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Business Standard

BRAND WORLD P16

UBER EATS LEVERAGES ALIA'S BRAND RECALL VALUE

ECONOMY P4

AMID GLOBAL SLOWDOWN, IMF HIKES INDIA'S GROWTH FORECAST TO 7.5%

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

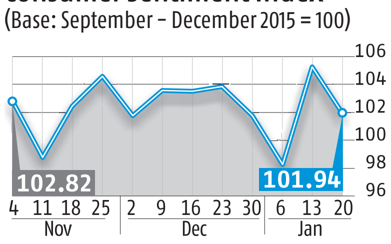
THE MARKETS ON MONDAY

		Chg#
Sensex	36,579.0▲	192.4
Nifty	10,961.9▲	54.9
Nifty futures*	10,969.7▲	7.9
Dollar	₹71.3	₹71.2**
Euro	₹81.1	₹81.2**
Brent crude ($/bbl)##	62.5##	62.1**
Gold (10 gm)###	₹32,195.0▼	-₹80.0

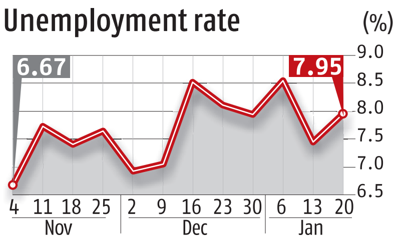
*(Jan.) Premium on Nifty Spot; **Previous close; # Over previous close; ## At 9 pm IST; ### Market rate exclusive of VAT; Source: IBJA

THE CMIE TRACKER

Consumer Sentiment Index
(Base: September – December 2015 = 100)



Unemployment rate (%)



Source: CMIE

HOPES ON KUMBH P8

INDIA INC MAKES UP FOR GOVT ABSENCE IN DAVOS

WORLD ECONOMIC FORUM DAVOS 2019

Most ministers in the Centre are giving the WEF a miss, though Commerce Minister Suresh Prabhu is expected to participate. Yet, India will be making its presence felt in Davos — around 140 corporate leaders will attend the gathering. 17▶

RESULTS RECKONER

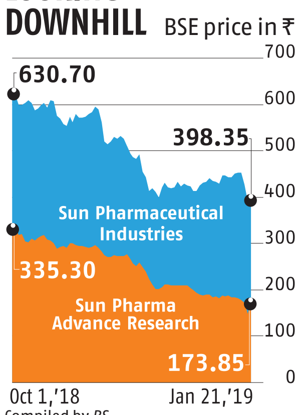
Quarter ended Dec 31, 2018; common sample of 105 companies (results available of 123)

SALES		
Dec 31, '17	**14.1%**	1.9 trillion
Dec 31, '18	**26.2%**	2.4 trillion
NET PROFIT		
Dec 31, '17	**14.6%**	35,569 crore
Dec 31, '18	**10.4%**	39,282 crore

Companies that have reported zero sales are excluded.
Data compiled by *BS* Research Bureau Source: Capitaline

Sun co-promoter may quit race for Jaypee Infratech

LOOKING DOWNHILL BSE price in ₹



Compiled by *BS* Research Bureau

DEV CHATTERJEE
Mumbai, 21 January

Suraksha Asset Reconstruction, owned by Sudhir Valia (*pictured*), a co-promoter of Sun Pharmaceutical Industries, is likely to drop out of the race for Jaypee Infratech, according to sources. Suraksha was planning to make a bid for Jaypee in a tie-up with Dosti Realty, a Mumbai-based real estate developer.

The ongoing problems at Sun Pharmaceutical, which resulted in the share price of the pharma major falling 37 per cent since September last year (*see chart*), might have prompted a rethink.

A source familiar with the developments said, "Valia is unlikely to proceed as a bidder in the bankruptcy proceedings of Jaypee."

Valia is the brother-in-law of Sun Pharma founder Dilip Shanghvi. Valia and his family together own nearly a 3.5 per cent stake in Sun Pharma, according to the December 2018 public filings. Their stake is valued at ₹3,300 crore.

Last week, Sun Pharma shares fell to its lowest in almost six years after media reports of a new whistle-blower complaint alleging corporate governance lapses. Sun Pharma has denied any wrongdoing.

According to a source close to the development, the resolution plans for Jaypee Infratech by all the bidders are expected by January 27 and the joint venture between Suraksha and Dosti Realty is unlikely to bid as both firms are facing headwinds in the real estate sector, apart from falling share prices of Sun Pharma.

"The debt investors of Suraksha Realty have recently asked the company to top up shares which are backing the bonds. This was due to the fall in share price of Sun Pharma as well as of SPARC (Sun Pharma Advanced Research). Lenders are expecting aggressive bids for Jaypee Infratech," said another source close to the developments.

Turn to Page 16 ▶

COMPANIES P2
▶Creditors, NBCC differ over upfront cash infusion

RBI refuses to budge on FPI portfolio limits

ASHLEY COUTINHO
Mumbai, 21 January

The Reserve Bank of India (RBI) is reluctant to relax portfolio-level limits it introduced for foreign portfolio investors (FPIs) last year.

In a meeting with about 50 FPIs and a few custodians on Monday the central bank said it did not want to tweak the existing regulations, said sources in the sector.

The RBI has instead asked investors to look at the voluntary retention route (VRR) — a new channel currently in the works to enable FPIs to invest in debt markets in India — to bypass existing restrictions.

In April 2018, the government introduced these restrictions to cap an FPI's investment in a single corporate bond to 50 per cent of the bond issue.

This restricted their exposure in any single corporate group to not more than 20 per cent of their overall corporate bond portfolio. They were allowed to invest in debt papers with less than three-year maturities, provided the total investment in debt papers maturing within a year did not exceed 20 per cent of the portfolio.

The FPIs had felt the restrictions were too onerous and difficult to monitor, and wanted these to be done away with.

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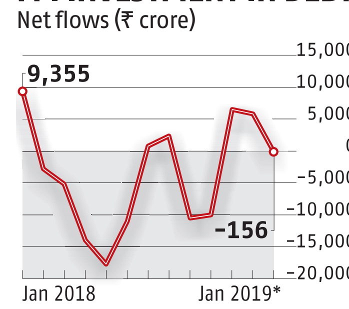
FPI INVESTMENT IN DEBT
Net flows (₹ crore)



*Data up to Jan 18, 2019 Sources: NSDL, Sebi

Lactalis buys Prabhat's dairy biz for ₹1,700 cr

VIVEAT SUSAN PINTO
Mumbai, 21 January

Global dairy major Lactalis will buy Mumbai-based Prabhat's milk business in its third acquisition in India.

Prabhat told the stock exchanges on Monday that Lactalis' Indian subsidiary Tirumala Milk Products was acquiring its dairy business for ₹1,700 crore, which is 1.09 times its FY18 sales of ₹1,554 crore. The transaction is subject to mandatory approvals. The company did not specify a timeline for completion of the deal, but analysts expect it to be done in the next six months.

The company has entered into definitive agreements with Tirumala Milk Products, a wholly-owned arm of Lactalis

At Monday's closing price of ₹93.05 per share, Prabhat's market capitalisation stands at ₹909 crore. Kotak Mahindra Capital Company was the financial advisor to Prabhat on the deal. Veritas acted as the legal advisor.

Besides the dairy business, the transaction also involves sale of 100 per cent shareholding in Sunfresh Agro Industries, a step-down subsidiary of Prabhat, via a share purchase agreement, the company said.

Prabhat will now focus on its cattle field and animal genetics business with the sale of its dairy business.

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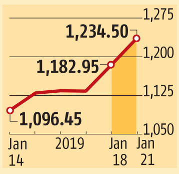
STOCKS IN THE NEWS

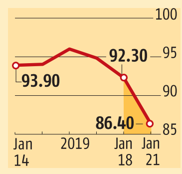
Reliance Industries



Stock gained 9% in two days as Q3 earnings beat Street estimates

₹1,234.50 CLOSE ▲4.36% UP*

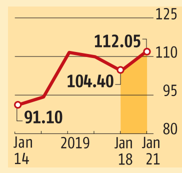
Union Bank of India



Q3 gross NPA at 15.66% against 13.03% in the year-ago quarter

₹86.40 CLOSE ▼6.39% UP*

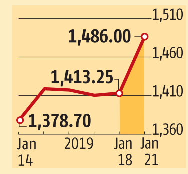
ITI



Bagged order of ₹1,011 cr from Gujarat Fibre Grid Network

₹112.05 CLOSE ▲7.33% UP*

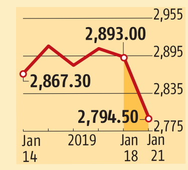
United Breweries



Brokerages expect healthy volume growth in Oct-Dec quarter

₹1,486.00 CLOSE ▲5.15% UP*

Hero MotoCorp



Top loser among the Sensex, Nifty 50 index stocks

₹2,794.50 CLOSE ▼3.40% DOWN*

*OVER PREVIOUS CLOSE

IN BRIEF

NCLT approves merger of Tata Tele with Airtel

The National Company Law Tribunal (NCLT) has approved merger of loss-making telecom firm Tata Teleservices with Bharti Airtel, according to an exchange filing on Monday. The merger is subject to the approval of the Department of Telecommunications (DoT). "NCLT Principal Bench, vide its order dated January 17 has sanctioned the composite scheme of arrangement between Tata Teleservices, Airtel and Bharti Hexacom and their respective shareholders and creditors," Airtel said in a BSE filing. Bharti Hexacom is a subsidiary of Airtel. Debt-ridden Tata Teleservices and Airtel announced the merger in October 2017. The deal is on a no-debt, no-cash basis, implying Airtel is not taking over any of the about ₹40,000 crore debt of Tata Teleservices and is neither paying any cash. As part of the agreement, Airtel will absorb Tata consumer mobile business operations in 19 telecom circles. It will also assume a small portion of the unpaid spectrum liability of Tata towards DoT, which is to be paid on deferred basis, the statement said. PTI

WhatsApp makes India-first forward restrictions global

After introducing limits on forwarding messages in India last year, messaging app WhatsApp is taking the feature to its global users now. A WhatsApp spokesperson on Monday said, "The forward limit significantly reduced forwarded messages around the world. Starting today, all users on the latest versions of WhatsApp can now forward to only five chats at once, which will help keep WhatsApp focused on private messaging with close contacts. BS REPORTER

SC admits TRAI plea against TDSAT predatory pricing

The Supreme Court on Monday agreed to hear the Telecom Regulatory Authority of India's (TRAI) plea challenging Telecom Disputes Settlement and Appellate Tribunal's (TDSAT) order quashing the former's rule on predatory pricing for lack of transparency. The court has issued notices to Airtel, Vodafone India and Jio Infocomm and sought their responses on the issue. The TDSAT had on December 14 last year set aside Trai's February 16 order and said that it was unnecessary abdication of its regulatory powers in context of tariff conditions and their enforcement. BS REPORTER

Essar Shipping chief financial officer resigns

Essar Shipping Monday said its Chief Financial Officer (CFO) Sandeep Akolkar has resigned with immediate effect. "This is to inform that Sandeep Akolkar resigned as CFO of the firm with immediate effect," Essar Shipping said in a BSE filing. His relieving is under process and shall be subject to the approval of the board of directors of the company, it said. PTI

ONGC share buyback opens on January 29, closes February 11

Oil and Natural Gas Corp's ₹4,022 crore share buyback programme will open on January 29 and close on February 11, the firm said in its offer letter to shareholders. ONGC's board had on December 20 approved buyback of 252.9-million shares for ₹159 apiece as part of the government plan to get cash-rich PSUs to part with their surplus. PTI

Ikea, Rustomjee to offer furnished homes, eye ₹700-crore revenue

In a first, the Swedish furniture retailing giant Ikea has partnered with Mumbai-based developer Rustomjee to offer designer, furnished homes at upcoming township project Global City at Virar. The home furnishing and accessories major Ikea will design around 1,200 units of 1 BHK and 2 BHK apartments priced between ₹41 lakh and ₹52 lakh, respectively. Rustomjee is looking at a revenue of ₹700 crore from this project alone with this partnership, the companies told reporters on Monday. "This is for the first time a global brand like Ikea has partnered a developer to provide fully furnished apartments with a range of product offerings from Ikea. We are developing 1,700 apartments in this phase of the project, of which 1,200 will have Ikea home furnishings," Rustomjee chairman Boman Irani said. He said this association would not be limited to the Virar project in the Palghar district, but would take it forward to other upcoming projects as well. Ikea Mumbai Store Manager Niclas Silversved said, "This tie-up is a testimony that we are about everyday low prices and being accessible for the common people. We will be providing our range of product offerings best suited for homebuyers." PTI

RIL's asset monetisation may pare ₹1-trillion debt

AMRITHA PILLAY
Mumbai, 21 January

Reliance Industries (RIL) said last week that it plans to go for asset monetisation and see higher earnings as well as lower capital expenditure.

Analysts are of the opinion that the asset monetisation could alone help shave off 33 per cent or ₹1 trillion of its total debt.

The oil-to-telecom conglomerate, as of December 2018, had an outstanding debt of ₹2.74 trillion, higher from the ₹2.18 trillion as on March 2018. RIL expects liabilities to taper down eventually. "It is likely that RIL has lined up strategic buyers for eventual monetisation and a sale would lead to 33 per cent dip in debt with over ₹1 trillion locked up in these assets," analysts with Edelweiss wrote in a post-results note on RIL. RIL started the process to demerge its towers and fibre businesses into separate arms in a bid to monetise these assets. "It has hived off these assets into separate subsidiaries which it will look to monetise in the coming months, possibly through the Infrastructure Investment Trusts," analysts with HSBC Global Research wrote in their note on the company.

