's 38th most valuable company.

SBI Cards' IPO is the fourth largest in the domestic market. Through the share sale, the company issued fresh capital worth ₹500 crore. Parent SBI sold its 4 per cent stake, while Carlyle sold 10 per cent in the firm.

After the issue concludes, SBI's stake will drop from 74 per cent at present to 70 per cent, while Carlyle will see its holding come down from 26 per cent to 16 per cent.

PAYMENT ACCEPTED
The 100-million share offering generated 2.7 billion bids

Segment	Subscription*	Total bids (₹ cr)
QIB	57.0	1,04,583
HNI	44.0	60,530
Retail	2.5	8,000
Employee	4.7	600
Shareholder	25.0	24,716
Overall	**26.2**	**1,98,453**

Note: * is no. of times; as of 5pm Source: NSE, BSE

Indices pare early gains to end flat

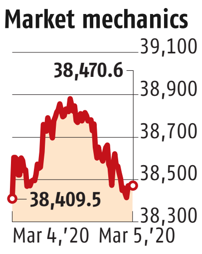
PRESS TRUST OF INDIA
Mumbai, 5 March

The benchmark indices surrendered most of their early gains to end modestly higher on Thursday, as investors weighed the impact of rising coronavirus cases.

After rallying over 478 points during the day, the Sensex settled 61.13 points or 0.16 per cent higher at 38,470.61.

On similar lines, the broader Nifty advanced 18 points or 0.16 per cent to finish at 11,269. Kotak Mahindra Bank was the top gainer among Sensex constituents, climbing 2.74 per cent, followed by HCL Tech, TCS, Bharti Airtel, HUL and Asian Paints. SBI jumped 1.05 per cent following reports that the government has given the go-ahead to the lender and other financial institutions to take over capital-starved YES Bank.

Market mechanics



Laggards included RIL, Tech Mahindra, ICICI Bank and Axis Bank, dropping up to 2.06 per cent. According to analysts, despite trading significantly higher through the day on positive global cues, the indices failed to hold on to gains as domestic investors turned increasingly risk-averse.

Global stocks rallied as investors were hopeful that collective efforts of global governments and central banks would cushion the economic blowback. The IMF had on Wednesday said it would make available $50 billion through its rapid-disbursing emergency financing facilities for low-income and EMs that could seek support.

Indirect transfers: Category-II FPIs knock on govt doors for relaxation

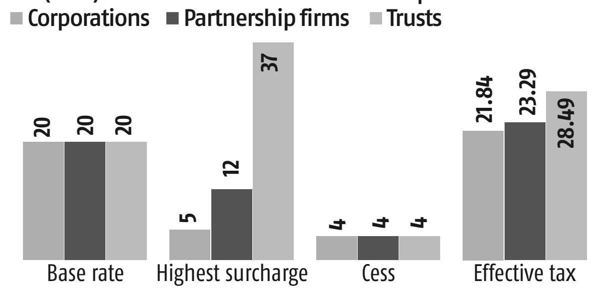
ASHLEY COUTINHO
Mumbai, 5 March

A section of lobby groups has asked the central government to reconsider its stance on indirect transfer provisions on foreign portfolio investors (FPIs).

At present, all FPIs under category-II are subject to such transfer provisions, impacting close to 20 per cent of FPIs including a sizeable number of funds from Mauritius and the Cayman Islands.

Their request is the exemption of all sub-categories other than 'corporate' or 'family office' from these provisions. To facilitate this, the grandfathering provisions should extend to FPIs registered as category-I or category-II under the 2014 regulations, irrespective of whether the investment was made prior to September 23, 2019 or not — the date when the new FPI regulations came into force.

SURCHARGE IMPACT
Tax (in %) on dividend income for FPIs set up as
Corporations / Partnership firms / Trusts



Source: Industry

FPIs and their tax advisors have highlighted a dichotomy with regard to taxation, pertaining to the withdrawal of DDT. Section 196D of the IT Act provides for withholding tax at 20 per cent without providing for any treaty benefits. Section 195, however, states that any person responsible for making payment to non-residents may withhold taxes at treaty rates.

Tax advisors believe the higher withholding could hamper cash flows for FPIs, besides leading to long waits for tax refunds. For this reason, the government should allow treaty benefits on such withholding and allow for a uniform rate of withholding.

The 2019 provision of higher surcharge rates, for those other than corporates and partnership firms for other income, will impact the tax paid on dividend income of FPIs that are not structured as such.

The effective tax rate on dividend income for FPIs set up as corporates would come to 21.84 per cent, while that for FPIs set up as partnership firms would come to 23.29 per cent. FPIs set up as trusts will have to shell out tax at the rate of 28.49 per cent on dividend income. Earlier, the impact of DDT was uniformly borne by all types of investors, albeit indirectly.

Lobby groups want the surcharge not to be applicable on dividend income accrued to FPIs. If this is not acceptable, a uniform rate of surcharge may be applied to all classes of FPIs at 5 per cent or 15 per cent, irrespective of their structure, they seek.

CAMS divestment: NSE likely to get a breather

SAMIE MODAK
Mumbai, 5 March

The National Stock Exchange (NSE) could get more breathing space for disinvesting its 37 per cent stake in Computer Age Management Services (CAMS). Last month, the Securities and Exchange Board of India (Sebi) had directed the bourse to divest its entire stake in the registrar and transfer agent (RTA) within a year.

The diktat had put the exchange in a spot, given that CAMS had filed for an initial public offering (IPO) only last month. Through the IPO, the NSE was looking to offload 12.5 per cent stake.

While the stake sale will help the NSE divest a third of its stake, the remaining 24.5 per cent holding will get locked in for a year.

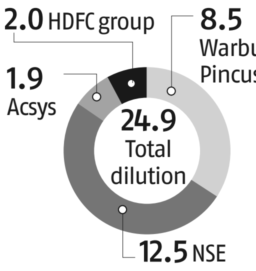
Under Sebi guidelines, the pre-IPO shareholding cannot be sold for a period of one year from listing. It would have meant that the NSE would have missed Sebi's directive to sell its entire stake by February 2021.

People in the know said investment bankers handling the IPO raised this issue with Sebi, following which the regulator has decided to consider some relaxation.

"We have asked the exchange to submit the roadmap for disinvestment. We are aware that the IPO could create issues for further stake divestment. We will take a reasonable call based on what the NSE proposes," said a senior Sebi official.

People in the know said one of the proposals being discussed is changing the IPO structure. Under the current proposal, the NSE and four other investors are divesting a total of 25 per cent stake through the IPO.

WHO'S SELLING HOW MUCH
Stake divestment (%)



Source: IPO document

"If the NSE has to divest its entire stake in the IPO, it will require major changes to the current proposal. Some investors may have to cancel their disinvestment plan, otherwise it could lead to a huge dilution," said an investment banker.

In the IPO, Warburg Pincus (through affiliate Great Terraini) is divesting 8.5 per cent stake, while Acsys Investments and HDFC group will offload 2 per cent each.

The banker said that a more feasible solution would be to let the IPO proceed according to plan, and take an undertaking from the NSE that it will divest the remaining stake after the lock-in period ends.

The regulator is yet to approve the CAMS offer document, which was submitted on January 9. The processing status on Sebi's website says "clarification awaited" from investment banker.

In a letter dated February 4, Sebi had observed that the NSE had failed to obtain prior permission for acquisition of a stake in CAMS during FY14.

CAMS is India's leading RTA. Karvy Computershare and Link Intime are the other major players that operate in the RTA space, which has seen significant interests for PE investors as well as global financial institutions over the last few years.

THE COMPASS

BEL: Earnings decline phase over, prospects bright

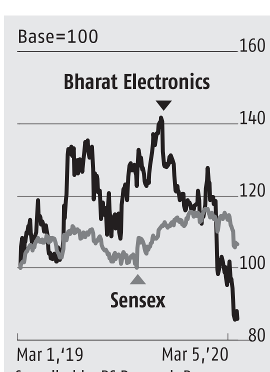
Disruption caused by virus outbreak may not impact company

UJJVAL JAUHARI

Bharat Electronics (BEL), which has fallen 40 per cent from its November highs, slumped on Wednesday to its December 2014 levels.

While the broader markets have trended down, too, BEL has underperformed significantly on the back of weak execution-led performance and worries of earnings miss in FY20. The government's stake sale overhang had kept the Street's concerns elevated.

The company, despite a strong order book, disappointed on the execution front in the December quarter (Q3). Unavailability of input material, modification in the scope of works by clients, non-readiness of sites for carrying out installations, and lengthy customer clearance for dispatches have been cited as reasons for delayed execution, by analysts.



Compiled by BS Research Bureau

Hence, revenues declined 16.4 per cent year-on-year (YoY), while adjusted net profit more than halved in Q3.

Consequently, for the nine months to December 2019, consolidated revenue was down 14 per cent to ₹7,151 crore and net profit down 40 per cent to ₹753.7 crore, over the corresponding year-ago period. Expectations are that the company will miss its 10-12 per cent revenue growth guidance for FY20 by a significant margin.

