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How markets performed last week

	Index on Mar 6, '20	*One-week	% Chg over Dec 31, '19 Local currency	in US $
Sensex	37,577	-1.9	-8.9	-11.9
Nifty	10,989	-1.9	-9.7	-12.6
Dow Jones	25,865	1.8	-9.4	-9.4
Nasdaq	8,576	0.1	-4.4	-4.4
Hang Seng	26,147	0.1	-7.2	-7.0
Nikkei	20,750	-1.9	-12.3	-9.6
FTSE	6,463	-1.8	-14.3	-15.7
DAX	11,542	-2.9	-12.9	-12.3

*Change (%) over previous week Source: Bloomberg

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WHEN MODI SIGNED OFF, AND 7 WOMEN ACHIEVERS TOOK OVER

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ARAMCO SLIPS 9%, NOW BELOW IPO PRICE

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

5 NEW CORONAVIRUS CASES IN KERALA, TOTAL COUNT NOW AT 39

The number of coronavirus cases rose to 39 in India on Sunday, after a couple and their son, who had flown from Italy last month and evaded airport screening, and their two relatives tested positive in Kerala. The number of novel coronavirus cases in the world stood at 105,836, including 3,595 deaths, across 95 countries and territories.

AIRPORTS START STRINGENT SCREENING TO CHECK SPREAD P6

BS SPECIALS ON MONDAY

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Majority of private bank stocks are down 10-33% YTD, indicating weaning conviction in the sector, **HAMSINI KARTHIK** writes

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No edition
There will be no edition of the newspaper on Tuesday as the offices of *Business Standard* will remain closed on account of Holi. The e-paper of the newspaper can be accessed at *epaper.business-standard.com*

Rana Kapoor in ED custody, faces ₹4K-cr kickback probe

- 12 SHELL FIRMS, 2 UK ASSETS, 44 PAINTINGS UNDER ED SCANNER
- LONDON-BOUND DAUGHTER STOPPED AT MUMBAI AIRPORT
- CBI BOOKS KAPOOR AND WADHAWAN ON CHARGES OF CHEATING

SHRIMI CHOUDHARY
New Delhi, 8 March

The Enforcement Directorate (ED) has found that YES Bank co-founder Rana Kapoor and his family set up over a dozen shell firms that were allegedly used for receiving kickbacks to the tune of ₹4,300 crore and invested in properties illegally.

The agency arrested Kapoor, 62, early Sunday morning in connection with a money-laundering probe — three days after the Reserve Bank put YES Bank under a 30-day moratorium and superseded its board. Kapoor was produced in a Mumbai sessions court, which remanded him in ED custody till March 11. The agency told the court that Kapoor's custody was required to investigate the role of some companies run by his family members, and which are directly and indirectly controlled by him.

EDIT PAGE 9 END OF A LONG ROPE

"Kapoor obtained undue pecuniary advantage from DHFL (Dewan Housing Finance Corporation) in the matter of investments in the debenture of DHFL by YES Bank, through the companies held by his wife and daughters. It is also apprehended that Kapoor had misused his official position in several other transactions and obtained illegal kickbacks directly or indirectly through entities controlled by him and his family members," the ED said in the remand to court, which was seen by the *Business Standard*.

YES Bank co-founder Rana Kapoor being taken to a sessions court after being arrested by Enforcement Directorate, in Mumbai, on Sunday PHOTO: KAMLESH PEDNEKAR

THE DHFL ANGLE

- **Bank gave loan to DHFL against** ₹3.7K-cr debentures
- **To cover this,** DHFL gave ₹600 cr to Kapoor family firm against ₹40-cr assets
- **₹750 cr more given** to DHFL promoter firm after default

"Prima facie, there appears to be generation and laundering of proceeds of crime to the tune of ₹4,300 crore by the 'accused' persons under Prevention of Money Laundering Act (PMLA), 2002," the ED said, adding further investigation into the money trail of the proceeds was under progress.

Sources said these firms used the kickback amounts to buy properties valued at ₹2,000 crore. The current market value of the assets could be more than ₹5,000 crore, said ED officials.

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Foreign pension funds may soon get more leeway

SUBHOMOY BHATTACHARJEE
New Delhi, 8 March

Deep reforms are on the anvil in the country's pension market, with plans to permit foreign pension funds to set up independent pension trusts and make the Pension Fund Regulatory Development Authority (PFRDA) the sole authority to allow a pension product into the market. This could entail a thorough rewrite of the pension products that insurance companies and some mutual funds offer today in the fast-expanding market for retirement products in India.

These are part of some 30 changes that the finance ministry is planning to bring in by amending the PFRDA Act of 2013. The amendment will also involve a change in the name of the regulator. Instead of 'Pension Fund Regulatory Development Authority', the regulator will be known as Pension Regulatory Development Authority.

The word 'fund' will be deleted from the name because, as a government source explained, "The regulator is in charge of the entire pension sector and not just of the funds. The new name will reflect this position better."

SECTOR SNAPSHOT

	2016	Dec 18	Dec 19	CAGR over 4 yrs since '16
Number of subscribers (mn)				
	12.23	25.41	32.69	**27.85**
Contribution to NPS (₹crore)				
	95,849	22,6813	30,1851	**33.21**
Assets under management (₹crore)				
	118,810	291,060	401,152	**33.00**

Source: PFRDA data

The amendments will also help to attract more foreign investors, who are now allowed to invest upto 49 per cent in the sector. Though government officials have often talked of plans to raise this limit to 74 per cent (in tandem with the insurance sector), the straitjacket of the pension rules is seen as a dampener.

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COVID may delay roll-out of Vivad se Vishwas scheme

DILASHA SETH
New Delhi, 8 March

Vivad se Vishwas, the government's flagship scheme for resolving direct tax disputes, may get an extended deadline beyond March 31 on account of the coronavirus outbreak and a late notification, which is still to come. Income-tax (I-T) officers are saying most people will need time to arrange for funds to participate in the scheme and coronavirus will make it tougher for some firms, and many at their global headquarters are shut temporarily.

The Direct Tax Vivad se Vishwas Bill was passed by the Lok Sabha on Wednesday. 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 assessees barely a fortnight to take part in the process.

"The chances of an extension are very bright because otherwise assessees will not get a fair chance to participate in the scheme, which will make it unfair to most. Besides, genuine concerns like COVID-19 need to be taken into account," said a tax officer. Another tax officer said firms were approaching the I-T department on delays in clearances from their headquarters overseas because some were not functioning at full capacity and others were yet to decide whether they wanted to participate in the scheme.

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REVENUE SHORTFALL

Direct tax collection 2019-20

	₹ trn	% growth
Budget Estimate	13.35	**17.30**
Revised Estimate	11.7	**2.80**
Collection (April-January)	7.45	**-6.25**
Required collection (February-March)	4.25	**20.00**

Source: CGA, Budget

Shadow over AT-1 bond mkt

Small banks may find it difficult to access capital

JASH KRIPLANI
Mumbai, 8 March

The ₹1-trillion additional tier-1 (AT-1) bond market — also called perpetual bonds — is likely to see a heavy loss of investor appetite after Reserve Bank of India proposed writing-down the AT-1 bonds of YES Bank. Forcing bondholders to take a 100 per cent haircut on the bank's AT-1 bonds would lead to losses to the tune of ₹10,800 crore, estimates Acuité Ratings. It says such a move can drive away investors from such bond issues in the future.

According to the rating agency, the bulk of the exposure to YES Bank's AT-1 bonds is to mutual funds (MFs) and banks' treasuries. Several MF schemes have already marked down their exposure to zero, which would impact investments of unit holders unless the regulatory stance on the bonds changes.

"The scheme is still in the draft stage but, if implemented, it would indicate a shift in regulatory thinking on these bonds. This will have an impact on appetite for these bond issues. In 2017-18, some of public sector banks with weak financial health and equity erosion were put under prompt corrective action of the RBI, but AT-1 obligations were still paid out fully," said R Sivakumar, fund manager at Axis MF. "In the current scenario, we are seeing a different treatment for these bonds." Fund managers and fixed income experts say the regulator's treatment to AT-1 bonds is a source of worry, as it can be harbinger of how such bonds will get treated in the future, if the need for regulatory intervention arises.

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MAN WHO SAID 'YES' TO A CHOSEN FEW
When Rana Kapoor arrived for ED questioning on Saturday, he seemed a far cry from the hard-driving executive who made YES Bank one of India's largest banks.
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Why did the RBI have to take the moratorium route to sew the deal? Why now? Writes **TAMAL BANDYOPADHYAY**

Ujjwala may get a facelift with refills at doorsteps

SHINE JACOB
New Delhi, 8 March

Soon, consumers might get an option to refill cooking gas cylinders for amounts as small as ₹50-100 at their doorstep. The option can be exercised after the proposed introduction of mobile liquefied petroleum gas (LPG) vans across the country.

This is among a slew of measures to be introduced by oil marketing companies (OMCs) to boost the number of refills under the Pradhan Mantri Ujjwala Yojana (PMUY). Sources say plans are also afoot to extend partial loans to customers for cylinder refills.

Encouraging the sustained usage of LPG has remained a challenge before oil marketers such as Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPCL), and Hindustan Petroleum Corporation (HPCL), as consumers are reluctant to go for second refills under the scheme.

According to a recent report by the Comptroller and Auditor General (CAG), the annual average refill consumption of 19.3 million PMUY consumers (who have completed more than one year) was only 3.66 refills in March 2018. Similar analysis for 31.8 million PMUY beneficiaries revealed that consumption declined to 3.21 refills annually by the end of 2018.

"The focus is on increasing the number of small cylinders to encourage refills. In addition, loans will be extended for second cylinders, too, and refill vans will be launched to reach out to the homes of customers directly," said an official source.

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IN BRIEF

HAL plans overseas logistics bases in Malaysia, Vietnam

State-run aerospace behemoth Hindustan Aeronautics (HAL) is looking at setting up logistics bases in Malaysia, Vietnam, Indonesia, and Sri Lanka as part of initiatives to woo the countries to buy India's light combat aircraft Tejas and military helicopters. HAL's Chairman and Managing Director R Madhavan said it was considering building logistics bases in the four countries as it used a number of Russian-origin military aircraft and choppers whose serviceability is "very poor". He said HAL was now seriously focusing on boosting exports in sync with the government's priority. PTI

BSNL, MTNL ask Trai to exempt telcos with mkt share up to 15%

State-owned BSNL and MTNL have told Trai that tariff fixation should be applicable only on telcos with more than 15 per cent subscriber base in a service area, while those with lower or negligible user base should be exempt from the purview of minimum floor price. It is pertinent to mention that BSNL has about 10.3 per cent market share in all India mobile subscriber base. PTI

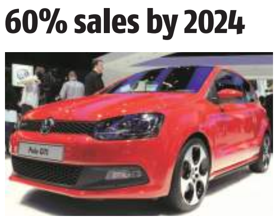
NCLAT dismisses DoT's plea in Aircel licence moratorium case

The National Company Law Appellate Tribunal (NCLAT) has dismissed the Department of Telecommunications' (DoT) plea citing delay in appeal against the NCLT order, which held that the spectrum and licence of debt-ridden Aircel cannot be taken away during the insolvency resolution period. PTI

DLF's proposal to raise ₹1,000 crore gets approval

Realty major DLF said a panel constituted by its board has approved a proposal to raise up to ₹1,000 crore through issue of non-convertible debentures. In a filing, DLF said the finance committee constituted by the board of directors has approved the issuance of listed, secured, redeemable, and NCDs. PTI

Volkswagen expects SUVs to account for 60% sales by 2024



Volkswagen expects at least 60 per cent of its sales in India to come from the SUV segment by 2024 amid the market globally moving away from sedans. Volkswagen is planning to roll out three more such vehicles in the next 12-18 months. PTI

HMSI plans local production of premium bikes

Honda Motorcycle and Scooter India (HMSI) plans to locally produce some of its imported premium bikes from the next fiscal to make such products more affordable and thereby garner volumes, an official said. PTI

Vogo eyes revenue run rate of $120 mn, bets big on EVs

Vogo, a bike and scooter sharing start-up, is working on increasing the number of vehicles on its platform to about one lakh as it aims to more than double its revenue run rate to $120 million in the next one year. The Ola-backed company, which operates in Bengaluru, Hyderabad and Mysore, is also betting on electric mobility and aims to have 20 per cent of its fleet as EVs. "In the last 12 months, we have scaled the number of vehicles on the platform from 200 to 20,000 and the plan is to increase this further to one lakh in the next 12 months," Vogo CEO Anand Ayyadurai said. He further said the company will deepen its presence in Bengaluru and Hyderabad, and is also exploring entering cities like Ahmedabad and Vijayawada. PTI

CORONAVIRUS SCARE

IT firms stare at delay in bagging large contracts

Restrictions on movement and delayed decision-making seen as key reasons

DEBASIS MOHAPATRA
Bengaluru, 8 March

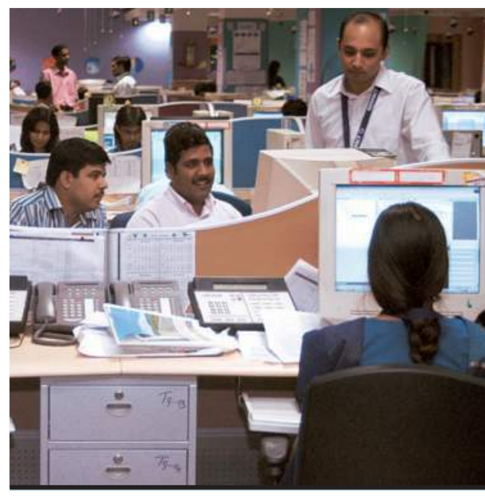
Winning of large deals and their execution by IT services firms are likely to face delay in the first half of this year due to the outbreak of coronavirus.

According to outsourcing advisory experts, severe restrictions on the mobility of human resources as well as the likely delay in decision making by the clients are seen as the key reasons.

"Larger transformation deals take a lot of time for execution and focus. Due to coronavirus, it is clear that the teams are going to be distracted for at least the next quarter. Hence, these big deals, which are increasingly becoming the backbone of (revenue) growth will be delayed," said Peter Bendor-Samuel, founder and chief executive officer of outsourcing advisory firm Everest Group.

All IT services companies have already widened their travel restrictions from China to many other nations, including Italy, France, Singapore, South Korea, and Japan. Several of them have even imposed a restriction on non-essential travel to the US, which accounts for 60 per cent revenues of Indian firms.

"We are seeing projects postponed in travel, leisure, and fashion (segments). We are also seeing clients in all industries cancelling meetings, restricting travel, and in some instances, closing their campuses. This disruption is going to have a negative impact on growth, with significant pause in new contracts in the next quarter," Bendor-Samuel said.



CLIENTS MAY TURN CAUTIOUS

- Delay in winning and executing large deals likely to impact IT firms' revenue growth
- Shadow over global growth is expected to turn clients cautious in their IT spends
- Currently, travel, leisure and automotive verticals have been severely impacted
- If summer contains the spread of virus, H2 of 2020 likely to see revival in growth

Large deals have become the mainstay of revenue growth of IT biggies in recent years. For instance, Infosys, which has guided for double-digit growth in its revenues in the current financial year, has bagged $7.3 billion worth large deals in the first nine months of this financial year. The Bengaluru-headquartered firm had bagged $6.28 billion worth of large contracts in the previous fiscal of FY19.


CORONAVIRUS OUTBREAK

Similarly, market leader Tata Consultancy Services (TCS) has bagged large deals worth $18 billion during April-December period of this financial year. Though Wipro didn't give specific numbers for large deals, it also had significant wins, including a $1.5-billion contract from Alight Solutions, in FY19.

Large contracts take months from the time of initial discussion to closures between the key executives from the client organisations and vendors. Once the deals are signed, transitioning of the works from clients to offshore locations also require significant employee movement. "When there is a shadow over the prospects of global growth, clients will be cautious in their spending. Apart from it, even restriction on movement of key resources to client site for executing a large contract can also pose some challenge for IT firms," said Pareekh Jain, a IT outsourcing advisor and founder of Pareekh Consulting.

According to Hansa Iyengar, senior analyst at global consulting firm Omdia, if further spread of the virus is contained, the business could come back to normal in the second half of 2020. "Provided the virus is contained and summer stops the spread of the contagion further, H2 (of 2020) will likely be business as usual," added Iyengar.

Price recovery has taken a hit: Tata Steel CEO

ISHITA AYAN DUTT
Kolkata, 8 March

The steel industry is hoping to reclaim peak prices by September on the back of a demand recovery. The only trouble could be the spiraling coronavirus outbreak.

T V Narendran, managing director and chief executive officer of Tata Steel, said prices were being pushed up every month and the rise would have continued if the virus scare was absent. "In March, too, we pushed up (the prices), but customers are pushing back," he said. However, if the outbreak is contained now, then prices should go back to earlier highs by September, he said on the sidelines of the Confederation of Indian Industry's annual regional meeting of the eastern region.

Steel prices that had touched a low of ₹32,250 per tonne in the first week of November have been on the rebound since, and are now at about ₹37,000 per tonne. That, however, is still a long way off from last year's peak levels of ₹46,000 a tonne.

The industry was concerned with the inventory build-up in China, he said, and whether it would be consumed in the home market or have to be exported. Hence, the Southeast Asian market had reacted the most and prices had dropped there. "But if you looked at Europe and India, steel prices hadn't dropped. It would have kept going up much faster. Southeast Asia was more of a short-term reaction and China also took a number of steps to kick-start its economy," he said.

"If you look at Europe and India, steel prices hadn't dropped. It would have kept going up much faster. Southeast Asia was more of a short-term reaction and China also took a number of steps to kick-start its economy"
V NARENDRAN,
MD & CEO, Tata Steel

"If you leave the virus out, we were seeing green shoots in the economy. Things were picking up in multiple areas," Narendran said.

The recovery was mostly in the construction sector, which typically accounts for 60-62 per cent of steel end-use mix. The commercial property segment had been strong, "but residential was the only area which was still shaky and auto wasn't showing any great signs of recovery." But there wasn't an inventory build-up like September-October last year. The recovery in the domestic market had prompted steel firms to cut exports. By September, with the launch of BS-VI cars, the demand in the auto segment would also be clear, he said.

De-risking supply chain

The outbreak could also be an opportunity for India, said Narendran, as it accelerated the de-risking of supply chains that originated in China. "It had started with the trade issues between the US and China and now with this virus there would be even more reason for people not to be overdependent on one country," he said. Tata Steel, which sources consumables from China, had undertaken a risk assessment exercise and alternative markets like Turkey and Brazil were tapped. "We did an assessment of the critical items and placed alternate orders. The cost impact is not significant. For a particular item, it may be 10 per cent, but overall it could be 1 or 2 per cent."

From the next financial year, Tata Steel would start pellet and cold rolling mill as part of Kalinganagar expansion plan. The focus will be on taking the capacity at Kalinganagar from three million tones (mt) to eight mt, said Narendran.

ArcelorMittal fears impact on profits, sales

PRESS TRUST OF INDIA
New Delhi, 8 March

Amid the deepening fear across the world, global steel giant ArcelorMittal has expressed apprehensions of its sales and profitability getting impacted in 2020, in case the virus spreads widely through Europe, particularly in Italy.

The Luxembourg-headquartered company is the world's largest steel producer with steel-making operations in 18 countries on four continents, including 46 integrated and mini-mill steel-making facilities.

"The recent increase in cases outside China is worrying and increases the risk of a global pandemic and a much larger negative impact on the global GDP. The Company is monitoring the situation closely and in particular in Italy, as, should the virus spread more through Europe, this will likely have a material impact on our sales and profitability in 2020," the steel behemoth said.

The company said the epidemic may affect ArcelorMittal's operations in certain regions and cited of how its projects were impacted in Liberia in 2014 and 2015 during the Ebola virus disease epidemic.

The firm said the epidemic may affect ArcelorMittal's operations in certain regions

"There can be no assurance that other epidemics, including the recent outbreak of the coronavirus in China, will not adversely affect ArcelorMittal's ongoing operations, production targets and expansion plans, if any, in other markets in which it operates," the company said.

ArcelorMittal said it expected Chinese steel demand to grow in 2020 within a "range of +0.0 per cent to +1.0 per cent (versus estimated growth of +3.2 per cent in 2019).

Net office space leasing may fall 14%: JLL India

PRESS TRUST OF INDIA
New Delhi, 8 March

Net leasing of office space could decline by up to 14 per cent this year to over 40 million sq ft across seven major cities on estimated fall in supply, according to global property consultant JLL.

For 2020, JLL India pegged net office space leasing at over 40 million sq ft and new supply at 47.5 million sq ft. JLL tracks office leasing of seven major cities — Delhi-NCR, Mumbai, Bengaluru, Chennai, Hyderabad, Pune and Kolkata.

"Despite an expected decline of office space supply in 2020, net absorption is likely to clock a robust over 40 million sq feet mark backed by significant pre-booking or pre-leasing of space by occupiers," JLL India said. The net absorption for the year 2020 will be much higher than the annual average for the last five years which stood at 35 million sq ft, it added.

They said pre-leasing or pre-commitment of office space remained strong despite slowdown. "The strong pre-commitment activity is an indication of the strength of the Indian market. Moreover, it bears testimony to the rising importance of realty in the business plan of corporate occupiers," JLL India CEO & Country Head Ramesh Nair said.

BIAL lines up over $2 billion for new projects

T E NARASIMHAN
Chennai, 8 March

Fairfax-backed Bangalore International Airport (BIAL) is planning to invest around $2.2 billion in new projects, which will help the country's third-largest airport handle about 90 million passengers by 2038. Indian-Canadian billionaire Prem Watsa-owned Fairfax India holds 54 per cent stake in the Airport.

In 2018, BIAL invested around $1.9 billion to expand its designed capacity of 20 million passengers to about 50 million in 2021. Plans have also been adopted for the second phase of the second terminal, and related infrastructure for an incremental investment of about $1.2 billion, to take the capacity to about 70 million passengers by 2028.

"Most recently, BIAL added a plan for a third terminal and related infrastructure for an incremental investment of approximately $1 billion, taking the capacity of the airport beyond 90 million passengers by 2038," said Fairfax.

Fairfax India has invested $653 million to acquire 54 per cent of BIAL, which implied equity value of approximately $1.2 billion for the whole company. The valuation (including foreign currency translation) of Fairfax India's interest in BIAL increased by $726 million in 2019 to $1.4 billion, implying an equity value of $2.7 billion.

BIAL's revenues for 2019 declined by nine per cent to $211 million, largely due to a 35 per cent drop in aero revenue and PAT declined 44 per cent to $54 million. However growth in non-aero revenue partially offset the loss.

Despite Jet Airways, BIAL's second largest customer, winding up operations in 2019, passenger traffic grew by around four per cent over the previous year to about 34 million passengers and cargo handled only dropped 1 per cent in the face of an economic slowdown that resulted in a 3 per cent drop in air cargo volume in India.

In 2018, BIAL had invested about $1.9 billion to expand its capacity in 2021 to about 50 million of passengers

Going forward, besides increasing aero revenue, BIAL is looking at increasing non-aero revenue, including cargo handling, ground handling, fuel sales, food and beverage sales and duty-free shops among others.

Last year, the drop in aero revenue was partially offset by a 24 per cent increase in non-aero revenue on the backdrop increase in passenger growth, availability of additional space, and the increasing propensity of passengers at the airport to make purchases.

BIAL will also monetise around 460 acres of land adjoining the airport that can be developed. The first development will be a 775-room 3 and 4-star combination business hotel. The project has been awarded to the Taj Group of hotels. A retail, dining and entertainment village will come up on around 23 acres of land. The third development will be business parks over approximately 130 acres of land that will be jointly developed in phases through a combination of land lease, joint development and own development models.