Reliance Jio Infocomm (RJIL) proposes to transfer its fibre and tower undertakings to separate firms through a scheme of arrangement. The subsidiary will also enter into arrangements for long-term uninterrupted use of these assets. RIL, in its media release, also added the composite scheme of arrangement for the purpose has been filed in the Ahmedabad Bench of the National Company Law Tribunal (NCLT) on January 7. RIL intends to monetise these assets into an annuity-based model that offers long-term visibility to potential investors," analysts with Bank of Baroda wrote in a January 18 report.

On Thursday, at the company's earnings press conference, V Srikanth, joint chief financial officer, said, "Capex intensity will go down, which is clear. Earnings momentum is strong and asset monetisation opportunities mean that the liabilities side of the balance sheet will look stronger."

Most of RIL's outstanding debt is an outcome of the company's aggressive expansion plans seen in the last six to seven years. According to company officials, RIL invested about $20 billion in its refining and petrochemicals business, ₹3 trillion in telecom and an addition $2 billion in the retail business. Company officials are confident that capital expenditure needs will start to decline.

Analysts with HSBC see this as a positive, as concerns over higher leverage may recede. "Asset monetisation plans, coupled with strong free cash flow, should address investor concerns on RIL's leverage," the report said, adding, this should drive a swift deleveraging cycle from the next financial year.

With Jio's bull run, stability in telecom pricing to take longer

ROMITA MAJUMDAR
Mumbai, 21 January

Hopes that telecom tariffs will stabilise from the fourth quarter may not fructify because Mukesh Ambani-led Reliance Jio Infocomm, a subsidiary of Reliance Industries, indicated during the announcement of the third-quarter results that the company will not tinker with tariffs as that might stall the growth momentum.

While this may apply over the short to medium term, analysts say Jio's rising network costs will force the operator to raise tariffs over the long term. While Jio's data usage came at a slight dip in Q3 at 10.8 GB a month against 11 GB a month in the second quarter, its data volumes on the network increased 12 per cent quarter-on-quarter and 100 per cent year-on-year, driven by video consumption. Data consumption on JioPhone is 8-9 GB a month.

Analysts estimate with incumbent telcos seeking to raise prices, it is up to Jio to take the lead. At the end of the September quarter, Jio's revenue market share (RMS) had expanded to 26.1 per cent while that of Bharti Airtel and Vodafone Idea had come down to 30.9 per cent and 32.8 per cent, respectively. "For incumbent telcos, this (Jio's focus on subscriber addition) could mean revenues staying stagnant until Jio reaches its earlier stated target of (more than 400 million users)," wrote Manish Adukia, Goldman Sachs, in a report. Golman Sachs expects Jio to have 302 million subscribers by the end of the financial year.

Over the past quarter, Vodafone Idea and Bharti Airtel raised minimum tariffs and introduced bundled plans. The telecom sector in India witnessed the first tariff change in the pre-paid unlimited bundle segment after January 2018 in December when Vodafone Idea and Bharti Airtel made changes to their flagship ₹399 plan while increasing prices of the 28-day validity plan.

Despite rapid subscriber additions, Jio's subscriber base is stronger in non-metro markets, which comprise low-value customers. That's unlike the former Vodafone and Airtel base, which includes a large metro presence.

Jio YoY growth

Subscribers **75%**

ARPU **-16%**

Network operation cost **83 %**

Revenue **51%**

Sources: ICICI Securities, RIL

However, the incumbents are seeking to tap the rural market with their low-priced data plans and 4G network. Reliance Jio topped with 8.5 million active subscriber addition in October (according to the latest data from the Telecom Regulatory Authority of India), while Bharti Airtel added 3.4 million subscribers, bucking the previous three months' downtrend. Vodafone Idea lost 2.9 million subscribers in the same month.

"Taking the outside-in approach forward and based on more customers opting for bundled packs, we have recently launched a portfolio of Active/All-Rounder Products with 5 price points having Talktime+Data+Tariff prebundled into one," said a Vodafone Idea spokesperson.

During the quarter, Jio's net access charges declined by 4 per cent quarter-on-quarter to ₹1,000 crore despite 12 per cent quarter-on-quarter growth in voice traffic, implying an improving mix of on-net and incoming traffic. Access charges may weigh on Airtel's and Vodafone's revenue in the third quarter, analysts expect.

Further, as noted by Navin Killa, research analyst, UBS, with domestic interconnect charges becoming zero from the start of 2020, net access charges for Jio (9.7 per cent of sales in the third quarter) are set to decline materially and provide an upside to margins. Credit Suisse analyst Sunil Tirumalai noted the "company (RIL) intends to hive off tower and fibre assets and get outside investors in so as to reduce overall debt levels. We believe this effectively punctures hopes of tariff increases for other telcos (as was argued by some bulls)."

The rising network costs to increase 4G coverage are a likely concern for Jio as evident from its rising network opex.

No bidders; Falcon Tyres may end up in liquidation

AVISHEK RAKSHIT
Kolkata, 21 January

Falcon Tyres, previously owned by the Ruia Group, may end up in liquidation after failing to attract any bidders for takeover of the stressed assets.

The company is currently undergoing insolvency resolution process in the Bengaluru Bench of the National Company Law Tribunal (NCLT). In case of liquidation, lenders are seen taking at least a 52 per cent haircut with an estimated liquidation value of around ₹797 crore against verified claims of ₹1,513 crore.

Sources said the asset value at the company cannot be more than ₹105 crore as depreciation of plant and machinery has practically rendered production untenable. However, 18 acres of land parcel in Mysore has been kept as collateral security which is valued at ₹693 crore.

"The way we see it, liquidation seems to be the only option now as no company has evinced interest to take over Falcon Tyres," said a member of the company's Committee of Creditors.

Moreover, the source alleged, there have been "complicated financial irregularities", which may have been one of the reasons why no one showed any interest in the takeover. In August 2018, the Securities and Exchange Board of India (Sebi) imposed a fine of ₹8 lakh on Manali Properties and Finance and its director. According to that order, Soumitra Ghose was the director of the firm during April 2012, the investigation period. A creditor said the fine was imposed as Ghose and Manali Properties failed to submit information sought by Sebi pertaining to acquisition of shares of Falcon Tyres and Dunlop India.

However, the total amount of fine imposed on Falcon Tyres by Sebi, pertaining to various violations, amounts to ₹1.13 crore. Edelweiss Asset Reconstruction Company is the lead lender with verified claims of ₹1,253.36 crore, along with interest, followed by SBI Global Factors (₹97.27 crore), Punjab National Bank (₹68.85 crore) and State Bank of India (₹59.41 crore), and four others.

Operational and other creditors, including Sebi, workmen and individual creditors, also have a verified claim of over ₹536 crore.

Asked if lenders are okay with the government trying to help find an investor, a lead lender said, "We have time and again appealed to all the major tyre manufacturers to come up with a resolution plan, but none ever reverted. I think it is in the best interest of all stakeholders if the company is liquidated."

On August 17, 2018, the first round of submission of resolution plans was opened which was extended to October 3. Another round of applications was invited with the last date of submission being December 28 last year; however, no applications were received. The lenders are yet to decide if it will be a piecemeal sale. "It is the land parcel which has some valuation while the asset quality has depreciated considerably. Lenders are yet to decide how the sale will be in case the NCLT orders liquidation," said a tyre industry source.

While the NCLT is yet to pronounce its order, the workers have already approached the state government to help revive the company.

In turn, the Karnataka government has called a meeting to decide if the company can be saved from liquidation which will save jobs.

At an event, Chief Minister H D Kumaraswamy publicly appealed to JK Tyre to take over the firm. Sources said JK Tyre is yet to receive any official communication from the state government in this regard and it is not known if its officials will attend the meeting.

In May 2018, at the behest of Edelweiss, the NCLT ordered commencement of the insolvency resolution process. It was the second time Edelweiss resorted to legal means to settle their claim. In 2017, Edelweiss moved court seeking liquidation but withdrawn its plea later.

CLAIMS OF FINANCIAL CREDITORS

	Claimed amount	Verified amount
Edelweiss ARC	1,254.13	1,253.36
SBI Global Factors	97.27	97.27
Punjab National Bank	68.85	67.66
State Bank of India	59.41	59.41
Oriental Bank of Commerce	25.02	25.02
Almondz Finanz	9.91	9.91
Kanti Commercial	35.56	-
Nandakini Contractors	12.76	-
Total	**1,562.91**	**1,512.63**

Source: Industry — All figures in ₹crore

Supreme hope for 8,000 Amrapali buyers

KARAN CHOUDHURY & AASHISH ARYAN
New Delhi, 21 January

There is much hope riding on the Supreme Court hearing this Thursday for around 8,000 homebuyers of the insolvent Amrapali Group.

These 8,000 houses are part of the 15 projects of the realty group, constituting a total of 46,575 units. The buyers hope the SC would allow not only registration of already occupied houses but completion of pending civic work, with the money earlier ordered to be deposited by the company's chief financial officer (CFO). This was to be transferred to state entity NBCC, to start work on some towers.

"We are hoping the court would allow registration of deeds of all occupied flats, as indicated (by the judges) at the last hearing. We are also hopeful it will pass orders for individual electricity and water connections. This will immediately provide relief to almost 8,000 people.

UNDER SHELTER

- Number of homeowners left high and dry — **Close to 46,575**
- Some of its beleaguered projects — Verona Heights, Golf Homes, Terrace Homes, Dream Valley
- Unsold inventory — 4,885 units valued at **₹2,600 crore**

Further, the court had asked for deposit of ₹12 crore by the CFO. If that happens, NBCC has indicated they can start work immediately," said Kumar Mihir, counsel in the case.

During the earlier hearing last Wednesday, the court-appointed forensic auditors had told it that high-end apartments were booked in Amrapali housing societies for as low as ₹1, ₹5 and ₹11 a sq ft, in the name of over 500 people.

"They have only unravelled the tip of the iceberg. The court has asked for tracing the money and, if possible, recovery of the said diverted money. If this is taken to its logical end, the Amrapali projects will be completed. Whatever money has been recovered till now is also because of this. We hope funds are generated and work starts," Mihir said.

On January 16, the court had reprimanded Chander Wadhwa, the CFO, when the auditors said he had transferred ₹1 crore into his wife's account and then ₹4.75 crore to 'unidentified persons', three days before deposing in the case on October 26 last year. The judges told Wadhwa he had no right to do this. The auditors said Wadhwa had a total of ₹12 crore in his account before he had appeared in court for the first time.

"You have obstructed the course of justice and we may haul you up for contempt of court," the Bench had said, directing Wadhwa to put back all the money within seven days. Wadhwa, say sources, is likely to ask for more time to do so, for lack of cash.

Homebuyers say they expect the money recovered from the CFO would be used to complete some of the pending work, to enable the houses to be given to them.

Calling the group one of the biggest of liars, the apex court last year had ordered attachment and auction of its properties, including four corporate offices in Noida and Greater Noida. And, asked the Debt Recovery Tribunal in Delhi to auction these.

A villa in Goa, 15 luxury cars, malls in Bareilly, Muzaffarpur and Gaya, and a hotel in Greater Noida are all on the sale list of group property, worth at least ₹1,500 crore.

The homebuyers, waiting for almost a decade, hope planned and timely sale would help restart the stalled construction.

Jaypee bid: Creditors & NBCC differ on upfront cash infusion

VEENA MANI
New Delhi, 21 January

Differences have arisen between NBCC, one of the bidders for Jaypee Infratech, and the creditors over upfront cash infusion into the company.

At a recent meeting of the committee of creditors of Jaypee Infratech, NBCC argued that upfront cash infusion into the company should not be the criteria for selecting a bidder. NBCC argued, "Evaluation matrix should be linked to the construction cost i.e. the amount utilised for the construction rather than the amount infused in the company."

Business Standard has reviewed the minutes of the creditors meeting in which potential bidders such as NBCC and Cube Highways & Infrastructure, along with bankers and other creditors were present.

To NBCC's arguments, the interim resolution professional (IRP) replied that there

NBCC argued that upfront cash infusion into the company should not be the criteria for selecting a bidder

should be a guarantee that the chosen bidder would make payments as promised. He emphasised on this because it has been found in many cases that the promised payments did not come.

"Lenders have to be assured of the ability of the bidder to raise money to deliver what was promised in the resolution plan," said the resolution professional's legal advisor. IRP is planning to seek an extension of 90 days to complete the resolution.

Bidders have been conducting due diligence and physical survey of the assets of Jaypee Infratech. From August 2017 to December 2018, total real estate cost incurred during insolvency resolution process was ₹467 crore. Total collection from real estate stood at ₹245 crore.

Jaypee Infratech got a lifeline after the Supreme Court sent back the case to the NCLT for a resolution. The company had ₹27.9 crore as cash balance as on December 2018.

Mytrah Mobility bags $1 bn from GCF for electric buses

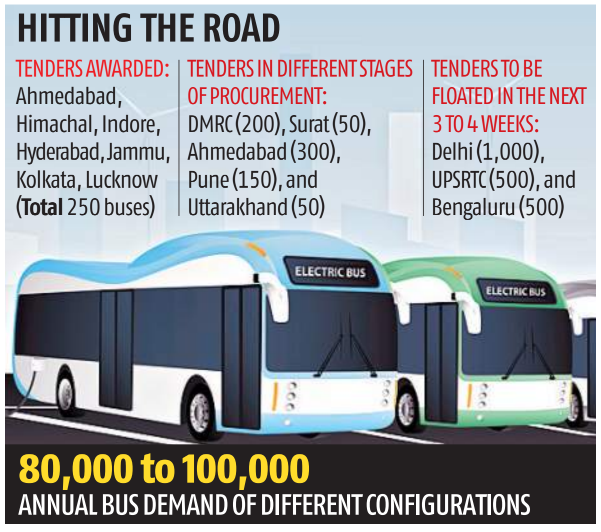
JYOTI MUKUL
New Delhi, 21 January

Mytrah Mobility, the electric vehicle (EV) solutions firm based in Gurugram, will be implementing the largest of its kind funding programme for electric buses and allied infrastructure in India. The UN-backed Green Climate Fund (GCF) will be channelising funds worth $1 billion through the company.