The worst, however, may be behind. Analysts now expect execution to pick up from the current quarter, and believe that the phase of earnings decline is largely behind, adding that issues pertaining to supplies for the input equipment remain resolved and execution of programs like Large Range Surface to Air Missile (LRSAM) will pick up.

The company's strong order book of ₹55,000 crore, too, provides 4-5 years of revenue visibility. Orders of the more profitable competitively-won projects are set to grow faster than nomination-based jobs.

This will benefit margins as under the new policy, pre-tax profit margin for nomination-based contracts was reduced from 12 per cent to 7.5 per cent. Further, analysts say India's defence capex remains unaffected by coronavirus-led disruption.

BEL, being India's strategic defence electronics supplier, has seen its earnings grow in sync with defence capex and largely remains unaffected. Positively, the divestment overhang is also behind, as after the latest round of sale through the ETF route, the government's stake has come down to 51.14 per cent.

Analysts at JPMorgan say that the government may arguably not want to reduce majority ownership in a strategic defence PSU below 51 per cent.

The brokerage recently upgraded BEL to outperform as after its 9MFY20 earnings dip, it estimated profit growth of 19 per cent for Q4 and 11 per cent annually over FY20-22, with dividend yield of 4.5 per cent in FY21.

Subdued raw material prices a boon for Pidilite

Investors should wait for volume growth to pick up before considering stock

SHREEPAD S AUTE

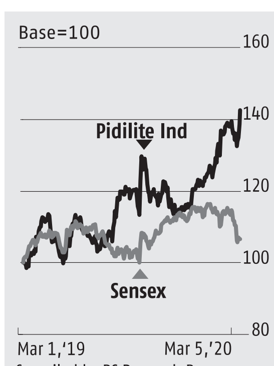
The stock of Pidilite Industries (Pidilite) hit an all-time high of ₹1,644.75 in intraday trade on Thursday, before closing 2.9 per cent higher at ₹1,629.35.

The recent announcement of a 70 per cent acquisition in Tenax India would be beneficial for Pidilite, given it expands the company's adhesives portfolio in the marble and stone industry.

Tenax India Stone is an Indian distributor of Tenax SPA Italy's marble and stone adhesive/chemical products.

But more importantly, benign raw material prices have been the stock's key driver, considering the tepid volume growth clocked by Pidilite in the last two quarters. The stock has surged 24 per cent in the last three months, against a 5.7 per cent decline in the Sensex.

This is in line with the fall in Brent crude oil from $65-70 a barrel to $50-55. However, for the stock to gain more, volume improvement is imperative.



Compiled by BS Research Bureau

According to Hitesh Taunk, analyst at ICICI Securities: "Expected margin gains from benign input costs have already been factored in."

Pidilite is the market leader in India's adhesives market and owns popular brands such as Fevicol, Dr. Fixit, M-Seal, and Fevikwik, among others.

The price of Pidilite's key raw material, vinyl acetate monomer (VAM) — a crude oil derivative — has declined 18-19 per cent year-on-year (YoY) during January-February.

The soft trend in crude oil prices because of the coronavirus outbreak indicate that VAM prices are likely to remain benign for some time.

This should continue to boost Pidilite's operating profit margin, given that VAM forms 35-40 per cent of its overall raw material costs.

In the December 2019 quarter (Q3) too, a 656-basis-point YoY expansion in gross profit margin had helped Ebitda margins expand 558 bps YoY to 24 per cent, the highest in eight quarters.

On the other hand, Pidilite's volume growth remained moderate at just 3 per cent in Q3, and the trend is unlikely to improve sharply in the wake of subdued demand conditions.

Further, Pidilite may not take any price cut to push volumes as the management, during the Q3 earnings call, had highlighted that significant pricing actions to push volumes will not aid topline growth, given the weak consumption environment.

Taunk believes that weak volume growth in the near term will weigh on Pidilite's valuations. At 57x its FY21 estimated earnings, Pidilite currently trades at a 31 per cent premium to its 5-year historical average valuations.

Therefore, investors should await an improvement in the volume growth trajectory before considering the stock.

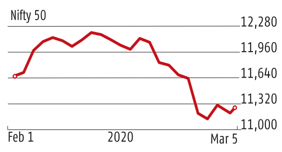
TODAY'S PICKS

BY DEVANGSHU DATTA

Nifty

Current:
11,269 (fut: 11,245)

Target: **NA**

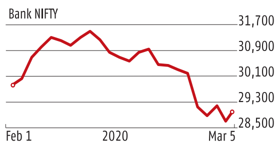


Stop long positions at 11265. Stop short positions at 11325. Big moves could go till 11450, 11050. Trend remains extremely volatile but bearish. A long Mar 12 10900p (74), short 11800p (57) could gain 10-15 if the index drops below 11100.

Bank Nifty

Current:
28,815 (fut 28,786)

Target: **NA**

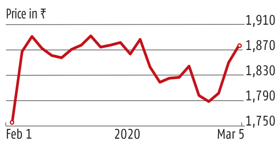


Stop long positions at 28625. Stop short positions at 28925. Big moves could go till 29250, 28300. Trend remains bearish.

Asian Paints

Current:
₹1,874

Target: **₹1,910**

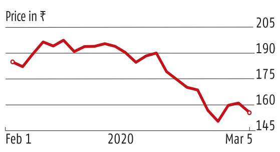


Keep a stop at 1860 and go long. Add to the position between 1895-1905. Book profits at 1910.

Hindalco

Current:
₹155.5

Target: **₹152.5**

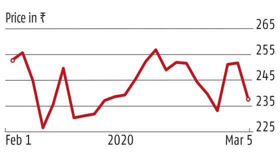


Keep a stop at 157 and go short. Add to the position between 153-154. Book profits at 152.5.

Zee Ent

Current:
₹238

Target: **₹233**



Keep a stop at 241 and go short. Add to the position between 234-235. Book profits at 233.

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

Hotel stocks could see earnings downgrades

RAM PRASAD SAHU
Mumbai, 5 March

Even as the broader markets were in the green, hotel stocks hit yearly lows and shed about a quarter of their market capitalisation over the past month. On Thursday, the losers were led by Indian Hotels, which shed 4 per cent.

The pressure on hotel stocks — including Indian Hotels, Lemon Tree, EIH, and Chalet Hotels, among others — is because of worries that the coronavirus (COVID-19) outbreak could impact occupancies and, thus, drive down room tariffs. The sector, which is dependent on travel and tourism, will be among the most impacted because of the flurry of cancellations since the virus outbreak.

Pavethra Ponniah, vice-president and sector head (corporate sector ratings) at ICRA, says: "We are already seeing significant cancellations of group events, impacting MICE (meetings, incentives, conferences and exhibitions) demand and allied income for hotels. This will only intensify in the next few weeks. All non-essential business travel will also face curbs, as most companies advocate or even issue diktats against travel." Of the broad segments, experts believe the luxury segment will be most impacted, followed by the mid-scale and economy segments. Within the listed pack, EIH, which runs luxury (Oberoi) and five-star (Trident) hotels, would be most impacted. The stock, which is down 39 per cent from its highs of last year, hit its 52-week low on Thursday.

The other stock that will be impacted is Indian Hotels (Taj group), given its international properties in the UK and the US, as well as five-star properties in the country.

Business hotels such as Chalet, with two-thirds of revenues coming from the Mumbai market, may not be impacted as much. Hetal Gandhi, director at CRISIL Research, says while major hotels have been improving their operational efficiencies to shore up margins, a fall in occupancy below a certain level (60-65 per cent) will push up operating costs, thereby eroding margins.

While the impact during the SARS outbreak in November 2002 was not much on hotel occupancies in the country, analysts believe it might not be the same with COVID-19. "While cancellations have already hit the March quarter and are likely to impact the June quarter as well, monsoons and lean season would mean that the earliest period we can expect a recovery will be during the Diwali (festival) season later in the year," says an analyst.

Foreign tourist arrival growth has been trending down over the past three months and a marginal growth in January. A fall in these numbers, coupled with reduced air travel, will impact the upscale segment.

Though some of the deferred travel, particularly related to the business segment, is likely to come back, it will be with a delay, leading to lost room nights for hotels. While brokerages have so far not cut their earnings estimates, analysts believe downgrades should follow.

NO COMFORT

Company	CMP	52-week low	Fall from highs*	P/E ratio
Indian Hotels	118.8	115.1	-16.0	49.3
EIH	124.5	121.9	-16.0	54.1
Chalet Hotels	309.0	271.0	-14.1	–
Lemon Tree Hotels	48.6	45.1	-22.7	72.5

CMP: Current market price, *one-month highs, P/E: Price to earnings on trailing twelve month earnings

Travel advisory for those going overseas

Since some countries have travel restrictions, check with insurer if it will cover your health

BINDISHA SARANG

To travel or not to travel is the question boggling many minds today. Owing to coronavirus and the panic it has created worldwide, many are questioning whether they should go ahead with their travel plans that were made months in advance, and for which bookings have already been done. If you are one of them, here are a few things that will help you make the right choice.

If you don't want to go: If you cancel, what happens to your money will depend on where you bought the ticket. Some players are offering a complete refund. Says Aloke Bajpai, co-founder and chief executive officer, ixigo: "We are providing a no-questions-asked full refund on the countries most impacted by COVID-19, irrespective of the airline's own policy in this regard."