In addition to this, approximately 12 acres of land will be used for the development of an outlet mall and a 5-star hotel. A first of its kind large concert arena in the region, on approximately 6 acres of land, has been awarded to a consortium and is expected to be completed in 2021.

Bangalore's historical population areas are getting congested, so the city is expanding in the airport's direction. BIAL anticipates significant upside, over time, from monetisation of this real estate, said Fairfax.

Fairfax floated Anchorage Infrastructure Investments Holdings (AIIHL), in June 2019 as its flagship investment vehicle for airports and other infrastructure investments in India and plans to eventually transfer all of Fairfax's shares in BIAL to AIIHL.

In December 2019, Fairfax India signed a definitive agreements with an investor whereby it will transfer 43.6 per cent of BIAL out of the 54 per cent that it owns in BIAL to AIIHL.

'Technical and complex': Firms rush to file SBO details as deadline nears

The ministry examining loopholes in law, may extend date again

RUCHIKA CHITRAVANSHI
New Delhi, 8 March

More than 65,000 companies have made their filings for significant beneficial ownership (SBO) since the introduction of the law two years ago, government sources said.

To plug gaps, the ministry of corporate affairs (MCA) will soon issue clarifications to establish the ultimate owner in cases involving vehicles such as a discretionary trust.

Notified by the MCA in 2018, the SBO rules went through major revisions in 2019. The deadline for making the filing has been extended four times since, with the latest being March 31.

"We have almost reached saturation. It is one of the most complicated laws introduced anywhere in the world. It is highly technical and complex but we have achieved a flawless system," a senior government official said.

The rules were notified in line with the recommendations of the Financial Action Task Force to combat money laundering and financing of terrorism.

Experts have pointed several challenges that the law faces such as foreign shareholders not willing to disclose details of ultimate shareholder on fear of action by Indian authorities, in case of non-compliances or other issues. The MCA is examining the loopholes in the law and will consider if the deadline needs to be pushed again beyond March 2020.

"Rules are complex and have left many issues unanswered. Frequent amendments, technical issues in the form, and date extension have added to the confusion," said Ankit Singhi, partner, Corporate Professionals.

The rules were notified in line with the recommendations of the Financial Action Task Force to combat money laundering and financing of terrorism

One of the areas the government is planning to address is that of discretionary trust and establishing the ultimate owner in terms of a natural person. There are instances where a promoter's families have transferred ownership of business to a discretionary trust, which makes it highly difficult to establish the SBO.

"If the managing trustee of such a trust is a corporate body, then we have to find the natural person...Bulk of issues have been resolved...We will clarify this one soon," the official added.

In a discretionary trust, the share of beneficiaries is not determined. Therefore, the rule says that all trustees will be SBO, which experts say is not right since they don't have ownership rights over trust property.

There is also a hesitation to make such disclosures as the details of SBO are available for public inspection, experts say.

According to the current rules, the ultimate owner needs to report every change in its shareholding after the initial disclosure. "What if shareholding is changed due to increase in capital without any act on part of SBO? Further, in a group web structure, undertaking disclosure on every change is almost impossible," Singhi said.

Company law experts have raised issues such as whether in case there are more than one SBO, the holding of such owner be aggregated or identified separately.

The SBO rules aim to strike at multilayers and offshoring of funds done by companies through a chain of corporate vehicles.

There are two ways to establish the SBO. One is a significant beneficial owner at 10 per cent shareholding at the reporting company level and majority holding through the ownership chain. But the more complex mechanism is the SBO who can exercise significant influence or control in any manner other than through direct holding alone.

Aramco slips 9%, now below IPO price

Shares down 15% since start of the year; latest crash comes after three-year pact between Opec & Russia ended in acrimony

REUTERS
Dubai, 8 March

Shares of Saudi state oil company Aramco slumped below their initial public offering (IPO) price on Sunday for the first time since they began trading in December, after Organization of the Petroleum Exporting Countries' (Opec's) pact with Russia to restrict oil supplies fell apart.

Aramco shares closed 9.1 per cent lower at 30 riyals ($8.00), their sharpest one day percentage fall, and below the IPO price of 32 riyals. The Saudi market closed 8.3 per cent lower.

Aramco's record IPO in December gave it a market capitalisation of $1.7 trillion, making it the world's most valuable company.

The deal was the culmination of Crown Prince Mohammed bin Salman's efforts to open up the energy giant to outside investors and raise funds to help diversify the economy away from oil.

But buyers of the shares were largely Saudi retail and institutional investors as the deal found little interest beyond the Gulf.

The stock hit an intraday high of 38.70 riyals on its second day of trading, but has eased since then.

The shares have fallen more nearly 15 per cent since the start of the year amid concerns the coronavirus outbreak will slow oil demand from China and hurt the global economy.

Oil prices have also slumped, and fell further on Friday after a three-year pact between Opec and Russia aimed at supporting the market ended in acrimony when Moscow refused to back deeper production cuts. Opec responded by removing all limits on its own production.

"Aramco is under pressure because of the failure of the deal," said Marie Salem, head of institutions at Daman Securities.


Aramco's record IPO in December gave it a market capitalisation of $1.7 trillion, making it the world's most valuable firm

Oil traders brace for another round of hefty price decline

Asian oil traders are bracing for another round of hefty price falls on Monday in key benchmarks Brent and Dubai after the world's top exporter Saudi Arabia slashed prices, reigniting a market share battle among key producers. Global price marker Brent dived more than 9% on Friday to $45.27 a barrel, its biggest single day loss in 11 years. Late on Saturday, Saudi Arabia slashed its official selling price (OSP) for April for all its crude grades to all destinations. The producer also planned to raise in April its production to more than 10 million barrels per day (bpd) for the first time since May 2019. A trader with a North Asian refiner said the 'crazy' price cuts could lead Brent to test $40 a barrel soon. REUTERS

Realty and infra drove buyouts in '19: Report

RAGHAVENDRA KAMATH
Mumbai, 8 March

The buyout deals in real estate and infrastructure sectors were 2.5 times of other asset classes, said a new report by audit and consulting firm EY and the Indian Venture Capital & Private Equity Association (IVCA.)

In 2019 , buyouts in real estate and infra were $11.6 billion while in other assets it stood at $4.6 billion. "While consistent growth in buyouts has been a major driver of the overall growth of PE/VC investments for the past three years , there was a slight difference in nature of the deals in 2019. Unlike in 2017 and 2018, where the growth in buyout activities was in traditional PE/VC asset class, 2019 saw growth in infrastructure and real estate asset classes," it said.

Deals were worth 2.5x other asset classes

In 2019, 59 per cent of total value of investments in real estate was buyouts, it said. In 2019, investments in real estate went up by 33 per cent at $6.1 billion. "A large portion of them were buyout deals which is a significant divergence from the earlier trend, where a large number of investments in real estate sector were credit investments," the report said.

According to the report, buyouts in real estate have risen from 0.4 per cent in 2015 to 3.6 per cent in real estate deals.

In 2016, 2017, and most of 2018, large number of investments in real estate were driven by credit platforms funding residential and commercial developments, capitalising on lack of traditional modes of funding for the real estate sector, which was a fallout of the rising bank NPAs and liquidity constraints in NBFC sector.

"However this trend started shifting towards buyouts in 2018 and 2019 with the likes of Blackstone and other large buyout funds lapping up portfolios of premium yield generating assets across commercial, retail, warehousing and industrial real estate segments," it said.

3 Infosys employees arrested for taking bribe from taxpayers

PRESS TRUST OF INDIA
Bengaluru, 8 March

Three Infosys employees attached to the Income Tax department's Centralised Processing Centre in Bengaluru, were arrested for allegedly taking bribes from taxpayers for speedy processing of their refund, police said on Sunday.

According to police, the key accused among the three was attached to the CPC's data division and had demanded and collected money through his friends from some major taxpayers with whom he had contact over phone for processing their I-T refund claims at the earliest.

He would allegedly charge them four per cent of the refund money as his commission, they added.

Recently, one of the taxpayers refused to pay the money and shared the audio recording of his conversation with the accused with Income Tax officials who held an internal enquiry and then approached the police.

The Electronics City police have registered a case of cheating and criminal breach of trust against them.

Alrosa to cut diamond supply

DILIP KUMAR JHA
Mumbai, 8 March

Russia's leading rough diamond miner Alrosa will cut supply to match the falling demand due to the coronavirus epidemic.

Confirming the development, Jim Vimadalal, director, Alrosa India, said, "We have decided to trim supply to match the global demand, which is currently subdued. The quantum of rough diamond supply cut would not be significant but we are monitoring the demand situation to take a final decision."

The Alrosa board met in Russia late last week to take a final decision on the rough diamond supply. The decision assumes significance as coronavirus has spread to over 80 countries. It led to lockdown of shops and factories in China, one of the world's largest manufacturers and consumers of diamond jewellery.

India, which processes every 11 out of the 13 diamonds mined across the world (including Alrosa's diamonds), estimates 20 per cent decline in its exports of polished diamond this year.

With the coronavirus spread resulting in washout of the New Year celebrations in China that witnesses jewellery sales of approximately 20 per cent of the entire year's volume, the January-March quarter export from India is expected to be hit severely.

More on business-standard.com

YES BANK CRISIS

The man who said 'yes' to a chosen few

Weak compliance and poor governance led to failure as it lent to those who couldn't repay

SACHIN P MAMPATTA
Mumbai, 8 March

When Rana Kapoor, bespectacled and casually attired, arrived for Enforcement Directorate (ED) questioning at the agency's Ballard Estate office in Mumbai on Saturday, he seemed a far cry from the hard-driving executive that made YES Bank one of India's largest banking players since it began operations in 2003.

Kapoor had worked with Rabo India Finance at the time, and was slated to only be a co-promoter director; not head the bank. The bank had appointed Korn Ferry, an executive search firm, to find its first chief. Discussions within the promoter group finally resulted in the decision that Rana Kapoor should become managing director and chief executive officer. Ashok Kapur, the other co-founder, was to be chairman. Kapoor put in his papers at Rabo, which began its own search for a new chief executive. His beginnings at Bank of America and other foreign bank stints, including one at ANZ Grindlays' Investment Bank, and his US education had raised questions as to why he would let go of a comfortable post at a foreign bank for something new. He answered in two words: "entrepreneurial joy".

This joy had him working at his office as torrential rain swept Mumbai in July 2005. He cleared his desk of pending papers ahead of a board meeting. Ultimately, the board meeting itself was postponed as two key board members couldn't join amid the chaos in the city, which happened around the time the company was listed.

The listing itself could scarcely have gone better. The first trade for the stock was for fifty shares at a price of ₹65. This was a 44 per cent gain over the issue price. Subsequent gains saw it enter the National Stock Exchange's Nifty 50 index, a benchmark comprised some of India' largest and well-known companies, and then in the 30-stock BSE Sensex. The bank was worth over ₹80,000 crore as recently as September 2017.

YES Bank co-founder Rana Kapoor after being arrested by the Enforcement Directorate. Experts said Kapoor's aggressive lending practices didn't help in building confidence in the bank PHOTO: KAMLESH PEDNEKAR

The lender had grown at breakneck speed in the intervening years, helped perhaps by Rana Kapoor's reputation as a banker, willing to aggressively write checks. He reportedly had successfully got his money back from some promoters even when other banks struggled, but it did not always work. Ultimately, it proved too much with the Reserve Bank (RBI) reportedly growing unhappy with the bank's practices.

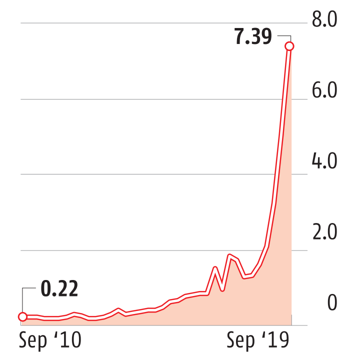
Its market capitalisation plummeted to ₹4,132 crore on the BSE after news of the government's decision to supersede the bank's board and impose a moratorium. Depositors began lining up to withdraw cash. They had been told that they can't take out more than ₹50,000 until the bank's issues are resolved.

Analysts have pointed out that the bank had lent out too much money to industrialists who didn't seem to be in a position to give it back. And it didn't have enough capital to cover these advances either. The ED arrested Kapoor on Sunday morning, alleging that the Kapoor family has taken kickbacks from companies that the bank lent money to.

The recent quarters had been a desperate attempt to get additional funding by the new CEO, Ravneet Gill, who came from Deutsche Bank after Kapoor was sacked by the RBI. Names of multiple investors had done the rounds, but nothing materialised. Kapoor's aggressive lending practices didn't help in building confidence in the bank.

MONEY GONE BAD

Gross NPAs (in %)



Source: Capitaline, *Business Standard*

Advances had grown in double-digits for the longest time. It only began to show signs of slowing down in 2019. The last quarter for which the data is available shows that advances shrunk 6.1 per cent year on year as the bank grew increasingly tight-fisted.

Quarterly net profit had been falling since a year before, with losses in every quarter from September 2018. The gross non-performing assets ratio, or bad loans as a percentage of total loans given out, rose from 1.6 per cent then to 7.4 per cent in September 2019.

Depositors, interestingly, may have acted presciently — total deposits of the bank shrank for the first time in September 2019. The bank has delayed announcing its December 2019 quarter numbers, which doesn't portend well.

Kapoor's shares were sold after lender-invoked pledges got triggered. He was reduced to holding only 900 shares worth ₹60,000, according to a November 2019 news report. He had, in a September 2018 social media post, said he would never sell his shares, comparing them to diamonds he would pass on to future generations. Ultimately, he was out of the bank as both the head and significant shareholder.

There were other issues, too, in YES Bank's journey. This included a dispute with the late co-founder Ashok Kapur's wife Madhu Kapur over board representation, which turned bitter. The Bombay High Court had ultimately ruled in her favour. There were rumours of a truce between the two promoter families but the stock price didn't show any traction. This was even as the RBI was also reportedly unhappy with the way that divergences were handled at the bank, and declined to let Rana Kapoor continue as its head.

Early advertisements for the institution showed a banker saying "yes" to an entrepreneur looking for funds. *Business Standard* had also asked Rana Kapoor before operations began, why his venture was called YES Bank. "It's positive and has a reliable and trustworthy feel to it," he had said.

Investors and the depositors lining up outside outlets may now feel otherwise.

YES Bank clients' SBI Cards applications hang in balance

Regulators, bankers in a huddle to resolve issue

SAMIE MODAK
Mumbai, 8 March

The fate of applications worth nearly ₹1,500 crore in the SBI Cards and Payment Services' initial public offering (IPO) hangs in the balance as many corporate and individual investors have bid in the share sale through YES Bank, which is placed under moratorium by the Reserve Bank (RBI).

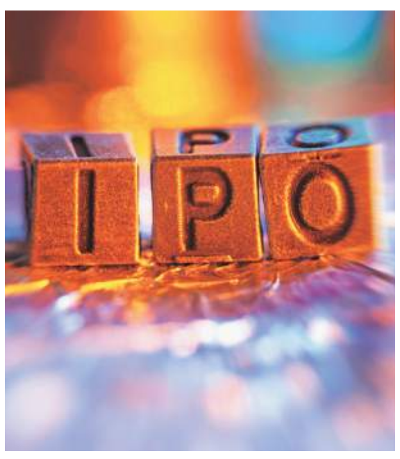
While investors have adequate funds in their YES Bank accounts, the moratorium would mean their funds will not be able to move from their account to that of the issuer company. The country's second-largest credit card company's ₹10,300-crore IPO closed on Thursday, hours before the RBI imposed the curbs.

Sources say investment bankers handling the SBI Cards IPO have raised this issue with the Securities and Exchange Board of India (Sebi).

"In light of what has happened, we have asked the regulator whether applications backed by YES Bank accounts should be considered for allotment," said an investment banker. Officials representing SBI Cards, investment banks handling the IPO, Sebi, and RBI are likely to meet on Monday to find a solution to the problem.

Sources say two options are on the table. The first includes seeking RBI's approval to allow usual fund transfer as the application amount for the IPO has already been set aside under the so-called ASBA process before the moratorium was announced.

ASBA or Applications Supported by Blocked Amount is the facility under which the money remains blocked in the account till the time the allotment is finalised.



AT STAKE

About ₹1,500 crore of applications worth ₹2 trillion are said to have come through YES Bank

	No. of applications	Bids amt (₹ cr)
QIB	289	104,992
HNI	12,260	62,597
Retail	3,082,306	8,032
Employee	57,872	598
Shareholder	582,328	24,976
Total	**3,735,055**	**201,195**

QIB: Qualified institutional buyer, HNI: High-net-worth individual Source: Investment bankers

According to the people in the know, the second option is that allotment process takes place normally but YES Bank clients, who get an allotment, are asked to pay through alternative banks.

Market players say it is unlikely that the RBI would approve of the first method and the second method also could pace operational difficulties.

"The second option looks more viable. However, bankers will have to ensure that the IPO process doesn't get prolonged. One tweak could be that the shares are kept in a separate account till the time these investors pay, so that the listing process doesn't get delayed. However, here the risk is if the shares list at a discount, these investors may not pay," said a person privy to the discussions.

The legal implications of these two options are being vetted, says an investment banker. Shares of SBI Cards are likely to list on March 16. The allotment could be finalised on Wednesday and the payment process is expected to complete by Thursday and a day later, shares would reflect in individual demat accounts. Sebi has brought down the time gap between closing of an IPO and listing of the securities to just six working days.

Sources say nearly ₹1,500 crore worth of applications are impacted by the crisis at YES Bank. Also, 6,000 retail investors have used PhonePe UPI for payments. The digital payment application had suffered an outage as its banking partner is YES Bank. However, PhonePe is said to have restored its services.

Retail investors bought shares as institutions exited en masse

DEV CHATTERJEE
Mumbai, 8 March

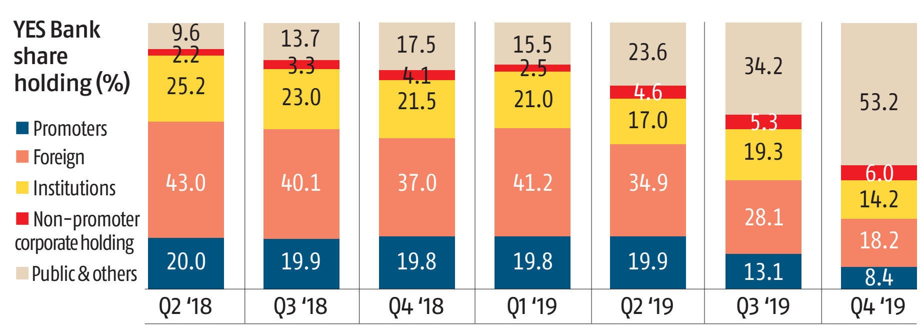
As YES Bank's financial metrics started showing signs of stress over the past year, large institutional shareholders and the promoter of the bank sold their shares. But it was the retail shareholders who were left holding the can with over 50 per cent stake in the bank, statistics collated by *Business Standard* shows.

While promoter Rana Kapoor's shares were sold either by him or because lenders exited pledged shares, the other promoter family — the Gogias — remained invested. In November, Kapoor sold his residual shares worth ₹142 crore and was holding only 900 shares. This was within weeks of Kapoor tweeting that the bank shares are like diamonds and he will never sell his diamonds. His shares stake in the bank fell after institutions invoked the pledge on his stake.

While the foreign institutions reduced their stake from 43 per cent in June 2018 to 18.24 per cent, public shareholding went up from 9.58 per cent to 53.24 per cent. The local institutions also reduced stake from 25 per cent in June 2018 to 14.21 per cent by December quarter last year (*see chart*).

WHO HOLDS WHAT

YES Bank share holding (%)



Compiled by *BS* Research Bureau Source: Capitaline

"There was a continuous flow of wrong news from unnamed sources that marquee investors are lining up to buy YES Bank shares. This kept retail investors interested in the stock," said an analyst with a foreign brokerage.

Shriram Subramanian, founder and CEO of proxy advisory firm Ingovern, said several red flags were ignored by the retail investors with rating firms downgrading the bank's instruments. "Retail investors should have been more careful considering that the promoter himself was exiting," he said.

For the retail investors, the news is not so good as State Bank of India-led bailout is aimed at the depositors and not towards the equity investors. Soon after the RBI announced the moratorium, global bank JP Morgan pegged YES Bank shares at ₹1 a share. "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 remain underweight and cut our target price to ₹1 as we believe net worth is largely impaired," it said.

Axis Trustee seeks clarity on AT-1 bondholders

SUBRATA PANDA
Mumbai, 8 March

Axis Trustee Services, the debenture trustees for YES Bank's additional tier-1 (AT-1) bond, has written to the Reserve Bank (RBI) seeking clarity on the fate of the AT-1 bondholders. It also asked for appropriate treatment for them in the larger interest of debt capital markets and future bankfundraising.

RBI's draft reconstruction scheme for YES Bank suggested a permanent write-down of these bonds outstanding as of March 5. According to the draft, the write-down is "in conformity with the extant regulations issued by the RBI based on the Basel framework".

"We submit that such write-down of the AT-1 bonds, if given effect to, will be an arbitrary and discriminatory decision. While the Basel-III framework does legally permit write-off of the AT-1 bonds or conversion of such instruments into equity, such power ought not to be exercised in a manner in which preference is given to the common equity holders at the cost of retail as well as other investors who have directly or through mutual fund schemes and regulated financial institutions subscribed to the bonds," Axis Trustee said.

STATSGURU

Mapping mergers

THE ANNOUNCEMENT of swap ratios for the combination of 10 public sector banks (PSBs) into four has put the spotlight on such unions, and how they have fared before. Analysts would be keenly watching as to how the entities deal with the integration in a challenging business environment.

Each of the 10 banks participating in the process has more bad loans than it did five years ago (*chart 1*), though much of it is to do with better disclosures. The slowing economy has reduced credit offtake (*chart 2*). Bad loan ratios are expected to largely worsen for the anchor banks, though net non-performing assets show a decline for some (*chart 3*). This also holds true for capital adequacy. The anchor banks will see their capital cushion decline in at least two instances, show analyst estimates (*chart 4*).

However, this is not unique to the latest exercise. Previous attempts of bringing together PSBs may have helped the weaker ones, but tended to weigh on the anchor banks. The State Bank of India saw its net non-performing assets go up after its 2017 merger with its associate banks and the Bharatiya Mahila Bank. This was also true for Bank of Baroda's 2019 merger with Dena Bank and Vijaya Bank (*chart 5*). The capital adequacy ratio also declined in both instances (*chart 6*).

The latest set of mergers is likely to take time to iron out the kinks, suggest analysts. The Reserve Bank of India in December 2019 noted that private sector banks accounted for 69 per cent of incremental loans in 2018-19. They also had a similar share in deposits. It remains to be seen if bigger PSBs would be able to protect market share.