Mytrah estimates the funding will enable financing of 5,000 buses. It will have the potential to reduce 12 million tonnes of greenhouse gas emissions, avoid use of 1.5 billion litres of diesel and create over 20,000 skilled green jobs.

The Indian e-bus market is expanding rapidly with cities introducing large programmes on a per-kilometre model. New Delhi is expected to come out with a tender for 1,000 e-buses this month. The Delhi Metro Rail Corporation (DMRC) has invited bids for 200 e-buses for its feeder service.

"In India, we are looking for a full solution when it comes to e-buses. So, it is either the full life-cycle cost or a per-metre cost of the vehicle that is taken into account," said Ankit Singhvi, co-founder and chief executive at Mytrah.



The GCF provides long-term low-cost (10-15 years) financing, which is crucial for competitive deployment of electric buses, given their higher upfront capital expenditure.

This programme is expected to benefit operators and original equipment manufacturers (OEMs) that are looking to deploy e-buses in India.

"This is very timely for India, as the government has set ambitious targets on EV adoption. With the market decisively shifted to a solution model, optimal financing solutions for e-buses are required for them to compete with diesel and CNG buses. We look forward to take on board public and private operators, aggregators, OEMs and charging infrastructure firms to make EVs viable," said Singhvi.

The company bagged the GCF funding through a three-stage bidding process. Mytrah will be availing the funding through Small Industries Development Bank of India, the accredited agency from India.

"Most people who run such buses are small and medium enterprises. Buses usually get a five-year loan, which works out costly for the electric ones. Through subordinate lending facility like this, longer tenor loan is possible," he said.

Compared to CNG and diesel buses, the operating cost is less for e-buses. The capital cost, however, is higher. At present, it is estimated there are about 80,000 e-buses in India. Mytrah plans to finance 1,200 buses in the first year, followed by 1,500 the next year and then the rest. "This is a big piece, especially in this environment when banks are not willing to lend. This (the financing) will be a catalyst," said Singhvi.

Interest rates on commercial vehicles are lower than home loans. "The GCF allows a 15-year term loan. We will customise it according to the end user's requirements, since we have the flexibility for making the funding viable," he said.

According to Singhvi, his firm pioneered the introduction of e-buses in India, with the first commercial deployment of 25 buses at Manali on the Rohtang route in a consortium in 2016. It also pioneered the first private contract for e-bus deployment at the Delhi airport.

Govt may bypass PESB route for Air India hiring

PRESS TRUST OF INDIA
New Delhi, 21 January

In order to fast-track the hiring of director-level executives at Air India, the civil aviation ministry is likely to conduct the appointment process through its search-and-selection committee and not involve the Public Enterprises Selection Board (PESB), according to a senior government official.

"Currently, many director-level positions — such as director (commercial), director (personnel) and director (operations) — are open in Air India. The government plans to fill them up as soon as possible using its search-and-selection committee," the official said.

Other executives in the company have been handling additional charge of these posts till date. "We would like people from private sector to apply. However, we will have to see how many people would be interested in these positions. We don't have time to go through PESB route as it will be a long-winded process," the official told *PTI*. Currently, PESB's website lists director (commercial), director (personnel) and director (operations) as "upcoming vacancies".

The PESB is a committee of retired bureaucrats. On November 14 last year, the central government permitted the ministries to appoint board-level executives in public-sector companies without taking approval from PESB or Department of Public Enterprises. Generally, a ministry informs the PESB in advance about the position that is going to become vacant. The PESB then issues a vacancy and receives the applications for it in a certain time period. It then shortlists the candidates from the applicants and calls them for interview.

Unhappy with bike market share: Rajiv Bajaj

AJAY MODI
New Delhi, 21 January

Rajiv Bajaj, the 52-year-old managing director of Pune-headquartered Bajaj Auto, is unhappy with the company's domestic motorcycle market share — currently at 18 per cent. The company on Monday launched a campaign to showcase its dominance in motorcycle exports with the hope of a positive rub off on domestic sales.

"I would have liked the company to be more successful in motorcycles in the domestic market. It is about time we made the same impact in motorcycles as we do in the domestic three-wheeler market," Bajaj said, whose company dominates the three-wheeler market with a 57 per cent share.

Bajaj will launch the Husqvarna brand of bikes in the domestic market this year

He said the key message of the campaign and the new brand identity — The World's Favourite Indian — in the domestic market is to urge the buyers to buy a brand that is being sold in 70 countries globally. The company exports almost 60 per cent of motorcycles from India. In Calendar Year 2017-2018, or CY18, Bajaj exported over two million vehicles, more than 80 per cent of which were motorcycles. In the same year, its domestic motorcycle sale was about 2.4 million units.

Irrespective of the sluggishness in the domestic two-wheeler market in last few months, Bajaj is optimistic. "This is too big a market to fail. It will bounce back."

Bajaj Auto is working to launch electric vehicles in the first half of CY20, around the same time the Bharat Stage VI emission norms come into force. On Husqvarna, which is a Swedish premium motorcycle brand owned by KTM, Bajaj said it "will become even bigger than KTM worldwide".

"If negativism is the political campaign in an aspirational nation, it won't work. If arithmetic is the only hope, the Modi chemistry can prevail over it"

ARUN JAITLEY, *Finance minister, in a Facebook post titled 'Agenda for 2019 – Modi Vs Chaos'*

"With the evolution of Opposition unity, the BJP's body language has changed. Fear is visible. Earlier the BJP used to say it will remain in power for 50 years. Now it is saying if it loses it won't come back to power for 200 years"

AHMED PATEL, *Senior Congress leader*

"You will be surprised to know that in the last 28 years (that) I have been in Bajaj, I have not watched the Budget. There is nothing worthwhile in it. Rather than sit for four hours and burden your brain, it is better to go and make a product"

RAJIV BAJAJ, *managing director, Bajaj Auto*

IN BRIEF

SC leaves the door open for probe of all vehicle makers

The Supreme Court on Monday left the door open to allow probe into whether all vehicle makers in India violated environmental norms, and said it was up to the National Green Tribunal (NGT) to decide whether it wanted to widen the net or examine only Volkswagen India. The SC's observation came on a plea of Volkswagen India, which said it was being singled out and unfairly targeted as the NGT had not ordered tests against any other vehicle maker. Volkswagen India has moved the SC asking it to set aside the ₹100 crore fine imposed by the NGT. Remanding the matter back to the NGT, the SC said the committee formed by the tribunal should also include Ministry of Road Transport and Highways.

AASHISH ARYAN

LIC completes acquisition of 51% stake in IDBI Bank

IDBI Bank on Monday said insurance behemoth LIC has completed acquisition of 51 per cent controlling stake in the bank, making it the lender's majority shareholder. "The deal, conceptualised in June 2018, is envisaged as a win-win situation for both IDBI Bank and LIC with an opportunity to create enormous value for shareholders, customers and employees of both entities through mutual synergies," IDBI Bank said. PTI

Court nod to ED for extradition of 4 Sterling promoters

A Delhi court allowed the Enforcement Directorate to go ahead with the extradition process against four Sterling Biotech promoters in a ₹8,100-crore bank fraud case. PTI

L&T Finance Q3 profit up 81% to ₹581 crore

L&T Finance Holdings, arm of engineering firm Larsen & Toubro, Monday posted a 81 per cent rise in consolidated net profit to ₹581 crore during the third quarter ended December 31, 2018. PTI

EVM hacking claim: EC asserts 'foolproof nature' of machines

Amid claims by an Indian cyber expert that electronic voting machines (EVMs) can be hacked, the Election Commission asserted on Monday it firmly stands by "empirical facts about foolproof nature" of its machines and said it is examining as to what legal action "can and should" be taken in the matter. PTI

India up one place on global talent competitiveness

India has moved up one position to rank 80th on the global talent competitive index, but remains a laggard among the BRICS nations, a new survey showed on Monday. PTI

12 states grew faster than nation last fiscal: CRISIL

Twelve of 17 states in the Reserve Bank of India's non-special category grew faster than the 6.7 per cent pace the national economy clocked in the 2018 fiscal, CRISIL said in its report titled 'States of growth 2.0' released on Monday. However, this growth hasn't been equitable. Low-income states have not sustained high growth long enough to meaningfully bridge the per-capita income gap with the high-income states. In fact, the chasm is widening.

Nepal announces ban of Indian notes above ₹100

Nepal's central bank has banned the use of Indian currency notes of ₹2,000, ₹500 and ₹200 denominations, a move that could affect Indian tourists visiting the Himalayan nation where Indian currency is widely used. PTI

Bank fraud fugitive Choksi surrenders Indian passport

Bank fraud fugitive Mehul Choksi has surrendered his Indian passport to the High Commission in Guyana, official sources said on Monday. Choksi, one of the alleged masterminds of the $2 billion scam in state-run Punjab National Bank and an uncle of fugitive diamantaire Nirav Modi, took citizenship of Antigua last year. PTI

IMF HIKES INDIA GROWTH FORECAST TO 7.5%; PEGS CHINA'S AT 6.2%

Despite fiscal deficit concerns, India retains the fastest-growing economy tag

The International Monetary Fund (IMF) has scaled up projections for India's economic growth a tad by 0.1 percentage points to 7.5 per cent for 2019-20, even as it cut the same for the global growth by 0.2 percentage points at 3.5 per cent for 2019.

For the current financial year, it retained the country's growth forecast at 7.3 per cent, 0.1 percentage higher than pegged by advance estimates.

India retained the fastest-growing economy tag, with China estimated to have grown 6.6 per cent in 2018

and is projected to grow at 6.2 per cent in 2019. Official data later in the day proved IMF correct as China's growth rate indeed fell to 28-year low of 6.6 per cent last year.

In its World Economic Outlook Update, the IMF further said it expected India to grow 7.7 per cent in 2020-21, suggesting the economy is likely to witness gradual recovery. However, there are fiscal concerns, warned IMF's newly appointed chief economist Gita Gopinath.

At the launch of the report at the WEF in Davos, she said, "We flag that consolidated fiscal deficit remains high for the last five years. GST revenues have not come in at the expected rate. That will be the area for the continued improvement."

INDIVJAL DHASMANA

ECONOMIC GROWTH IN % (YOY)

	Estimates 2018	Projections 2019 Given in Oct '18	Projections 2019 Given in Jan '19	Projections 2020 Given in Oct '18	Projections 2020 Given in Jan '19
World	3.7	3.7	3.5	3.7	3.6
US	2.9	2.5	2.5	1.8	1.8
Euro Area	1.8	1.9	1.6	1.7	1.7
Japan	0.9	0.9	1.1	0.3	0.5
China	6.6	6.2	6.2	6.2	6.2
India	7.3	7.4	7.5	7.7	7.7

Note: For India, 2018 means 2018-19 and so on
Source: IMF's World Economic Outlook Update

Growth much below potential, hit by revenues & capital expenditure

Modi government betters UPA's policy paralysis years' growth performance

INDIVJAL DHASMANA
New Delhi, 21 January

Growth, advance estimates say, in the last year of this term of the Narendra Modi government will be higher than in 2013-14, the year the United Progressive Alliance (UPA) regime ended its rule, though the potential for higher growth was greater.

Growth was 6.4 per cent in 2013-14. However, the last financial year of the UPA government saw an improvement over 5.5 per cent in 2012-13, though both the years were criticised as those of policy paralysis.

RUN-UP TO INTERIM BUDGET *INSIGHT OUT* **2019-20**

Advance estimates say growth will be 7.2 per cent in 2018-19. It is an improvement, though growth had reached 8.1 per cent in 2015-16 and hence could have expanded at a much higher pace than what was estimated officially for FY19.

Growth during the UPA and NDA regimes cannot be compared because of the now complex back series data.

The reasons for slowing growth between 2015-16 and 2018-19 cannot entirely be found in the Budgets but outside. The two most prominent pull-down factors — demonetisation and the initial jitters of the goods and services tax (GST) — lay outside the scope of the Budget.

Nonetheless, Budget provisions did make an impact on the economic expansion, besides the twin factors cited above.

As could be seen from the charts, the lowest growth was witnessed in 2017-18 owing to the lingering effects of demonetisation and the GST.

However, government capital expenditure, spent on asset creation, contracted for the first time under the Modi government in 2017-18. The expenditure was crucial because private investments remained subdued due to various reasons including bank bad debts and overleveraged corporate debts.

That year also saw gross fixed capital formation growth dipping to 7.6 per cent from 10.1 per cent in the previous year.

However, nowadays states, put together, account for much higher capital expenditure, almost twice that of the Centre.

The cut in capex by the Centre may have been warranted because the Centre was not able to cut revenue expenditure. It grew by 15 per cent in 2017-18 against 9.9 per cent in the previous year. For the fiscal deficit, though cutting revenue expenditure is considered more qualitative, high revenue expenditure did give a boost to consumption expenditure.

Even then, growth in private final consumption expenditure in the economy declined to 6.6 per cent in FY18 compared to 7.3 per cent in the previous year.

Ranen Banerjee, leader public finance and economics, PwC India, said the Centre's capex and revenue expenditure did affect economic growth. Capex has multiplier effects too, such as increase in employment and hence rise in consumption. But that comes out with some lag, he said.

D K Srivastava, chief policy advisor in EY India, said though revenue expenditure did give a boost to economic growth, it is short-term. The main push factor comes from capex, which remains quite low in India, including in the Modi era.

The cut in capex was also warranted in FY18 because GST collections did not come for one month due to the method of collections. While the GST remained operational for nine months that year, collections came for only eight months since those of March were paid in April.

Though it is difficult to compare GST collections in FY18 with those in the previous year since there was no GST then, one can compare overall tax revenues collected by the Centre. These fell short by ₹30,776 crore at ₹9,01,664 crore (pre-devolution to states). The blame cannot be laid on the GST alone because the corporation tax target fell short by ₹32,310 crore, but the issue was that it could not be offset by the GST.