But not everyone has a policy like this. So, check with the airline its policy in this regard. Vistara, for instance, said it was cancelling 54 international flights in March and customers could opt for a full refund for these flights. SpiceJet, too, has cancelled flights from New Delhi to Hong Kong till March 28 and is giving a full refund or fee waiver. In short, flyers can avail of a full refund or utilise the booking amount to travel with the airline in future.

The point to note here is that airlines may give refunds or offer free rescheduling if they are cancelling their flights, but not if you cancel your travel.

Want to go: Airfares on several international routes have dropped considerably in the aftermath of the virus outbreak (*see table*). "While traffic to the countries that have been impacted the most has slowed, demand for travelling to other destinations still exists," says Bajpai. If you want to travel, observe a few precautions. Says Mukul Lalka, a Mumbai-based foreign travel expert: "Travel with minimum luggage. Wear and carry disposable masks and plastic hand gloves, like the ones chefs use in kitchens. Apply cream on the face, wash it regularly with soap, and reapply the cream, and use a sanitiser when you remove your hands from the gloves." Plastic gloves will help you avoid contact with a potential virus-infected surface. Keep your hands folded as much as possible to reduce inadvertent contact.

As for fresh bookings now, some players are offering special schemes in response to the uncertainty prevailing among travellers. SOTC has also rolled out its "Ultra Flexi Scheme" for new customers. "Under this scheme, customers will enjoy flexibility on departure dates, and only actual visa charges will be made in the case of cancellations due to COVID-19," says Daniel D'Souza, president and country head, leisure, SOTC Travel.

Will insurance protect you? If you have health insurance, it will cover you if you travel to a destination within the country. "Our health insurance plans cover such virus outbreaks. New diseases such as coronavirus will not fall under the category of pre-existing illness, so there will be no waiting period associated with them," confirms Biresh Giri, appointed actuary, head of product development and chief risk officer, Acko General Insurance.

YOUR MONEY

Disease-specific cover is available now. "Digit Insurance has launched a new policy that exclusively covers medical costs associated with coronavirus, but again treatment will be covered in India only," says Pravin Sinha, senior vice-president, Anand Rathi Insurance Brokers.

Disease-specific cover is less expensive than comprehensive health plans and may be purchased as a stop-gap measure by people who do not have health insurance. But what if you are travelling to an international destination? "Overseas travel insurance policies will cover the disease as currently there is specific exclusion for COVID-19," says Sinha.

More on business-standard.com

AIRFARES HAVE NOSEDIVED

Origin	Destination	Average one-way fare: One-way fare Mar '19 (₹)	Feb '20 (₹)	Mar '20 (₹)	Decrease (%)
Mumbai	Singapore	26,000	16,000	8,727	45
Bangalore	Dubai	10,932	12,212	7,666	37
Delhi	Dubai	16,897	13,325	7,783	41
Mumbai	Melbourne	39,890	33,831	34,542	2

Source: ixigo

Anupam Rasayan eyes ₹800-cr IPO

ASHLEY COUTINHO
Mumbai, 5 March

Specialty chemicals firm Anupam Rasayan (ARIL) plans to tap the market for an initial public offering (IPO) later this year, said two people familiar with the matter. They said the firm plans to raise ₹600-800 crore and has appointed three investment bankers — Axis Capital, JM Financial, and IIFL — to manage the share sale. An email sent to the company, however, did not elicit a response.

Incorporated in 1977, ARIL caters to market segments spanning agrochemicals, anti-bacterial, polymers, pharmaceuticals, and material sciences. The firm clocked revenues of ₹349 crore for financial year 2017-18 (FY18), with a profit after tax of ₹39 crore.

According to a November 2018 CRISIL report, ARIL has an established market position in the specialty chemical business, backed by a healthy product portfolio, strong clientele, and long-term contract manufacturing agreements. It also said the company planned to undertake total capex of around ₹800 crore from FY17 to FY20.

"ARIL has a strong and reputed customer base, which includes BASF Grenzach GmbH, Bayer Crop Sciences, and Syngenta Asia Pacific PTE. Continuous R&D efforts have helped widen its product portfolio, cater to a larger customer base, and record revenue growth over the past few years," the report stated. Specialty chemicals contributed 22 per cent of the chemical industry, with a market size of $35.9 billion, according to a Ficci report. The demand for specialty chemicals is estimated to grow at a compound annual growth rate of 12-14 per cent from FY19-22, driven by investments in end-user industries like personal care, textiles, and packaging.

Specialty chemical companies accelerated their capex plans, driven by strong growth visibility and emerging opportunities. The aggregate capex is expected to reach ₹6,170 crore over FY19-21, 60 per cent higher than the ₹3,770 crore spent between FY16-18, according to a report by William O'Neil India.

India also scored in low-cost skilled labour. The average labour cost in China over 2005-2015, for instance, clocked a CAGR of 19-20 per cent in China, compared with 4-5 per cent in India, the report noted.

SECTOR WATCH

Company	FY19 PAT (₹ cr)	1-year price change (%)*
Atul	432	49.2
Deepak Nitrite	174	115.7
Sudarshan Chemicals	135	33.7
Vinati Organics	282	28.4
Navin Fluorine	149	120.0

*Price as on March 5 Compiled by *BS* Research Bureau
Source: Capitaline/Exchange

Sebi plans overhaul of e-voting process

SAMIE MODAK
Mumbai, 5 March

The Securities and Exchange Board of India (Sebi) on Thursday proposed to overhaul the e-voting process, which shareholders use to approve resolutions floated by listed companies.

At present, the service is facilitated by e-voting service providers (ESPs). The process involves registration with different ESPs and maintenance of multiple user IDs and passwords by shareholders. The markets regulator has proposed to do away with multiple login credentials and introduce a web-based service that will enable access to multiple ESPs. The move is aimed at simplifying the e-voting process and enhancing participation.

"Multiple login credentials are also prone to misuse. It is important that the entire process of e-voting is secure, convenient and simple to use for the shareholders," Sebi said. It has invited public comments on the proposals till the end of this month. Based on the feedback, it will finalise the new framework.

COMMODITIES

PRICE CARD

As on March 5	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,723.5	-1.9	1,977.6	4.4
Copper	5,694.5	-2.7	6,137.5	-1.5
Zinc	1,964.0	-12.9	2,195.9	-15.4
Gold ($/ounce)	1,651.9*	11.9	1,832.6	10.5
Silver ($/ounce)	17.3*	2.2	19.6	2.1
ENERGY				
Crude Oil ($/bbl)	50.9*	-20.7	51.2	-19.9
Natural Gas ($/mmBtu)	1.8*	-24.3	1.9	-23.9
AGRI COMMODITIES ($/tonne)				
Wheat	191.3	2.9	291.9	-2.3
Maize	188.0*	2.8	237.5	-16.7
Sugar	384.0*	11.2	472.9	-2.3
Palm oil	625.0	-7.7	1,036.6	-2.1
Cotton	1,388.0	-0.9	1,500.3	-4.6

* As on Mar 05, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 73.3& 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

Cotton, yarn prices decline 10%

Halt in exports to China have caused domestic supply glut

DILIP KUMAR JHA & T E NARASIMHAN
Mumbai/Chennai, 5 March

Cotton and yarn prices have declined about 10 per cent over the past month on the back of a domestic supply glut after exports to China came to a halt as shops and factories were lockdown there after the coronavirus outbreak.

Raw (unginned) cotton in the Gondal (Gujarat) market traded at ₹4,280 a quintal on Wednesday, down from ₹4,755 a quintal a month ago, and cotton yarn prices declined by 2-3 per cent over the past month. Prices of synthetic yarn have also declined by 4-5 per cent in the past month following a fall in crude oil prices.

"India's cotton and yarn exports to China have halted due to lack of orders. Even Indian exporters have not evinced any interest in pursuing export orders. In case any quality or quantity issue arises after shipment, travelling to China for clearing the cargo will be difficult," said Arun Sakseria, a city-based cotton exporter.

Price of cotton and yarn is taking a beating because of the poor sentiment after the virus outbreak and deterioration of quality in the kapas arrivals.

To provide relief, government-owned Cotton Corporation of India (CCI) has offered a discount of ₹3,200-5,000 per candy (1 candy weighs 356 kg) to bulk purchasers. The decline in raw material prices, though, is likely to benefit textile mills with their profit margins set to go up in the coming quarters.

"Raw material costs have started moderating due to outbreak of coronavirus which has impacted demand / production in China. Disruption in supply chain or production of polyester yarn in China is likely to provide greater export opportunities to Indian polyester manufacturers later," said Madhu Sudhan Bhageria, chairman and managing director, Filatex India.

Meanwhile, in a major relief for textile mills, the government abolished anti-dumping duty on purified terephthalic acid (PTA) early February, a move that is set to boost profitability of synthetic yarn manufacturers.