SACHIN P MAMPATTA

1: STRUGGLING WITH BAD LOANS

Net NPAs ■ Mar '15 ■ Dec '19 (%)

	Mar '15	Dec '19
Oriental Bank of Commerce	3.3	6.0
United Bank of India	6.2	8.6
Punjab National Bank	4.1	7.2
Corporation Bank	3.1	5.3
Union Bank of India	2.7	7.0
Andhra Bank	2.9	6.4
Canara Bank	2.7	5.1
Syndicate Bank	1.9	5.9
Allahabad Bank	4.0	5.1
Indian Bank	2.5	3.5

Source: Capitaline, *Business Standard* Research Bureau

ILLUSTRATION: BINAY SINHA

2: LOAN GROWTH REMAINS TEPID

Rise in advances ■ Dec '18 ■ Dec '19 (%)

	Dec '18	Dec '19
Oriental Bank of Commerce	-5.3	11.2
United Bank of India	1.5	6.8
Punjab National Bank	0.2	-1.0
Corporation Bank	-8.7	0.8
Union Bank of India	1.0	5.8
Andhra Bank	13.6	4.2
Canara Bank	11.8	5.0
Syndicate Bank	-4.8	7.1
Allahabad Bank	-2.0	7.2
Indian Bank	15.5	8.9

Source: Capitaline, *Business Standard* Research Bureau

3: ANCHOR BANKS FACE SOME WORRY

Merged entity by name of anchor bank
Net NPA ratio ■ Before merger ■ After merger (%)

	Before merger	After merger
Punjab National Bank	7.2	6.9
Union Bank of India	7.0	6.5
Canara Bank	5.1	5.3
Indian Bank	3.5	3.9

Note: As of December 2019 Source: Motilal Oswal Financial Services

4: CAPITAL ADEQUACY REMAINS KEY

Capital to risk-weighted assets ratio
■ Pre-merger ■ Post-merger (in %)

	Pre-merger	Post-merger
Punjab National Bank	14.0	14.0
Union Bank of India	14.7	14.1
Canara Bank	13.9	14.0
Indian Bank	15.0	12.2

Note: As of December 2019 Source: Motilal Oswal Financial Services

5: BAD LOANS RATIOS WORSENED IN PREVIOUS MERGERS TOO

Net NPA ratio
■ Before merger ■ After merger (%)

	Before merger	After merger
State Bank of India	3.71	5.19
Bank of Baroda	3.33	3.65

6: CAPITAL ADEQUACY WAS ALSO AFFECTED

Capital to risk-weighted assets ratio
■ Pre-merger ■ Post-merger (%)

	Pre-merger	Post-merger
State Bank of India	13.11	12.85
Bank of Baroda	13.42	11.77

Note: SBI numbers are as of March 31, 2017, and April 1, 2017. Bank of Baroda numbers are as of March 31, 2019, and April 1, 2019 Source: Company presentations

StatsGuru is a weekly feature. Every Monday, *Business Standard* guides you through the numbers you need to know to make sense of the headlines

Compiled by *BS* Research Bureau

Airports start stringent screening

All thanks to several doctors on standby, the queues of fliers are manageable

BS REPORTERS
Mumbai/Delhi/Bengaluru/Kolkata, 8 March

The queues and tedium of airport travel just got longer, thanks to a new hygiene protocol at airports. Check-in staff observe departing passengers for sniffles, runny noses, and coughs. Coaches taking passengers to and from aircraft are washed down daily with alcohol-based cleaning agents. Infrared thermometers greet all international passengers arriving at Indian airports.

The screening of passengers from China had begun on January 17 and was later expanded to cover another 13 affected countries but with the detection of 39 cases, the government has escalated the preventive measures at all airports. Orders for universal screening were issued on Thursday and municipal and state doctors were hastily summoned to help with the task.

CORONAVIRUS OUTBREAK

Passengers arriving at Mumbai and Delhi airports had to wait in a queue for up to 40 minutes for the pre-immigration health check. By Friday, however, the queues had shortened and the waiting time for most passengers had reduced to 5-15 minutes as additional doctors and paramedics were deputed for checks. But on the same day, the process was tightened further when the government ordered separate passages at customs and immigration and separate baggage belts for passengers arriving from 12 'vulnerable' countries. The airports have yet to implement this directive.

"It took 10-12 minutes to complete the health screening. It was not crowded but the airport authorities should provide separate counters for senior citizens," said Saleel Mohidekar who arrived from the US in Mumbai on Friday.

A US citizen who also arrived on Friday said Mumbai airport needed to provide hand sanitisers and wipes to foreign nationals who are finger printed on arrival.

"Earlier, we had 42 doctors and paramedics in three shifts and now the number has been increased to 136. Additional staff is being made available during the night which sees a lot of international arrivals. We have 25 infrared thermometers which is more than sufficient," said an official at Mumbai airport.

At Delhi airport, two thermal scanners and 33 temperature-measuring devices are being used. At Bengaluru airport, medical students have been roped in to help.

"Although the medical staff of 44 doctors and paramedics is enough to cater to the current demand, we have asked the state government for more paramedic staff and it is under consideration. We are getting all help from the state government", said Kaushik Bhattacharjee, director at NSCB international airport, Kolkata.

He said the number of passengers had fallen, from around 5,000 international passengers every day to 3,800.

Although Mumbai airport has seen the number of foreigners arriving fall by 50 per cent in the last few days owing to travel bans and flight cancellations, it still had to screen over 12,700 passengers on Friday.

Bans are flying so thick and fast that airlines are struggling to keep up with the rules. On Saturday, a Jazeera Airways aircraft from Kuwait to Mumbai was forced to turn back one hour into the flight because of a Kuwaiti government order suspending flights to India for one week.

While the cancellation of flights has eased the workload of doctors, they face other challenges in that the screening regulations and rules for disease control are frequently revised, as are the self-declaration forms being given to passengers.

"We were given a form by the cabin crew on the flight. But when we landed, health officials asked us to fill in another form. It was a bit annoying. Luckily there were few passengers and the screening got over in five minutes," said Sigrid Eliasen who arrived from Denmark in Mumbai on Friday.

A Delhi International Airport Limited spokesperson said new guidelines are being discussed with stake holders.

"We are already following government guidelines for medical screening of all passengers arriving on international flights, in line with the airport health organisation's requirements. The new guidelines are being discussed with all the stakeholders and a trial run will be taken up very soon," he said.

The spokesperson said it was too early to assess the impact on passenger traffic. "Our domestic traffic in February 2020 has grown in double digits vis-a-vis last February while international traffic has had a negligible impact, primarily on routes to and from China," he said.

(Aneesh Phadnis, Arindam Majumder, Avishek Rakshit, and Samreen Ahmad contributed to this report)

Passengers undergo a thermal screening test in the wake of novel coronavirus scare, at Dimapur airport in Nagaland on Sunday PHOTO: PTI

OVER 3,500 DEATHS

105,836 number of cases, including 3,595 deaths, across 95 countries and territories

5 new cases in Kerala; **total number of cases reaches 39 in India**

49 deaths in Iran in 24 hrs

133 deaths in Italy in 24 hrs. Milan, Venice, and much of the country's north under lockdown

F1 Bahrain Grand Prix to take place without spectators

Over 140,000 fliers under surveillance: Kejriwal

PRESS TRUST OF INDIA
New Delhi, 8 March

The Delhi government has ordered DTC and cluster buses, metro and hospitals to be disinfected on a regular basis as a precautionary measure to deal with the novel coronavirus, Chief Minister Arvind Kejriwal said on Sunday.

Addressing a press conference, Kejriwal said that three cases of coronavirus have been reported in Delhi so far and one case is still under investigation.

The chief minister said that 168 isolation beds have been set up at 25 hospitals for coronavirus patients.

He appealed to the people in Delhi that if anybody from their neighbourhood had returned from foreign countries in the past 14 days, they should inform the government.

The chief minister, who chaired a state task force on Sunday, said the government was fully prepared to deal with the novel coronavirus, adding that people do not need to panic.

"An order has been issued to disinfect DTC, cluster buses, Delhi Metro and hospitals every day," he said.

"Three cases of coronavirus have been reported in Delhi so far. One case is still under under investigation. I want to tell this to everyone that the Delhi government is worried about it but we are fully prepared to tackle it.

There is no need to panic and we need everyone's cooperation," he said.

After examining the three cases, it was learnt that the first infected person came in contact with 105 people, second came in contact with 168 in the last 14 days while the third person came in contact with 64 people, he said.

"All those who came in contact with them are being isolated and their samples are being collected and checked for symptoms," he added.

Healthy people need not wear mask and there is no need to stock up masks at your homes either, he said. He also urged people to wash their hands frequently with soap and water.

All passengers at the airport are being screened. Forty doctors of Delhi Government hospitals are deployed at the airports for the purpose.

All those passengers who undergo thermal screenings at the airport once they go home, especially those from Delhi, are being kept under watch for 14 days to check for symptoms.

"1,40,603 passengers have been screened at the airports so far and have been put on surveillance," he said.

Kejriwal also appealed to employers to give paid leave to those quarantined so that their livelihood is not affected.

The chief minister said that now 25 hospitals have the facilities where one can submit the samples.

I WANT TO TELL THIS TO EVERYONE THAT THE DELHI GOVERNMENT IS WORRIED ABOUT IT (VIRUS) BUT WE ARE FULLY PREPARED TO TACKLE IT. THERE IS NO NEED TO PANIC AND WE NEED EVERYONE'S COOPERATION

ARVIND KEJRIWAL,
Chief Minister of Delhi

Laudable move by Pharmexcil

EXIM MATTERS

T N C RAJAGOPALAN

Last week, the Centre restricted the export of several active pharmaceutical ingredients (API) and formulations made from those ingredients.

In a laudable move, the Pharmaceuticals Export Promotion Council (Pharmexcil) came up with clarifications for its members and representations to the government highlighting some difficulties. Two weeks ago, the finance minister met several business leaders to get their inputs regarding the disruptions caused by the outbreak of coronavirus in many parts of the world. The pharmaceutical manufacturers said that, besides other problems, almost 70 per cent of the API required for making formulations are imported from China. Disruptions of those supplies will quickly be felt in the availability of drugs in the country.

So, the latest move to curb exports of some APIs and formulations to meet the essential needs of our people was not unexpected. The transitional arrangements prescribed at Para 1.05 of the Foreign Trade Policy read with Para 2.17 and 9.12 of Handbook of Procedures allow export of goods at the ports/airports/inland container depots awaiting shipment, where shipping bills have been filed and bills of lading or airway bills issued before notification of the restrictions.

Exporters with irrevocable commercial letter of credit for export of goods can get them registered with the regional offices of the Director General of Foreign Trade (DGFT) within 15 days of the notification of restriction and export. Also, consignments handed over to Customs for examination and subsequent exports before the date of notification will not be held up. Pharmexcil gave relevant information of the transitional arrangements to its members and said for execution of other orders, exporters have to apply (form ANF-2N) for licence with the DGFT.

However, exporters say they are unable to upload applications on the website. Also, the basis on which the applications will be considered is not clear.

Clear DGFT guidelines will help. Pharmexcil said some of the orders for institutional supplies mandate supply of all items committed in their contracts. Non-supply of even one item would lead to cancellation of entire order for all other products and result in blacklisting of firms by procurement agencies and imposition of penalties. Also, the formulations manufactured for exports in accordance with the requirements of specific countries cannot be diverted or utilised in the domestic market.

Even the APIs manufactured with USP/BP specification cannot be utilised for manufacture of domestic formulations, which require compliance with Indian Pharmacopeia as per the requirements of national regulatory authority. Hence, restriction on exports of these manufactured drugs would lead to wastage of drugs manufactured and objective of imposing the restriction (to improve their availability in the domestic market) will also not be met. So, Pharmexcil has requested the government to examine the feasibility of exempting the 'drugs manufactured for export purpose only' from the restrictions.

In FY19, India exported nearly $20 billion pharmaceuticals, about 55 per cent of them to developed countries and 18 per cent to African countries. Most are heavily dependent on India and China for medicines. Unless the spread of virus is quickly contained, its adverse impact can be very severe.

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The only way forward

Regardless of regulations, all modern vehicles will become more and more autonomous

TECH ENABLED

DEVANGSHU DATTA

The Alphabet subsidiary, Waymo, completed its first external round of funding on Wednesday, March 3, raising \$2.25 billion. The company will use these investments to scale up research into its systems for driverless, autonomous cars.

Waymo claims that vehicles it has integrated have done more than 32 million kilometres on public roads. It operates a robot-taxi hailing service in Mountain View, California, for its employees, as well as a fully public service in Arizona. Arizona has shut down Uber's offering of driverless cabs following a fatal accident but Waymo continues to operate.

Waymo also has an agreement with Jaguar Land Rover to convert 20,000 electric I-Pace Jaguars into self-drives and it demonstrated its fifth generation self-driving equipment, the Waymo Driver, on these vehicles.

Creating an autonomous vehicle or converting one, are expensive tasks in terms of R&D. Autonomous vehicles have needs unique to them at the moment. They need massive quantities of data about their surroundings to act as their "eyes and ears". They also need hardware and AI-driven software to process that data in real-time, and issue driving instructions.

A car has to read stop signs, directional signage, identify lane changing zones, and speed limit notices from a reasonable distance. It must do this even in poor weather conditions, and at night. A car must also detect other moving objects at near and far range, identify these, judge relative speeds, and adjust its own speed and direction accordingly.

Companies in this area tend to end up designing their own equipment, and fabricating most of it because off-the-shelf components don't meet their requirements. LIDAR — Light Detection and Ranging Radar is one of those key components. LIDAR provides both long-range vision as well as short-range detection, which helps with avoiding other moving vehicles. Along with cameras and radar, LIDAR provides the coverage that autonomous cars require to navigate public roads.

Waymo's new system, the Waymo Driver, has a LIDAR unit plus cameras mounted on the roof to provide 360 degree long-distance coverage. It also has four perimeter LIDAR plus radar units mounted at the four corners to provide short-range vision, and peripheral vision. It has a mindboggling total of 29 cameras as well.

The long-range unit on the roof can identify pedestrians and stop signs from more than 500 meters away. The short-range units provide enhanced spatial resolution and accuracy to navigate tight gaps in city traffic and cover potential blind spots on hilly terrain.

The combined inputs from all these units overlap. Machine-learning algorithms tested first on simulators in the lab and then on public roads allow the Waymo Driver to navigate the complexities of city driving and highway driving.

In city driving, the short-range data is crucial. On the highway, long-range vision is also vital. The peripheral vision reduces blind spots caused by parked cars, or large vehicles in proximity. For example, the peripheral cameras can look past a truck in front of the car, allowing the Waymo Driver to decide if it's safe to overtake.

Waymo claims its own LIDARs can view objects both close up, and more than 300 meters away. The best off-the-shelf LIDARs only have ranges of 250 metres or so. In addition, this Waymo system is robust enough to handle poor weather, rain, snow, hailstorms, bad roads, etc.

There's a long way to go however, before most jurisdictions will allow fully-autonomous cars to operate, especially in crowded urban environments. However, long-haul driverless trucks are already operating in the EU and the US.

It may be argued that driverless cars will be safer than the vast percentage of human drivers. An AI system will not jump traffic lights, or indulge in other risky behaviour and most accidents are caused driver idiocy. If every car on the road is driverless and they all talk to each other, accident rates will drop sharply.

But driverless cars do make errors — there have been fatal accidents involving driverless vehicles and there are the associated issues of liability. If there's an accident involving a driverless vehicle, who is responsible? Insurers would really like answers to that question.

There's the other question — the so-called trolley problem, which might make some owners queasy: Let's say the car has the option of driving off a mountain road, or hitting a minivan full of children: How would the vehicle be programmed to act? Would it opt to kill the occupant in preference to killing the children?

Regardless of regulations, all modern vehicles will become more and more autonomous. Less elaborate systems will be adapted for use in "non-autonomous" vehicles but those will also increase the vehicle's autonomy quotient. Also as economies of scale take hold, these new cameras and LIDARs sensors, will undoubtedly find use in other industries.

CHINESE WHISPERS

No-star constituency

It's been a month that Delhi handed a humbling defeat to the Bharatiya Janata Party (BJP) but introspection in the party is still on. There are some party functionaries who are not willing to buy the argument that controversial statements by some leaders or alleged attempts at polarisation cost the BJP dear. At a meeting last week, attended by 55 of the 62 who lost in the recent polls, one such candidate complained that his constituency with a sizeable Muslim population could have done with a gathering addressed by UP Chief Minister Adityanath, which he couldn't secure despite his best efforts. He reasoned that since Adityanath had come to address a gathering in a nearby constituency, his own could have been embedded in the schedule. He also rued the absence of Union Minister Anurag Thakur in his constituency. Thakur was scheduled to visit his area the same day he had to address a rally in far-off Narela and ended up not making it to the candidate's constituency. If that was not all, an actor who was marked as a star campaigner in his area was in another country on the allotted day. Apart from campaign mismanagement, he also alleged "favouritism" in "star" allotment.

Corona hit on tourism

The impact of the coronavirus outbreak on tourism is likely to be felt well into 2021. The peak tourist season is coming to an end and the industry is facing huge losses because of a sudden slump. Several tour groups from China, South Korea, Japan, and Thailand have cancelled trips to Aurangabad, home to the famed Ajanta and Ellora Caves, which they had scheduled months before, according to various reports. March is the end of the tourist season, with several travellers, primarily from Buddhist nations, thronging these caves every year. Travellers from Europe have also steered clear of the two World Heritage sites and there is not even a single booking so far even for the next season, Aurangabad Tourism Development Foundation has said.

Mamata's ire

Malda district in West Bengal has been Chief Minister Mamata Banerjee's bugbear. In the last Lok Sabha polls, the Trinamool drew a blank there while the Bharatiya Janata Party and the Congress won a seat each. In the 2016 Assembly elections also, her party failed to open its account there despite its great showing elsewhere in the state. Little wonder, during a recent visit to the area, the chief ministers gave local leaders a piece of her mind. Addressing the party's booth-level workers' conference at Choto Sujapur, Banerjee pulled up district leaders one by one. First she reprimanded former MLA Sabitri Mitra and Gourchanda Mandal for fighting among themselves. She then turned to Babla Sarkar and accused him of never venturing beyond the municipal areas of Englishbazar and Old Malda. She slighted him by calling him a "municipal" leader. She rebuked a fourth one for neglecting his party duties, and so on.

YES Bank rescue: India's TARP moment?

Why did the Reserve Bank have to take the moratorium route to sew the deal? Why now?

BANKERS' TRUST

TAMAL BANDYOPADHYAY

Early Friday morning, a senior banker woke me up with his outbursts on the phone: "Is this the way to save a bank? We are killing it and creating a big trust deficit in the financial system."

He was referring to the moratorium imposed on YES Bank Ltd by India's banking regulator the previous day, capping withdrawal of money by its depositors at ₹50,000 each. The Reserve Bank of India (RBI) also superseded its board and appointed an administrator, a year after it ousted the bank's promoter — CEO Rana Kapoor and appointed Ravneet Gill as the new boss.

Freezing of all activities of a bank of YES Bank's size in March, the last month of a financial year, creates enormous inconvenience for all. It has been big time into cash management of companies. How will they manage? Many medium and small enterprises will not be able to pay their suppliers and those microfinance borrowers that have banking relationship with YES Bank will be stuck. Indeed, for medical and other emergencies, a depositor can withdraw more but there is no window for those who plan their investments in March to save on income tax and/or need to pay advance tax in the middle of the month.

Another senior banking consultant said YES Bank should have been auctioned to the highest bidder. That's the best way to revive it and discover its worth.

There was merit in these arguments. But by Friday evening, when the RBI put up the draft reconstruction scheme for the bank, I am sure both agreed that this is the best possible way to revive YES Bank, given the circumstances.

The last time a new private bank was put under moratorium was in July 2004 —Global Trust Bank Ltd. Within 72 hours, it was merged with public sector Oriental Bank of Commerce. This time, India's largest lender, the State Bank of India (SBI), is the white night. But it is not merging YES Bank with itself; it will put in up to 49 per cent equity, revive it, and could continue to hold at least 26 per cent stake for the next three years.

The RBI has not allowed any commercial bank to fail in the past three decades. It has always played the role of a matchmaker but this is the best deal it has stitched. Why am I saying so? Before that, why did the RBI have to step in? And why now?

The deal has been in the works for months. All of us know that YES Bank needs capital, desperately. But what is not in the public domain is the flight of deposits. Even the best of banks fail when depositors rush to withdraw money en masse. YES Bank's deposit portfolio has been eroding fast over the past few months.

The RBI gave it a new CEO and left it to the market to find a solution to the problem. That was the first choice. Indeed, many prospective investors walked in, did a recee but walked out as either they were not convinced about the quality of assets or were gripped by the fear of the unknown — how many accounts would turn bad in the future. Over the past one year, whenever a new large bad asset surfaced in the banking system, YES Bank has been exposed to it.

There have been investors willing to take a bet on the bank but the Securities and Exchange Board of India's (Sebi's) takeover norm and pricing formula came in the way. These investors were bargaining for a lower price and higher stake, not in conformity with the norms of the market regulator. In April 2009, the Mahindra group could rescue the scam-hit Satyam Computer Services Ltd after Sebi waived the norms. Under the current takeover code, the market regulator does not have any discretion to do that.

The only way it could be waived is through the moratorium route, exercising RBI's powers under Section 45 of the Banking Regulation Act. That's how SBI can acquire a 49 per cent and at ₹10 per share.

At this price the RBI would bring in ₹2,450 crore. That will not be enough to bring YES Bank back on track. What next? SBI's presence will create confidence and excite the investor community to take a fresh look at YES Bank. I assume a rights issue will follow — the pricing of which is not governed by the Sebi norms. Besides, when an investor buys a share at a rate cheaper than the market price, under the income tax law,

the difference is treated as profit and one needs to pay tax on that but this is not applicable to shares bought from a rights issue.

A rights issue becomes successful when at least 90 per cent of it is subscribed. SBI will probably underwrite the issue and other investors (including those that wanted to buy YES Bank shares at a cheaper price but could not because of the Sebi norms) may pick up shares. Depending on the response, SBI can bring down its stake immediately after the rights issue.

All this is expected to happen fast. Even though the moratorium is for one month, one can expect that it will be business as usual for YES Bank by the second half of March.

Since it is not a merger, there will not be any value erosion for SBI stakeholders. No depositor will lose money, no branch of YES Bank will be closed and none of its employees will lose their jobs. The current investors in YES Bank will also see value, if they are willing to stay put. The only loser in the deal are those that invested in the bank's additional tier-I or AT-1 bonds, of ₹10,800 crore — mostly mutual funds. Such bonds are quasi-debt instruments and carry higher risks. Media reports say that the bond holders will move court against the RBI plan of writing them down permanently.

While the write-down will unnerve bond holders and Indian banks will find it difficult to raise money through this route in the future, RBI's plan is in sync with the Basel III guidelines on such instruments. The agreements between the investors and the bank for such bonds, I understand, do not have any formula and provision for converting the AT-1 bonds into equity or a temporary write-down to be followed up by write-up later. Even if such a provision had been there, still the bond holders might not have got anything as Section 45 of the Banking Regulation Act, under which YES Bank is being reconstructed, gives RBI freedom to overrule all such provisions.

To start with, SBI should keep a good amount of deposit with YES Bank to instil confidence in others and the RBI can open a liquidity window, if needed. This could be an Indian version of the Troubled Asset Relief Program (TARP) of the US, financed not by the government but by a government-owned entity. If all goes well, the SBI will make money from its investment.

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INSIGHT

Roadblocks to growth

Is the new Data Protection Bill biting the hands that feed us?

T V RAMACHANDRAN

India became the world's fifth-largest economy last year. This achievement was only possible through strategic economy-boosting regulatory policies and lowered control on foreign trade and investments (*World Population Review*). Unfortunately, the rules proposed by the new Personal Data Protection (PDP) Bill seem to contradict this growth mindset. Will this hit Indian businesses and their employees the most?