This year too, as the government faces a shortfall in GST collections, with one estimate putting it at ₹58,000 crore just on the Centre's account, it will have to struggle to cut expenditure. Besides, non-tax revenues fell short by ₹52,783 crore.

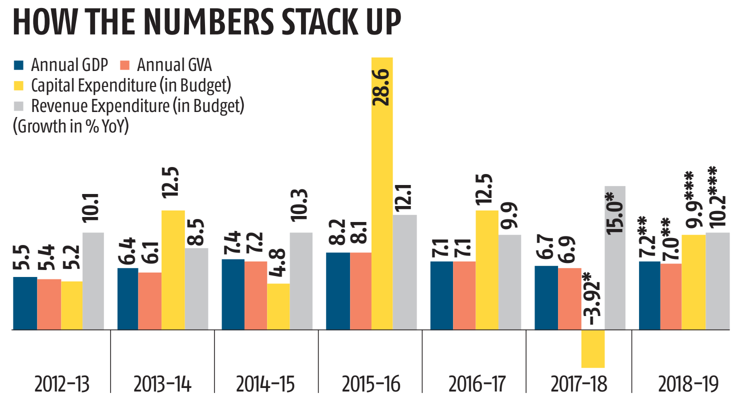
In these situations, the axe generally falls on capex, said Srivastava.

The Centre's capex recorded a contraction of 33 per cent in November year-on-year. Growth was muted at 4 per cent in the first eight months of the current financial year.

The impact of this was seen on economic growth too. The growth number given by the advance estimates for the current financial year is lower than the finance ministry's projection of 7.5 per cent and also that of the Reserve Bank of India's at 7.4 per cent.

Union MoS for Finance Shiv Pratap Shukla *(second from left)* and Pon Radhakrishnan *(third from left)* with ministry officials at the 'Halwa Ceremony' to mark the beginning of printing of Budget documents, in New Delhi on Monday PHOTO: PTI

HOW THE NUMBERS STACK UP



Note: * is RE of 2017-18 over actual of 2016-17, ** advance estimates, *** is BE of 2018-19 over RE of 2017-18

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The diaspora's opinions about Modi as varied as here in India

The mood in Varanasi was pro-Modi but a certain ambivalence has crept in

MANAVI KAPUR
Varanasi, 21 January

At the gargantuan venue for the Pravasi Bharatiya Divas (PBD) in Varanasi, two women posed for a selfie in front of large cutouts of the Kashi Vishwanath temple. A young man was busy making a boomerang video of a tea vendor offering the hot beverage in 'kulhads'. But as soon as the question of the upcoming Lok Sabha election was brought up, there was a tiny shift in energy. "I'm not sure I know enough" was an oft-repeated phrase among the millennial visitors to the 15th edition of an event aimed at bringing together the Indian diaspora.

The PBD this year also functions as a political stage for the Bharatiya Janata Party government at the Centre and in Uttar Pradesh. A bill is pending in the Rajya Sabha on the question of allowing non-resident Indians the right to cast their vote by proxy. Both Prime Minister Narendra Modi and Congress President Rahul Gandhi have been wooing the Indian diaspora through widely publicised events across the country.

At the PBD, the mood was either largely pro-Modi, and when not, apolitical. "I feel I don't know enough about the Indian political scenario to cast my vote," said Jaya Mohan, a 28-year-old delegate from Sydney, Australia. "There is a feeling that Modi contributed to India's popularity across nations with Indian communities. But that feeling dissipates when I speak to my relatives living in India and what they tell me about the situation here. I'm sure my parents, who are more politically aware, would be more interested in voting."

The older diaspora, especially those who emigrated out of India decades ago, have a predictably stauncher sense of patriotism and rootedness. The BJP's focus on nationalism plays well with this demographic. "I think my son won't be as excited about voting. But I say with confidence that if he were to invest, he would most certainly choose India," said Sharad Amin, a delegate from Houston, Texas, who moved to the US over 40 years ago.

"When I attended the PBD in 2013, a lot of people asked me if I would come back if Modi came to power. I have not come back, but I have kept my promise and built a house in Vadodara," said Amin. On the question of Rahul Gandhi, he smiles and refuses any comment.

There was also considerable presence of strong, diaspora-led and BJP-affiliated lobbies. Aditya Tawatia, convenor of the Overseas Friends of the BJP in Vancouver, was clear about the path ahead. "Our youngsters feel disconnected to India. We need to engage with them so that they can serve both the country of their current citizenship and India," he said.

More on business-standard.com

ALLOWING NRIs PROXY VOTERS: WHERE THINGS STAND

- A bill to amend the Representation of People Act to enable proxy voting for NRIs was passed on August 9, 2018. The Rajya Sabha is yet to pass the bill, but the government could bring it in the Budget session
- The current law permits overseas voters to vote in person. The amendment enables them to appoint a proxy to cast their vote
- The Election Commission is waiting for the Rajya Sabha to pass the Bill. An EC spokesperson said: "If and when the amendment happens, rules will have to be framed as per the provisions. Then we will issue appropriate instructions to election officials."
- While the BJP supports proxy voting for NRIs, most other parties argue that proxy voting violates the secrecy of ballot and say there is no guarantee of the proxy voting for the candidate chosen by the NRI

CRISIL SME TRACKER

For MSMEs, a good turn on GST

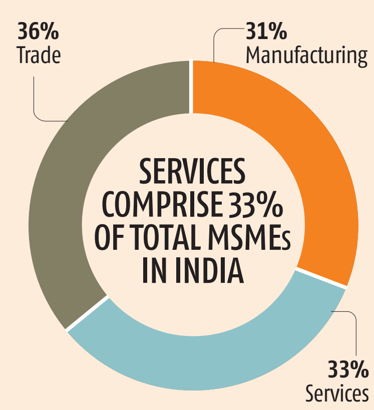
THE 32ND GOODS AND SERVICES TAX (GST) Council meeting addressed most of the issues outlined by states and Union Territories (UTs) for the micro, small and medium enterprises (MSME) sector. These include a hike in the turnover threshold, introduction of a cess in Kerala to raise funds for flood relief, and extension of the composition scheme (alternative for paying tax rather than GST) to service-sector MSMEs.

However, CRISIL Research believes the impact of these decisions on the MSME sector would be low to moderate at best, considering that the GST is only a part of their woes. The bigger issues, such as lack of access to formal credit, remain as alive as ever.

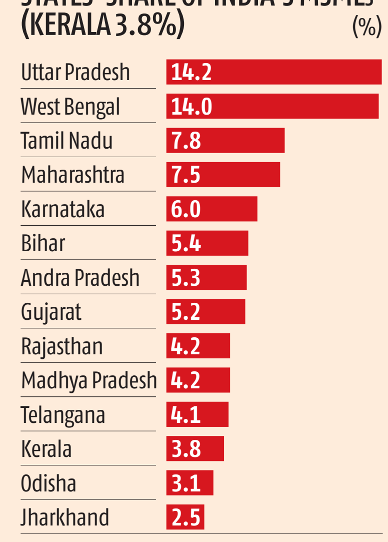
A look at the key decisions taken by the GST Council:

TURNOVER THRESHOLD LIMIT: MODERATE IMPACT
Over 20 lakh MSMEs will benefit from doubling of the turnover threshold limit for filing GST returns to ₹40 lakh. Some states/UTs such as Puducherry, which had insisted on the ₹20 lakh limit, now have an option to choose either. For hill/small states, the exemption limit has been doubled to ₹20 lakh, with an option of moving up to ₹40 lakh.

COMPOSITION SCHEME EXTENSION: LOW IMPACT
Service providers with a turnover of up to ₹50 lakh can now avail the composition scheme at a rate of six per cent, compared with nil composition earlier. The services sector comprises 21 million MSMEs, or 33 per cent of India's 63.3 million MSMEs. The existing composition limit of ₹1 crore for manufacturers, traders and restaurant service providers has been revised to ₹1.5 crore from April 1, 2019.



STATES' SHARE OF INDIA'S MSMEs (KERALA 3.8%) (%)



Source: MSME Annual Report 2017-18; figures for 2015-16

STATE-LEVEL BENEFITS: LOW IMPACT
The 3.8 per cent of India's MSMEs located in Kerala will get flood relief through a cess of up to one per cent on intra-state sale for a maximum of two years.

Size doesn't matter

Scale, supposed to be a competitive advantage, is not an unalloyed gift as voices against dominance rise across industries

ACROSS THE BOARD

SHAILESH DOBHAL

For months now, small vendors under the aegis of one or the other local and/or national traders association had been complaining that they have been edged out by the big boys of the $55-60 billion Indian ecommerce world — Walmart-controlled Flipkart and Amazon — who prefer dealing with large vendors directly or indirectly controlled by them.

Millions of consumers were getting better price, quality and delivery from these big-brand platforms, so no one really thought anything would change despite the growing cacophony of the Davids. But just then, the government changed the rules for foreign-owned ecommerce firms and made life more difficult for Goliaths to the extent that they are seeking extension of the February 1 deadline just to ensure business continuity. Clearly, a suboptimal solution to a valid problem of ensuring a level-playing field.

Look around and you will find sundry voices warning against the risk of dominance growing across sectors. This newspaper reported a proposal by the country's aviation ministry to limit landing slots an airline can hold in congested airports such as Delhi and Mumbai ostensibly directed at market leader IndiGo at the behest of smaller rivals and new entrants. There are some who are already saying that telecom, now dominated by the troika — Reliance Jio, Vodafone Idea and Bharti Airtel — is past the welcome "creative destruction" phase and that its oligopolistic structure may rapidly move towards a duopoly, and could eventually become a monopoly!

Consumers were getting better price, quality and delivery from these big-brand platforms, so no one really thought anything would change despite the growing cacophony of the Davids

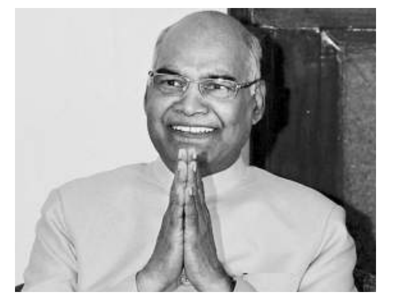
State after state is drawing up new rules to limit the number of cabs that big aggregators such as Uber and Ola can keep in their network, with Gujarat reportedly looking to cap it at 20,000 per aggregator. And though there has been unease across many states over growing dominance of hotel aggregators at the expense of small mom-and-pop hotels, Sikkim is the first where small hoteliers have stopped booking through big platforms such as Oyo and MakeMyTrip. And sooner or later these firms' scale will put their other issues such as worker rights vis-à-vis the laissez-faire of a gig economy under the spotlight here too much like the United Kingdom and Europe where Uber has been challenged for lack of "employment contracts".

Though still far from being dominant, people have started noticing the growing heft of organised retail. For instance, Kishore Biyani-led Future Group's hypermarket chain Big Bazaar accounts for almost a fifth of all modern trade fast-moving-consumer-goods sales. And Maruti Suzuki still sells one in every second car sold in the country. Big ad platforms such as Google and Facebook are at the centre of a media ire for creaming off almost three-fourths of all online advertising leaving crumbs for all others. Why, the emergence of Reliance Industries with a dominant telecom footprint into an integrated telecom-retail-ecommerce entity is raising fears of cross-industry dominance that may need a new regulation paradigm. Equally, some, such as Infosys CFO Mohandas Pai say that the entry of an Indian player such as Reliance will assuage fears of "data colonisation" in the ecommerce sector!

One may argue that the decade-old competition regulator, the Competition Commission of India (CCI), has cleared most of these big entities of any abuse of dominance, and in cases where the CCI did haul them up, they have been able to prove innocence in either appellate bodies or higher judiciary. So where is the case for hemming them in? Then, there is another view that holds that much has changed in the economy in the last 10-15 years when the Competition Act was enacted, and that many of its precepts may need complete overhaul. Definition of a "market" and "firm" for instance. The government's ongoing review of the competition law and the regulators ambit has not come a day early, given the rising complexities of the businesses and the economy and the need to herald genuine competition.

CHINESE WHISPERS

Breaking a rule



Rashtrapati Bhavan sources did not say whether it was the subject matter of the film or the presence of senior Bharatiya Janata Party leader L K Advani that made President Ram Nath Kovind (*pictured*) break one of the rules — that have come to mark his presidential tenure at Rashtrapati Bhavan — late last week. That rule is not spending more than an hour at film screenings and film award functions. In March 2018, this rule had caused controversy when artistes had protested against the President distributing National Film Awards only to a handful of the winners, and not everyone. On January 18, the Rashtrapati Bhavan held a screening of upcoming period drama *Manikarnika: The Queen of Jhansi*, with Kovind, his wife, the entire crew of the film, including actor Kangana Ranaut, watching it. Ashok Malik, press secretary to the President, confirmed that Kovind "was there for the entire length of the film". Advani, a self-confessed movie buff, also watched the film.

Brewing a change

A senior tax official's experience at a tea shop at Bhopal's Raja Bhoj Airport will have an unintended, yet welcome, consequence for travellers to follow — more affordable cups of their favourite beverages. Recently, when the chief income tax (I-T) commissioner of Madhya Pradesh and Chhattisgarh, R K Paliwal, went to buy a cup of tea at the shop, he was shocked to learn that a cup of tea was for ₹143 and a cup of coffee was for ₹171. The 1986-batch Indian Revenue Service (IRS) officer, who is known for his simplicity, found the rates unacceptably high. He is said to have asked the shop owner to stop "looting the public as many lower- and middle-class people use flights these days". Concerned officials of the airport have now decided to install eight vending machines to make tea and coffee more affordable for travellers.

New calendars

In a departure from the trend, the Government of India calendar for 2019 highlights the government's flagship schemes and the corresponding dates when they were launched instead of highlighting festivals and gazetted holidays. Government calendars usually mark holidays, festivals, among others. Some of the schemes featuring on the calendar are Beti Bachao, Beti Padhao, Startup India and Pradhan Mantri Fasal Bima Yojana. These calendars are usually distributed in ministries and to government officials.