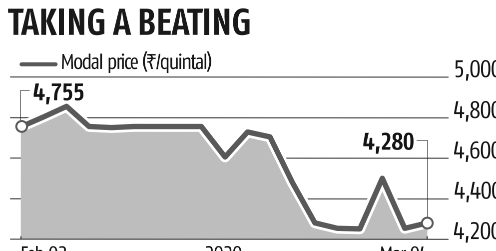
Reduction in PTA prices in India has created a level playing field for Indian manufacturers of polyester yarn, fiber and clothing. The reduction in import cost if passed on to users will help the country to enhance global competitiveness, boost export and also enable domestic manufacturers to compete with cheaper imports.

Rating agency CRISIL in its recent report said operating profits of polyester yarn manufacturers are set to rise by 15-20 per cent next fiscal because of a 150-200 basis points (bps) spurt in operating margins stemming from lower raw material prices, healthy demand for polyester, and higher blending in garments and other products.

Raw material costs have begun to moderate because the virus outbreak is likely to impact demand for polyester yarn in China, which accounts for around 65 per cent of global demand. As a consequence, the price of PTA — which accounts for more than half the sales price of polyester yarn — is expected to be under pressure in the near term.

Atul Ganatra, president of Cotton Association of India, said globally prices have dropped to 60.50 cents on the ICE as on February 28. In the domestic market prices dropped to ₹38,500.

TAKING A BEATING



Cotton variety of H.B (unginned) Compiled by *BS* Research Bureau
Source: Agricultural marketing information system

Coated paper prices rise sharply as imports from China take a backseat

RAJESH BHAYANI
Mumbai, 5 March

Market prices of coated paper have increased by 8-10 per cent, according to two dealers, because huge dumping from China has considerably reduced in the past two months.

Ballarpur Industries and J K Paper are two such manufacturers in India. The situation of other varieties like writing and printing paper has not seen similar improvement.

A month ago, on January 31, the government's decision to ban imports of stock lots has also helped the market to recover. (Stock lots are those that are imported at a lower rate because of the odd size of paper.) Some traders misused the facility of importing paper as stock lots as the duty on them was lower. This decision to prohibit imports of stock lots has given relief to domestic paper companies because they are now able to sell fresh stocks.

A S Mehta, president and director, J K Paper, downplayed the impact of coronavirus and said, "prices have gone up marginally in the last couple of months because imports of coated paper from China have been hampered due to port congestion. As a result, the price of coated paper has increased but for most other varieties, paper prices are subdued". There is also a negative impact of coronavirus on the paper market. A Mumbai-based dealer said if disruptions in China continued for long, imports from alternative sources like Thailand and Indonesia might increase but some traders might be tempted to hoard if things started worsening.

PAPER & PRODUCTS DEMAND

(In million tonnes)

FY08	9.3
FY13	12.8
FY19	18.6

Source: Industry, IPMA

More on business-standard.com

Suguna's investment plans get IFC backing

T E NARASIMHAN
Chennai, 5 March

India's largest poultry company Suguna is set to invest close to $67.2 million in India, Bangladesh and Kenya. The proposed investment will be backed by the International Finance Corporation.

Suguna's fully integrated operations cover broiler and layer farming, hatcheries, feed mills, and processing plants across 20 states and one Union Territory, with overseas presence in Sri Lanka, Bangladesh, and Kenya. The main operating company under SHPL is Suguna Foods (SFPL) in India, which generates over 97 per cent of the group's revenues.

The firm is also planning to set up hatcheries in Bangladesh and Kenya through an $15.9-million investment in Suguna Food and Feeds Bangladesh

Suguna is planning for capacity expansion by constructing poultry infrastructure including a hatchery, processing plant, environment-controlled shed, premix plant, and related poultry assets, as well as incremental working capital financing through a $42.9-million investment at SFPL in India to further expand its operations in northern and eastern India, primarily in Uttar Pradesh, Odisha, and West Bengal and the construction of feed mills, breeders.

The company is also planning to set up hatcheries in Bangladesh and Kenya through a $15.9-million investment in Suguna Food and Feeds Bangladesh (SFFBPL), and an $8.4-million investment in Suguna Poultry (Kenya), or SPKL, to capitalise on the growing poultry sector in both countries. IFC support will be a loan of up to $15 million and an INR denominated non-convertible debentures of up to ₹180 crore to SFPL.

MUMBAI | FRIDAY, 6 MARCH 2020 Business Standard

Travel curbs tightened as 1 more tests positive

Additional visa restrictions: People travelling from Italy and South Korea will have to submit a certificate to prove they tested negative for coronavirus

Govt: No shortage of drugs, key ingredients for 3 months

PRESS TRUST OF INDIA
New Delhi, 5 March

A man from Ghaziabad with a recent travel history to Iran has tested positive for novel coronavirus in Ghaziabad, taking the number of cases in the country to 30, as the government on Thursday asserted there was no shortage of medicines or raw ingredients for drugs for the next three months. The government also asked states to form rapid response teams at district, block and village levels. In some relief for Telangana, blood samples of two persons from the state which were sent to the National Institute of Virology (NIV) in Pune for confirmation tested negative.

CORONAVIRUS OUTBREAK

Till Wednesday, 29 people, including 16 Italian tourists, tested positive for coronavirus. The list includes the first three cases in the country from Kerala last month. The three persons have been discharged following recovery.

Meanwhile, five people who came in contact with the Paytm employee who works in Gurugram and lives in west Delhi have been tested and quarantined till their results come in, Delhi government health officials said.

The Paytm employee, who tested positive for the contagious disease with flu like symptoms on Wednesday, came in touch with 91 people, an official said.

Delhi government health officials are also coordinating with their counterparts in Noida to ascertain the number of people he came in contact with.

Deputy Chief Minister Manish Sisodia announced that all primary schools in the national capital would remain closed till March 31.

The outbreak cast a shadow on the India-EU summit, which was slated to be held later this month. MEA spokesperson Raveesh Kumar said India and EU have decided to reschedule PM Modi's visit to Brussels.

India-EU summit, to be attended by PM Narendra Modi, being rescheduled: MEA

Working with Iranians for return of Indians: Jaishankar

Virus could halt domestic steel price rally, increase downside risk for the sector: ICRA, Ind-Ra

All primary schools in Delhi to remain shut till March 31

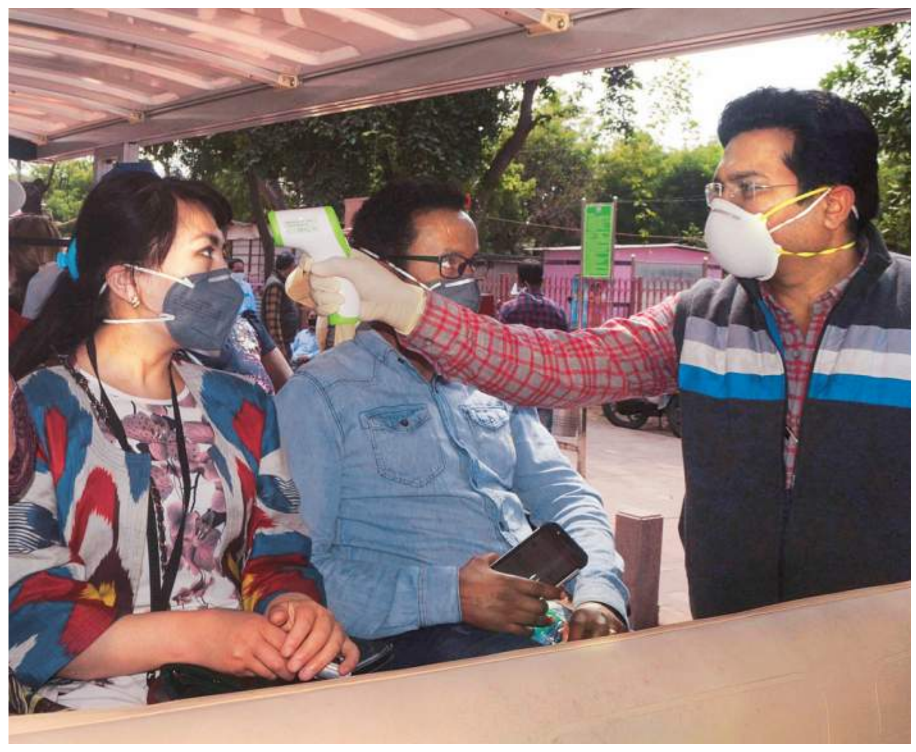
Paytm Gurugram office shut for 15 days, Zoho offers work from home

Delhi govt suspends biometric attendance

Goafest 2020 postponed but Abby Awards, held during the fest, will be conducted

1.5 million bpd*	94,534	3,270
CUT IN OIL OUTPUT SUGGESTED BY OPEC	INFECTED GLOBALLY	DEAD AROUND THE WORLD

*bpd: barrels per day



An official uses thermal screening device on tourists in the wake of coronavirus, at Taj Mahal in Agra on Thursday PHOTO: PTI

E-tailers see spike in demand for masks, sanitizers

PEERZADA ABRAR
Bengaluru, 5 March

With the rise in number of coronavirus cases, e-commerce companies such as eBay, Flipkart, and Amazon are witnessing a massive demand for sanitisers, masks, and disinfectants not just from India but also from the US and countries in Europe and West Asia. Most of these products are, however, becoming out of stock, according to industry executives.