India's economic liberalisation began in the 1990s and accelerated over the past few decades. Indian businesses such as Tata and Infosys are powerful entities globally. As a result, India's massive \$185 billion IT industry employs 4 million (direct) and 10 million (indirect). On the startup front, in 2019 alone, over \$10 billion in investments poured into India (Bain). Industry-friendly regulations, low-cost cloud computing, and our large pool of young talent are critical drivers for global investment. India now boasts of 25 Indian-born Unicorns (billion-dollar startups) servicing the global economy.

None of these accomplishments would have happened without the government's help. India's growth trajectory has been steady but it may now become shaky. While the PDP Bill's intent is excellent, several stipulations may adversely affect our economy and the job market.

For starters, take the mandate for data localisation. It requires "sensitive" and "critical" data to be stored on Indian servers. This raises several concerns. What is personal and what is sensitive is subject to interpretation. This matters because critical data can be shared with a foreign entity only with explicit consent and other requirements. One man's "critical" is another man's "sensitive". Who decides?

Additionally, storing massive amounts of data in physical servers locally is extremely expensive. It will drive up costs and make it harder to do business in India — without proof of being effective in protecting data. Running data servers is a very high-cost initiative. It requires land, incredible amounts of uninterrupted power, advanced security measures, and more. Indian infrastructure is not currently equipped to handle this.

The Supreme Court granted Indians privacy as a fundamental right in the landmark *Puttaswamy* verdict of 2018. This means Indians should enjoy data protection — from all entities. The data protection Bill has a curious exemption. The central government can grant access to select government agencies and override protections at any time. They will also appoint the overseeing authority, the Data Protection Authority (DPA). How is our information being protected if anyone from any government agency can seize data in local servers, at any moment? So, if we are not protecting data, why traverse this maze of regulatory hoops and hurdles?

Also, how will the PDP Bill affect Indian fintech industry? Indian fintech raised \$7.4 billion in investments in the last decade and is a valuable contributor to the Indian and global economy. The PDB Bill's restrictions on cross-border data flows could severely slow this industry down. In this digital world, cross-border data flows are integral to growing the economy. Data flows across borders raised global GDP by 3.5 per cent (\$2.8 trillion) in 2014 and could reach \$11 trillion by 2025 (McKinsey). Protectionist policies like data localisation will obstruct our growth (Bauer, 2013). Why not specify that data needs to be secured and protected? If there is justified cause for contest, procuring a court order will offer access to data — like in any criminal case.

Most products and services rely on the internet and cloud computing. The mobile economy contributes significantly to India's GDP. Digital India could offer \$1.3 trillion in business opportunities for the future. Light-touch industry-friendly regulations are the key to realising these dreams.

Unfortunately, the rules around consent might be too cumbersome for small- and medium-sized businesses. User consent contracts and agreements are standard practice. The new rules place all decisions around consent in the hands of the DPA and not organisations. Excessive reliance on consent to drive any data processing can create consent fatigue. Apart from lawyers, there are very few who read each word of their smartphone or app user agreements. Also, how will this affect third-party contracts? Detailed and specific consent gathering in all transactions will slow down and hinder business growth — except for compliance lawyers.

The PDP Bill also created a separate category of organisations called "social media intermediaries". It is practically impossible to segregate purely "social media" organisations. Are news websites social media intermediaries? After all, they collect user comments. This move is also redundant since intermediaries (communication channels) are already covered under the IT Act, 2000, and Intermediaries Guidelines, 2011.

In the end, what problem are we solving? Placing more roadblocks to growth can hamper our economy and drive global investors away. Industry-friendly policies are the foundation that permits Indian enterprise to thrive and secure Indian job opportunities for the future.

(Research inputs by Chandana Bala)

The author is president of Broadband India Forum and founder & CEO of Advisory@TVR Views are personal

LETTERS

Hasty decision

While roping in the State Bank of India (SBI) was a laudable and timely move to help the fund-starved bank, putting a restriction on withdrawal has done enormous harm to the economy, market sentiments and lastly, YES Bank itself.

One thing which can't be denied is the investor confidence in YES Bank — reflected from the huge deposits the bank has and the 67 per cent equity that it put in the hands of retail investors. It is here that the restriction on withdrawal will hit the bank badly. Account holders have become wary and belated assurances that their money is safe will not make them continue. I believe the bank will lose 75 per cent of deposits the moment restriction is withdrawn. Not to forget it has harmed private banks badly. Agreed YES Bank was financially in bad health but still in better health than Allahabad Bank, or say, UCO Bank. Why are such restrictions not enforced there?

Why is the restriction on withdrawal bad? Take the case of a current account holder. He deposits remittances on day-to-day bases and withdraws when payments are to be made. It is stupid to think that he could allow remittances to be put in an account for a month and then wait for the benevolence of the Reserve Bank of India (RBI) governor to withdraw on April 4. I think that the RBI should allow withdrawals of the amount which goes to the account after 6 PM on March 5 and other withdrawals should be relaxed within a week.

How market sentiments have been hit can be gauged from the fact that the moment the news regarding SBI's participation was known , the share price of YES Bank appreciated by 28 per cent to touch ₹38 and when the restriction on withdrawals was known, it depreciated by 400 per cent to touch ₹5.

What we need? Instead of big economists or bureaucrats, we need small businessmen in the decision-making panel. We don't need the likes of Ratan Tata or Mukesh Ambani. Those who run small enterprises and have risen from scratch must be consulted to prevent such mistakes.

Bhartendu Sood via email

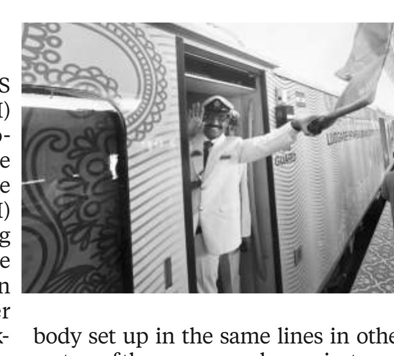
A 'no' bank

News of the proposed takeover of YES Bank by the State Bank of India (SBI) does not surprise many in the knowhow of the functioning of this private sector bank. What indeed surprises me is that the Reserve Bank of India (RBI) took this long to react to the bleeding financial report of the said bank. In the past, there were reports of feud within the Kapoor family in their "power struggle". Flouting RBI norms and reckless sticky loans advanced without due diligence resulted in piling of non-performing assets. Things could have been "nipped in the bud" by the RBI if it drew lessons from the bitter past episodes of banks 'covering up' their solvency! In India, we wake up only on whistleblowing and end up with a late realisation. End of the day, genuine customers are left high and dry.

Ashok Jayaram Bengaluru

Speed up reforms

This refers to the edit "Fast trains at slow speed" (March7). Having partially privatised most of the transport sector, there is no reason to babysit Indian Railways (IR) in the face of increased passenger traffic and continued slippage in share of cargo movement by the IR. The proposal to privatise 50 stations and introduce 150 trains is too little to make any dent in railways' fortunes, given the sheer size of the railway network. The Rakesh Mohan Committee Report of 2002 must be salvaged from railway godowns and action must be taken to corporatise Indian Railways. A railways regulatory



body set up in the same lines in other sectors of the economy where private sector is making valuable contributions.

The railways spend around 67 per cent of its income on salaries and pensions with the latter consuming around 30 per cent. Since no provisions have been made by the railways since its inception toward meeting the pension liabilities and with 1.5 million pensioners to fend for, there is little left for improvement in facilities and modernisation. Probably, the solution lies in sequestering the pension payments from the railways balance sheet which can provide much needed capital for railways' regeneration.

Ganga Narayan Rath Hyderabad

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End of a long rope

There's need for an insolvency framework for financial sector

The Reserve Bank of India (RBI) finally stepped in last week and decided to use the powers granted it under Section 45 of the Banking Regulation Act to deal with the YES Bank crisis. It has, for a month, superseded the board of the bank and imposed several other restrictions on its operations. Customers will not be able to withdraw more than ₹50,000 and it cannot take on any new liabilities. There are two questions that should be asked in any such case and particularly in this case. The first is: Was there a delay in acknowledging the seriousness of the problem? And, second, what comes next?

It certainly appears that the erstwhile promoter-manager of YES Bank, Rana Kapoor, was granted a very long rope by the authorities and that action should have been taken to deal with the financial institution and its management long since. The charges against Mr Kapoor, who has been arrested, are serious, even though not proved as yet. The Enforcement Directorate has accused him and his family of setting up shell companies that were used for receiving kickbacks from corporate entities that took loans from YES Bank. The RBI has put into place an administrator, a former chief financial officer of State Bank of India (SBI), who has sought to reassure bank customers that their deposits are safe.

Yet reviving YES Bank at the time of a general slowdown in economic activity and optimism is a tough ask. The first step will be to put in a strong management that can work in the meantime to push forward the government's plan for revival. The bank, India's fourth-largest in the private sector, is to be taken over by a consortium led by SBI, in what is essentially a bailout. The new management will have to properly audit the books and return operations, especially withdrawals, to normal at the earliest. Investigations into wrongdoing by the previous ownership and management are of course ongoing, and should continue.

But the priority now must be to restore confidence and to ensure there is no contagion. The problem is that banks like YES Bank should ideally be allowed to unwind in an orderly manner. No market system works properly if a bailout organised by the government is the only cost to a company that has taken bad decisions. But the issue is that there is no resolution framework in place for a financial institution that has to go bankrupt. A previous attempt in this government's earlier term lapsed following concern that depositors' money would be used to "bail in" failing banks. Of course, there is always the risk of contagion in the financial sector and so it is understandable if the state has been forced to bail out YES Bank with some cost to the nationalised banks. Yet that cannot be the only option. There must be an institutional structure and legal framework that can support the exit of a large deposit-taking financial firm in such a way that depositors are protected, assets are not destroyed, and incentives for promoters are clearly maintained. The regulator and the government were slow to react to the problems of YES Bank. It should not be slow in responding to the deeper failures that the YES Bank bailout has revealed. Since the role of private financial institutions is likely to increase over time, financial sector regulators, including the RBI, need to be more proactive.

Justice delayed

Supreme Court intervention often takes too long

Speaking at the International Judicial Conference recently, Prime Minister Narendra Modi underlined the importance of the rule of law and highlighted the role of speedy justice in that context. The prime minister is quite right to say that the verdicts of the Supreme Court in particular, even if controversial, are regarded with respect by the other wings of the state and the public at large. The link between the speedy disposition of high-profile matters and the regard for the rule of law is also an important point. It is unfortunate, therefore, that in the recent past, the highest court has not been as swift to address some matters of grave constitutional and political importance that are in its purview.

In one of the most vexed political issues of the day, namely the right to carry out protests against the Citizenship Amendment Act at places like Shaheen Bagh in Delhi, the Supreme Court has now adjourned the hearing on the issue to as far away as March 23. This is unfortunate. The context of the recent violence in Delhi, which arose partly from anger at the protests, makes the postponement even more unfortunate. The court has not been idle; it has appointed two well-regarded personalities as interlocutors with the protestors on its behalf. But nevertheless a speedier resolution would have perhaps helped calm the tensions that erupted in Delhi recently. Another vital constitutional and political issue that has been having fire, in this case for years, is the question of electoral bonds. Such matters should not be delayed for so long that they become moot.

Questions have also been widely asked about the delay in addressing issues arising from the effective abrogation of Article 370 of the Constitution and the associated security clampdown on the erstwhile state of Jammu and Kashmir. Constitutional matters of such gravity should ideally have been addressed with the greatest of urgency. It is precisely for such issues that the Supreme Court exists, after all. The court did finally pass judgment on the broad issue of internet shutdowns, imposing some restrictions on the procedure by which the executive can issue such shutdowns. Yet the specific question of restrictions on Kashmir has been allowed to slide for too long. There is also the very basic question of habeas corpus rights. For centuries, in countries with the rule of law, one of the central duties of the judiciary has been to rule on the legality of detention. But even in high-profile cases, such as that of the detention of Farooq Abdullah, who is a former chief minister, a former Union minister, and a member of Parliament, the Supreme Court did not act as quickly as it could — the notice was issued after six days, a gap that in effect allowed the government the time to charge Mr Abdullah under the Public Safety Act and rendered the judicial intervention moot.

It cannot be disputed that the court must take the time it needs to come to the correct judgment in any matter, particularly those of national importance. However, if the judgment comes too late to be relevant, then the court risks its own relevance in the process.

ILLUSTRATION: AJAY MOHANTY

It's the incentives, stupid

The most important post-mortem required after the YES Bank crisis is about flawed incentives of bankers and officials

SNAKES & LADDERS

AJAY SHAH

Conservatives have argued that the existing policy machinery of Indian finance is broadly fine. The difficulties of YES Bank are a reminder that there are significant difficulties in the policy apparatus. It is important to not slip into personalising the failure. The personnel in the government and the Reserve Bank of India (RBI) have tried to battle with the difficulties with intelligence and determination. The failure lay in institutional capacity, in the impersonal working of incentives and information. The solutions lie in such institutional reform.

Market-based credit risk measures show that YES Bank was in a difficult zone from 2011 to 2014, and then from 2018 onwards. And yet, in the data of March 2019, it reported a nice capital adequacy ratio (CAR) of 16.5 per cent, a value that was clearly wrong. There was failure in both, the legislative function of banking regulation (i.e. the design of regulations) and the executive function of regulation (i.e. the implementation of regulations, also termed "supervision").

The endgame may have been precipitated by an exit of deposits. The incipient stages of a bank run are extremely unpleasant; policymakers get a flurry of difficult days with little time to think and carefully design. But there was no need for the authorities to wait till this endgame. There was ample time in which the resolution could have been planned. While we recognise that India lacks the "resolution corporation" that would do a tidy resolution for some financial firms, the bespoke resolution of YES Bank and Infrastructure Leasing and Financial Services (IL&FS) looks more messy when compared with previous experiences with bespoke resolution in UTI (2001) and Global Trust Bank (2004).

How might this event change the prior of economic agents? Private persons might trust the disclosures and credit-worthiness of private banks less, and trust electronic payment systems less. If mistrust clusters around a group of stressed private firms, it could morph into contagion through reduced access for these firms to credit and deposits. The incentive implications of these changes might prove to be more important for the economy, in the long run, than the immediate disruption.

In the mainstream discourse, the collapse of a firm is seen as the failures of individuals, both in the firm and in policy institutions. We should be sceptical about the theory that the event is caused by some bad human beings. A more abstract view is more insightful, which sees the individuals as merely playing out the role for them in a vast drama, where each person is responding to incentives.

The human actions that added up to the failure of YES Bank were responses to incentives. We bemoan the willingness of people in India to go through a red light but persons of Indian origin do pretty well at respecting traffic lights, when driving in other countries. Human beings are roughly the same everywhere, the key thing that matters is the incentives that we are placed under. The most important post-mortem required after YES Bank is not the investigation and fault-finding of individuals: We should worry about the flawed incentives at work.

Why do individuals in private financial firms seem to repeatedly do bad things? Why do individuals in policy institutions seem to repeatedly make mistakes? In both cases, what is going on is responses to flawed incentives. The bad incentives that have given us an important financial crisis in India from 2011-12 onwards are alive and well, and without the required financial reforms, the crisis will fester.

How do we improve banking regulation? The RBI requires clarity of purpose: To deliver consumer price index (CPI) inflation of 4 per cent, and to deliver safe and sound banks. The RBI should be divested of peripheral work, and get going on the path to capability on these two functions. While the RBI board correctly has a majority of independent directors, there is a need to put the board in control of the organisation design, to hold the management accountable, and to control the legislative function. The legislative, executive, and judicial functions require good governance procedures that are encoded into the law. As with all other financial agencies, the RBI needs the Comptroller and Auditor General (CAG) audit and appeals at the Securities Appellate Tribunal (SAT). Sound formal processes for reporting, RTI, and budgeting are required.

How do we improve resolution? India began on the Insolvency and Bankruptcy Code (IBC) journey in 2016. There are, however, two groups of financial firms where the IBC process is likely to fare poorly: The firms which have made strong promises to unsophisticated households (banks and insurance companies) and systemically important firms (e.g. HDFC). For these two groups of firms, what is required is a specialised "resolution corporation" which will look beyond the interests of lenders in order to find a tidy burial for the failed financial firm.

These key ideas were worked out in the Indian research community from the 1990s onwards, in the expert committee process from 2007 to 2010, and then translated into a draft law by the Financial Sector Legislative Reforms Commission (FSLRC), led by Justice B N Srikrishna, over 2011-15 (*http://bit.ly/2wHdfzv*). This process of policy analysis saw important flaws in Indian financial economic policy, and designed the corresponding institutional reforms. The puzzle before policymakers is that of assembling teams that will carry through legislation, where sensible compromises are made through the standing committee process but the essential ideas are protected, and then of assembling teams that will build new financial agencies and reform existing ones.

A subset of the Indian policy community has argued that the key flaw in Indian finance is the large size of public sector banks. While I am no friend of public sector ownership, it is important to be concerned about the consequences of low state capacity in financial regulation. Economists have long argued that the one thing more troublesome than a public sector bank is a poorly regulated private bank. The best sequence that can be envisioned for the next 25 years involves learning how to do banking regulation, then opening up to entry by private banks, and finally privatising public sector banks. For the years with low state capacity in regulation, a small banking system is in our best interests.

The writer is a professor at National Institute of Public Finance and Policy, New Delhi

The next water decade

DOWN TO EARTH

SUNITA NARAIN

I would dare to say that I do not believe that there will be water wars, or that cities will run out of water, or that we will not have any water to drink. I say this, knowing fully well that we have a dire and crippling crisis of water shortage in the country and it is getting worse.

I say this because water is a resource that can be replenished — it snows and rains each year. More importantly, other than in the case of agriculture, we don't consume water. We use and discharge. Therefore, it can be treated and then re-used and recycled. So, this is one future we can change.

But this means getting the policy and practice of water management right. The good news is water literacy has grown. Till the late 1980s, water management was largely confined to the issue of irrigation projects — building dams and canals to store and supply water over long distances. But then came the big droughts of the late 1980s and it became clear that it was not enough to plan for augmenting water only through large projects. This was also when the Centre for Science and Environment (CSE) published its report *Dying Wisdom*, which documented technologies for rainwater harvesting in ecological diverse regions of India. Our slogan for that period was, rain is decentralised, so is the demand for water. So, capture rain when and where it falls.

There was a paradigm shift in policy. In the droughts of the late 1990s, state governments launched massive programmes to capture rainwater by building ponds, digging tanks, and building check-dams on streams. By the mid-2000s, these efforts coalesced into the Mahatma Gandhi Rural Employment Guarantee Act — investing labour in building rural water assets.

In the decade of the 2010s, the crisis of urban drought hit homes. But again, policy evolved as it learnt that augmenting water supply was only one part of the challenge — cities were increasingly dependent on long-distance sources; pumping and piping this water meant losses in distribution as well as the costs of electricity, and these, in turn, made the available water expensive and more inequitable. More importantly water supply was linked to pollution — the more the water supplied, the more is wastewater generation. The CSE's report *Excreta Matters* detailed how this unaffordable paradigm of water-sewage management needed to be changed.

A few years later, our research revealed that the bulk of the urban residents are not even connected to the underground sewerage network, which is capital- and resource-intensive. Instead, they depend on on-site sewage "disposal" systems, where household toilets are connected to septic tanks or just holding tanks or even to open drains in the vicinity. In all this, new solutions emerged — if affordable water supply was critical, then cities needed to cut the length of their distribution pipelines, which meant increased focus on local water systems like ponds, tanks, and rainwater harvesting. Then, if cities needed to ensure affordable sanitation for all and affordable treatment of wastewater, then on-site systems could be re-engineered so that waste was collected from each household, transported, and treated.

So, this is where we are in our understanding of water management. We know what to do, the question is why we are not getting our act together.

This is where the real challenge remains — ensuring the sustainability of the water-supply systems. Today, the problem is that the natural-resource water asset created is not durable — the pond gets filled; the tank is encroached upon; and the watershed, so critical for the drainage to be secured, is destroyed. The problem lies in the fact that land and water bureaucracies are fractured — somebody owns the pond, another agency the drain, and yet another the catchment. Water security requires this to change. This means giving much greater control over the water structures to the local community — deepening democracy and devolution of powers — is then the answer to water management.

Then we need to do all we can to minimise our use of water, and become much more efficient with every drop. This means doing everything from investing in water-efficient irrigation, appliances, and changing diets so that the crops we eat are water-prudent.

So, this is the opportunity — the decade to put all we have learnt into practice and to turn around the water-story of India. It is possible. We just have to make it our single-biggest obsession. Water, remember, is about livelihood. It is about food and nutrition. It is about economic growth.

This decade is then our make or break — it is also because it is in this decade that we will see the revenge of nature as impacts of climate change grow. We need to scale up our work to invest in water systems and to make them durable, not just to withstand another rain but another deluge. We need to speed up our work, because climate change will make sure that we have more rain, but in fewer rainy days. This means doing much more to capture the rain, when and where it falls. It is about a new worship — this is a god that we cannot fail.

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Capitalism reconsidered

BOOK REVIEW

PAUL KRUGMAN

Seven years ago the French economist Thomas Piketty released *Capital in the Twenty-First Century*, a magnum opus on income inequality. Economists already knew and admired Piketty's scholarly work, and many — myself included — offered the book high praise. Remarkably, the book also became a huge international best seller.

In retrospect, however, what professionals saw in *Capital* wasn't the same thing the broader audience saw. Economists already knew about rising income inequality. What excited them was Piketty's novel hypothesis about the growing importance of disparities in wealth, especially inherited wealth, as opposed to earnings.

But for the book-buying public, the big revelation of *Capital* was simply the fact of soaring inequality. This perceived revelation made it a book that people who wanted to be well informed felt they had to have.

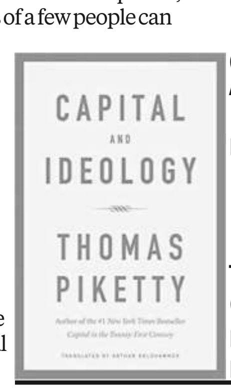
To have, but maybe not to read. An analysis of Kindle highlights suggested that the typical reader got through only around 26 of its 700 pages. Still, Piketty was undaunted.

His new book, *Capital and Ideology*, weighs in at more than 1,000 pages. There is nothing necessarily wrong with writing a large book to propound important ideas.

To be fair, the book does advance at least the outline of a grand theory of inequality, which might be described as Marx on his head. In Marxian dogma, a society's class structure is determined by underlying, impersonal forces, technology and the modes of production that technology dictates. Piketty, however, sees inequality as a social phenomenon, driven by human institutions. Institutional change, in turn, reflects the ideology that dominates society: "Inequality is neither economic nor technological; it is ideological and political."

But where does ideology come from? A Piketty argues that history is full of "ruptures" that create "switch points," when the actions of a few people can cause a lasting change in a society's trajectory.

To make that case, Piketty provides what amounts to a history of the world viewed through the lens of inequality. The book's archetypal case study is French society over the past two and a half centuries. But Piketty ranges very far afield, telling us about everything from the composition of modern Swedish corporate boards to the role of Brahmins in the pre-colonial Hindu kingdom of Pudukkottai.



CAPITAL AND IDEOLOGY
Author: Thomas Piketty
Publisher: The Belknap Press of Harvard University Press
Translated by: Arthur Goldhammer
Price: $39.95
Pages: 1,093

He describes four broad inequality regimes, obviously inspired by French history but, he argues, of more general relevance. First are "ternary" societies divided into functional classes — clergy, nobility and everyone else. Second are "ownership" societies, in which it's not who you are that matters but what you have legal title to. Then come the social democracies that emerged in the 20th century, which granted considerable power and privilege to workers, ranging from union representation to government-provided social benefits. Finally, there's the current era of "hypercapitalism," which is sort of an ownership society on steroids.