How insolvency is reshaping steel

It's helping the industry consolidate with investors keen to acquire assets that were once sound but turned insolvent due to poor financial management

KUNAL BOSE

TAKE TWO

Why should a steel group become insolvent if in the first place it has not gone wrong in procuring the best available machinery? Due diligence of nearly 30 million tonne (mt) of insolvent steel capacity shows the units concerned were done in by either over-borrowing, escalation in costs and time overruns or the sharp retreat in steel prices during 2015-16. From Vedanta group Chairman Anil Agarwal to Tata Steel Managing Director TV Narendran, no one has complained about the quality of steel assets that found resolution through bidding under the National Company Law Tribunal (NCLT).

In every instance whether resolution was found, or stuck in litigation, the interest of bidders is based on a number of considerations. Industry leaders such as Tata Steel and JSW Steel will not let go of an opportunity to stack up on capacity that resolution of insolvent steelmakers offers, for that is one sure way of maintaining, if not growing, their share of the domestic steel market.

For Lakshmi Mittal, India, which continues to record buoyant steel demand growth, has held a long-standing attraction. Though he has quite a few significant acquisition trophies to his credit in other parts of the world, success has eluded Mittal in his quest to build a mega greenfield steel mill in India. That leaves him with the option to set foot in this country by acquiring a steel asset up for auction.

ArcelorMittal, with crude steel production of 93.1 million tonnes (mt) in 2017 derived from multi-location mills, claims "relevant credentials and experience" to become a strategic partner for Essar Steel with capacity of 10 mt. As it happens, ArcelorMittal nows finds itself twisting in the wind. First, promoter Ruias have come forward to settle the entire Essar dues of ₹54,389 crore to take back control of the unit. And now State Bank of India has put its entire Essar loan on the block ready to accept a major haircut.

In the meantime, acquisition of the Electrosteel Steels (ES) 2.5 mt capacity mill at Bokaro in Jharkhand by Agarwal is seen as natural progression from his being a producer of iron ore to a maker of steel. Off to a modest start with likely annual production of 1.5 mt at ES, Agarwal has committed investment needed to ramp up output to 2.5 mt first and then build an additional capacity of 5 mt in adjoining areas. Even though he does not have the benefit of experience in managing steel assets, Agarwal is never short on ambition. As he ventures in steel, Agarwal is banking on the support he is getting from Jharkhand Chief Minister Raghubar Das who wants him to create one more Bokaro — the reference is to the SAIL's modernised and expanded 7 mt plant — in the state.

Steel mills are looking to acquire stressed assets to maintain their market share

The Indian steel sector is once again showing exuberance of the kind seen earlier this decade which, however, faded out as it did in the rest of the world in 2015, when prices fell to levels last seen during the depths of recession in early 2009. Atanu Mukherjee, president of consulting group M N Dastur, says: "Exuberant as they had been to build steel capacity during 2004-12, Indian steel promoters were spot on in most cases in buying the best machinery. This holds good for steel groups, which found themselves in the insolvency bay. But I will not say that production processes and operational structures were organised in the best possible manner in all cases. There were techno-economic reasons for some of these new assets not working well."

Mukherjee is referring to a melange of technologies and processes of iron and steelmaking at a single site. Consider Essar's 10 mt mill at Hazira in Gujarat where you find blast furnace, Midrex and Corex technologies operating side by side. The mill is a long distance away from operating at capacity. Moreover, the government's failure to make the promised gas supply on the basis of which Essar and two other groups built large gas-based sponge iron facilities painted them in a corner.

The 1 mt speciality long products mill at Jamshedpur of Usha Martin, which fell victim as much due to running up big debts as well as a split in the promoter family, has also been unable to normalise operations for having a combination of sponge iron units, electric arc furnaces and BF-BOF. Tata Steel subsidiary Tata Sponge, which is acquiring the Usha Martin steel business, will also have to seek resolution of regulatory issues concerning indiscretions of the erstwhile owner's operation of captive iron ore and coal mines.

Insolvency resolution is helping the cause of capacity consolidation, which happened in fits and starts in the past. Steel has always been a kind of pendulum industry, whose fortunes oscillate with that of the economy. Steel prices have been softening since November, so steelmakers stand a better chance to withstand price shocks through a process of capacity consolidation.

ON THE JOB

Hopes on Kumbh

MAHESH VYAS

Fifteen or twenty million devotees took a dip in the Ganga in Prayagraj on Makar Sankranti which was on Tuesday, January 15. Assuming that these are not kids, and also assuming that one-third of these were women and elders, the number implies that about 2.5 per cent of India's labour force was on the banks of the Ganga taking a holy dip.

Estimates suggest that 150 million would visit Prayagraj for the Kumbh *mela* over the 48 days from January 15 through March 4. This could imply that about a quarter of India's labour force would be visiting Prayagraj over about ten weeks.

Less than six months ago we witnessed 30 million *Kanwariyas* trek the Himalayas to fetch Ganga water for their local Shiv temples. Now, many more have descended into the plains to take a dip in the Ganga, ostensibly to wash their sins.

Estimates vary wildly from one million to 3 million on the number of people who attended the political rally in Kolkata on January 19.

It is amazing that millions of people move in different directions for different purposes in India all within a week. This is only possible if the unemployment rate is high.

Melas and rallies are an interesting barometer of unemployment. The larger the *melas* and rallies, the higher we expect the unemployment rate to be. We don't measure unemployment by counting the numbers that attend these *melas* and rallies or, the number of people who apply for a government job. But, their numbers do reflect the same problem — the problem of unemployment.

It is much easier to mobilise large numbers of people for religious or political events if the unemployment rate is high compared to times when unemployment is low.

If everyone had decent meaningful jobs, the rally *maidans* would be largely empty and, save for the *Akhara babas* and curious foreigners and the devout senior citizens, not very many would spare time for the Kumbh.

The unemployment rate has averaged 7.3 per cent in recent times. Urban unemployment has been rising sharply but, rural unemployment has been declining equally sharply.

The worrying factor is the sharp rise in the urban unemployment rate. This had risen to a two-year high of 7.6 per cent in December 2018. By January 20, this is estimated to have scaled much higher at 8.7 per cent. This is a rather sharp increase of over 100 basis points in just 20 days. In the past, we have not seen such a sharp increase in the unemployment rate in urban India even over a month. Such a sharp increase in 20 days is, therefore, a bit alarming.

While urban India seems to be seeing a sudden increase in unemployment during January, urban Uttar Pradesh has been witnessing high unemployment rate for several months now. Urban unemployment rate in the state was at a 25-month high at 11.9 per cent in December 2018. In the past six months, urban unemployment rate has averaged at 10 per cent.

The Kumbh *mela* itself could have provided substantial employment to locals in preparation for the *mela* and also to participate in the commerce associated with the event. It is therefore likely that the current 11.9 per cent unemployment rate could rise once the effect of the Kumbh wears out in March or April.

Unemployment in rural India has dropped — from 7.25 per cent in December 2018 to 6.5 per cent by January 20. Prices of agricultural commodities have risen in recent weeks and farmers are possibly making the best of the situation given that the rabi crop is not doing very well. Farmers hope to make the best of the rise in prices by maximising output from a not-very promising crop.

Uttar Pradesh saw a big jump in rural unemployment in December. The rate doubled from 5.4 per cent in November 2018 to 10.8 per cent in December. Farmlands around Prayagraj have been temporarily acquired to accommodate a temporary township. Farmers will be compensated for this. In the meanwhile, the farmers could be unemployed although there would be plenty of Kumbh *mela* associated employment opportunities.

Reports from the state suggest that the December rise in unemployment could be a temporary phenomenon caused by the end of the rabi sowing season.

Rabi sowing was up by 0.8 per cent in Uttar Pradesh till end-December.

Possibly rural unemployment in Uttar Pradesh could decline in the coming months. But, urban UP may continue to see high unemployment rates for some time.

Finally, hopefully, some part of the vast infrastructural arrangements made for the Kumbh *mela* would survive and help Prayagraj become a city of better facilities and this in turn may help in alleviating the state's unemployment problems.

The author is managing director and CEO, Centre for Monitoring Indian Economy P Ltd

LETTERS

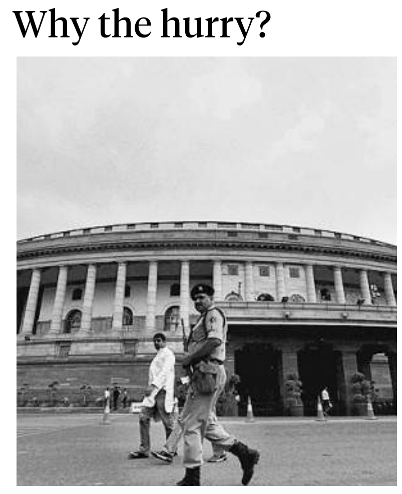
A diet for tomorrow

This refers to "Scientists reveal ideal diet that can prevent 11 million deaths each year" (January 20).

Many researchers have pointed out the economic value of health benefits associated with more plant-based diets and this is comparable with, or exceeds, the value of the environmental benefits. The growing population of the world needs to reduce red meat consumption by more than 50 per cent, increase fruit and vegetable consumption by 25 per cent, and simply consume 15 per cent fewer calories. Globally, we're raising and slaughtering about 56 billion animals each year and that means we're killing 1,776 animals for food every second of every day. That doesn't even include fish and other seafood. The United Nations expects beef and pork consumption to double between 2000 and 2050 because of changing food habits and the growing population. Ruminant livestock, such as sheep and cows, release substantial amounts of methane, a greenhouse gas 25 times more powerful than carbon dioxide, according to Environmental Working Group, a Washington-based environmental research firm. The carbon footprint of eating four-ounce beef generates the same amount of greenhouse gas emissions as driving a car for six miles. There is no shortage of food and, according to the United States Department of Agriculture, there is no shortage of protein in vegetarian foods either. It may not be feasible to go vegetarian or vegan for the vast majority of meat eaters. Some suggest that we should go flexitarian and so the number of days of eating meat can be reduced thereby making a more contributory impact to our health and on our environment. It's well known that being a vegan or vegetarian has major health perks. It could also offer benefits for the environment.

H N Ramakrishna Bengaluru

Why the hurry?



In the last few days of the winter session of Parliament recently, many Bills were passed, especially by the Lok Sabha. These included important Bills such as the one giving 10 per cent reservation to the economically poor among the general category and the Citizenship Amendment Bill. It is true that the major role of Parliament is to make laws for the benefit of the people and the country. However, what is extremely disturbing is that, in most cases, the ruling dispensation did not allow the public, in general, to debate, and discuss these Bills before these were passed. Hurriedly passed Bills, almost always, have suffered collateral damage in the long run. Most importantly, participation of citizens is an integral part of a democracy. Alas, the government of the day, continues to neglect this primary pillar of democratic participation.

A Bhuyan Nagaon

A blot on the Congress

The drunken brawl between two Congress MLAs at a resort in Bidadi represents a new low in Karnataka politics. Legislator Anand Singh who spilled the beans that his party colleagues in the Karnataka Assembly were planning to jump ship to the Bharatiya Janata Party, went berserk when he was allegedly attacked with a liquor bottle by fellow MLA J N Ganesh. The incident is a blot on the Congress party which is already on a sticky wicket and the party would do well to severely reprimand the erring MLAs.

N J Ravi Bengaluru

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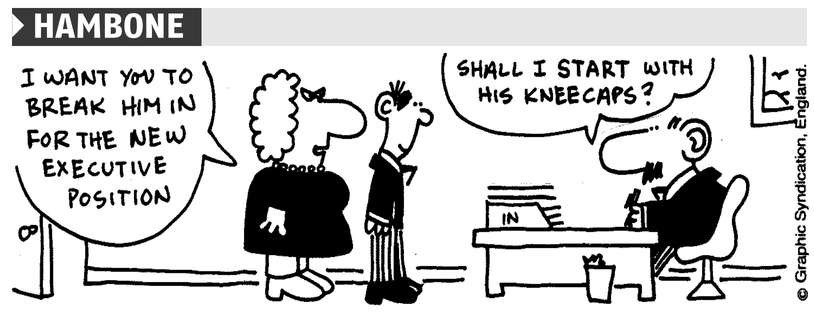
HAMBONE



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Retrospective changes

Changing policy midstream turns off investors

Government attempts to micro-manage the economy are always vulnerable to capture by special interests, and may well turn counter-productive. This is especially true when there is no consistency in policy across time — which is sadly not uncommon in India. Consider the efforts made of late to indigenise the production of electronic items that are commonly imported — particularly mobile phones. The phased manufacturing programme (PMP) of the government wanted to force mobile phone companies to start local manufacturing of components any time in the coming financial year of 2019-20. However, this has now been changed by an order issued earlier this month, which said that mobile phone companies should comply by February of this year, or face an import duty of at least 10 per cent. Even companies that had sought to comply with the earlier PMP order, such as Samsung, are now reportedly thinking of scaling back manufacturing in India because of the change in policy.

Midstream changes in policy are not only unfair, they reduce investment in the long run. India is already seen as a risky location for investment precisely because of a lack of policy clarity and because there seems to be no appeal against arbitrary government moves of this sort. Samsung may be willing to give up on whatever investments it has already made because of this unexpected policy change; other manufacturers will learn from the experience and avoid trusting the Indian government because of fears that they too might lose their investments because of a policy change that is made once the money has already been spent. Nor is this the only sector in which the government has been guilty of midstream policy changes. There is also the high-profile e-commerce sector, which is already subject to unnecessary and crippling government regulation. Even that was tightened recently, when the government said this month that online marketplaces — such as amazon.in — which are funded by foreign direct investment cannot be more than just "platforms" connecting buyers and sellers. In particular, they cannot aid with inventory management.