US-headquartered e-commerce marketplace eBay said: "We have been able to do a significant volume of business in exporting masks, sanitisers and various other health-related items over the past fortnight. There is a triple-digit growth for us in the health vertical," said Vidmay Naini, country manager at eBay India. eBay has more than 100,000 sellers associated with it in India.

Industry executives, who did not wish to be quoted, said customers were avoiding the items sourced from China, throwing an opportunity for India sellers to fill that gap.

Amazon and Walmart-owned Flipkart are also witnessing a huge uptick for these products. "The stocks are depleted, and sellers are not able to even supply them to the medical stores," said an e-commerce industry executive.

Opec backs biggest cut since 2008 crisis

REUTERS
5 March

Oil prices edged lower on Thursday as the coronavirus epidemic showed no signs of slowing, with deaths mounting globally, but losses were limited as major producers agreed on deeper output cuts to bolster prices.

The Organization of the Petroleum Exporting Countries (Opec) agreed to cut oil output by an extra 1.5 million barrels per day (bpd) in the second quarter of 2020, its deepest cut since the 2008 financial crisis, but made its action conditional on Russia and others joining in. Still, analysts and traders said global oil markets are likely to be oversupplied in the second quarter. Brent crude fell by 34 cents, or 0.7 per cent, to $50.79 a barrel. Russia has so far indicated that it would back an extension rather than deeper production cuts.

"Russia has so far dragged its feet in committing to more cuts," Capital Economics analysts said.

TAKING A HIT

- Moscow yet to signal support for bigger output cut
- Oil price slide hits Opec members' budgets hard

World food prices dip in February, says UN

Iran says virus deaths reach 107 amid 3,513 confirmed cases

US virus death toll hits 11; FBI investigate nursing home

South Africa confirms first case

New infections may drop to 0 by end-March in Wuhan: Expert

UN: Trade impact for India at $348 mn

PRESS TRUST OF INDIA
5 March

The trade impact of the coronavirus epidemic for India is estimated to be about $348 million, as the country figures among the top 15 most affected economies, as slowdown of manufacturing in China disrupts world trade, according to a UN report.

Estimates published by United Nations Conference on Trade and Development (UNCTAD) said that the slowdown of manufacturing in China due to the coronavirus (COVID-19) outbreak is disrupting world trade and could result in a $50 billion decrease in exports across global value chains.

The most affected sectors include precision instruments, machinery, automotive and communication equipment.

Among the most affected economies are the European Union ($15.6 billion), the United States ($5.8 billion), Japan ($5.2 billion), among others.

The trade impact for India is less as compared to other economies such as EU, the US, Japan and South Korea.

People stand in a queue to receive prophylactic medicines at an AYUSH centre, in Hyderabad PHOTO:PTI

Foxconn's revenue hammered

REUTERS
5 March

Apple's manufacturing partner Foxconn reported its biggest monthly drop in revenue in about seven years as the coronavirus outbreak continued to play havoc.

The Taiwanese company, which assembles Apple's iPhones, saw revenue sink 18.1 per cent in February — the biggest monthly fall since March 2013 and the third straight month of decline. It warned the coronavirus epidemic would hit its bottom line in the first quarter.

Foxconn is among manufacturers worldwide grappling with virus-related curbs that have disrupted supply chains and dampened demand. Apple, its top client, rescinded its March quarter sales guidance, citing a slower ramp up of manufacturing in China amid travel restrictions and an extended Lunar New Year break.

Foxconn said in a stock exchange filing that revenue fell to $7.28 billion in February. The company warned earlier this week that revenue would fall more than 15 per cent in businesses including consumer electronics and telecommunications products in the first quarter.

Airfares to UK, US drop 20-30%

ANEESH PHADNIS
Mumbai, 5 March

Airfares to Europe and the US have dropped 20-30 per cent as companies cut travel and people hold off booking leisure trips, say experts.

Travel restrictions are in place only for a limited number of countries but people are cancelling or postponing travel to prevent the spread of coronavirus. "A Mumbai-New York return economy class ticket in May is now available for around ₹65,000. Normally this would cost upwards of ₹80,000. Similarly, non-stop return tickets to London during the same period are being sold for ₹50,000 which is around 17 per cent cheaper than usual," said Rakshit Desai, managing director of FCM Travel Solutions.

An executive from a European airline said loads have declined 30 per cent in the last few days. "Right now on our outbound flights, passengers mostly comprise Europeans or US nationals returning home from their India trip or Indians visiting the US on long visits or work visas. Those travelling for short business trips are cancelling. The number of foreign visitors on inbound flights is declining because of a cut in corporate travel and also since it is the end of leisure season. The next two weeks are crucial as we could see a further drop in loads," he said.

In response to fall in demand, airlines are suspending flights, grounding planes and deploying capacity to countries with few coronavirus cases. German airline Lufthansa is grounding 150 planes, while executives in many Asian and European airlines are taking pay cuts.

"We have seen a 30-35 per cent drop in airfares across routes," said Aloke Bajpai, co-founder and chief executive officer of ixigo.

Virus could cost airlines $113 bn in 2020: IATA

The airline industry could lose up to $113 billion in revenue this year due to the impact of the new coronavirus, the International Air Transport Association (IATA) warned on Thursday. The IATA estimated revenue losses to airlines' passenger business of between $63 billion and $113 billion — with the higher figure for a scenario where the virus spreads more widely. The more dire prediction amounts to a 19 per cent loss in worldwide passenger revenues, IATA said. It was a far bleaker assessment than two weeks ago, when IATA forecast revenue losses would come in at $29.3 billion.

'AI DIVESTMENT DIFFICULT'

"Equity markets are already quite weak at the moment. The industry is being hit by the shock of the coronavirus... That makes it (AI divestment) quite difficult at this moment," IATA Chief Economist Brian Pearce said. PTI

Can't cherry-pick issues under Vivad se Vishwas, clarifies govt

DILASHA SETH
New Delhi, 5 March

Picking and choosing issues under one order will not be allowed and the tax dispute will be settled under the direct tax dispute resolution scheme, which is yet to be notified.

Disputes relating to wealth, securities transactions, commodities transaction tax, and the equalisation levy will not be covered under the Vivad se Vishwas amnesty scheme.

The declarant has to deposit the disputed tax amount within 15 days of the determination of the tax liability by a designated authority.

The clarification gives little time to assessees to square up by March 31 because the Bill is yet to be enacted.

These clarifications were part of the 55 frequently asked questions (FAQs), released by the Central Board of Direct Taxes (CBDT) on Thursday.

The appellant must choose to settle all issues and then only would he or she be eligible to file a declaration, the FAQs said.

Under the scheme, taxpayers will get a refund of the excess of the tax payable under the scheme in case one has paid the disputed tax during litigation.

"The appellant will be entitled to refund without interest under Section 244A of the Act," one of the clarifications said.

The Lok Sabha on Wednesday passed the Bill. Being a money Bill, it does not require the Rajya Sabha's nod. However, it will go to the Upper House, which can recommend changes, but it will be up to the Lok Sabha to accept those or not. After that it would go to the President for assent before notification. This would leave assesses with barely a fortnight to avail of the maximum benefit from the scheme.

ILLUSTRATION: BINAY SINHA

While a waiver of interest and penalty will be given in the case of payment by March 31, an additional 10 per cent of the disputed amount will have to be paid after that till June 30.

There are more than 400,000 such cases, involving at least ₹9.3 trillion.

The FAQs further said the scheme would also cover tax deducted at source (TDS) and tax collected at source (TCS) disputes that are pending in appeal.

"If there is no dispute related to TDS or TCS and there is delay in depositing such TDS/TCS, then the dispute pending in appeal related to interest levied due to such delay will be covered under Vivad se Vishwas," it added.

Although matters pending before the Authority of Advance Ruling (AAR) are not covered under the scheme, the cases against which an appeal has been filed can come under it and the AAR order has determined the tax liability.

"To illustrate, if the AAR has given a ruling that there exists Permanent Establishment (PE) in India but the AO has not yet determined the amount to be attributed to such PE, such cases cannot be covered since the total income has not yet been determined," the Board cited an example.

The FAQs further said where notice for initiating prosecution had been issued with reference to tax arrears, the taxpayer had a choice to compound the offence and opt for Vivad se Vishwas. However, the scheme will not cover cases where prosecution has already been instituted and is pending in court.

It further clarified the declarant would be required to withdraw appeals over tax disputes at the time of paying the amount determined by the designated authority and not at the time of filing a declaration under the scheme.

The scheme offers a waiver of interest, penalty and prosecution for settling disputes pending before the commissioner (appeals), income tax appellate tribunals (ITATs), high courts, or the Supreme Court as of January 31, 2020. It also offers a 50 per cent discount on the principal tax amount where an appeal has been filed by the I-T department.

Amit Singhania, partner, Shardul Amarchand Mangaldas & Co, said the applicability of secondary adjustment in the case of transfer pricing disputes overshadowed the benefits expected out of the scheme.