Using a combination of extrapolation and guesswork to produce quantitative estimates for eras that predate modern data collection is a Piketty trademark, and it's a technique he applies extensively here, I'd say to very good effect. But for me, at least, the vast amount of ground it covers raises a couple of awkward questions. The first is whether Piketty is a reliable guide to such a large territory. His book combines history, sociology, political analysis and economic data for dozens of societies. Is he really enough of a polymath to pull that off?

I was struck, for example, by his extensive discussion of the evolution of slavery and serfdom, which made no mention of the classic work of Evsey Domar of MIT, who argued that the more or less simultaneous rise of serfdom in Russia and slavery in the New World were driven by the opening of new land, which made labour scarce and would have led to rising wages in the absence of coercion.

The second question is whether the accumulation of cases actually strengthens Piketty's core analysis. It wasn't clear to me that it does.

For Piketty, rising inequality is at root a political phenomenon. The social-democratic framework that made Western societies relatively equal for a couple of generations after World War II, he argues, was dismantled, not out of necessity, but because of the rise of a "neo-proprietarian" ideology. This is a view shared by many, though not all, economists.

But why did policy take a hard-right turn? Piketty places much of the blame on centre-left parties, which, as he notes, increasingly represent highly educated voters. And his clear implication is that social democracy can be revived by refocusing on populist economic policies, and winning back the working class.

Piketty could be right but most political scientists would disagree. In the US, at least, during the Obama years the Affordable Care Act extended health insurance to many disadvantaged voters, while tax rates on top incomes went up substantially. Yet the white working class went heavily for Trump, and stayed Republican in 2018. Maybe the political science consensus is wrong. What I can say with confidence, though, is that until the final 300 pages *Capital and Ideology* doesn't do much to make the case for Piketty's views on modern political economy.

The bottom line: I really wanted to like *Capital and Ideology*, but have to acknowledge that it's something of a letdown. There are interesting ideas and analyses scattered through the book, but they get lost in the sheer volume of dubiously related material. In the end, I'm not even sure what the book's message is. That can't be a good thing.

PSB MERGER

Gains may not accrue soon for investors

Experts say concern over growth, credit cost, and asset quality would restrict valuation improvement despite sharp correction in share prices

SHREEPAD S AUTE
Mumbai, 8 March

Based on their closing stock prices on Thursday, when the share-swap ratios involving the combination of 10 public-sector banks (PSBs) into four were announced, the exercise looks beneficial only for the shareholders of Punjab National Bank (PNB), Oriental Bank of Commerce, and Syndicate Bank.

While the mergers are expected to improve the performance of the PSBs over the long term, concern over growth, market share gains, and credit cost could keep a lid on their valuations in the near to medium term.

Mona Khetan, analyst at Reliance Securities, says: "Past PSB mergers show that both asset quality and growth are affected in the four-six quarters after the merger, making the incumbents unattractive despite sharp correction in valuation multiples."

In the current tepid environment, too, where credit growth is expected to remain moderate, pressure on market-share gains for PSBs would be more severe, even as their near-term capital position looks fair.

Analysts at Antique Stock Broking expect private banks, mainly the top five lenders, to gain more market share.

Factors such as technology advancement, faster branch expansion, and a sufficient capital base of the private sector as well as foreign banks have led to PSBs losing market share to the former in the past few years.

According to ICRA, the market share of private banks has improved to around 35 per cent as of September last year from 28 per cent as of March 2014.

Also, though PSBs have two-thirds market share, close to 50 per cent is held by the country's largest bank, State Bank of India, which has a very large business base.

Lalitabh Shrivastawa, deputy vice-president at Sharekhan, says market-share gains would be difficult for PSBs as private players have been aggressively focusing on growth.

On asset quality, the merger process will lead to increase in gross non-performing assets (NPAs) of the anchor banks — PNB, Union Bank, Canara Bank, and Indian Bank — by up to 580 basis points, based on the October-December 2019 numbers.

This, in turn, would keep credit cost (provisioning as a percentage of loan book) elevated for some more time.

Additionally, the impact of the ongoing economic slowdown and coronavirus on asset quality is still not clear, but is more likely to be negative.

India Ratings says the credit profiles of companies are likely to remain under pressure as the economy grapples with a synchronised and prolonged economic slowdown and so ₹10.52 trillion, or 16 per cent of system level corporate debt, is vulnerable to default over the next three years.

This could keep the credit cost for the corporate banking segment, not just PSBs, under pressure.

Though some corporate loan accounts are expected to be resolved, Shrivastawa says recovery could get longer.

However, the likely gains over the long term are something still keeping experts hopeful about PSBs.

G Chokkalingam, founder and managing director, Equinomics Research Advisory, says: "The merger could improve the medium- to long-term business potential of PSBs. Most PSBs, which trade at a discount to adjusted book values now, are likely to see a significant premium to their adjusted book values in the medium term."

For now, investors with less risk appetite are recommended "wait" till clarity on growth and asset quality emerges.

GOING CHEAP
Price-to-book value ratio (x)

Andhra Bank	0.00
Allahabad Bank	0.14
Indian Bank	0.17
Union Bank of India	0.24
Canara Bank	0.26
Syndicate Bank	0.27
United Bank of India	0.33
Oriental Bank of Commerce	0.35
Punjab National Bank	0.43
Corporation Bank	0.55

Trailing 12 months price-to-book value; data as of March 6, 2020; compiled by BS Research Bureau
Source: Bloomberg

Perpetual licences for fund managers by PFRDA soon

Considers raising fund management charges a bit

INDIVJAL DHASMANA
New Delhi, 8 March

The Pension Fund Regulatory and Development Authority (PFRDA) will issue request for proposals (RFPs) in the next two months and select fund managers for perpetuity against the current practice of issuing these licences for five years.

Supratim Bandyopadhyay, newly appointed chairman of PFRDA, said the authority expected that the existing seven fund managers and some others would apply for these RFPs.

Licences for perpetuity means these would not be revoked unless a fund manager itself wants to exit or it violates some terms. The fund managers will only need to pay fee for renewing licences.

Earlier, PFRDA had put a cap on the number of fund managers at 10. It is now having a re-look whether to increase it or not. Bandyopadhyay clarified that the licences were given for perpetuity but these would not be issued on tap. "On tap means you give some eligibility conditions and anyone filling those conditions can apply and get the licences without we issuing the RFPs." As to why PFRDA is not going for on-tap licences, he said the authority also decides fund management charges in the RFP process. "We cannot do that if we issue on-tap licences," he said. The regulator is also planning to increase this charge moderately from the existing 1 basis point.

"Currently, fund management charges are pittance. It is just 1 basis point, which means for every ₹100 you give, only one paisa is charged. We feel that there is a scope to increase it a little bit to professionalise pension funds," Bandyopadhyay said. It has yet not decided the exact fund management charges. "We will find the ideal charge," he said. On whether PFRDA will decide to issue licenses on tap later, he said,"Let us see what is the response we get on our RFPs."

Currently, there are seven pension fund managers — HDFC Pension Management, ICICI Prudential Pension Fund Management, Kotak Mahindra Pension Fund, LIC Pension Fund, SBI Pension Funds, UTI Retirement Solutions, and Aditya Birla Sun Life Pension Management.

SUPRATIM BANDYOPADHYAY, chairman, PFRDA

"Currently, fund management charges are pittance. It is just 1 basis point. We feel that there is a scope to increase it a little bit to professionalise pension funds"

PENSION FUND MANAGERS

FOR GOVT SECTOR
- LIC Pension Fund L
- SBI Pension Funds
- UTI Retirement Solution

FOR PRIVATE SECTOR
- HDFC Pension Management
- ICICI Prudential Pension Fund Management
- Kotak Mahindra Pension Fund
- LIC Pension Fund
- SBI Pension Funds
- UTI Retirement Solutions

Crypto trade getting back on track

RAJESH BHAYANI
Mumbai, 8 March

With the Supreme Court setting aside the Reserve Bank's circular banning banks from dealing with cryptocurrency, several exchanges have started opening accounts to bring back trading on exchanges like they were doing before April 2018.

However, investors have been advised caution in trading till the government the clears its stand on the issue. The Centre in February 2019 introduced a Bill proposing a ban on cryptocurrency.

Bitcoin, the largest and the first cryptocurrency, is commanding premium of 1.5-2 per cent of its cost on one of the exchange's apps which has started permitting trading against payment. Even buy-sell spread was seen very high despite new investors' registration was noticed.

Unocoin, a crypto exchange from the south, has resumed offering services. The exchange's chief executive officer (CEO), Sathvik Vishwanath, said: "We already have processed hundreds of requests for deposit and withdrawal of Indian rupee and more customers are signing up now."

Another exchange, WazirX, is expected to finalise proposals of banks that have shown interest in opening their account. The exchange was recently acquired by Binance, which is the world's largest crypto exchange.

"We have the best mobile app in India with highest rating. We will continue to offer attractive features for Indian users so that they can easily be involved in Bitcoin and other crypto. We are at testing stage," said the exchange's CEO Nischal Shetty.

"Doors to massive crypto adoption in India has now opened. It proves that we can now innovate, and the entire country can participate in the blockchain revolution. With more than 1 billion population, the Indian market is a sleeping giant," Nischal said.

He sees hundreds of new crypto start-ups in India, millions of dollars of venture capitalists' investment in this sector and more job openings.

Naveen Surya, chairman emeritus, Payment Council of India and current Chairman of Fintech Convergence Council, is bullish after the SC judgment. He, however, cautioned investors against dealing with cryptocurrency till the Centre came up with its plan to deal with it.

Investors have been advised caution in trading till the government the clears its stand on the issue. It had earlier introduced a Bill proposing a ban

Banks well capitalised, no reason to worry: CEA

PRESS TRUST OF INDIA
Mumbai, 8 March

Allaying concern over the banking sector's health in the wake of the YES Bank fiasco, Chief Economic Adviser Krishnamurthy Subramanian on Sunday said Indian banks were well capitalised and there was no reason to worry.

He further said that it was a wrong method to assess a lender's health based on the ratio of deposit to market capitalisation (m-cap).

"What I want to emphatically state is that the m-cap ratio is a totally incorrect metric for assessing the safety of the banks. No banking sector expert or banking regulator uses this measure," Subramanian said.

Experts or regulators use the capital to risk weighted assets ratio, and not the deposit/m-cap ratio as a measure to gauge resilience of banks, he added.

"What banking sector experts and regulators use is what is called the CRAR. It is important to keep this in mind that the international norms for CRAR is 8 per cent and Indian banks on an average have a CRAR of 14.3 per cent.

"So, 8 per cent is the mandated minimum norm and our banks on the average have 14.3 per cent (CRAR). Now 14.3 per cent versus 8 per cent almost translates into 80 per cent greater capital than the international norms," he said.

He further said that the Reserve Bank of India (RBI) mandates the Indian banks to keep CRAR at 9 per cent.

FROM PAGE 1

Rana Kapoor in ED custody, faces ₹4K-cr kickback probe

Rana Kapoor being after being arrested by the Enforcement Directorate PHOTO: PTI

Rana Kapoor's wife Bindu Kapoor at ED's office in Mumbai on Sunday PHOTO: KAMLESH PEDNEKAR

The agency is in possession of some crucial documents that show Kapoor bought two properties in the UK, and their valuation of which is underway. The probe agency also seized 44 paintings from Kapoor's residence.

Roshini, Kapoor's daughter, was stopped by immigration authorities from taking a Mumbai-London flight as a look-out-circular had been issued against Kapoor family members by the ED. The ED started its probe last Friday based on a first information report (FIR) filed by the Central Bureau of Investigation (CBI). The CBI in the FIR alleged Kapoor entered into a criminal conspiracy with DHFL promoters Kapil Wadhawan and others for extending financial assistance to DHFL by YES Bank in lieu of substantial undue benefits to himself and his family members through the companies held by them.

The CBI FIR also names DoIT Urban Ventures, a company allegedly held by Kapoor's family members.

The ED remand copy cited the CBI report and has explained the transaction between DHFL and Kapoor and his business enterprise in detail. According to the remand copy, DHFL had sanctioned a loan of ₹600 crore to DoIT in 2018 for repayment of an earlier loan of ₹300 crore and rest for general corporate purpose. This loan was against the five properties valued at ₹40 crore as collaterals. This happened when DHFL had already defaulted on a ₹3,700-crore loan given by YES Bank. DHFL, however, arrived at the valuations of these properties at ₹735 crore on the basis of future development potential, according to the instruction of Wadhawan. The valuations were done assuming these land parcels would be converted from agricultural use to residential. However, there has been no change in status as of now. According to the ED, the assessed value would have only been ₹485 crore even after conversion of land use. Therefore, the claimed value of these properties is highly inflated.

The ED also highlighted another loan of ₹750 crore, which was disbursed in 2018 by YES Bank to Belief Realtors (an RKW Group Company) for redevelopment of Bandra Reclamation project. Of the said amount, ₹118 crore was taken by YES Bank as processing fees and balance ₹632 crore was transferred to RKW and from there, immediately to KYTA Advisors through three group companies of Dheeraj Realty. The advisor company transferred the full amount to DHFL immediately.

Shadow over AT-1...

Fixed income experts say these bonds have been an important avenue of raising funds for banks, especially for those unable to tap the equity markets due to beaten down equity value. "Most public sector banks already can't access equity capital markets. Such a move will make it difficult for them to access debt markets as well. This is a retrograde step," a debt fund manager said.

"For the first time, AT-1 bonds are being written off ahead of equity. Equity shareholders will still own 51 per cent of the restructured bank, but AT-1 bondholders will suffer full loss. This could put brakes on fundraising in the AT-1 market," the fund manager said. Under Basel III Capital Regulations, outlined by the RBI in its master circular, an AT-1 bond is superior to equity. Meanwhile, information memorandums of such bonds highlight the risk of write-down or conversion to equity if a bank's financial health is in trouble.

According to sources, banks are reconsidering fundraising plans through AT-1 bonds. On Saturday, IndusInd Bank decided not to consider issuing bonds for fundraising. The bank said Monday's board meeting, which was to consider issuances of AT-1 bonds and/or tier-2 bonds, was being put on the back-burner.

Fixed income experts say regulatory intervention on AT-1 bonds can further widen risk premium on such bonds, especially for smaller banks.

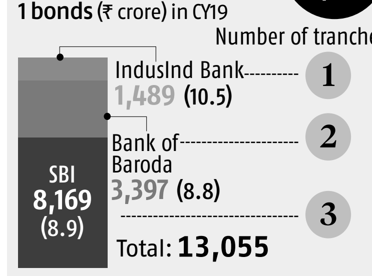
"Going forward, appetite for such an instrument in the market shall be muted or be available only at higher spread for risk-free names," said a person heading the institutional fixed income business of a non-banking financial company (NBFC).

Further, financial advisors say AT-1 bonds were also sold to retail investors, citing the 250-300 basis point higher yield than bank fixed deposits, without disclosing the inherent risks of write-down or losses.

So far, AT-1 bond market has been tapped by both large and small-sized banks. According to data from Bloomberg, State Bank of India raised ₹8,169 crore from AT-1 bonds in 2019. Among other banks that accessed the AT-1 bond market last year were IndusInd Bank (raised ₹1,489 crore) and Bank of Baroda (raised ₹3,397 crore). Other banks that raised capital through AT-1 bonds include Punjab National Bank, Canara Bank, Union Bank of India, Andhra Bank, ICICI Bank, and HDFC Bank, among others. Some NBFCs have also used AT-1 bonds for capital requirements.

LOSING SHEEN
Amount raised via AT-1 bonds (₹ crore) in CY19

Total in CY18 12,066



Figures in bracket are average yield (%)
Source: Bloomberg

Foreign pension...

Reforms in India's pension sector has been patchy, with several grey areas persisting in the market. For instance, the largest pension fund operator in the country, the Employee Pension System (EPS) under the Employees' Provident Fund Organisation, is run by the labour ministry and is outside the scope of the PFRDA. All private sector employees earning below a certain threshold have to mandatorily subscribe to the EPS, though the government established a bridge between the two pension systems in 2015. The most important reform will be the establishment of more than one pension trust instead of the sole National Pension System Trust. The NPS Trust was established by the PFRDA in 2008 with the execution of the NPS Trust Deed. Any worker who subscribes to the pension system run by the PFRDA comes under the NPS Trust. Their interests are guarded by the NPS' board of trustees. While the money to build up the pension funds of the workers are invested by the companies that bid for the rights, the board of trustees takes care of the assets and funds in the interest of the subscribers. The government feels that a sole NPS has stalled the development of the sector. Hence, the Trust deed will be modified to allow for multiple trusts, which can be set up by any pension company. So a foreign pension fund like, say Calpers, could run a pension fund in India and set up a pension trust for the purpose.

The existing NPS will become a self-regulatory organisation to ensure that best practices are followed by all the pension trusts. It will report to the regulator, the renamed PRDA.

Ujjwala may get...

The source said mobile vans would be introduced, giving priority to safety aspects, too.

The government had faced flak over lower Ujjwala refills, as the average number of refills by normal customer comes to around 7. The Ujjwala scheme, under which free cooking gas connections are given to poor families, was instrumental in increasing LPG coverage to 97.4 per cent households from 55 per cent. According to the ministry of petroleum and natural gas, of 275.9 million LPG consumers in India, 80.3 million consumers come under the Ujjwala scheme. "Behavioural change, further strengthening the supply chain, and a shift towards cleaner energy are some of our key priorities. We are looking for innovative ways to increase refills and sustain adoption," Petroleum Minister Dharmendra Pradhan said last week, stating "the mission is not yet complete". After the BJP government took charge for a consecutive time last year, PMUY beneficiaries were given options of 14.2-kg and 5-kg cylinders. Now, existing PMUY beneficiaries are being given the option to go for two 5-kg cylinders instead of a 14.2-kg connection.

BS SUDOKU # 2993

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Very easy: ★
Solution tomorrow

HOW TO PLAY
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SOLUTION TO #2992

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8	7	4	2	6	3	1	9	5
3	2	1	8	5	9	7	4	6
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COVID may delay roll-out of Vivad se Vishwas scheme

There are more than 400,000 such cases eligible to avail of the scheme, and they involve at least ₹9.3 trillion.

As things stand now, tax has to be paid by March 31. Otherwise, the scheme is open till June 30 this year, but an additional 10 per cent of tax dues will need to be paid in the case of payments made after March 31.

The earlier dispute resolution scheme of 2016 provided a seven-month window till December 31, but an additional one-month extension was given. Similarly, the Sabka Vishwas Legacy Dispute Resolution Scheme, for service tax and excise duty, also saw a month's extension till January 31, 2020. Amit Maheshwari, partner, AKM Global, said: "It is not an easy decision to take in a lot of cases, especially when it involves multinationals, and hence it would take time. The frequently asked questions have been released recently and we are all racing against time to get this done."

An extension, he said, would be welcome, considering that coronavirus was affecting Indian offices as well as global/Asian headquarters of several multinationals. Rajat Mohan, partner, AMRG Associates, said the taxpayers had been given a short window to discuss, deliberate, and decide the fate of tax disputes in various forums and were related to ultra-technical issues. The deadline to pay by March 31 is pushing the envelope too far, he added.

"That has made the scheme lose its lustre. An extension of payment dates by three months without any additional charge of interest seems to be just and would motivate many more taxpayers to opt for the scheme."

The designated authority (DA) will determine the amount payable within 15 days of receiving the declaration and grant a certificate of amount to be paid. The declarant will have to deposit the money within 15 days of the determination of the tax liability. The clarification gives little time to assessees to square up by March 31 because the Bill is yet to be enacted.

VALUE OF ₹1 LAKH INVESTED IN VARIOUS ASSET CLASSES

	SENSEX	GOLD	SILVER	FD (SBI)	PPF
1-YEAR	1,02,567	1,37,831	1,23,964	1,06,800	1,08,000
1-YEAR POST-TAX RETURNS	1,02,567*	1,26,482	1,16,775	1,04,760	1,08,000
5-YEAR	1,27,599	1,66,743	1,26,953	1,48,641	1,51,757
5-YEAR POST-TAX RETURNS	1,27,599*	1,60,069	1,24,258	1,32,408	1,51,757

*Note: Cumulative equity gains up to ₹1,00,000 in a financial year are tax-free. All post-tax returns are calculated for an individual in the 30 per cent tax bracket, without considering the indexation benefit

As on March 06, 2020, in ₹; compiled by BS Research Bureau

Take charge of your financial life

While recounting their own journeys, three achievers from the financial services industry advise women on how to achieve security in money matters

'Contribute and ensure fair remuneration'

SHINJINI KUMAR,
Country Business Manager, Global Consumer Bank, Citibank India

On her journey in the financial sector: I did not make a conscious choice to become a banker. In fact, I studied English Literature and Journalism. I was a small-town girl who wanted to live in a city. When I qualified to join the Reserve Bank of India, more than anything else I was excited about moving to Bangalore. It has been a huge learning opportunity since. I have been lucky to find great opportunities and mentors over the years—from central bank to consulting to a digital bank, and to a multinational consumer bank now.

On how working women can get their due: For any woman entering the work place, my short advice is: "Don't give up." My long advice is to stay focused on making a contribution and being relevant to your teams, your clients, and your organisation. Raise your hand for opportunities. Feel empowered to ask for what you consider fair and equitable. All good organisations value contribution and pay for performance. In India, gender-based wage disparity is less egregious in the formal sector because a large number of jobs are in the government or public sector. But it exists by way of subconscious bias. It is more obvious in the semi-formal or informal economy.

On how to bounce back after a break: Sit back and soak in the phenomenal joy of being a mother. Do not let anything tarnish that happiness. But you surely want to come back post-maternity and find the right balance between being a mother and a working professional. The time to think about this is pre-maternity. Invest in your relationships at work and at home. Build stakeholders or promoters that will look out for you and support you when you return. At home, set the clear expectation that you will go back to work. Do this beforehand as you will not be able to do it once you are with the baby and trying to come back.

'Make equities part of your portfolio'

RADHIKA GUPTA,
CEO, Edelweiss Mutual Fund

On choosing to work in financial services: I studied engineering and finance at Wharton, which is one of the best finance schools in the world. I grew to love this industry over time. I spent four years on Wall Street, where I saw the highs of 2006-07, followed by the lows of 2008. At the age of 24, I founded Forefront Capital in India, which was perhaps India's first registered Category III fund. We sold Forefront to Edelweiss. I then joined Edelweiss to keep running the same business. In 2016, Edelweiss Mutual Fund acquired the business of JP Morgan Mutual Fund and I was tasked with looking after the merger. I became CEO of Edelweiss Mutual Fund at 33.

On women being good savers, not investors: Unfortunately, there is truth in this stereotype. Saving comes naturally to women, but investing is something a lot of them shy away from. I recently met employees of a large tech company. A lot of women said they would not like to get involved as they don't come from a Finance background. But just as you don't need to be a Michelin-starred chef to cook in your house, the same way you don't need to be a Warren Buffett to manage your own money.

On positive changes she has observed: Younger women are gradually becoming more knowledgeable, and more aspirational. They work hard and want more from their money. They ask a lot of Finance-related questions, which is a positive sign.

On investing for long-term goals: Start saving and investing early. Don't outsource this job to the men in your life. Be goal-oriented. So long as you are on track to achieve your goal, you are doing well. Be aspirational and make equities a part of your portfolio.

'Start investing to earn financial independence'

MRIN AGARWAL,
Financial educator, Director, Finsafe, and Co-founder Womantra

On what attracted her to financial planning: I did an MBA with specialisation in Finance. My first job was with a wealth management firm. I love working with numbers.