Restricting foreign investment to just marketplaces was in any case overly harsh, reducing the benefits to consumers and suppliers. Now the government has, midstream, made the rules even harsher. It has also forbidden exclusive merchandising deals — in other words, Amazon India, for example, cannot tie up to exclusively sell a particular smartphone. This had enabled cheap and promotional roll-outs, which benefited consumers. Here, again, the government waited for big investments to come in before changing the rules — changing the return on capital and ensuring thereby that investors feel cheated. Walmart has just put billions in Flipkart, for example. Only days after the government's policy change, Reliance Retail and Jio announced they would roll out an e-commerce venture. In order to insulate itself from charges of favouritism, the government should not only rethink its ham-handed attempts at protection, which will always be seen as favouring big business, but also seek to avoid changing rules in this unfair and retrospective manner.

Losing credibility

Poor data hurts policymaking and accountability

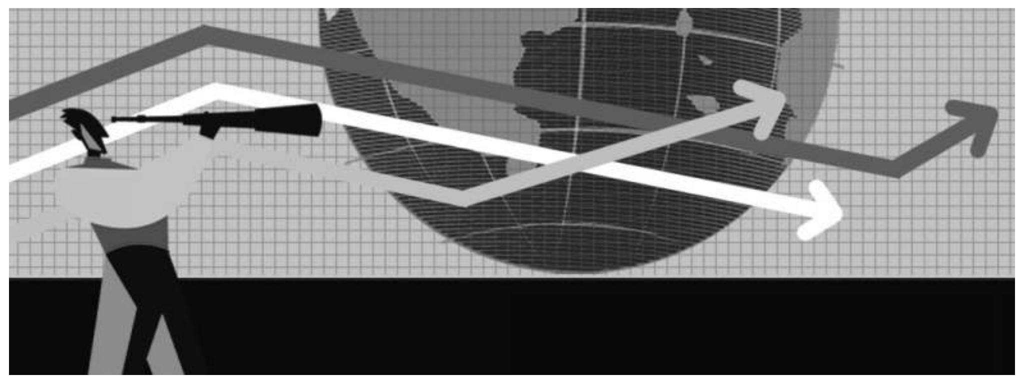
There are many ways in which the Indian state has failed to develop sufficient capacity, but historically the gathering and availability of data has not been among them. Partly because of the colonial legacy and partly because of the power held by central planners in the early years after Independence, Indian economic data has largely been timely and reliable. This has added authority to government policymaking and directives and has also ensured a degree of accountability. However, in recent years, this is no longer completely true. Much has already been written, for example, about the back series computed for gross domestic product (GDP) under the new method — the numbers neither pass a basic smell test of believability nor are they theoretically robust, given the questions around their use of deflators.

It is unfortunate that some of the most politically sensitive issues at the moment are also being discussed without there being good-quality data available to inform the conversation. What is worse is that these data releases seem to have been held up, delayed, or cancelled. Consider, for example, the matter of foreign direct investment (FDI) in India. The government has often held up robust FDI numbers as a sign of the strength of the Indian economy. Yet, the Department for Industrial Promotion and Policy, or DIPP, has not, in fact, published data about FDI since August 2018, when it provided figures from the quarter beginning in April. This data from DIPP was previously made available on a quarterly basis. However, FDI had been slowing for some time. As a consequence, questions will be inevitably asked if the data is being held back because of a decrease in FDI flows, which does not reflect well on the government. This is not a good development.

There are concerns about the quality of the data available as well. For instance, a major point of debate and discussion at present is the question of unemployment and job creation. The Opposition has accused the government of not living up to the promises regarding job creation that were made during its successful general election campaign in 2014. The government, meanwhile, has pointed to several indicators — including the number of provident fund accounts — as a sign that employment is, in fact, growing. Ideally, this matter should be settled one way or another through the availability of good-quality, high-frequency survey data about both formal and informal employment. But, as a panel led by former chief statistician T C A Anant has found, quarterly enterprises surveys on jobs provided by the Labour Bureau suffer from poor coverage and quality. It has instead suggested that such surveys be scrapped and replaced by what would be a first-of-its-kind Employment Index, formed on the lines of the Index of Industrial Production (IIP) and the Consumer Price Index (CPI).

Several Union ministers and even the prime minister have complained about the paucity of good data about issues such as unemployment. As such, the government should renew its efforts not only towards alleviating the data drought where it exists but also boosting the quality of economic data. Otherwise, the current slide on the quality of data will also undermine policymaking and accountability.

ILLUSTRATION BY AJAY MOHANTY



Long-term global economic outlook

India is set to benefit from its demographic dividend, whereas China is expected to slow tremendously

Capital Economics, a highly respected and independent economic research consultancy, recently released their forecasts for the global economy for the coming 20 years. They provided forecasts for the global economy as a whole, specific EM (emerging markets) regions as well as more granular country specific details, for 10 major countries including India.

Their forecasts are quite interesting, as in a major break from the current sell-side consensus, they do not believe that the future belongs to China. They are on the contrary more bullish than most on the US and India, both for different reasons.

Some of the interesting highlights of their study are as follows:

■ They believe that over the coming 20 years (till 2040), World GDP will average about 3 per cent growth, compared to 3.5 per cent over the last 20 years. The world economy will expand by 80 per cent at PPP (purchasing power parity) exchange rates during this period. The GDP of the advanced countries of the West will increase by about 50 per cent, while the EM cohort will see a 100 per cent increase. EM countries will account for about 70 per cent of the world economy by 2040, compared to 60 per cent today and account for nearly 80 per cent of global growth.

AKASH PRAKASH

■ While the EM cohort as a whole will do fine and gain share of the global economy, there will be major divergences in economic performance among individual countries. China will be the largest EM economy, but will slow tremendously over the coming 20 years. According to Capital Economics, China faces severe structural challenges, with its working age population declining by 12 per cent in the coming 20 years and slowing capital accumulation. The country already has more public capital stock per capita than any other economy in history at this stage of its development. With seemingly limited appetite for structural reforms, which could improve capital allocation, reduce the role of the government, and hence boost productivity, the authors predict that China's sustainable growth rate will drop to near two per cent in the forecast horizon from current levels of near 6 per cent. With a declining working age population and slow productivity improvements, slowing growth is just simple maths. The study projects that China's share of global GDP will actually drop from 19 per cent today to 17 per cent by 2040 (on PPP basis). Again this goes counter to all conventional wisdom. Most reports talk of this being the Chinese century. While China's GDP per capita will increase by 70 per cent in the coming 20 years, this is a far cry from the near five-fold jump in this metric in the last 20 years, as China dominated global growth. The study projects that for China, its GDP per capita will level out at about one third of US levels, from where the convergence will slow dramatically.

On India, the paper is far more bullish. The authors expect India to deliver growth of 5-7 per cent for the next 20 years, making it the fastest growing major economy by a large margin. On these projections, the Indian economy will triple in size, and its share of global GDP will increase from 8 per cent today to 15 per cent (PPP basis). Even on market exchange rates, India will be the third largest economy in the world. India's GDP per capita will move from 10 per cent of US levels to almost 25 per cent, the biggest increase among major EM economies.

The bullish view on India's growth is based on the surge in working age population (India will cross China in size of labour force by 2025) and an improving female labour force participation. They are also bullish on the outlook for productivity, given the scope for catch-up and convergence, as India deepens its capital stock and moves workers into higher productivity jobs. Slow and steady structural reforms, already under way, will improve capital allocation and economy wide productivity. The report marks out India as the star performer among all EM countries.

■ The report is also very positive on the US. The authors expect productivity to accelerate across all the advanced economies, but with the US leading the pack. New technologies like AI, robotics and autonomy are expected to have significant impact on labour productivity across the economy as these technologies move towards mass adoption. The US will lead the way given how competitive and open its product and labour markets are. The pickup in productivity growth will more than compensate for the ageing population and retirement in the baby boomer generation.

Since 2005 productivity growth in the US has slowed to just about 1 per cent, compared to 2.3 per cent during the mid 1990s. In the report, the authors project that US productivity will once again accelerate, rising slowly to 2 per cent by 2030.

The surge in productivity, will lead to an acceleration in GDP growth for the US from the 1.5 per cent we have seen in the past decade to 2.6 per cent in the mid 2030s. Almost no one is expecting a growth revival of this magnitude in the US. Capital Economics and their focus on an expected productivity surge linked to mass adoption of new technologies is out on a limb here. They are actually projecting that the US will overtake China in terms of growth rates by the mid-2030s, a controversial view to put it mildly.

If Capital Economics are right in their forecasts, then not only will the US maintain its position as the most wealthy major economy in terms of GDP per capita, but actually increase the gap with other advanced countries.

Among the eurozone economies, the authors are very negative on Italy. It has the worst demographic profile in Europe and a poor track record on productivity. Its economy will stagnate, and will remain a stress fracture for the whole eurozone. While France and Germany will have decent productivity growth, their demographics will remain a huge headwind.

When one goes through reports like this, the long term bull case for India seems intuitively obvious. The country is riding on demographics, productivity catch-up and the quality of entrepreneurship and aspiration among the young. Structural reforms, while slow, have been put in place. Economic growth and corporate earnings should accelerate. It may be helpful to keep all this in mind as we go through the next few months. It is likely to be an ugly election. Many statements of economic intent will be made by all political parties. There is a risk of some very populist sound bites from across the political spectrum. Like always, investors need to focus on actions and not words. All investors need to be anchored in the long term potential of the country and not get swayed by the sound and fury of the coming election sloganeering.

The writer is with Amansa Capital

The revolution will not be subsidised

"An energy revolution is under way. Globally, investments in renewables-based electricity capacity have beaten fossil fuels consecutively for the past two years. In India, too, renewables have dominated power sector investments since 2015. By some projections, global clean energy could grow by 1 terrawatt, or 46 per cent, during 2018-2023. What India is attempting in seven to 10 years took Germany more than two decades to achieve. This is nothing short of revolutionary. Like freedom, this energy transition will not come for free. It will need large sums of strategic investment.

As in any revolution, there are counter-revolutionaries. The first is structural inertia in energy systems. Electricity is only 20 per cent of global energy supply. Solid fuels in manufacturing, liquid fuels for transport, and gaseous fuels for cooking and heating buildings all rely (to the largest extent) on fossil fuels. Even with renewables winning at the margin in electricity, fossil fuels have stubbornly held on. Ten years ago, fossil fuels accounted for 81 per cent of global energy. Their share remains the same today. A structural shift in energy systems will happen with growing electrification and by substituting cleaner energy sources (biofuels, for instance) in non-electric energy applications. Capital investment has to be nudged away from locking into fossil fuels.

INFLEXION POINTS

ARUNABHA GHOSH & KANIKA CHAWLA

The second counter-revolutionary is embedded bias. Emerging economies are not getting their due share of capital. The sun shines the most between the tropics, yet the bulk of renewable energy investment continues to flow into temperate regions. Advanced economies are circulating capital amongst themselves. Institutional investors in OECD countries, alone, manage up to $84 trillion in assets, of which only 1 per cent is invested in infrastructure — and that too in developed countries.

The distortion can be attributed to the perception of risk. Institutional investors list a litany of risks when considering renewable energy projects in emerging economies. Research at the Council on Energy, Environment and Water (CEEW) has identified that the ranking of risks varies across countries such as India, Indonesia and South Africa. In some cases, these are project-specific and include delays in land acquisition or completing construction of a solar or wind farm. In many cases, the perceived risks are systemic: offtaker (whether utilities will pay for procured power); foreign exchange fluctuations; and political uncertainty.

Reality is less exciting than perception. On average, default rates are much lower for renewable energy projects than for thermal power. Returns on investment in clean energy markets have been higher for equity investors. This is not to say that there are no genuine concerns. Last week, Moody's downgraded the Indian Renewable Energy Development Agency (IREDA) from stable to negative, courtesy the stress in general on non-banking financial corporations and the all-too-common problem assets in the power sector. Even as IREDA's net non-performing assets remain under control, this downgrade could gravely impact investor mood.

The response, thus far, has been inadequate and imprecise. In order to build investor confidence and tap into new sources of capital, as well as existing capital at improved terms, there is an urgent need to make clean energy investments more secure. Multilateral development banks (MDBs) have an expanding focus on climate financing. But there is limited focus on directing public money into initiatives that could make clean energy markets more attractive to private investors. Out of the record $27.9 billion that MDBs invested in climate mitigation projects in 2017, less than 20 per cent was directed to policy-based financing and guarantees.

Worse, the instruments currently deployed lack precision to solve specific problems. Instruments like credit enhancement mechanisms or partial credit guarantees may enhance the credit rating of individual projects, but do little to isolate individual risks and build investor comfort at the sectoral level. The perception of risk continues to be in excess of the real risk in such cases.

Bespoke solutions, which respond to specific impediments to investment flows, are needed. At CEEW, we have worked on two such solutions, the Common Risk Mitigation Mechanism (CRMM) and the Grid Integration Guarantee (GIG). The CRMM addresses political risk, forex risk, and offtaker risk for solar projects in solar resource-rich but finance-constrained economies. GIG is designed to address the risk of integrating a growing share of renewables in the electricity mix, whether due to the technical limitation of the grid or the commercial limitations of utilities.

In the same spirit, a dedicated facility is needed to design fit-for-purpose, market-ready instruments, which could help crowd in hundreds of billions of dollars into clean energy in emerging economies. The CEEW Centre for Energy Finance (CEF) aims to play the role of a non-partisan market observer and driver — to monitor, develop, test, and deploy financial solutions to advance the energy transition.

Inertia is more than a law of physics; it is a reality in financial markets. The bulk of energy subsidies continue to go to fossil fuels. Yet, we are witnessing a global energy revolution. Energy transitions in emerging economies are and will be distinct from those in more developed markets. They will need distinct interventions too. Existing efforts, neither by private investors nor by development banks, are adequate to accelerate financial flows. The revolutionaries need guerilla tactics to beat the incumbents. The tactics start with smart finance for smart energy.