Rakesh Nangia, chairman, Nangia Anderson Consulting, said there was very little time for taxpayers to opt for the scheme and also for the tax authorities to evaluate all the applications.

Rail, defence procurement to soon be through GeM portal

SUBHAYAN CHAKRABORTY
New Delhi, 5 March

Public procurement by two of the country's largest government purchasers, the ministries of defence and railways, will soon be subsumed under the Commerce Department's Government e-Marketplace.

By September, all general use goods and services currently purchased through the Indian Railways E-Procurement Systems (IREPS), the Defence e-Procurement portal, and the Central Public Procurement Portal, will have to be made through GeM, officials said on Thursday.

IREPS publishes over 30,000 tenders every month and has an online transaction value of ₹10,600 crore as of mid-2019, according to the Centre for Railway Information Systems.

"Under the unified procurement system plan, all portals would be brought under GeM, allowing both the buyer as well as thousands of vendors more clarity and options on the tenders, such as price discovery," said Tallen Kumar, chief executive officer of GeM.

The move is part of a measures dubbed GeM 4.0, that seek to position it as the largest source of public procurement in the country, a long-term aim of the Prime Minister Narendra Modi-led government to reduce corruption, costs, and increase transparency, efficiency and scope of public purchases.

THE STORY SO FAR

Procurement through GeM (cumulative)	₹48,890cr
Number of orders made on GeM	3,606,889
Number of products and services on offer	2,091,674
Number of registered buyers	43,880
Number of registered sellers/service providers	342,455
Including MSME sellers	76,276
Women sellers	10,144
Start-up sellers	4,397

Source: Government e-Marketplace

Offline buying continues

However, government departments registered on GeM continue to make purchases outside the portal. Finance Minister Nirmala Sitharaman said the ministry was looking into ₹91,000-crore worth of purchases done by government departments and public sector undertakings (PSUs) outside the GeM system, as of October 2019. Senior officials confirmed to Business Standard that this figure has only risen since then.

GeM officials stress that the government's General Financial Rules (GFR), 2017, mandate that all public procurement be routed through the portal. "The rate at which new products and services are being added that will soon make any excuses of products not being available on the portal, redundant," Kumar said. Official estimates by the commerce department show a target of ₹50,000 crore in 2019-20, ultimately hitting ₹1 trillion worth of procurements by 2021.

Kumar also clarified that GeM would not be opened up to private buyers anytime soon, as had been announced earlier. The move was set to bring the government in direct competition with major e-tailers, and could happen sometime later, if at all, Kumar added.

New features galore

The government will also roll out non-monetary incentives for buyers and sellers for timely payments, seller referral and catalogue corrections, among other actions. These rewards can be used to access benefits like faster approvals and priority help desks.

Seen as a step to woo small firms, the government has started offering credit facility to MSMEs (micro, small, and medium enterprises) on GeM through the Trade Receivables Electronic Discounting System (TReDS). It is a bill discounting service supported by Small Industries Development Bank of India for pre- and post-shipment of products.

Meanwhile, as small businesses have continued to complain of massive payment delays by government bodies, GeM has pushed the 'pool accounts', where states can make advance payment for their purchases but can't debit, thereby, eliminating the chance of non-availability of funds.

Blockchain technology will also be used for the first time for bulk procurement of pharmaceuticals, and automatic generation of provisional receipt certificates. The Uttar Pradesh government will test out the new system. A system of new seller ratings, taking into account buyer and user feedback, apart from transaction history will also be rolled out.

The portal has also onboarded most public sector enterprises, banks and state governments. While Goa and Rajasthan have recently started purchasing through the portal, Karnataka remains the only glaring exception that still buys outside GeM, officials said.

Battling gender bias, one brand at a time

Diageo, MG Motor rework advertising guidelines, hiring protocols to break stereotypes within their sectors and influence peers

ARUNDHUTI DASGUPTA & SHALLY SETH MOHILE
Mumbai, 5 March

Back in 2017 at the regular annual jamboree at Cannes, France, Julie Bramham, chief marketing officer of Diageo India, the British alcoholic beverages multinational found herself in a room full of marketers, all glued to a screen running the numbers on the deep and widespread misrepresentation of women in advertising.

The numbers strewn across the slides that day were scary, Bramham says. Compiled by the Geena Davis Institute on Gender in Media, it showed that in 10,000 pieces of communication, 75 per cent had male characters in the lead and 65 per cent of the dialogue in a family setting was dominated by men. The full impact of the role played by marketers in furthering gender biases hit home that day, setting the stage for a brand restructuring exercise at Diageo.

Three years later, the company has a three-point marketing framework that defines every piece of communication around the brand. Marketers across offices look at ads and other communication through three lenses: Representation (who is being portrayed), perspective (whose point of view) and characterisation (is it a real person).

As a liquor brand and among the worlds largest advertisers, Diageo knew it could make an impact. "Our aim is to use our advertising money to drive change because for one, it is the right thing to do and two, the old narratives (around women) are old fashioned," Bramham points out. She believes that brands that do not change will soon find themselves alienated from customers who want them to be gender-progressive.

(*Top*) New ads for McDowell's No 1 have women playing an important part in the story, unlike in the past where the protagonists were mostly men (*bottom*)

"We decided to offer mission-critical roles to women"

RAJEEV CHABA
President & MD, MG Motor India

Bramham says, "All our marketing spends are put through the gender framework." This is evident in the advertising; for instance, in 2017, the campaign for whisky brand McDowells showed four friends celebrating their camaraderie (all men). Now, the campaign has a woman in a pivotal role with a say in the way the story unfolds.

Another sector that has traditionally run afoul of gender norms is auto. It is among the most poorly represented when it comes to women, as employees and, in its advertising. As per industry estimates, only 15 per cent of auto sector employees are women and they are largely confined to desk jobs or peripheral roles on the shopfloor.

At the SAIC-owned MG Motor, the challenge was to build a brand that did not carry the burden of its sector. One way to do that the company felt was to bring more women into the workplace. Rajeev Chaba, president and MD at MG Motor India says, "We decided to offer mission-critical roles to women, and have 32 per cent of the total workforce made of female employees, across all functions, from R&D to manufacturing."

Hiring women has not just created a more equal workplace, but also one that is more quality conscious and sensitive with its advertising. In critical manufacturing areas such as paint quality testing and surface testing, MG Motor employs only women as they pay greater attention to detail, Chaba said.

Having women on board, the companies point out, has helped drive meaningful interventions. At Diageo, two gender-specific initiatives 'The Creative Comeback' and 'Free the Work' tackle issues that women have raised in the course of their engagement with the company.

Creative functions in agencies see a high percentage of women dropping out, to raise families or look after an ailing relative. The Creative Comeback, kicked off in London last year and to be launched in India in 2020, aims to support 100 women to return to creative industries after a career break. Free the Work seeks a more equal playing field for ad film makers; the company consistently invites pitches from female directors and its recent India campaigns are directed by women.

At MG Motor, the company is working with select *panchayat* committees to encourage more women graduates to join the auto industry and to ensure a better diversity mix at its showrooms, it stipulates that at least a third of its sales and service point executives are women. More women within the company mean a more gender sensitive brand, or so hopes MG Motor.

FROM PAGE 1

RBI supersedes...

The RBI said the financial position of YES Bank had undergone a steady decline "largely due to inability of the bank to raise capital to address potential loan losses and resultant downgrades, triggering invocation of bond covenants by investors, and withdrawal of deposits". Assuring depositors that their interests would be fully protected, RBI emphasised that it would draw up a scheme in a few days for YES Bank's "reconstruction or amalgamation" after seeking approval from the government before the moratorium period of 30 days ends. "There is no need to panic," the RBI added.

Earlier in the day, *Bloomberg* reported that the government had approved a plan in which an SBI-led consortium would buy a stake in the bank. While YES Bank declined receiving any such information, SBI told the stock exchanges that it would abide by all the timelines of the market regulator in disclosing all "material information".

RBI said it had been in constant engagement with the bank's management and potential investors to find ways to strengthen its balance sheet and improve liquidity. YES Bank had even informed the central bank about talks with various investors "and they were likely to be successful". It acknowledged the information made public by YES Bank about holding talks with private equity firms for capital infusion.

"These investors did hold discussions with senior officials of the Reserve Bank but for various reasons eventually did not infuse any capital. Since a bank- and market-led revival is a preferred option over a regulatory restructuring, the Reserve Bank made all efforts to facilitate such a process and gave adequate opportunity to the bank's management to draw up a credible revival plan, which did not materialise," RBI said, adding that the bank was facing regular outflow of liquidity. The central bank also said YES Bank had experienced "serious governance issues and practices in recent years which have led to steady decline of the bank".

SBI to consider...

The bank has registered slippages of ₹12,000 crore so far in FY20, while it has placed ₹30,000 crore of loan assets under the watch list. Agreeing with Haribhakti, Ashvin Parekh, managing partner, Ashvin Parekh Advisory Services, said regulatory intervention was highly required in the best interests of deposit holders. However, he said a lot of regulatory dispensation would have to be made to accommodate a rescue package for YES Bank. "A lot has changed since the Global Trust Bank days on the regulatory front and it may not be very easy to put a plan together," he cautioned.