On challenges women face in planning their finances: Women are conditioned to think money management lies in the male domain. Lack of knowledge and fear of the unknown also stop women from investing. They get petrified at the thought of losing money. If a man invests in stocks and loses money, that is treated as par for the course. But when a woman does, it becomes an issue. There are also many women who are just not interested in saving and investing so long as they have money to spend.

On the attitude of the younger generation: Unfortunately, matters are worse there. My company runs a programme on money management for women. Typically, it is women of above 30-35, who have children, who are interested. The younger lot is on a big consumption spree. If you ask them about their financial goals, it is to travel, have a destination wedding, and own a Louis Vuitton bag or Jimmy Choo shoe.

On advice to younger women: Financial literacy is not taught at schools and colleges. In India, money is a taboo subject that parents don't discuss with their children, especially girls. This needs to change.

Once you have started earning, that is just economic independence. Women need to make financial independence an important goal in their lives. Spend a limited amount, and save and invest the balance. Begin early.

As told to Sanjay Kumar Singh

Take medium-term bet on commodities

As manufacturing in China recovers, so will the demand for raw materials

MARKET INSIGHT

DEVANGSHU DATTA

There is global panic at the thought of a COVID-19 pandemic. That has provoked extreme action from the US Federal Reserve, which made an out-of-turn 50-basis-point rate cut for the first time after October 2008. The Fed Fund policy rate pair is down to a band of 1-1.25 per cent.

The Fed cut is likely to lead to copycat actions by other central banks, including the People's Bank of China. Since US inflation is running at 2.5 per cent, this is a deeply negative real interest rate for America. Japan and the European Union have nominally negative rates already, and lower inflation.

Like everywhere else, sentiment in India too has been hit by coronavirus and the US rate cut. Weak Q3 GDP data (October-December 2019) has been discounted. This was the seventh successive quarter when growth stayed down, although Q3 was marginally better than Q2. The data for Q1 and Q2 (April-September 2019) were revised up, while the data for Q1 and Q2 2018-19 (April-September 2018) was revised down.

This is very unusual since Q1, Q2 data is usually revised only after full-year data comes in because that's when unlisted firms and individuals file results and taxes. The net result of revisions seems to be meeting a GDP growth "target" of 5 per cent for 2019-20. February's high-speed data is hard to compare year-on-year because of the extra working day. But consumption still seems down, since auto sales are weak.

The global economy has been disrupted by anti-epidemic measures. Trade has been impacted and supply chains broken. China seems to be over the worst but other nations, including Italy, South Korea, Japan and the US are now impacted.

The optimists are betting on the disease limiting itself in summer if the virus doesn't survive high temperatures. Even if that turns out to be true, and there's no guarantee, there may be at least another quarter of sub-par economic activity.

The Reserve Bank of India (RBI) faces a dilemma. India's inflation is well above the upper limit of the target band of 2-6 per cent. That's mainly due to food inflation. But food inflation usually doesn't reduce in summer. A rate cut would be contraindicated, given inflation. But weak growth makes it tempting.

If the RBI maintains the current policy rate (it's very unlikely to raise), the rupee may become more uncompetitive globally, since hard currency rates look to be trending down. On the other hand, the rupee has taken a beating in the past ten days and the RBI may want to shore up the currency.

From a foreign portfolio investor (FPI) perspective, India's growth is low, equity valuations are high, and the currency is bearish. There has been heavy FPI selling in March, with over ₹12,000 crore (equity and debt combined) divested by March 4. That money is flowing back into safe hard currency assets, and into more sustainable equity valuations in other markets. FPI selling is one reason why the rupee has dropped.

If FPI selling continues, there will be further pressure on the rupee. This brings us back to a theme we have mentioned several times before. Diversifying overseas into hard currency assets seems to make sense for domestic investors. The currency gains alone would be worthwhile. Plus, if there is a continuing flight to safety, there would be major capital gains in US bonds.

While the bounce back may not last for long, there could be a 10–15 per cent surge in the prices of industrial metals from the current levels

If you are looking for a temporary, or medium-term trade, there is likely to be a big rebound in global commodities once China starts functioning at close to its full capacity again. It stands to reason that as the manufacturing hub of the world recovers, so will demand for the raw materials it consumes.

Such a bounce may, or may not, last. But there could be a 10-15 per cent surge in industrial metals like copper, iron ore and zinc prices from current levels if Chinese growth picks up. There could be a firming up of energy prices as well. Most analysts see the industrials and energy commodities space as overall bearish for 2020. But the fall in the first two months has been so steep that there is ample room for a bear market rally.

Steel has seen unusual price swings. Global demand is down. But Indian steel manufacturers have hiked prices due to lack of Chinese supply. When China comes back into the market, Indian steel prices could slide.

DON'T BREAK FIXED DEPOSIT, BORROW AGAINST IT

Loan rate is 100–200 basis points higher than the FD rate

BINDISHA SARANG

- In case of an emergency, instead of breaking a fixed deposit (FD), you can get a loan against it.
- Banks usually lend up to 90 per cent of the value of your FD. The limit varies from one bank to another.
- Loan against FD is given by banks as an overdraft facility.
- The rate on such loans is 1 and 2 percentage points above the FD rate. The tenure is up to five years.
- If you fail to service the loan, the bank can foreclose your FD to recover its money.
- This loan is not available on five-year tax saving FD.

LOAN AGAINST FIXED DEPOSIT

Name of Bank	FD interest rate range (%) Highest	Lowest	Interest rate (%)	Minimum loan amount (₹)	Maximum loan amount*
Lakshmi Vilas Bank	7.80	4.50	FD rate + 1	No limit	Up to 90%
Deutsche Bank	7.75	3.75	FD rate + 2	25,000	Up to 95%
Bandhan Bank	6.75	3.50	FD rate + 1.50 - 2.00	No limit	Up to 90%
Axis Bank	6.50	3.50	FD rate + 2	25,000	Up to 85%
Federal Bank	6.50	3.50	FD rate + 2	No limit	Up to 90%
HDFC Bank	6.40	3.50	FD rate + 2	25,000	Up to 90%
Punjab National Bank	6.05	4.50	FD rate + 1	Online: 25,000**	Up to 95%
State Bank of India	6.00	4.50	FD rate + 1	Online: 25,000**	Up to 90%
Citi Bank	5.00	3.00	FD rate + Up to 2.50	1 lakh	Up to 90%

*Figures are percentage of FD amount. **In branch: No limit. Rates as on March 4, 2019
Source: Paisabazaar.com

Vintage cars are for the passionate

Maintenance gets difficult as parts become harder to find with each passing year

NAMRATA KOHLI

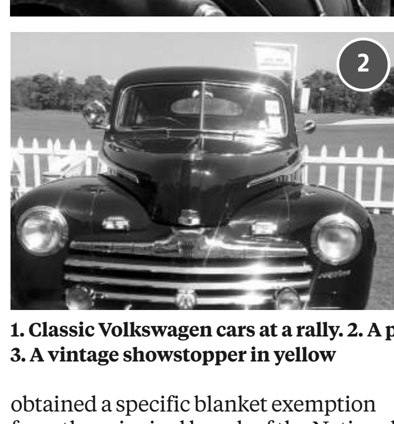
The MG TC 1946 remains Shriji Arvind Singh Mewar of Udaipur's favoured mode of transport within the City Palace. It is a four-cylinder car he began driving in the 1970s. "It is a compact, powerful car that I used to drive in the days when I used to play cricket and polo regularly. Being an open two-seater, it is a delight to drive under the open skies," he says. This was the first in the line of sports cars introduced by MG in the 1940s. For Shriji, his vintage and classic car collection is another facet of the living heritage of Mewar. "These are not just automobiles, they are an integral part of our history," he says. All the vehicles that belonged to the Maharanas of Mewar have been painstakingly restored. Some are over seventy years old but are still in running condition.

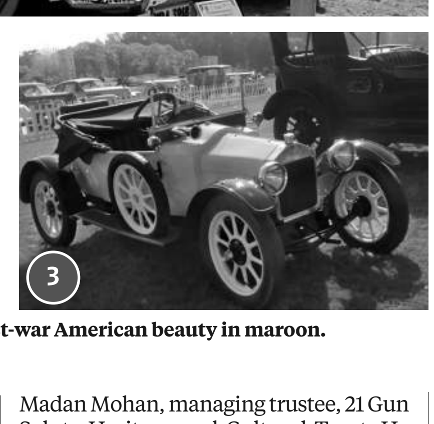
A heritage well preserved

While royalty is the primary custodian of vintage cars, industrialist families and the Parsi community are equally passionate about them. Says Neville Tata, the 21-year-old son of Jimmy Tata and great great grandson of Jamshedji Tata: "Cars have been a passion since I was a child. My current car was modelled off a set of hot wheels I got interested in at the age of three. It was a cultural icon of its time—a pioneer in terms of technology."

Separate registration

According to Diljeet Titus, managing partner, Titus & Company , Advocates, and founder, The Titus Museum, "At the Heritage Motoring Club of India, of which I am the general secretary, I had obtained a specific blanket exemption from the principal bench of the National Green Tribunal by an order dated December 18, 2017, allowing these automobiles to be used on the roads of the National Capital Region for specific purposes. This permission has since been expanded to many usages." These cars will soon have a new registration number. "All vintage four- and two-wheelers made at least 50 years ago will be registered with a specially allotted alphabet series applicable all over India, VA, or vintage automobile," says Titus.





1. Classic Volkswagen cars at a rally. 2. A post-war American beauty in maroon. 3. A vintage showstopper in yellow

Vintage rallies

A regular organiser of such shows is Madan Mohan, managing trustee, 21 Gun Salute Heritage and Cultural Trust. He informs there is a classification of old cars based on the year they belong to: Veteran cars (1886-1908), Edwardian (1909-1919), Vintage (1920-1949), Classic (1950-1965) and Modern (1966-1975). Mohan recently organised the ninth edition of the 21 Gun Salute International Vintage Car Rally & Concours d'Elegance at Karma Lakelands Golf Course, NH-8 Gurugram. "Pink, mint green, red, shades of blue — I don't think we can imagine getting such head-turning colours today," says Aashna Khurana, creative director at Karma Lakelands.

Ranjit Pratap, managing director, Rayalacorp Chennai and his 1957 Studebaker won first prize at the rally. He says restoring a car is so difficult that only those with passion should undertake it. Adds Titus: "A full-body off restoration could cost ₹25-75 lakh."

When evaluating participants in a rally, the judges look for perfection in all aspects – engine, undercarriage, bodywork, etc. Says Pratap: "They even look at old pictures to see how it has been done up." Pavit Libra, whose Ford Mustang was among the first runners-up, says judges look at everything for originality: "Not all the cars made in the same year have parts from that year."

Outsiders aren't privy to information on who is selling as they happen privately. Mumbai, Kolkata, Chennai and Delhi are key hubs. These cars are valued on the basis of marque (make and model), body style, rarity, coachbuilder, provenance, and restoration quality. Valuation also depends on upkeep.

PRICES OF GOLDEN OLDIES

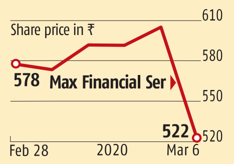
Car	Model	Market price (₹ lakh)
Austin Twelve 2 Door 1660 cc	1928	11
Vauxhall J	1939	45
Ford Super Model Deluxe	1946	25
Morris 8 series 800 cc	1948	45
Hillman Minx Series V 4 Door	1950	29
Chevrolet Biscayne Hard Top	1958	14.5
Austin Cambridge	1964	4.9
Willys Motor Willys M38	1972	3.51

Source: Droom Car

BSE 200: TOP 5 GAINERS OF LAST WEEK

BSE price in ₹	Feb 28, '20	Mar 07, '20	% chg
Godrej Consumer Products	560.8	638.8	13.9
3M India	20,626.8	22,638.5	9.8
Pidilite Industries	1,515.1	1,654.3	9.2
Dr Reddy's Laboratories	2,925.8	3,169.8	8.3
Cipla	401.5	434.0	8.1

QUICK TAKE: YES BANK EXPOSURE HURTS MAX FINANCIAL



The stock of Max Financial Services, the parent of Max Life, plunged 14% on Friday following YES Bank's bailout news. Besides investment exposure, Max Life also gets 10% of its insurance business through YES Bank's distribution channel. This could impact Max Life's persistency ratio by 300-400 basis point in the 13th month basket, say analysts

"THERE IS DISAPPOINTMENT WITH INDIA AND INCREASING CAUTION AMONG INVESTORS SINCE THE LAST ELECTION. THE RECENT POLITICAL MOVES AND LAWS HAVE DISTRACTED THE GOVERNMENT FROM ECONOMIC REFORMS"

JOHN LAU,
Head of Asian Equities, SEI

Low on confidence and growth, private banks in for tough days

Majority of private bank stocks are down 10-33% YTD, indicating weaning conviction in the sector

HAMSINI KARTHIK
New Delhi, 8 March

Private bank stocks are probably an example of how quickly strong narrative and conviction can change in a short span. Irrespective of the size, stocks, such as RBL Bank, IndusInd Bank, Axis Bank, HDFC Bank, and ICICI Bank, were easily among the most bought until some time ago. However, with the exception of AU Small Finance Bank (AU SFB), these stocks have seen a 10-33 per cent price erosion year-to-date, as compared to an 8.9 per cent fall in the BSE Sensex during this period.

Perhaps for the first time in nearly a decade, private banks are being challenged on the very pillars of their strength — growth and investor confidence. With YES Bank's failure, a section of investors feels it is time they took some money off these stocks. A top-rated fund manager says that when India's fourth-largest private bank fails, it will prompt investors to relook at their portfolios. "Most of us (fund managers) are heavy on private banks accumulated over four years and wherever possible we will book profit," he said.

Analysts at Kotak Institutional Equities warn that with three back-to-back financial institution failures (IL&FS, PMC Bank and YES Bank), it will be a lot more challenging for players to raise liabilities.

Sonal Verma, chief economist, Nomura, cautions: "YES Bank's failure may prompt a shift in deposits from smaller private sector banks to the perceived safety of public sector banks." This, she says, in turn, will constrain the ability of private sector banks in growing their loan book, an aspect that turned troublesome two quarters ago. Considered as a cheap source of funds, with the blended cost of deposits lately contained at 5.5 -5.8 per cent (the overall cost of funds at 6.2–6.5 per cent) in the December quarter, private banks are likely to see some pressure on retaining this money. "It is likely that to retain retail customers, some banks marginally increase deposit rates," said an analyst. All this will only compound the existing problem of growth.

Considering that banks are reckoned as a play on India's GDP growth, which has seen severe downgrades over the past three quarters, not many analysts saw private banks slowing their run-rate until a few months ago. While Axis Bank and ICICI Bank somewhat kept up with their past growth trajectory of 15 — 18 per cent, especially on the retail side, such as IndusInd Bank and HDFC Bank missed their historic run-rate of 25 per cent-plus (especially on the retail front) by a reasonable margin. Even RBL Bank was way off its 35–40 per cent mark in the December quarter. Worse, as Siddharth Purohit of SMC Capital says: "There could be more moderation in growth as banks would be more risk-averse now. Also, retail loans-led growth could not go on forever."

While lower growth is still acceptable, the same along with asset quality pressures (whether from corporate or retail loans), which saw gross non-performing assets (NPA) ratios of all banks (barring ICICI Bank and Axis Bank) touch a fresh four-year high, isn't going down well with the Street.

Varma expects pressures likely from the telecom sector and non-banking financial companies (because of real estate and small business loan-related stress) to keep the banking sector's asset quality on tenterhooks. "We see considerable headwinds on the systemic asset quality. Banking sector gross NPAs are likely to rise, as deleveraging under the growth slowdown gets trickier," she warns. Besides, the fast-spreading impact of COVID-19 globally and in India has forced analysts to sharply cut the GDP target for the June quarter. Nomura slashed its expectations from 4.5 per cent to 4 per cent.

For investors, these clearly signal to tone down expectations. Even if top-quality stocks, such as HDFC Bank, Axis Bank and ICICI Bank have undergone valuation correction, waiting out the March quarter may be prudent before taking fresh positions in these names.

NOT FALL-PROOF

	Price (₹)	Change (%) 1-day	YTD
YES Bank	16.2	-56.0	-65.5
RBL Bank	259.1	-14.1	-24.9
Ujjivan SFB	44.4	-11.0	-17.6
IDBI Bank	27.2	-9.2	-26.6
IndusInd Bank	1,014.3	-5.6	-32.9
CSB Bank	161.5	-5.2	-25.5
Bandhan Bank	403.9	-4.6	-20.5
ICICI Bank	486.3	-3.7	-9.7
IDFC First Bank	36.3	-3.6	-19.6
Axis Bank	657.9	-2.9	-12.7
HDFC Bank	1,134.9	-1.5	-10.8

Select top private banks' data as on March 6, 2020; YTD: Year-to-date
Source: Exchange Compiled by BS Research Bureau

STREET SIGNS

The SBI Cards IPO math

The ₹10,300-crore IPO of SBI Cards and Payment Services' managed to attract bids worth ₹2 trillion despite the selloff in the secondary market. The credit card issuer has set the issue price at ₹755. For high net-worth individuals (HNIs), the acquisition cost works out ₹870 after factoring in the interest cost. On listing, the shares will have to gain at least 15 per cent over the issue price for HNIs to make money. Grey market premiums have dropped to 10 per cent after last week's market fall. Meanwhile, the IPO has seen nearly 3.1 million retail applications. On the basis of number of applications, the issued is subscribed 1.37 times. In other words, 100 out of 137 retail applicants will get allotment.

SAMIE MODAK

ETF overhang for YES Bank

Shares of YES Bank may continue to face selling pressure from exchange-traded funds (ETFs). The stock will be part of the Nifty index until March 27 following which it will be replaced by Shree Cement. The rejig will add to the selling pressure on the stock, say analysts. YES Bank will continue to remain part of the Bank Nifty and some mid-cap indices. According to data from Value Research, ETFs and index funds with the Bank Nifty as underlying have investments in the private lender. "Selling from passive funds will weigh on the share prices even if there are any possible reliefs from the government or Reserve Bank of India (RBI)," said a dealer.

JASH KRIPLANI

Crude comfort for airline stocks

Domestic aviation stocks SpiceJet and InterGlobe Aviation have hit an air pocket. Last week, both stocks hit their lowest level in one-year. The shares of SpiceJet have dropped 60 per cent from its 52-week high, while InterGlobe has come off by 37 per cent. Following this drop, some investors are of the view that both the stocks are good buying opportunities given the sharp drop in global oil prices. Brent crude prices have dived below $50 a barrel. "While the aviation sector has been hit by coronavirus, the fall in oil prices is a silver lining. SpiceJet and InterGlobe are largely domestic market focused. We think oil prices will be a significant tailwind if coronavirus worries subside," said a fund manager.

SUNDAR SETHURAMAN

'We expect the markets to remain polarised'

The outbreak of coronavirus opens up an unanticipated and unmeasured downside risk, feels **NISCHAL MAHESHWARI**, chief executive officer for institutional equities & advisory at Centrum Broking. In the short to medium term, a defensive portfolio strategy is recommended, he tells *Puneet Wadhwa*. Edited excerpts:

Q&A

NISCHAL MAHESHWARI
CEO, Institutional equities & advisory
Centrum Broking

How are the markets likely to play out over the next three-six months?

The outbreak of coronavirus has occurred at a time when the global and the domestic economies are facing a slowdown. The fear of supply-chain disruptions, likely to occur because of the industrial clampdown in certain Chinese provinces, has obstructed the nascent signs of global economic stabilisation displayed through the ceasefire in the trade war between the US and China, coupled with a few green shoots in India.

In the absence of any meaningful domestic triggers, the markets are most likely to track virus-related developments across the globe. In this backdrop, they are likely to remain rangebound in the near term. The RBI can do a pre-emptive rate cut of around 25 basis point (bps) in the April policy, or even earlier. Other measures to improve transmission through another round of long-term repo operations (LTROs) cannot be ruled out.

Will foreign investors allocate more to Indian equities?

Given the ongoing global risk sentiment, investors are flocking to safe-haven asset classes and avoiding risky emerging-market (EM) asset classes. However, if one needs to choose among EMs, India remains an attractive investment destination. Also, favourable policy initiatives, coupled with persistent efforts to garner more foreign capital to support the government's growth objectives, have provided a significant boost to the Indian capital markets. The Indian economy may enjoy the position of being less vulnerable to such shocks as India's integration into global value chains is minimal, compared to its Asian peers. However, if the situation is not contained, India may be affected, too. Optimistically, for 2020, we expect foreign institutional investor (FII) inflows to continue gathering momentum as the better macroeconomic stability makes investments in India relatively attractive.

What's your view on the banking sector given the recent developments?

Given the challenges faced by corporates and non-banking financial companies (NBFCs) in the last 12-18 months, banks with high corporate exposure should be avoided. Investors should consider retail-focused banks. Domestic demand is likely to witness increased traction in the next few quarters, given pockets of rural economic activity gathering momentum, along with recent announcements on personal income tax cuts. This will drive credit growth in retail-focused banks.

Your estimates for corporate earnings growth in FY21?

Given the gradual pick-up in growth on account of measures adopted by the government and the RBI, we had estimated 22-23 per cent growth in Nifty earnings for FY21. However, the outbreak of coronavirus in China has raised trepidations regarding disruptions in global industrial production and trade channels, thereby putting global growth at risk. If the epidemic is not contained in the near term, chances are that growth could further trend lower.

With the relative lower participate rate in global value chains, India may stay less vulnerable than other east Asian economies, but the spillover of a global slowdown is certain to have an impact. Investors are more likely to play defensive and sectors, such as information technology (IT) and fast-moving consumer goods (FMCG), are likely to surprise amid risk-off sentiment.

Will the polarisation that we see in the markets now get entrenched over the next one year?

At this juncture, the market remains polarised with consumer durables, information technology (IT), and banking providing the bulk of the returns. Since we do not expect a broad-based recovery in the FY21 as structural bottlenecks are likely to impede the path of normalised growth recovery, we expect the markets — that are being driven by only a few stocks — to remain polarised. Overall earnings are likely to see limited traction.

How do you see the consumption-related theme play out in the backdrop of sub-par economic growth?

The FMCG sector should start seeing traction as it holds the key potential of acting as a contrarian play. Auto stocks have corrected significantly and we do not see elongation of coronavirus beyond spring. Expect things to normalise in the summer. Investors can look at the auto space — passenger vehicles and two-wheelers — but should refrain from investing in commercial vehicles.

Your investment strategy amid all these developments?

Though the worst seems to be behind us, it is going to be a slow path towards normalisation. Given the current government has a political mandate and acknowledged the slowdown, it will continuously intervene to bring the economy back on track. In this background, investors should reduce cash gradually and look for value investing. However, the outbreak of coronavirus opens up an unanticipated and unmeasured downside risk. In the short to medium term, since the coronavirus scare will hamper growth world over, a defensive portfolio strategy is recommended.

GIVEN THE CHALLENGES FACED BY CORPORATES AND NON-BANKING FINANCIAL COMPANIES IN THE LAST 12-18 MONTHS, BANKS WITH HIGH CORPORATE EXPOSURE SHOULD BE AVOIDED. INVESTORS SHOULD CONSIDER RETAIL-FOCUSED BANKS

EVENTS THIS WEEK

Date	Particulars
9-Mar	Ex-dividend: Jubilant Life Sciences, Jubilant FoodWorks
10-Mar	India - Manpower survey
	China - PPI & CPI figures
11-Mar	US - CPI & core CPI
	UK - manufacturing & industrial production figures
	UK - trade balance
	Ex-dividend: Endurance Technologies, Ramco Cements
12-Mar	India - CPI & IIP figures
	India - imports, exports & trade balance figures
	US - jobless claims
	UK - RICS house price balance
	Ex-dividend: Motherson Sumi Systems
13-Mar	US - imports price index
	Ex-dividend: Pidilite Inds.