Ghosh is CEO, Council on Energy, Environment and Water (http://ceew.in). Chawla leads CEEW's Centre for Energy Finance. Follow @GhoshArunabha @CEEWIndia, @Kanikachawla8

Creating the calm corporation

BOOK REVIEW

SANJAY KUMAR SINGH

The authors of this book say, and perhaps you have experienced it too, that the corporate environment is turning crazy. Deadlines for completing assignments are getting shorter, teams are shrinking, and the workload on each employee is rising. Even though many people today work longer hours on weekdays and put in extra effort during weekends, they flounder. Higher stress levels are leading to higher employee churn. The authors, who are co-founders of a US-based software company called Basecamp, contend that it doesn't have to be this way. By making the right choices, it is possible to build a company that is perhaps less ambitious, but is profitable, gentler on its employees, and true to its customers.

A key reason for the current craziness is the "high growth at any cost" mantra that has overtaken the corporate world. Like medieval emperors, who were said to be consumed by earth lust, today's corporate leaders suffer from ambition hyper-inflation. They often set arbitrary growth targets. The entire workforce then becomes obsessed with meeting the numbers. In this quest, many suffer burnouts. Often shortcuts are taken, books cooked, and integrity and customer satisfaction sacrificed. If the numbers for one quarter are achieved, they are ratcheted up further for the next quarter, and the nightmare begins all over again.

Employees are also unable to complete their tasks within the designated eight hours per day and 40 hours per week because the office has turned into a minefield of disruptions and distractions. It has become almost impossible to work uninterrupted for a few hours. First, there are the meetings. The authors say that companies squander their employees' time and attention span in meetings as if it is a limitless resource. When 10 employees attend a meeting for one hour, that is 10 hours wasted. Second, there are the communication devices, like phones, emails and chat tools, and the culture of instant response that companies foster devour workers' limited time and attention span. Third, the open office is a noisy space where accomplishing any work that requires hard thinking is a challenge.

By making the right choices, it is possible to build a company that is perhaps less ambitious, but is profitable, gentler on its employees, and true to its customers

It is to have better control over their time, pace and the environment in which they work that many people today prefer to be consultants rather than full-time employees, even if it means taking a 50 per cent salary cut.

What then are the answers to these issues? One, of course, is to scale down growth ambition. Instead of worrying about constantly expanding their market share, corporate leaders need to be okay with being consistently profitable, and need to give equal weight to goals like having happy employees and satisfied customers. Of course, doing this is only possible if the decision makers have control over their destiny. The authors say that they deliberately avoided taking money from venture capitalists to avoid the pressures that inevitably follow in its wake.

The authors also suggest minimising the time spent on status-check meetings. At Basecamp, employees write daily and weekly updates of what they have achieved on the Basecamp software (a tool that helps teams meet their communication needs), and that's it.

Companies also need to provide greater flexibility to their employees in the matter of how much time they spend in the office. The traditional thinking is that if an employee is not in office he is not working. The authors counter-argue that a lot of employees do not work even though they are in office all day. Supervisors, they say, should focus on whether their direct reports deliver on what they promise.

Another idea that many companies, especially the younger ones, will find worth emulating is that a company's organisational structure, culture and practices should not be cast in stone. Great software, the authors say, is built through iteration, and so is a great company. Treat your company, too, as a product. Try something new. If it works, retain it, and if it doesn't throw it out. Do not stick to practices just because "it has always been done so around here".

To create a serene office environment, employees need to conduct themselves as they would in a library and be mindful of disturbing others. They also need to respect the fact that a colleague may be engaged in important work and will reply to their message in a few hours, instead of badgering her right away.

Many of the ideas in this book are eminently sensible and practicable. They are worthy of consideration because they come from a duo that has created a successful global company. Even if you could implement some of these ideas at your team level, you could create an oasis of calm. It doesn't matter then if you lack the influence to do anything about the craziness besetting the corporate world at large.

IT DOESN'T HAVE TO BE CRAZY AT WORK
Jason Fried & David Heinemeier Hansson
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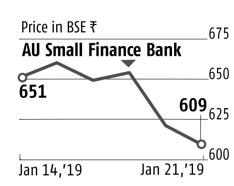
The Smart Investor

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: EARNINGS CUTS DENT AU SFB



The AU Small Finance Bank stock fell 1.9% on lower-than-expected net profit in Q3 and earnings cuts for FY19 and FY20. Given the stress in key customer segments and premium valuations coupled with pressure on margins, analysts have turned cautious

Test for new IPO payment system

Xelpmoc Design's public offer of 2019 this week will allow subscribers to pay via UPI for the first time

SUNDAR SETHURAMAN & SAMIE MODAK
Mumbai, 21 January

The Securities and Exchange Board of India's (Sebi's) latest reform for the primary market will undergo its first test later this week.

The first initial public offering (IPO) of the calendar year by Xelpmoc Design and Tech, a small-sized tech company, will allow retail investors to pay through the Unified Payments Interface (UPI). UPI is a mobile-based application that enables instant payment from one bank account to another.

If successful, it will pave the way for pruning the time period between closing an IPO and listing of the security to just three days.

Market players say the UPI-based payments system for IPOs is ready even though there could be some teething issues.

"Sebi held a meeting with primary market participants recently to take stock of the new payments system. Our understanding is that the system is fully ready. However, the first IPO will be a more accurate assessment," said an investment banker. Xelpmoc's IPO will remain open for subscription between Wednesday and Friday. Although the issue size is only ₹3 crore, the IPO could see some retail interest as the company is offering discounts to small investors.

The maximum transaction limit for UPI payments is ₹1 lakh. But an investor can apply for shares up to ₹2 lakh in the retail category. Market players said UPI payment for IPOs could be up to ₹2 lakh.

Market players said the payment system has been incorporated in the existing bidding system. Those making payments through the new route will have to provide additional details such as UPI address and bank name, said a banker.

The UPI roll out for IPOs is being done in a phased manner. In the initial phase, Sebi has kept UPI payments optional along with the traditional payment options such as cheque payment and internet banking. In the second phase, the UPI payments will be made compulsory for retail investors. In the last phase, the timeline will be cut to three days from the existing six days.

Experts said old-time investors who don't use smartphones may find it challenging once UPI payments are made compulsory.

"Investors who don't have a smartphone or those who have joint accounts but single mobile number may find it difficult to make payments through the UPI. We have sent several queries to Sebi in this regard. We are hopeful that all the key issues will be resolved during the trial period," said an investment banker.

According to Sebi guidelines, the first phase will end in March or after 10 IPOs, whichever is later. Similarly, the second phase will be for the next 10 IPOs or till June. The final implementation could take place in the second half of the calendar year.

The reduced listing timeline is expected to give a boost to the IPO market as it will have issuers and investors tide over market volatility.

The market regulator has been trying to bring down the timeline for several years. However, the biggest impediment has been cheque payments and physical handling of IPO forms. The UPI mechanism was seen as the most viable alternative to cheque payments.

About half a dozen IPOs are expected to hit the market next month, said investment bankers. "As more IPOs hit the market, we will get a clearer picture if the new system is foolproof," said a retail-focused broker.

NEW YEAR, NEW SYSTEM

- Starting 2019, retail investors can pay for IPOs through UPI
- UPI payments to remain optional for first 10 IPOs of the year
- Investors will also get the option of cheque payments
- After the first 10 IPOs, cheque payments will be done away with
- After 20 issues, timeline will be cut from 6 to 3 days
- Shorter timeline will boost primary market, help reduce volatility

L&T shares not dented by buyback rejection

SAMIE MODAK
Mumbai, 21 January

Shares of Larsen & Toubro (L&T) closed marginally lower on Monday after the Securities and Exchange Board of India (Sebi) turned down its ₹9,000-crore share repurchase proposal.

The stock declined over three per cent in opening trade but later pared the losses to end just 0.31 per cent lower at ₹1,314.

Market players said the rebound in the stock price was on hopes that the engineering giant may dole out higher dividend in lieu of a buyback. Meanwhile, analysts maintained their target price for the stock despite fears of impairment in return on equity (ROE) following cancellation of the buyback.

Credit Suisse, JP Morgan, Jefferies, Macquarie and Nomura retained their ratings and target prices on L&T despite the Sebi move, *Bloomberg* data showed.

"Due to the limitation on the buyback as a result of Sebi's decision, a special dividend remains a viable alternative for returning wealth to shareholders. The company's profits for FY18 plus overall retained earnings from previous financial years make this option relatively more feasible under the current circumstances," Nomura said in a note on Monday.

On Saturday, L&T, in a statement to the stock exchanges, said the market regulator has asked it not to proceed with the buyback offering as it was not in compliance with Sebi norms.

After the buyback, the company's consolidated debt would have been more than twice that of the paid-up capital and free reserves, higher than Sebi's mandated level.

L&T had even set the cut off (ex) date to determine shareholder eligibility for the buyback and set the repurchase price at ₹1,475 a piece. Sebi's cancellation of buyback was on account of difference in interpretation of the law, said company sources and analysts.

L&T had considered standalone FY18 financial statements. However, Sebi had considered consolidated financials, which include finance debt of ₹7.37 trillion and development projects debt worth ₹1.56 trillion. Nomura said cancellation of buyback could impact L&T's ROE by 150 to 165 basis points.

"The management has a long-term ROE goal of 18 per cent, and the buyback would have enabled L&T to achieve 17.6 per cent ROE by FY21, according to our estimates. Thus, the scrapping the buyback poses a near-term challenge to progress on the ROE goal," the note said.

CLSA, in its note, said the buyback rejection won't impact L&T's ROE expansion drive. The brokerage said L&T could now approve "one-time large dividend of ₹53 per share."

More on business-standard.com

DIFFERENCE OF OPINION

L&T firmed up its buyback on standalone numbers, while Sebi considered consolidated statement

in₹ cr	Standalone	Consolidated
Proposed buyback size (full subscription assumed)	9,000	9,000
Total of equity + free reserves after buyback	39,073	41,264
Net debt post buyback	15,243	104,230
Debt post buyback	19,561	121,727
Net debt to equity + free reserves (x)	0.39	2.53
Debt to equity + free reserves (x)	0.5	2.95
Starting net debt to equity to free reserves (x)	0.13	1.89
Starting debt to equity to free reserves (x)	0.22	2.24
Sebi mandated limits (x)	2	2

X:Number of times
Source: Company data, Nomura research

Sensex jumps 192 points on strong Q3 earnings

PRESS TRUST OF INDIA
Mumbai, 21 January

The benchmark Sensex continued its winning run for the fifth straight session on Monday, rallying 192 points, and the NSE Nifty inched toward the 11,000 mark, riding on strong Q3 earnings by some bluechip companies, coupled with positive global cues.

The Sensex went past the 36,700-mark to scale a high of 36,701.03 (intra-day) on the back of widespread gains.

Finally, the 30-share index settled at 36,578.96, up 192.35 points, or 0.53 per cent. It touched a low of 36,351.77. The gauge had risen 533.05 points in the previous four sessions.

The Nifty touched the session high (intra-day) of 10,987.45; and finally closed the session with a rise of 54.90 points, or 0.50 per cent, at 10,961.85.

"After opening in the green, the market remained in the positive territory buoyed by positive global sentiments amid signs that the US and China were closing in on a trade truce," said Paras Bothra, President, Equity Research, Ashika Group.

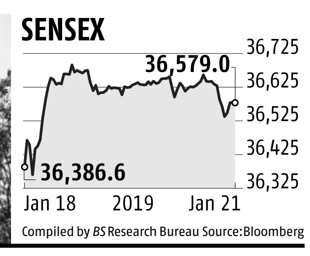
Both benchmark indices were driven by strong gains in IT, technology, oil and gas, pharma, and banking shares amid earnings optimism. Sentiment remained upbeat after Reliance Industries, HDFC Bank and few others posted better-than-expected Q3 numbers last week, traders said.

Among Sensex components, the oil-to-telecom conglomerate Reliance Industries zoomed 4.36 per cent to its highest in two months in its second session of gains after reporting record quarterly earnings.

Shares of HDFC Bank jumped 0.72 per cent after the private sector lender reported 20 per cent rise in net profit in December 2018 quarter.

Sunil Sharma, chief investment officer, Sanctum Wealth Management said, "It is clearly morphing into a market where strong earnings are being rewarded. Capital continues to seek growth at reasonable prices."

As we move forward, the macro factors remain favourable, but stock performance is increasingly likely to be driven by earnings and fundamentals at the security level, he added.



Compiled by BS Research Bureau Source:Bloomberg

THE COMPASSS

Margin-led growth likely from FY19 for P&G Hygiene

Stock trading at over 50x FY20 earnings estimates; this limits the upside for investors

HAMSINI KARTHIK

P&G Hygiene Healthcare is one of the few multinational companies that didn't see much of an impact on its market share because of competition from homegrown Patanjali Ayurved. However, in FY17 and FY18 (company's fiscal year ends in June), the company didn't perform well as it took time to adjust to the new indirect tax norms.

The good thing which is now helping the company is that it continued its profitable growth. Despite a steep decline in revenue in the fourth quarter of FY18, the firm was quick to reclaim the 25 per cent plus operating margin levels from Q1FY19. Return ratios have also strengthened from the sub-30 per cent on return on equity (ROE) and return on capital employed (ROCE) in FY17-FY18 and both metrics now stand at over 60 per cent each.

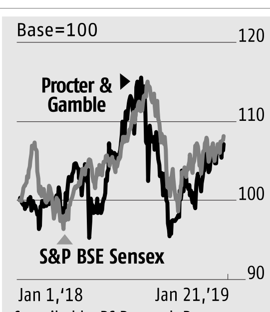
This is the reason why analysts at Motilal Oswal Financial Services believe that outlook for the company is encouraging. Much of the earnings revival is expected to be driven by its key segment–feminine hygiene business that accounts for over 65 per cent of its revenues. With Whisper sanitary napkins, the company has taken an aggressive stand to revive double-digit growth of its key product.