The bank has delayed publishing its December quarter results by a month to March 14. Sources indicate that there could be delay in disclosing the results after Thursday's action. "The focus will first be on assessing the quantum of bad loans, without which announcing numbers is meaningless," said a banker in the know.

As for global investors including JC Flowers, Tilden Park Capital and Capital Management having evinced interest in the bank, a source said once an initial bailout was formulated, conversation may restart with these investors. "They have directly been in talks with the RBI and when we have clarity on bad loans, it will be easier to approach these investors again," he said. It is learnt that the investors had indicated that they would not put their money into YES Bank till they were sure that it wouldn't be for another round of bad loan write-offs.

Kochhar plea...

"Contractual duties are enforceable as matters of private law by ordinary contractual remedies such as damages, injunction, specific performance and declaration." The bank had argued that none of the reliefs sought by Kochhar — declare termination illegal, refrain from recovering and cancelling early retirement benefits and remuneration, and permit exercising stock options — complied with statutory provisions. Also, these reliefs, the bank said, were of a purely private character and sought to secure performance of contractual obligations.

Kochhar was contesting that ICICI Bank should have secured the Reserve Bank of India (RBI) permission before terminating her services. She had also challenged the RBI's ex post facto approval, saying the move was illegal. RBI had on March 13, 2019, given its consent to the management on Kochhar's termination, after the lender fired her on January 31.

"The RBI issued the alleged approval without due and proper application of mind and in colorable exercise of powers, by mechanically accepting the mala fide request of the respondent bank (ICICI) without disclosing contents thereof to the petitioner (Kochhar) and contrary to the provisions of Section 35B (1)(b) of the Banking Regulations Act," Kochhar said in her petition. The Banking Regulation Act says prior approval of RBI is required to terminate the contract of a bank's chairman or MD.

"The requirement of prior approval is mandatory and cannot be granted post facto and the non-fulfilment thereof is incurable and an afterthought," her petition read.

The bank in its reply said that Section 35B of the Banking Regulation Act of 1949, under which Kochhar was seeking the nullification of her termination of her services, was a "regulatory provision".

The bank argued that Kochhar was aware that Section 35B was part of the RBI's regulatory and supervisory powers and the Section did not confer any right or protection on her part. Also, the Section does not cast a duty on the bank, but is just a form of regulatory oversight for protection of the banking company and its depositors. Kochhar moved the high court last year, challenging the decision to terminate her employment and claw back bonuses and stock options she received.

Telecom firms...

Based on current data, the total amount of AGR dues which has been paid to the government is ₹25,892 crore — 17.6 per cent of total dues of ₹146, 336 crore specified by the court. Currently, only Bharti Airtel, Vodafone Idea, Tatas, and Reliance Jio have paid up in part or paid the full amount. But even here, out of their total dues of ₹106,946 crore, they have paid only 18 per cent.

Telcos also have their own interpretation of a clause in the licence agreement. Under this clause, a penalty needs to be paid on a licence fee only if it falls short by more than 10 per cent of the payable licence fee.

This has been one key element of the basis on which they have calculated their dues and it could result in the matter going to the Telecommunications Dispute Settlement and Appellate Tribunal.

Speaking on the large differential between what the telecom operators have paid and the DoT's demand, Mathews points out that all telcos have paid the licence fee and SUC based on their own calculations and have disputed the DoT's assessment in various legal forums based on anomalies found in the DoT's calculations.

"However, if the difference between the amount initially filed by operators and the final amount claimed by DoT and paid by operators is less than 10 per cent, then they have to pay the difference plus interest but not penalties," said Mathews, adding this is one of the reasons for the large anomaly between what telcos are submitting as payments and the DoT's demand.

Ultra HNIs up 6.4% in 2019

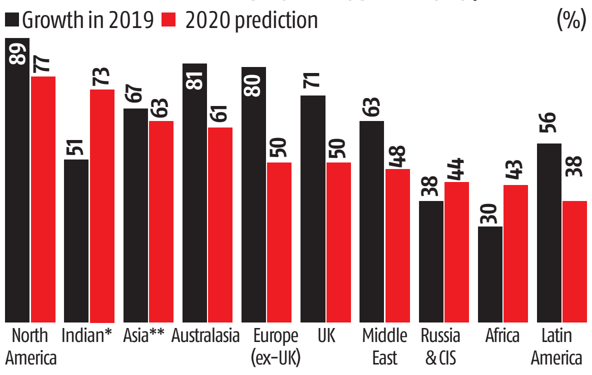
GLOBAL UHNI DISTRIBUTION
Top countries by rank

US	240,575
China	61,587
Germany	23,078
France	18,776
Japan	17,013
UK	14,367
Italy	10,701
Canada	9,325
Russia	8,924
Switzerland	8,395
Spain	6,475
India	**5,986**

WISHLIST 2020
Indians most aggressive on equity vs global average (%)

Asset class	India	Global
Equity	72	29
Real estate	20	27
Philanthropy	67	68
Personal wellness	78	80
Positive outcome from investment	82	73
Want to buy home in 2020	24	21
Commercial property investment	26	24

WHERE WILL WEALTH GROW MOST IN 2020?



* subcontinent; **excluding Indian subcontinent
Source: Knight Frank study

Knight Frank report says ultra HNIs' wealth in India to rise 73% in 5 years

PUNEET WADHWA
New Delhi, 5 March

The world witnessed an increase of 31,000 ultra-high net worth individuals (UHNWIs) in 2019, taking the total number of such people — those with a net worth of $30 million or more — to 513,200, says the Knight Frank Wealth Report for 2020. This translates into a 6.4 per cent jump over 2018.

India, according to Knight Frank, ranks 12th and had 5,986 such individuals in 2019, which is likely to reach 10,354 by 2024. The number of billionaires in India, on the other hand, is likely to reach 113 by 2024, up from 104 in 2019. Amongst asset classes, Indian UHNWIs are most aggressive in equity investment with 72 per cent willing to invest in this asset class compared to a global average of 29 per cent.

The survey is based on responses provided during October and November 2019 by 620 private bankers and wealth advisors who manage over $3.3 trillion of wealth for UHNWI clients spread across 200 countries and territories.

India domination

North America, according to Knight Frank, dominates the UHNWI landscape, with over double the UHNWI population of Europe. Asia, on the other hand, is quickly closing the gap on Europe and the realty broking and consulting firm predicts that by 2024, it will be the world's second-largest wealth hub, with forecast five-year growth of 44 per cent.

Wealth creation in 2020 will be an uphill task, as UHNIs expect political and economic challenges, including slowdown, to weigh on their ability

"However, even following this heady rise Asia's UHNWI cohort will still only be half the size of North America's, which is forecast to grow by 22 per cent over the same period," the report says.

Over the next five years, Knight Frank expects global UHNWI numbers to grow by 27 per cent to 649,331. Of the top 20 fastest growing countries that they measure, six are located in Asia (led by India with 73 per cent growth), five in Europe (led by Sweden with 47 per cent growth) and three are in Africa (led by Egypt with 66 per cent growth). That said, wealth creation in 2020 will be an uphill task, as UHNWIs expect political and economic challenges, including a global economic slowdown, trade wars and political tension, to weigh on their ability.

Portfolio allocation

So, where do these UHNWIs invest? A sizeable chunk — 27 per cent of their portfolio — Knight Frank survey suggest is comprises investment in real estate, followed by equity at 23 per cent and bonds and fixed assets at 17 per cent.

"According to our Attitudes Survey, on average 23 per cent of UHNWI investment portfolios are made up of equities, meaning that their performance makes a large contribution to rising wealth. Residential property also accounts for a large proportion of total UHNWI wealth — almost a third, according to the Attitudes Survey," the survey findings suggest.

Among cities measured on three key metrics — wealth, investment and lifestyle — New York, London, and Paris are the top five cities globally, followed by Hong Kong and Los Angeles. "In the top 20, North America dominates with eight cities, followed by Asia and Europe both with five. From Russia, Moscow is a new entry while Sydney ensures an Australian presence," the report says.

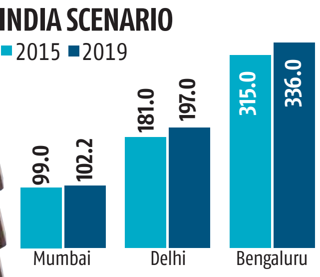
HOW MUCH SPACE CAN $1 MILLION BUY?

According to Knight Frank Wealth Report 2020, Monaco remains the world's most expensive city where $1 million can buy you a mere 16.4 square metres of space. One square metre means 10.76 square feet. Comparatively in Mumbai, you can buy 102.2 square metres (approximate size of a decent two bedroom flat in the city). In Delhi, one can get 197 square metres and in Bengaluru, it will be 336 sq metres.