Source: exchange/websites/Bloomberg
Compiled by BS Research Bureau

Worst rout in nine years likely to be extended

SUNDAR SETHURAMAN
Mumbai, 8 March

The equity markets are off to the worst start to a year since 2011. On a year-to-date basis, the benchmark Nifty is down 9.7 per cent. Last time, it had dropped more during the period under consideration was in 2011, when the European debt crisis had dampened global investor sentiment. On Friday, the 50-share index ended at 10,989. The index is down 11 per cent from its record high of 12,352 on January 17. The market is likely to slide further, say technical analysts.

"The Nifty has formed a bearish candle on the weekly chart. Resistance is gradually shifting lower. Now 11,250-11,430 levels would be an immediate hurdle (on the upside) for the index. Support is placed in the 11,800-11,650 zone. Until volatility cools off and price settles, and we don't see a strong reversal signal in data, traders shall avoid bottom fishing as it is same like 'catching a falling knife'," says Siddhartha Khemka, head-retail research, Motilal Oswal Financial Services.

Market players said domestic investors have been hit by a double whammy — the YES Bank crisis and the rising number of coronavirus cases. Market players said these two events will dictate market direction.

"The updates on the spread of coronavirus cases would be the only biggest trigger for the next few trading sessions. Also, the resolution plan for YES Bank could be an important trigger on the domestic front. The short-term trend is weak, and 10,900 should act as an important support for the market. Trading above the same, we can expect a quick relief rally up to 11,200-11,250. However, a fall below 10,900 could trigger one more leg of correction wave till 10,800-10,750," says Shrikant Chouhan, senior vice-president, equity technical research, Kotak Securities.

On Friday, the Nifty dropped to 10,827 in intraday trade and saw a sharp pullback from that level to close slightly below 11,000.

Analysts at ICICI Direct believe the markets could form a base at current levels. "The markets are entering a truncated week and may witness some short closure if the Nifty holds above 11,000. However, till clouds over coronavirus remain, the major short-covering trend is unlikely to pan out," says the brokerage.

Experts say traders have built huge short positions in the market. As a result, positive development often leads to short-covering, which takes the indices higher. However, given the overarching weak sentiment, the recovery is short-lived. After a bad start in 2011, the Nifty ended the year with a 25 per cent decline. Investors will be hoping that 2020 may have begun on a weak note, but ends well.

STARTING PROBLEM

The year 2020 is off to worst start in nine years

	YTD chg* (%)	Full year (%)
2011	-9.7	-24.6
2012	12.9	27.7
2013	-1.5	6.8
2014	1.5	31.4
2015	7.9	-4.1
2016	-5.8	3.0
2017	9.5	28.7
2018	-2.7	3.2
2019	1.8	12.0
2020	-9.7	NA

Source: Exchanges; Compiled by BS Research Bureau; Note: till March 6 for all the years; YTD: Year-to-date

Market cap-to-GDP now below long-term average

ASHLEY COUTINHO

India's market cap-to-GDP — a ratio used to determine how over, or under-valued a market is — is now at 70 per cent, based on FY20 GDP estimates, and below its long-term average of 76 per cent, a report by Motilal Oswal Financial Services observed.

This is the lowest in the last four years. The ratio was the highest, at 95 per cent, in FY10.

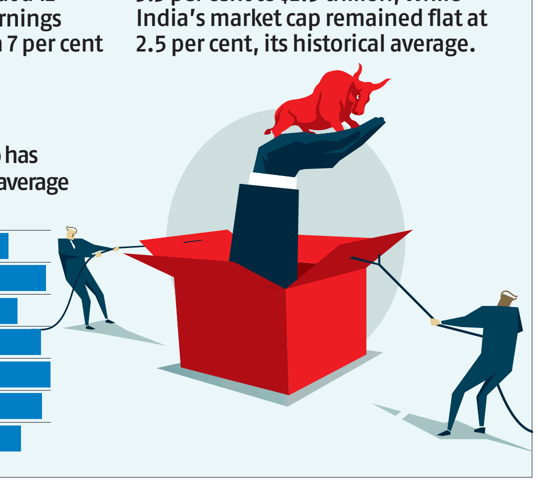
Valuations of Indian equities are now below their long-period averages. The Nifty trades at a 12-month forward price to earnings multiple of 16.8 times, at a 7 per cent discount to its long-period average of 18.1 times, according to the brokerage. The Nifty's price-to-book ratio is at 2.5 times, below its historical average of 2.6 times. However, India's valuation continues to be at a premium to emerging market (EM) peers. The MSCI India's P/E trades at a premium of 62 per cent to MSCI EM's P/E, above its historical average premium of 52 per cent.

Over the last 12 months, MSCI India has remained flat, while MSCI EM has slid 1.5 per cent. The world's market cap in this period has risen 3.3 per cent to $2.5 trillion, while India's market cap remained flat at 2.5 per cent, its historical average.

GOING CHEAP

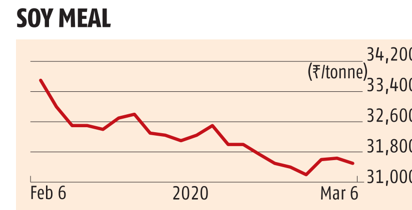
The market cap-to-GDP ratio has slipped below its long-term average

Year	M-cap/GDP (%)
FY14	66
FY15	81
FY16	69
FY17	79
FY18	83
FY19	79
FY20E	70



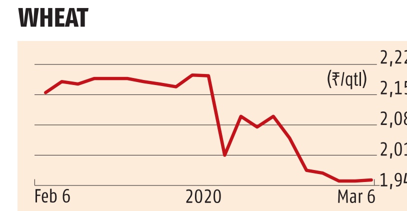
COMMODITY PICKS

SOY MEAL



Soymeal is trading at ₹31,600 per tonne at the benchmark Indore markets. For the week ahead, prices are expected to trade weak and head towards ₹31,300 and then ₹31,000 per tonne. Weak demand from feed makers amid decline in placements due to the outbreak of coronavirus in India is expected to keep the undertone weak in near term.

WHEAT



Wheat prices in the Indore market are trading at ₹1,970 per quintal. Prices are expected to trade lower towards ₹1,900 per quintal in a couple of weeks following approaching harvesting and ample stocks carried forward from last year.

Prerana Desai,
Research Head - Edelweiss Agri Services and Credit

BRIEF CASE

M J ANTONY

A weekly selection of key court orders

Electricity tariff differs for institutions

The Kerala State Electricity Regulatory Commission has the power to segregate self-financing educational institutions (SFEIs) from government-run and government-aided private educational institutions for the purpose of fixing tariff, subjecting SFEIs to a higher category of tariff. The tariff notification to that effect is legal, said the Supreme Court in its judgment, Kerala State Electricity Board vs principal, Sir Syed Institute. A single-judge Bench of the high court had earlier upheld different tariffs, but a division Bench set it aside, leading to the appeal. The division Bench explained its stand thus: "When the supply is to an educational institution, irrespective of whether it is self-financing or aided by the governmental, the tariff cannot be different, as education means to impart knowledge. Education in ancient times was not connected with earning. Free education is what was in accord with dharma." The Supreme Court upheld the single-judge Bench judgment and added the student profile of state-run and state-aided institutions is different from those of SFEIs. Students from comparatively modest background go to state-run or state-funded institutions. Moreover, government-run institutions are maintained by taxpayers.

Maharashtra APTEL order quashed

The Supreme Court has set aside the order of the Maharashtra Electricity Regulatory Commission and the Appellate Tribunal for Electricity (APTEL), which had quashed five circulars issued before the formation of the commission. The circulars dealt with the captive power plant policy of the state government. In this appeal, Maharashtra State Electricity Distribution Co vs Union of India, the main issue was whether the commission could have quashed circulars issued by the distribution company before its formation. The commission was constituted under the Electricity Regulatory Act of 1998 and the circulars were issued before that by the electricity board. Allowing the appeal, the Supreme Court declared that the circulars and policy decisions issued before the establishment of the commission were illegally set aside. Consequently, the court also quashed the order concerning a refund, which had imposed a heavy burden on the distribution company.

Arbitration clause must be registered

An arbitration clause in a lease deed, which is not registered and insufficiently stamped, cannot be acted upon, the Supreme Court ruled in its judgment in Dharmaratnakara Charities vs M/s Bhaskara Raju. In this case, the trust gave a 38-year lease to the latter in 1996 for the renovation of the Samadhi of the founder. However, there was not much progress during the following years and allegations were made against each other. Ultimately, the lessee moved the Karnataka High Court for the appointment of an arbitrator under the Arbitration and Conciliation Act. The high court appointed a retired judge as arbitrator. The trust appealed to the Supreme Court arguing that the lease deed was not properly stamped and, therefore, invalid. The court held that the high court was in error and set aside the arbitration.

Pre-deposit for DRT appeal compulsory

The Supreme Court has reiterated that the borrower who moves an appeal before the Debt Recovery Tribunal must pre-deposit the amount claimed by the secured creditors or determined by the tribunal. It is not only the borrower who is under this obligation but also the guarantors and mortgagors, the Supreme Court stated in the appeal case, Union Bank of India vs Rajat Infrastructure. The judgment asserted that according to Section 18 of the Securitisation Act (SARFAESI Act), 50 per cent of the disputed amount should be deposited before taking up the appeal. It could be reduced to 25 per cent by the tribunal after recording adequate reasons for doing so. In any case, the condition of pre-deposit could not be waived. Earlier, the Bombay High Court had taken an opposite view and allowed the tribunal to hear the case without pre-deposit. It claimed it had discretionary power to do so. The Supreme Court denied this claim and emphasised that statutory provisions could not be bypassed by claiming discretionary powers, which the high court did not have in this case. The Supreme Court did not go into the allegation that the property worth ₹160 crore was sold for ₹65 crore with the connivance of the bank's employees.

Award against MMTC set aside

The Delhi High Court last week set aside an arbitral award in a dispute between MMTC and Anglo American Metallurgical Coal, saving the public sector unit from liability of approximately ₹748 crore. The judgment remarked that "in our view, such an award must rest on surer factual and legal footing than only to say that it has been rendered by an arbitral tribunal and is, therefore, sacrosanct. The award of damages, interest, and costs is a travesty of justice and the award suffers from perversity". The majority in the arbitral tribunal allowed the claim of Anglo American for damages on account of non-lifting of 453,034 MT of coking coal by MMTC from Australia. The third arbitrator had dismissed the claim. The private firm had argued that MMTC was consistently requesting for a reduction in the price of coal, thereby declining to lift coal at the contractually agreed price. MMTC said that because of the worldwide financial crisis, prices of its products like pig iron had nose-dived in 2008 and it was asking for adjustment of price only with regard to the last consignment. The high court admitted that its jurisdiction to go into facts was limited. But analysing the communication between the two parties, the judgment observed that "we are at an utter loss to understand as to how the tribunal can read into commercial communication between educated and worldly-wise men of commerce, words that do not exist in the communications. If such imaginary interpolations are allowed into the e-mails, then the inferences and conclusions derived therefrom must be held to be perverse in law".

Follow MSME Act procedure; no writ

A firm with a grievance should not rush to the high court when there is an efficacious remedy under the Micro, Small and Medium Enterprises Development Act. In the case, Fives Stein India Project vs State of MP, an award was passed by the MSME Facilitation Council against the firm, which is engaged in manufacturing nuclear and thermal components. It had bought goods from Mahakaushal Refractories which was alleged to be sub-standard. The dispute was taken to the council, which gave an award against Fives Stein. It challenged the award in the high court. The court rejected the writ petition, stating that MSME Developement Act had provided the procedure for appeal and it should be followed.

GEETIKA SRIVASTAVA & SUDIPTO DEY

ILLUSTRATION: AJAY MOHANTY

Regulating cryptocurrency: On an uncharted path

Experts want government and RBI to formulate light-touch norms to help foster growth of this evolving ecosystem

In the aftermath of the apex court's landmark judgment on the use and regulation of cryptocurrencies, the fate of the draft Banning of Cryptocurrency & Regulation of Official Digital Currency Bill, 2019, hangs fire. The draft Bill, in stark contrast to the court's order, stipulates that the use of cryptocurrency is punishable with a fine or imprisonment of up to 10 years. Both government and banking sector regulator — the Reserve Bank of India — have to go back to the drawing board once more to firm up their views on the nascent cryptocurrency ecosystem.

"The judgment will free up entities to innovate in, and further develop, technologies based on blockchain or distributed ledger technology," says Arun Prabhu, partner, Cyril Amarchand Mangaldas. It becomes all the more important in such a scenario for the government and the regulator to revisit and shape regulations surrounding cryptocurrencies, and help foster growth of the evolving ecosystem.

"Infrastructure and talent in the country provide an unprecedented economic opportunity," says Dinkar Kalra, advocate-on-record, and author of the book *Crypto Currencies in India: Not Illegal, But Not Quite Legal*.

Experts say several scenarios could now pan out. The Supreme Court's order has made it clear that virtual currencies do come under the mandate of the RBI. So, the central bank could seek a review of the judgment. If the RBI does so, it may leave room for further deliberation. The RBI, with the backing of the government, may stress on its authority to protect consumers from possible frauds.

The other scenario is where the legislature may still think about going ahead with a blanket ban, but experts say, the chances of that may be low. The Supreme Court has noted that the RBI did not have enough material on record to show that the ban, which it imposed, qualified the test of proportionality. However, if the legislature were to pass a law in this regard, and if that law were to be challenged in the court, it would have to pass this test by backing its arguments up with solid evidence. "It is for the government to establish that the risk of damage warrants measures, such as a ban", says Anirudh Rastogi, founder, Ikigai Law, which represented crypto exchanges in the case.

Another option for the government is to reconsider its stance in light of the judgment. It could take into account several factors, such as the Financial Action Task Force's Guidance for a Risk-Based Approach to Virtual Currencies, published in June 2015, which recommended that countries proposing a ban on cryptocurrencies should consider if such a prohibition would drive the industry underground, bypassing controls. The government could also revisit the Inter-Ministerial Committee's initial report in 2018, along with a draft Bill — the Crypto Token and Crypto Asset (Banning, Control and Regulation) Bill, 2018. The Bill had provisions to allow the sale and purchase of cryptocurrencies at recognised and regulated exchanges. The Committee initially was of the view that the banning option was difficult to implement and, that could also drive some operators underground, encouraging the use of such currencies for illegitimate purposes.

In case the government revisits the Bill, it would be a wait-and-watch game for the industry. "Given the legal complexities, multiple authorities (including the RBI, Sebi, ministry of finance, etc) will need to weigh in," noted Sanjay Khan Nagra, partner, Khaitan & Co.

Jaideep Reddy and Vaibhav Parikh, lawyers at Nishith Desai Associates, who represented the petitioner in this case, suggest the government consider a new licensing regime for virtual currency intermediaries, supervised by an expert body with capability in technology, economics and finance. The licensing requirements could include capital adequacy requirements, fit and proper criteria, and disclosure requirements.

Experts stress the need for light-touch regulations for the evolving cryptocurrency ecosystem. "If the regulator wears the hat which works for the currency and security interest world, the regulations may easily end up practically as a ban," says Srinivas Katta, partner, Induslaw

Experts say what will also play on the minds of policymakers is the potential upside of taxing the cryptocurrency trade. "Cryptocurrencies are here to stay, and the sooner the world's legal systems adapt to it, the less painful the transition will be," says Dinkar.

REGULATORY SANDBOX IDEA

Last August, the RBI had come out with an enabling framework for regulatory sandbox. Some experts feel the regulator could explore putting in place a regulatory sandbox for fintech companies using cryptocurrency technologies.

"Allowing fintech firms to test fintech innovations relating to cryptocurrency/assets will enable the RBI to develop an evidence-based regulatory response for cryptocurrencies in India," says Shehnaz Ahmed, senior resident fellow, Vidhi Centre for Legal Policy.

Regulatory sandboxes provide an avenue for regulators and innovators to test their innovations within a regulated environment. It helps them collect evidence on the benefits and risks of new financial innovations while monitoring and containing their risks.

Vidhi Centre for Legal Policy's in a report, *Blueprint of a Fintech Regulatory Sandbox Law*, argues for a standalone law that will bring sandbox testing of fintech innovations under a common framework. The proposed framework would provide a formal mechanism for all relevant financial sector regulators — in this case the RBI and Sebi — to participate in sandbox testing.

Outlining the broad contours of the proposed law, the report suggests creating an inter-regulatory co-ordination committee, consisting of financial sector regulators. While each regulator could continue operating its own sandbox, the proposed law should lay down minimum standards for fintech sandbox testing in the country, it says.

TYAGI AND BEYOND

Sebi chairman's unfinished agenda

SAMIE MODAK

Amid bouts of volatility in the secondary market, largely because of concerns over the coronavirus epidemic and its negative impact on the economy, the Securities and Exchange Board of India (Sebi) faces several other challenges that may not get addressed in the next six months under the extended tenure of its chairman Ajay Tyagi. Here are a few tricky areas Tyagi, and his successor, will have to deal with:

Sebi's independence: Though the market regulator has gained teeth over the years, the government has deprived Sebi of some of its autonomy by curbing its annual spends and targeting its surplus funds. Last year's Budget proposed that Sebi constitute a reserve fund and transfer a fourth of its annual surplus into it. It said the transfer to the reserve fund should be less than the annual expenditure of the preceding two years. Also, after meeting all expenditure, Sebi is required to transfer the remainder of the surplus amount to the Consolidated Fund of India. Further, the government has also proposed that Sebi take its approval for its annual capital expenditure. Tyagi had opposed this proposal, saying they infringe on Sebi's financial autonomy.

Last month, Sebi's board approved the Budget estimates for 2020-21. The Budget estimates haven't accounted for the transfer of surplus funds as the government is yet to notify the changes. Going ahead, this could become a contentious issue for Sebi and leave it with limited funds. To make up for this, it might resort to hiking the fees it levies on market players.

Jurisdictional dispute: One of Sebi's key objectives is to protect investor interest and market integrity. To achieve this objective, Sebi has often come in crosshairs with other regulators. A recent example of this is the order passed by Sebi barring Price Waterhouse (PW) for lapses in the Satyam scandal. Responding to an appeal by PW, the Securities Appellate Tribunal (SAT) even held Sebi didn't have the power to debar auditors. This prompted the regulator to move the Supreme Court, which stayed the SAT's observation. However, the issue has not entirely been settled. Experts say the jurisdictional dispute is posing an immense challenge for Sebi. Besides establishing its powers over auditors, Sebi has to work around other regulators when it comes to regulatory overlap with the Indian Bankruptcy Code or some RBI statues. "Overlapping jurisdiction has been a key challenge for Sebi. Fundamental jurisdiction issues were underscored by issues like PW, IBC and bank default disclosures," says Vidisha Krishan, partner, MV Kini & Co.

Defaulting brokers: Misuse of client funds by brokers has proved to be a major headache. While the regulator has tightened the framework to prevent future misuse, past issues continue to crop up.

Also, some lenders have been up in arms after it ordered depository firms to transfer the collateral pledged by brokers with banks to be transferred to respective clients. Market players say the issue may continue as concerned stakeholders are unlikely to go down without a fight.

Market development: Sebi has to constantly strive to develop financial markets. One area where the regulator has failed to achieve success is the development of the corporate bond market. Despite various initiatives, the domestic debt market is yet to take off. Also, new instruments, such as REITs and InvITs, have lost their appeal because of adverse tax changes.

The plan to make GIFT City an international financial hub hasn't taken off well. Sebi has to sit with the government and others to address the issues.

During Tyagi's three-year tenure, Sebi floated nearly two dozen discussion papers. Though it finalised many regulations after public consultation, several areas still needed attention, say experts.

Regulating MFs: Domestic mutual funds (MFs) have grown in size with assets under management nearing ₹30-trillion mark and regulating them has become more challenging. In the past two years, Sebi had to deal with tricky situations when it came to debt exposure of MFs to corporates. Given the weakness in the economy, the regulator has to keep a close watch on potential corporate defaults.

Quality of orders: The quality of some of Sebi's recent orders has raised eyebrows of legal experts. Even the SAT has openly criticised it, saying Sebi had passed the order "without any application of mind". Some legal experts point out Sebi had passed interim or ex-parte orders in important cases without understanding the nuance of the case, leading to disruptions. Market players say this could be partly because of inadequate staff strength. Also, by Sebi chief's own admission, its enforcement action needs more improvement. To tackle this issue, Sebi is trying to make use of new technologies. Experts say it could increase the use of recently acquired powers, such as search and seizure, liquidation of assets, and use of call logs, to improve enforcement.

BY AJAY TYAGI'S OWN ADMISSION, SEBI'S ENFORCEMENT ACTION NEEDS TO IMPROVE. FOR THIS, SEBI IS TRYING TO MAKE USE OF NEW TECHNOLOGIES

Biz judgement rule and directors' liability

ACCOUNTANCY

ASISH K BHATTACHARYYA

In a company, the board of directors (hereafter, board) has the statutory authority and responsibility to manage and govern the company. The board is the trustee of the funds entrusted to the company by shareholders. The auditor is also a key actor in corporate governance. Shareholders appoint the auditor to report whether financial statements are presenting the true and fair view of the financial position and performance of the company. The auditor's responsibility also includes reporting fraud or suspected fraud, although he/she is not expected to dig out frauds. The Company (Auditor's) Report Order (CARO) requires the auditor to report on some specific important issues which are of interest to shareholders and regulators. In a way, the auditor reports to shareholders whether the board applied fiduciary standards in decision-making. However, he/she does not comment on the quality of business decisions and the process of decision-making.

The board and directors have two fiduciary responsibilities — duty of care and duty of loyalty to the company. The duty of care requires the board and every director to make decisions in good faith and reasonably prudent manner. The duty of loyalty implies that the directors should be completely loyal to the company. They should avoid possible conflicts of interest, should not involve in self-dealing by taking advantage of the corporate information, and should keep the information received as members of the board confidential.

The board and directors develop perceptions about the probable changes in the internal and external contexts and form judgement on the outcome of alternatives before making a decision. Genuine errors in forming judgement is always a possibility. In the interest of the company, the board and directors must be allowed run the company without the fear that they will be held liable for decisions that might be construed as inappropriate with the advantage of hindsight. The 'business judgement rule (the rule)' provides immunity to the board and directors from liabilities that might arise if the company and shareholders suffer loss because of genuine error in judgement.

The rule does not allow the courts to second guess business decisions taken by the board unless it is established that the board blatantly violated the fiduciary standards — the duty of care and duty of loyalty or the decision-making process was tainted, say, because of lack of independence or with interestedness. It aims to balance the need to protect the interest shareholders (equity) and protect the statutory right of the board to run the company without fear. Other two drivers of the rule are: (i) Respect for the private ordering of the corporate governance arrangements (as reflected in internal documents of the company), which usually grant extensive authority to the board to manage the company; and (ii) recognition by the courts that they are not business experts, making deference to board authority a necessity.

Directors, including independent directors, are equally liable for omissions and commissions of the company. However, they are protected if they apply the highest fiduciary standards. A director should act in the same manner as a reasonably prudent person in his/her position is expected to act. The duty of care requires the director to collect information that is necessary for due diligence, act in good faith, and form a rational judgement without the presence of a conflict of interest. In evaluating whether the director has applied the fiduciary standard of 'duty of care', the court takes into account competencies of the director based on his/her training and experience. For example, the level of due diligence expected from an accountant on an accounting issue is higher than that of a non-accountant.

Directors, including independent directors, are equally liable for omissions and commissions of the company. However, they are protected if they apply the highest fiduciary standards

The most important challenge that independent directors usually face is gathering sufficient information relevant for deciding on a particular issue. It is the responsibility of the independent director to assess whether the agenda note provides sufficient information. He/She should ask for additional information if required. He/she should also keep himself/herself informed of changes and likely changes in the internal and external contexts between two board meetings. He/she cannot take the plea that the management did not keep him/her informed. Good corporate governance practice requires the management to keep directors informed and to provide detailed information in the agenda papers, but the onus of gathering information lies on the director.

The rule has worked well over the last hundred years, as courts recognise shareholders' primacy and shareholder value creation as the primary objective of a company. We have to wait and watch how the rule will be interpreted by courts when investors and regulators expect companies to act responsibly towards all-important stakeholder groups.

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"IN INDIA, WE WOULD CONTINUE TO PUSH SMALLER PACKS, DRIVE INNOVATION AND ROLL OUT LOCAL DRINKS AND FLAVOURS IN LINE WITH OUR GLOBAL STRATEGY"

JAMES QUINCEY
Global chief executive officer, Coca-Cola

"FROM AN EXPANSION POINT OF VIEW, WE ARE PRETTY MUCH DONE (24 CITIES). THIS IS BECAUSE GROCERY IS A HUGE MARKET. THE IDEA IS TO GO DEEP THAN SPREAD YOURSELF THIN"

HARI MENON
Co-founder & CEO, BigBasket

"FOR US, INFLUENCERS AND CONTENT CREATORS ARE LIKE MICRO-ENTREPRENEURS WHOM WE CAN MENTOR. BRANDS CAN CONNECT WITH THEM VIA THE PLATFORM. BRANDS CAN ALSO ADVERTISE ON INSTAGRAM AND GET LOYAL USERS"

MANISH CHOPRA
Head of partnerships, Facebook India

ANCHITA GHOSH

Spreading the net

Newer technologies and wider footprint have helped multiplexes rewrite the script

Despite being a cinema-loving country, screen penetration in India is among the lowest in the world, with an average of six screens per million people (KPMG in India's media and entertainment report, 2019). Compare that to 46 screens per million people in China and 23 per million in the US.

Smells like opportunity for growth, right? Throw in events, product launches and kids' birthday parties and you have the perfect recipe to make the most of the opportunity.

Last year was probably the best for the multiplex industry for more ways than one. The box office collections in financial year 2018-19, according to the recent KPMG media and entertainment report, grew by 14.7 per cent to stand at ₹12,940 crore domestically, while the collections from the overseas markets rose by 16.1 per cent.

What also helped was the growth in advertising revenues — which jumped to 10 per cent from the earlier 6 per cent in FY19. The duration of cinema advertising hasn't increased — it remains at 15-20 minutes per show — but in-cinema advertising has become more innovation-heavy. Inox, for instance, has used the walls of its multiplexes to display ads and deployed other interactive tools over and above on-screen communication. Plus advertisers are coming around to cutting long-term deals with theatre owners — they have access to a captive audience without a remote control to skip ads. If the trend earlier was weekly or fortnightly deals, now advertisers are open to sewing up deals that run up to three months.

The reasons are not far to seek. In terms of the sheer investments required, cinema advertising is cheaper. If it is ₹400-500 per show at a theatre, a 10-second ad spot on a leading Hindi general entertainment channel would run into lakhs. Take this one example. Last year, Hindi entertainment channel Star Plus increased its effective ad rates by introducing a new category at the premium end and pricing it at ₹5.10 lakh per 10 seconds. The most expensive ad spot on the channel was earlier priced at ₹4 lakh per 10 second.

What has also given this business an impetus to the business is the new tax regime. The goods and services tax (implemented in mid-2017), has been a blessing, says Mohan Umrotkar, CEO, Carnival Cinemas. "India remains a price-sensitive market. But earlier, the movie industry had to pay a sin tax of 40 per cent. The government has brought it down to 12-18 per cent," he adds.

India has over 9,000 screens currently, of which around 2,950 are multiplex screens, with 195 more added in FY19.

Now look at the typical revenue mix of an average multiplex. It would derive most of its revenues from three sources — box office collections, food and beverages (F&B), and advertisements. These account for more than 90 per cent of the revenue, with box office collections contributing the lion's share. Analysts say the shift towards F&B was inevitable because dependence on box office collections alone would be risky. It seems the focus on non-box office, non-F&B revenues will grow going forward.

So now is the time to improve footprint and add to the screen count, say industry players. Real estate is in a slowdown and mall operators are finding new homes in smaller cities. PVR Cinemas CEO Gautam Dutta says, "The number of malls coming up across India is phenomenal. We are on course to open the largest number of screens in 2020. Some developers are under stress, but a large number of single-screen operators have shown interest to convert themselves to PVR," he says. India's largest multiplex chain, PVR last year unveiled a 70,000 sq ft property in Delhi that can seat 1,833 people and boasts of the latest technologies. PVR Superplex comprises one IMAX screen, one 4DX screen, two ultra-premium auditoriums, seven mainstream and a PVR Playhouse, a dedicated auditorium for children with toys and accessories.

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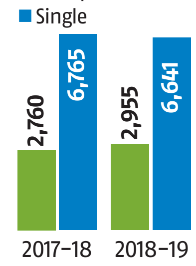
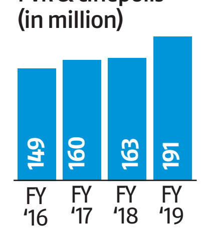
As far as last-mile penetration is concerned, the expansion math is based on the potential of the catchment area. The metros get the maximum number of screens and the best technologies. PVR says it goes by the rule of thumb of opening 100-odd screens every year, but that would mostly be in metro or tier-I cities. "However, every year we are adding 10-15 per cent of the screens in tier-II or III cities where there is regional content, also occupancy level is much higher," says Dutta.

To cut a long story short, the latest technology goes in the prime locations where consumers are willing to pay extra for better experience. For instance, two months back Select Citywalk in Delhi and Phoenix Marketcity in Mumbai got IMAX screens with laser technology. The old IMAX projectors are being shifted to cities like Pune or Hyderabad. Ticket prices become 2x or even 3x for IMAX screens so sustaining them in smaller cities becomes difficult.

The two issues that have to be addressed by the industry now are low occupancy — around 40 per cent across the board — and the growing threat from OTT operators. The twin challenges can be tackled by bringing in cutting-edge technology and offering better experience overall, agree operators. No wonder at least eight out of a total of 20 IMAX theatres in India were opened in the last three years, despite the Canadian entertainment technology having its presence in the country for over two decades now.

THE BIG PICTURE





Source: KPMG

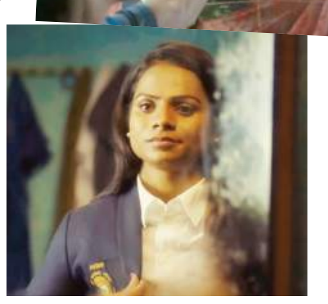
Just weeks back, Carnival announced that it would convert all its projection systems into laser — the first chain in India to do so. "We are using phosphorus laser, which is the first real laser projection system. From April 15, almost 150 of our screens will be in the laser format. The viewing experience will be similar to that in IMAX theatres," says Umrotkar.

Apart from everything else, laser technology is more environment-friendly, says the company.

Carnival is also eyeing alternative platforms like those being developed by Dolby and Giant Screen of China. "China's Giant Screen has a similar format and feel like IMAX. They are also exploring the Indian market. We have the facility to adopt that technology; we need to upgrade the sound system," says Umrotkar.

Flocking together on the gender trail

Advertisers pushed the inclusion cart on Women's Day, but has the occasion lost its marketing bite?



***From left:* Flipkart raises the issue of a daughter inheriting her father's business; Uber talks about letting girls travel long distances for work; Brooke Bond brings in a gender-inclusive message and SBI tells the story of athlete Dutee Chand's struggle to be accepted as a woman**

T E NARASIMHAN

Standard Chartered Bank ran an ad with a woman executive sitting across a glass table top with a ticker tape running at the bottom of the screen. "We'll have women in at least 30 per cent of our senior roles by 2020," it said. Ecommerce major, Flipkart, has a campaign called #RaiseHerToLead that pushes the idea of daughters inheriting the family business and Uber's #WithinHerReach, talks about safety for women. In addition, numerous brands have launched short films, memes, posters and television campaigns, extolling the strength, commitment and courage that women show in the course of their lives.

Women's Day (March 8) saw brands across categories put their best gender-aware or 'woke' message forward. But in the clutter, the message is getting diluted, especially since brands are all speaking in the same voice and tone. Much of it is not much more than tokenism, said Sandeep Goyal, brand expert and founder of Mogae Media. While brands cannot ignore the day, the challenge increasingly is how do they drive meaningful communication?

A Flipkart spokesperson said that its campaign is based on a survey they carried out to understand what stereotypes women battle today. They found that women are rarely groomed to take over their father's businesses, because they are seen as incapable or, expected to get married. Their ad sought to dispel the notion.

Uber used the results from the 2011 census to design its ad. The survey said that three out of five women refrain from traveling beyond a kilometre from their homes for work, giving up higher-paying offers in favour of a shorter commute. Lucinda Barlow, senior director, Marketing APAC at Uber, said, "Many Indian women are ruling out career opportunities to stay closer to home, whether it's down to safety concerns or a lack of travel options. With this campaign, we want to move forward the conversation within communities and workplaces."

Ranjani Krishnaswamy, general manager, Marketing, Jewellery Division, Titan Company said, "Tanishq has an inclusive, gender neutral environment. This is evidenced in the large number of women colleagues we have and an innate sense of equality which is all persuasive in the company culture. As in our advertising, so in our work lives, we are breaking bias and gender stereotypes to create vibrant energies at work."

Goyal said that the ads, while crafting a neat story, lacked an emotional connection. "Most of it is empty lip service or invented causes," he said. Why, for instance do so few brands talk about poor participation of women in the workforce or unequal workplaces?

According to an Accenture report, "Getting to Equal 2020: The Hidden Value of Cultural Makers," which covers several industries across 28 countries including India, organisations today are at an inflection point. "Today's workforce cares increasingly about workplace culture and believes it is critical to helping them thrive in the workplace (88 per cent of women and 77 per cent of men in India), and majority of leaders (91 per cent in India) believe an inclusive workplace culture is vital to the success of their business," the report noted.

At the same time, there is a perception gap: nearly all leaders in India (94 per cent) believe their people feel included, yet just one third (36 per cent) of employees agree. No brand, except for a pledge by Standard Chartered Bank to do better by its women leaders, puts its advertising might behind the issue. Doing that may just get them heard over the clamour.

'Brands must do more than posturing'

That applies a more positive spin on cost reduction, repositioning the initiative as a more responsible ethical story, **Eyles** tells **Shubhomoy Sikdar**

Can brand design enhance credibility among potential consumers? Especially when there are hundreds of brands and thousands of influencers online...
Design is a complex, yet critical component when it comes to building a brand. Your visual becomes your silent identity, working to promote your brand through elements such as design, colours, symbols and words, effectively put together to uniquely differentiate you from your competitors. Going beyond aesthetic and functional values, a great brand design will step up to reflect what the brand stands for — crisply delivering the message while emotionally hooking the consumer.

Q&A
ANDREW EYLES
CEO & co-founder
bluemarlin

Is the customer touch point, and the corresponding clutter, also kept in mind in creating design solutions?
The "clutter" is the key challenge to navigate on a crowded shelf, and great brand managers build design solutions to ensure their products can stand to engage new customers and are sticky for existing ones, keeping them within the walls of the franchise. Our client Sinebrychoff, a Finnish Brewery and a market leader in the category, for instance, engaged us recently to rebrand its flagship beer Koff. Now craft beer is a growing market segment in Finland. Which is why even though Koff beer in Finland is widely popular and known as the country's "first" beer, the brand needs to stay on top of its marketing efforts to counter the rising competition. We developed a quirky creative design to resonate with the optimistic Finnish target audience. The end result was an offbeat design that stood out in the clutter on the shelf to appeal to consumers who value independence and quality.

Closer home, tell us something about your work for Britannia Treat whose sales purportedly rose 80 per cent since its repackaging and redesigning.
The defining of a company's goals or personality, which is foundational to all branding and

designing processes, is actually set by the company and not the designer. We designed the repositioning keeping in mind the brand's message of "Exciting Goodness" in place. With the vital directives in place, the repositioning targeting a broader demographic with a proposition of "the fun in between" landed successfully with the consumer base. The refreshed identity and variant innovation pushed brand awareness from 85 per cent pre-redesign to 98 per cent, with 80 per cent of consumers stating they bought the brand as a result of the new packaging. Repackaging and redesigning are powerful tools which when done right do have the power to unleash the impact they did in Britannia's case — growing household penetration by 96 per cent as volumes more than doubled.

How do you ensure that creative pursuits and business goals harmonise during a brand-design revamp exercise?
If the design of the brand is not aligned with the message the brand wants to deliver, the natural risk of course is that you will confuse the consumer on what they should expect and, as a result, fail to connect with them. The brand's purpose, positioning and personality, all elements drive the designing of its visual identity. Any brand design exercise follows carefully constructed strategies after understanding the company, the management goals, product's purpose and target audience. Forensic immersion into the consumer mindset, their challenges, aspirations, expectations — and their relationship with your business objective — all these ensure that your creative output is aligned to insights and strategic rigour, ensuring the smooth fusion of science and art. Incorporating this essence into tangible design elements and carefully selected nomenclature is critical to the design process, and invariably results in stunningly consumer-centric creative, that most importantly drives tangible commercial results.

Since communication is no longer a one-way street in the modern era, are customer preferences of brands (especially the ones with a certain legacy) taken into consideration while a redesign is in the works?
When iconic brands go for redesigning to reposition themselves, the underlying objective is always grabbing a larger market share. The tightrope that many legacy brands walk to reach new customers while holding on to the hard-earned brand-love requires keeping customer preferences in mind while redesigning and also while understanding what are the incumbent elements of a brand that you can move forward with and what elements are best to let go of. Straying too far from what has been familiar could be risky. However, not being brave in a market of fierce competition can be detrimental too.

More on www.business-standard.com

QUIZ 655

1 Whose ad carries the line "Where there is food, there should be alcohol" and what is the context?

2 Connect a brand founded in the 1770s that was first known as India ___ ___, (subsequently the India was removed), The Sinking of the Titanic, Napoleon Bonaparte and what do you arrive at?

3 Name the person who said, "To be a successful investor you don't have to outperform the market, you only have to match it".

4 Name this a billion-plus Euro company which created its brand name in the early 1900s after gaining inspiration from the famous Arc de Triomphe in Paris. It was listed on the German stock exchange.

5 Name the businessman whose lively autobiography, *Struggles and Triumphs*, reveals the power of the man's entrepreneurial mind.

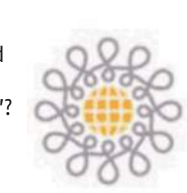
6 Name the person who first started as a painter of miniatures and then went on to invent an award-winning device to cut marble. He also built a submarine with torpedoes and tried selling them to warring parties, Napoleon Bonaparte and Lord Nelson.

7 During World War I, the US War Industries Board asked women to stop buying a particular item of regular personal use to free up metal. It helped free up some 28,000 tons of metal, enough to build two battleships. What were they stopped from buying?

8 Hello Darkness, is the ad line for which brand and for what reason?

9 Which pioneering businessman said this "Work is the master key that opens the door to all opportunities"?

10 What does this logo represent?



COMPILED BY GAURAV SRI KRISHNA, www.facebook.com/gaurav.s.krishna

ANSWERS TO THE STRATEGIST QUIZ 654

1. Unilever
2. During the 1973 Norrmalmstorg robbery and hostage crisis in Stockholm, best known as the origin of the term Stockholm syndrome, the criminal Jan Erik Olsson made a policeman sing the *Lonesome Cowboy* and he in turn was humming *Killing me Softly*
3. Early Birding
4. The @ symbol was brought into usage in 1971 when Ray Tomlinson, who worked for BBN Technologies, was helping the US government develop the Arpanet
5. The Misery Index coined by the American Economist Arthur Okun
6. Sugar
7. Emilio Pucci
8. Alia Bhatt endorses all these brands
9. Tinder helped Parle-G meet Chayos
10. Shelby's Cobra car manufactured by Carroll Hall Shelby who was an American automotive designer

One lucky winner will receive a cheque for ₹2,000. Send your entries to strategist@bsmail.in. All entries must carry the postal address of the contestant. Last date for receiving entries is March 10 till 8 pm. Previous winners and employees of *Business Standard* and their families are not eligible to participate. The winner is chosen on the basis of the first correct entry received.

There was no correct entry to Quiz number 654

When PM 'signed off', and women took over

'Inspired by my mother, who instilled the habit of feeding the homeless, I started Foodbank India'

IAF women fighter pilots Avani Chaturvedi, Bhawanna Kanth and Mohana Singh receive 'Nari Shakti Puraskar 2019' from President Ram Nath Kovind as Union Minister Smriti Irani looks on, at Rashtrapati Bhavan on Sunday PHOTO: PTI

ARCHIS MOHAN
New Delhi. 8 March

Seven women shared their life stories on the social media handles of Prime Minister Narendra Modi on Sunday to mark the International Women's Day. Three of them also received the Nari Shakti Puraskar from President Ram Nath Kovind at a function held at Rashtrapati Bhavan in the afternoon.

Last week, the PM had tweeted that he planned to give up his social media handles on Twitter, Instagram, YouTube, and Facebook to women achievers on International Women's Day.

The seven women were chosen from different regions, economic and social strata of the country. Work done by them has also helped create awareness about schemes of the Modi government, particularly Swachh Bharat Abhiyan and Jal Jeevan Mission for water conservation. The videos these seven women shared on social media were viewed widely.

"Greetings on International Women's Day! We salute the spirit and accomplishments of our Nari Shakti. As I'd said a few days ago, I'm signing off. Through the day, seven women achievers will share their life journeys and perhaps interact with you through my social media accounts," Modi tweeted from his personal @narendramodi handle in the morning. "India has outstanding women achievers in all parts of the nation. These women have done great work in a wide range of sectors. Their struggles and aspirations motivate millions. Let us keep celebrating the achievements of such women and learning from them," the PM tweeted with hashtag "She Inspires Us".

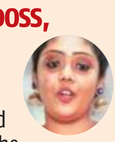
The seven women who shared their "life journeys" included Kalavati Devi, a mason from Uttar Pradesh's Kanpur, who has helped construct over 4,000 toilets; mushroom farmer Bina Devi from Bihar's Munger; and Arifa Jan from Srinagar in Kashmir, who works to preserve and popularize Kashmiri handicrafts. Kalavati, Bina, and Jan also received the Nari Shakti awards.

Apart from the three, others who handled the PM's social media handles were Maharashtra's Vijaya Pawar, who works to conserve handicrafts of the state's Banjara community, philanthropist and founder of Food Bank India Sneha Mohandoss, bomb blast survivor Malavika Iyer, and Hyderabad based water conservationist Kalpana Ramesh.

Before handing over his Twitter handle to women, Modi wished former Rajasthan chief minister Vasundhara Raje on her birthday. First to use the PM's social media handles was Chennai's Sneha Mohandoss.

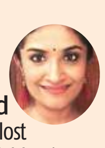
MEET THE WOMEN...

SNEHA MOHANDOSS, founder Food Bank India, Chennai



Mohandoss founded Food Bank India at the time of the Chennai floods in 2015 to fight hunger. "Inspired by my mother, who instilled the habit of feeding the homeless, I started this initiative called Foodbank India," she said. The NGO runs over 20 chapters and initiated activities like mass-cooking, cooking marathons, breastfeeding awareness drives.

MALVIKA IYER, works with people with differently abled



Iyer was 13 when she lost both hands in a bomb blast in Bikaner, and also her legs were severely injured. Iyer said education helped her overcome the accident. She gave her 10th class exam as a private candidate with the help of a writer and scored 97%. "People with disabilities should have equal representation. The more we see them, the more we accept them as part of our society," she said.

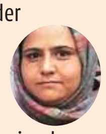
KALAVATI DEVI, Kanpur, campaigns against open defecation

A mason, 58-year-old Kalavati has helped build over 4,000 toilets in villages in and around Kanpur, and campaigned door-to-door about the ills of open defecation.

BINA DEVI, 43, Munger, Bihar

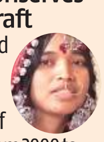
Referred to as the 'mushroom mahila' for popularising mushroom cultivation in 105 villages that has helped 1,500 women, 43-year-old Bina was sarpanch of Dhauri Panchayat, Tetiabamber block, for 5 years. She has been involved in spreading digital literacy and was awarded for training 700 women on how to use mobile by Tata Trusts.

ARIFA JAN, Srinagar, runs handicraft business



Arifa, 33, is the founder of Numdha Handicrafts and helped revive the lost art of Numdha handicraft. She has trained more than 100 women in Kashmir and employed 25 Kashmiri craft people and increased wages of her employees from ₹175 to ₹450.

VIJAYA PAWAR, Maharashtra, conserves Banjara handicraft



Pawar has popularised Gormati arts and handicraft of the Banjara community of rural Maharashtra. From 2000 to 2004, she worked on collecting and preserving the designs, and registered an NGO in 2004. "It has helped generate employment. As many as 450 women are associated with us and another 150 run their own businesses now," she said.

KALPANA RAMESH, architect and water conservationist, Hyderabad

When she returned to Hyderabad from US, the family and the neighbourhood had to rely on water supply from tankers. Ramesh and her husband built a "sustainable home" about eight years ago where the effort was to preserve every drop of rainwater. She said the entire community adopted rainwater harvesting and could survive the summer of 2016 without buying a single water tanker.

Bhendi Bazaar takes a leap into future

After many failed attempts over the past decade, Bhendi Bazaar, one of the most underdeveloped and busiest business-cum-residential districts of the city, is taking a big leap into the future in what's said to be the nation's largest cluster redevelopment project.

The 125-year-old neighbourhood spanning 16.5 acres, not very far from the iconic CST, is already home to two newly-developed towers of 36 and 41-floors which are opening a new world of modern living for the families there. Around 610 of the over 3,200 families and 128 of the over 1,250 businesses have moved in to the new buildings — all for free.

The families, which were living in 80-ft dilapidated homes, are moving into 350 sq ft modern apartments now.

This is the country's largest and one of the most ambitious cluster redevelopment programmes till date. It is being fully funded by the Saifee Burhani Upliftment Trust, established by the late Syedna Mohammed Burhanuddin.

These two towers have come up on the plot where 13 dilapidated buildings stood and form part of the 13 towers which will be developed at the site.

"The new neighbourhood will meet the present and future socioeconomic needs of diverse communities living and working in the area," Saifee Burhani Upliftment Trust Secretary Abdeali Bhanpurawala said.

The redevelopment comprises 16.5 acres of land with more than 250 decrepit buildings, 3,200 families and 1,250 shops, all of which will be incorporated into a state-of-the-art sustainable development model with wider roads, modern infrastructure, ample open spaces and highly visible commercial areas. The state planned to redevelop the area almost a decade ago but work was marred by slow pace.

The project involves razing 250 mostly dilapidated medium-rise structures and building 13 high-rise towers in their place. These towers will house existing commercial and residential tenants, who will be given ownership of their new apartments. PTI