COMPILED BY RAGHAVENDRA KAMATH

City	Area*	City	Area*
Monaco	16.4	Tokyo	64.7
Hong Kong	21.3	Beijing	67.9
London	30.4	Berlin	77.5
New York	32.2	Miami	89.7
Singapore	35.5	Melbourne	95.6
Geneva	37.5	Mumbai	102.2
Los Angeles	39.0	Istanbul	115.1
Paris	44.6	Dubai	154.7
Sydney	50.4	Cape Town	174.3
Shanghai	58.2	Sao Paulo	202.3

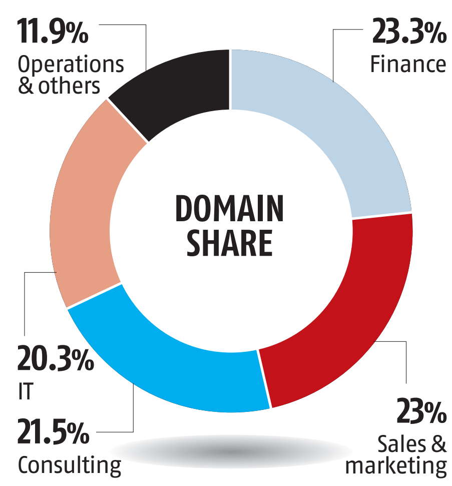
INDIA SCENARIO



* Area in square metres
Source: Knight Frank

IIM-I's highest salary package touches ₹50 L

VINAY UMARJI
Ahmedabad, 5 March



The highest domestic salary at the Indian Institute of Management (IIM) Indore grew by 23.5 per cent to stand at ₹50 lakh per annum (lpa) in 2020. It was ₹40.5 lpa last year.

Average salary, on the other hand, rose by 10.24 per cent to ₹22.92 lpa, against ₹20.70 lpa last year.

Last year, IIM-I had attracted the highest international salary package of ₹89.25 lpa. The institute secured 100 per cent placements for its outgoing post graduate programme (PGP) 2018-20 and 5-year integrated programme in management (IPM) batch of 578 students.

More than 160 recruiters participated in the IIM-I placements 2019-20. They included Accenture, Amazon, BCG, Flipkart, GE, Goldman Sachs, Google, Honeywell, HP, HUL, ICICI, Intel, Infosys, JP Morgan, Maruti Suzuki, Maersk, Nomura, PepsiCo, PwC India, Wipro, and Xiaomi. Over 45 recruiters, including AB InBev, Appdynamics, Cloudtail, FIITJEE, Flipkart, Intermiles, Kohler, Payoneer, and Thomson Reuters, hired from IIM-I for the first time.

IIM-I Director Himanshu Rai said: "We will continue to strengthen our engagement with the industry and ensure that we continue to create socially conscious responsible leaders that help to make this world a better place."

In 2019-20, the institute saw significant growth in its representation among rankings — it came fifth in the Ministry of Human Resource Development's National Institutional Ranking Framework (NIRF), a debut at 81st position in FT Rankings, and 101+ rank band in its maiden QS Ranking in 2020. The institute also boasts of triple accreditations including AACSB, AMBA & EQUIS, making it one of the very few B-schools to bag the same.

Sector-wise, BFSI recruiters such as Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, DE Shaw, HSBC, and Nomura extended roles in asset management, corporate banking & investment banking, equity research and risk analytics.

While consulting sectors comprised recruiters such as BCG, Deloitte S&O, Deloitte USI, EY, PwC India, PwC US and UnitedHealth Group, the sales & marketing domain saw offers from the likes of Aditya Birla Fashion and Retail, Asian Paints, Bajaj Auto, HUL, ITC, and PepsiCo, among others.

On the other hand, analytics and e-commerce domains witnessed keen participation from major recruiters like Amazon, BrowserStack, Flipkart, Google, HUL, IndiaMART and Rebel Foods, while leadership roles were offered by companies like Aditya Birla Group, Amazon, ACT, Capgemini ELITE, and Tech Mahindra.

Settle Delhi riot victims' claims: Irdai to insurers

The insurance Regulatory and Development Authority (Irdai) has asked life, general and health insurance companies to expeditiously settle the claims of Delhi riot victims and make the payments within 15 days.

The violence in northeast Delhi, which was sparked by protests over the amended Citizenship Act, has left 44 dead, several injured and properties damaged. PTI

Maharashtra economy to grow at 5.7% in 2019-20, states survey

PRESS TRUST OF INDIA
Mumbai, 5 March

Maharashtra's economy is expected to grow at 5.7 per cent during 2019-20, marginally down from the last fiscal year's projection of 6 per cent, the Economic Survey presented in the state Legislature on Thursday said.

The agriculture and allied activities are expected to grow at 3.1 per cent in FY20, it said.

The survey said the industry and services sectors were expected to grow at 3.3 per cent and 7.6 per cent in 2019-20, slower than the previous fiscal year's 5.5 per cent and 8.1 per cent, respectively.

The average share of the state's contribution is 14.3 per cent among all the states in the all India nominal GDP, it said.

Nominal GSDP is expected to increase by ₹245,791 crore in FY20 as compared to 2018-19. The per capita state income in FY20 is likely to be ₹207,727 crore. The GSDP in FY20 is likely to be ₹2,878,583 crore.

The growth rate of the agriculture and allied sector in FY19 was negative (-2.2) per cent. In FY18, the growth rate was -0.7 per cent.

The revenue deficit in FY20 is ₹20,293 crore, fiscal deficit ₹61,670 crore and the debt stock was ₹471,642 crore, the report said. The percentage of fiscal deficit to GSDP is 2.1 per cent and debt stock to GSDP is 16.4 per cent. Both the indicators are within the fiscal limits prescribed by the 14th Finance Commission.

The state saw average rainfall of 73.6 per cent of the average during FY19, less by 10.7 per cent in FY18. In FY19, the production of food grains and fruits, and vegetables fell by 27.3 per cent and 10.1 per cent respectively, whereas sugarcane, oilseeds and cotton rose by 8 per cent, 16.1 per cent and 8.2 per cent respectively over the previous year.

Nirav's asset auction sees record prices for artworks

MF HUSAIN
Estimate: **₹12-18 cr** Winning bid: **₹13.4 cr**

MANJIT BAWA
Estimate: **₹3-5 cr** Winning bid: **₹6.1 cr**

ROLLS ROYCE GHOST
Estimate: **₹75-95 lakh** Winning bid: **₹1.6 cr**

Source: Saffronart

PAVAN LALL
Mumbai, 5 March

Forty lots of fine art by masters, luxury watches, purses and bags, and a Rolls-Royce Ghost — confiscated from the estate of diamond tycoon Nirav Modi — garnered ₹51.40 crore during an auction by Saffronart in Mumbai on Thursday.

Nirav Modi is accused of fraudulently appropriating billions from Punjab National Bank and is currently in a jail in London. Saffronart's Spring Live Auction, conducted on behalf of the Enforcement Directorate, saw 100 per cent sell-out with an unexpected new market opening up for watches and handbags.

Auctioneer Dinesh Vazirani, founder of Saffronart, kicked off the evening by informing the audience that the auction prices would be subject to a buyer's premium, plus a lower goods and services tax (GST) of 12 per cent as opposed to the normal 20 per cent.

The auction opened with artworks by masters going under the hammer. Highlights included an untitled 1992 Manjit Bawa that was sold for ₹6.1 crore beating reserve estimates; a 1972 MF Husain titled Battle of Ganga and Jamuna: Mahabharata 12 for ₹12 crore; a work by V S Gaitonde for ₹9.5 crore, and the high-value piece for the evening — a 1935 Amrita Sher-Gil titled Boys with Lemons— that went for a record ₹14 crore.

The auction had been postponed by a week earlier on the basis of objections filed by Nirav's lawyer but were overturned. Ashwin Rajagopalan, director of Piramal Art Museum who was present at the auction, said the prices for the established masters such as Husain, Sher-Gil, and Bawa were "a very strong sign that collectors trust art as an investment."

Many first-timers were excited by the watches and bags went up and saw active bidding for them, he said. In fact, the handbags, which included Hermes Kelly models, saw tens of bids made for it and ended up selling for final prices of as much as three times more than estimates at around ₹15 lakh.

Another smaller gold and diamond bag by Van Cleef & Arpels, pegged at ₹6 lakh, went for close to ₹20 lakh, more than what the price would have been even if the whole bag was made of gold.

BMC attaches Nirav Modi's properties for tax recovery

The Brihanmumbai Municipal Corporation (BMC) has attached three of the four properties in Mumbai of fugitive diamond businessman Nirav Modi for the recovery of property tax worth ₹9.5 crore pending against them, a civic official said on Thursday.

Since, the Enforcement Directorate is in the process of auctioning four properties of the businessman, including three commercial and a residential one, the Mumbai civic body has also written a letter to the agency asking to pay property tax dues as early as possible. PTI

UK court rejects fugitive's bail plea for fifth time

A UK court on Thursday rejected for the fifth time the bail plea of fugitive diamond merchant Nirav Modi, who is fighting his extradition to India on charges over nearly $2 billion Punjab National Bank (PNB) fraud and money laundering case.

Justice Ian Dove, who presided over the bail hearing at the Royal Courts of Justice, concluded that Nirav continued to pose a risk of absconding. This was the fifth attempt at bail for Nirav, who has been lodged at a London prison since his arrest in March last year and is scheduled for an extradition trial between May 11 and 15. PTI