Some of this is already reflected with revenues growing by over 18 per cent so far in FY19 which should continue given plans to expand its reach to two million outlets this fiscal.

Analysts at Motilal Oswal say that increasing pace of distribution expansion, continuing strong pace of category development efforts, rising advertisement spends after a lull in preceding years, healthy pipeline of new products, and willingness to take price cuts whenever required to boost growth are all encouraging developments that should aid rapid growth for the company over the long term. The potential for premiumisation also offers scope for margin expansion in the feminine hygiene division.

Likewise, in the healthcare segment, mainly comprising the Vicks brand, the new launch of FY18–Vicks Baby Rub, along with other existing products has helped regain the market share. With these initiatives in place, analysts at Equirus Securities expect the company to clock about 15 per cent revenue growth in FY18-FY21. Profitability, too, is expected to increase accordingly.

However, at 50 times FY20 earnings, rich valuations overshadow potential improvement in earnings.



Compiled by BS Research Bureau

L&T Infotech likely to outperform peers over near term

Firm's valuations are expected to sustain but investors need to be cautious

RAM PRASAD SAHU

Led by ramp-up of major deal wins, large digital portfolio and strong execution, Larsen & Toubro (L&T) Infotech beat peers on the growth front in the December quarter. The company posted a growth of 6 per cent on a sequential basis. This was much higher than analysts' expectations, which pegged the same between 3.5-4.1 per cent.

While all the verticals contributed to the growth, it was led by consumer, retail, and pharma segments, which recorded growth of over 10 per cent. After a dip in the September quarter, the financial services, which is the largest vertical accounting for about 30 per cent of revenues, posted sequential revenue growth of 3 per cent.

The company indicated its strategy of large contracts, client mining, and customer additions has helped add to the revenue growth.

The company won one large deal in each of the previous three quarters and the number of Fortune 500 clients have gone up to 63 now, as compared to 61 at the end of the September quarter.

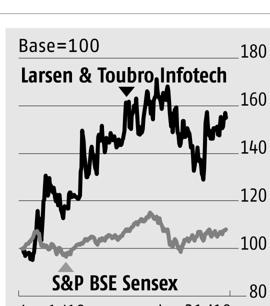
While this gives near-to medium-term revenue visibility, on the issue of Mindtree acquisition, the company indicated it is open to acquiring clients, synergies, and niche capabilities and not just to buy revenues.

It is expected to post a 19 per cent dollar revenue growth in 2018-19, while margins should improve by 400 basis points to over 20 per cent.

Analysts at Emkay Research expect the company to post sustained financial outperformance over peers, on the back of continuous large-deal wins, new client additions, comprehensive digital offerings, with its own product IPs and investment in traditional and digital products.

With analysts upgrading the revenue and margin outlook for the current and the next fiscal year, the company is expected to maintain its premium valuations. The stock, which has gained 52 per cent over the last year, trades at 18-19 times its 2019-20 earnings estimates.

While growth prospects are strong, given the macro concerns in the US market, which is the single-largest geography accounting for over two-thirds of revenues, investors need to be cautious.



Compiled by BS Research Bureau

HDFC MF cuts revenue guidance after Sebi diktat

JASH KRIPLANI
Mumbai, 21 January

HDFC Mutual Fund (MF) on Monday reported a healthy financial performance, but guided for reduction in revenues after the Securities and Exchange Board of India's (Sebi's) mandated that all scheme-related expenses have to be borne by the schemes.

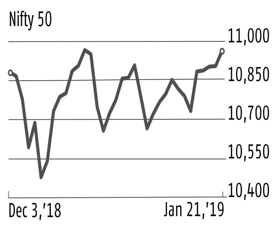
"Sebi circular dated October 22, 2018, banned payment of upfront commission and mandated a full trail model for distributor commission. It has further mandated that all scheme related expenses, including distributor commission, will have to be paid by the schemes of the MF and not by the AMC. As a result, HDFC AMC's expenses will decrease since the scheme related expenses will be borne by the schemes of the MF and consequently the companies revenue will reduce accordingly," HDFC MF said in its press release.

In December quarter, the fund house saw its net profit jump 25 per cent on a year-on-year (YoY) basis to ₹243 crore. For the nine months-ending December 31, the company's operating profit rose 20 per cent (YoY) to ₹839 crore. For the same period, the company's net profit was up 21 per cent (YoY) to ₹654 crore.

The MF's total assets under management (AUM) was up to ₹3.29 trillion as of December 31, 2018, which was 12 per cent higher than the AUM tally as of December 31, 2017.

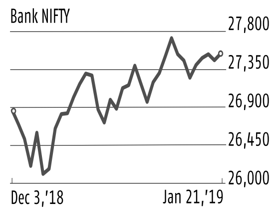
The MF's AUM in actively managed equity oriented funds (equity oriented total AUM excluding arbitrage funds and index funds) grew to ₹1.5 trillion with the fund house's market share at 16 per cent as of December 31, 2018.

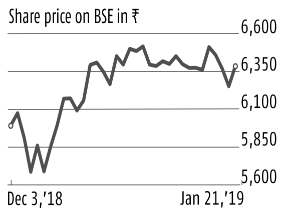
TODAY'S PICKS



Nifty
Current: **10962**
Target: **NA**
Stop long positions at 10870. Stop short positions at 11050. Big moves could go till 11100, 10825. A long 10800p (57), short 10700p (37) could gain 10-15 if the index continues to range trade, tests 10870.

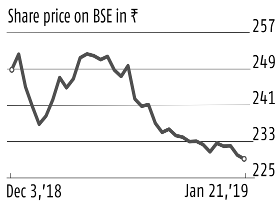
Nifty Bank
Current **27533 (fut: 27565)**
Target: **NA**
Stop long positions at 27450. Stop short positions at 27700. Big moves could go till 27900, 27200. Trend may have downside bias.

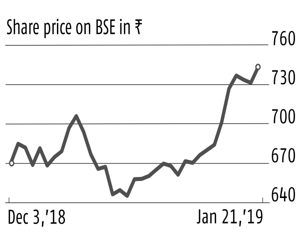




Bajaj Finserv
Current price: **₹6,385**
Target price: **₹6,475**
Keep a stop at ₹6,330 and go long. Add to the position between ₹6,450-₹6,465. Book profits at ₹6,475.

Coal India
Current price: **₹229**
Target price: **₹225**
Keep a stop at ₹231 and go short. Add to the position between ₹226-₹227. Book profits at ₹225.





Infosys
Current price: **₹745**
Target price: **₹755**
Keep a stop at 737 and go long. Add to the position between 752-754. Book profits at 755.

DEVANGSHU DATTA

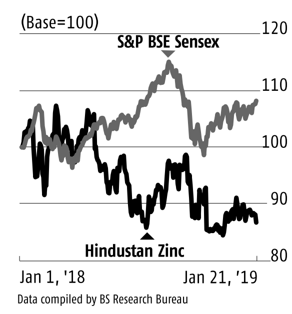
Target prices, projected movements in terms of next session, unless otherwise stated

Good show by Hind Zinc despite pricing pressure

Metal price movement remains the key factor for future performance

UJJVAL JAUHARI
New Delhi, 21 January

TRIGGERS MISSING



Data compiled by BS Research Bureau

Hindustan Zinc posted a sequential improvement in performance in the December quarter, although the show compared to the year-ago quarter was weak, given the falling metal prices. Zinc prices on the London Metal Exchange (LME), at $2,631 a tonne, were 19 per cent lower year-on-year, but improved four per cent sequentially.

Lead prices on the LME, at $1,964, were down 21 per cent and seven per cent on year-on-year and sequential basis, respectively. Given the lower prices, a year-over-year decline in revenues was being anticipated. The company reported revenue decline of 6 per cent, partly offset by rupee depreciation, and some rise in volume.

The company that is changing its mining methodology from open-cast mining to underground mining has seen softness in the first half of FY19 in terms of production volumes, led by closure of open-cast mines. However, the December quarter showed improvement in volumes. Total mined metal production was up 6 per cent sequentially, and three per cent year-on-year at 247,000 tonne. This was driven by strong increase in underground ore production and improvement in ore grades.

The rise in production, declining cost of production, helped by softening energy prices, lifted the December quarter performance. The company's revenue from operations during the quarter at ₹5,540 crore, increased 16 per cent sequentially.

NEAR-TERM WORRIES

in ₹ crore	Q3FY19	FY19E
Net sales	5,540	21,419
% change y-o-y	**-6.0**	**-3.0**
Ebidta	2,851	10,781
% change y-o-y	**-13.0**	**-12.2**
Net profit	2,211	8,150
% change y-o-y	**-4.0**	**-8.6**

E-Estimates prior to results
Source: Company, Motilal Oswal Securities

Zinc's cost of production (COP) before royalty during the quarter at $997 improved four per cent sequentially (one per cent in rupee terms). Given the higher volumes, operational efficiency, and lower diesel costs operating profit at ₹2,851 crore was up 23.2 per cent sequentially (13 per cent lower year-on-year), better than the consensus estimates of ₹2,811 crore.

Net profit improved on the back of higher other income sources, led by the treasury income. At ₹2,211 crore, the net profit rose 22 per cent sequentially (down 4 per cent y-o-y), better than the analyst estimates of ₹2,050 crore.

Moving forward, with the ongoing ramp-up of underground mines, mined metal production in FY 2019 is expected to be slightly higher than last year (despite a softer first half), in line with the annual guidance provided earlier. The company expects to achieve 1.2 million tonne per annum mined metal production-mark by FY20. Zinc COP, before royalty, is projected to be in the range of $950 to $975 per million tonne (mt) in the second half of FY19, helped by softer energy prices, increased coal linkages and operational efficiency.

While rising volumes and declining cost of production will continue to benefit, all eyes will remain on zinc metal price movement. Base metal prices remain volatile on trade war concerns. Certain analysts are also expecting zinc supplies to increase, moving forward, with surplus in 2020, which can keep the prices under check. The management, however, does not expect significant rise in zinc supplies, and so there will be downward pressure on prices.

Analysts at ICICI Securities post results said going forward the movement in zinc prices and trade developments between US and China would continue to remain key factors.

Regulator's new norms limit risk in passive funds

But there will be more churning leading to higher costs

ETFs THAT MAY HAVE TO PARE EXPOSURE

Fund	AUM (₹ cr)	Stock	Holding (%)
Kotak PSU Bank ETF	64.69	SBI	71.79
Reliance ETF PSU Bank Bees	155.85	SBI	71.83
Kotak Banking ETF	5,227.29	HDFC Bank	36.19
SBI-Nifty ETF Bank	1,008.09	HDFC Bank	36.19
Reliance ETF Bank Bees	4,551.04	HDFC Bank	36.19

Source: Ace Mutual Fund. Data is from December-end portfolios

SANJAY KUMAR SINGH

The Securities and Exchange Board of India (Sebi) has issued new rules that limit the amount of concentration risk that passive funds (index funds and exchange-traded funds or ETFs) can take. Such norms already exist for active funds, such as the one where exposure to a stock cannot exceed 10 per cent.

The Sebi circular contains five key stipulations. No index should have fewer than 10 stocks. The weight of a single stock should not exceed 25 per cent of the portfolio in a diversified (non-sectoral/non-thematic) index, and it should not exceed 35 per cent in case of a sectoral/thematic index. The weight of the top three constituents of the index should, together, not exceed 65 per cent. There are also a couple of rules aimed at keeping illiquid stocks out. Sebi has mandated that stocks included in indices should have a trading frequency of 80 per cent or more (that is, the stock should have traded on 80 per cent or more of the total number of trading days), and its impact cost should have been 1 per cent or less over the past six months. (When a fund invests in a less liquid stock, its buying drives the stock's price up, raising the average cost of purchase for the fund. Similarly, when it sells, its selling drives the price of a less liquid stock down, thereby reducing average sale price. This extra cost a fund bears when buying or selling illiquid stocks is called impact cost.)

Some sectoral/thematic ETFs will need to rejig their portfolios to comply with these norms. PSU Bank ETFs such as those from Kotak and Reliance have an exposure of slightly above 71 per cent in State Bank of India. They will have to pare their exposure to 35 per cent. Similarly, in the Kotak Banking ETF, the exposure to HDFC Bank stands at 36.19 per cent, so it will have to be pared marginally (numbers are from December-end portfolios).

The purpose of the circular is to ensure that passive funds remain adequately diversified. "If the exposure to one stock is very high, such a portfolio is not diversified. The out- or under-performance of such an ETF or index fund will depend entirely on that one stock. This defeats the purpose of investing in a fund, which is to get diversified exposure," says Anil Ghelani, senior VP, and head of Passive Investments, DSP Investment Managers. Now that there are clear-cut guidelines, it will be easier for index providers to manufacture the right indices, and for fund houses to get approvals for their new launches.

These guidelines will also ensure that passive funds steer clear of illiquid stocks. Sebi may be taking pre-emptive steps to ensure that risky ideas don't get launched. "In future, a fund house may want to launch an ETF based on micro-cap stocks. When markets crash, liquidity in such stocks vanishes completely. These guidelines will prevent the launch of passive funds that take concentrated exposure to illiquid counters," says Avinash Luthria, a Sebi-registered investment advisor and founder, Fiduciaries.

However, complying with these new norms will entail some difficulty. Fund houses will have to comply with these norms at the end of every calendar quarter.

DERIVATIVES STRATEGIES

Nifty level above 11,000 needed for bullish trend

DEVANGSHU DATTA

The Nifty has range-traded close to its own 200-day moving average for the last month. The possible upside is till 11,100-plus, but there is strong resistance at 10,900-11,000 zone. Volumes continue to be low.

Foreign portfolio investors have been net sellers through January and domestic institutions have been selective buyers. Breadth has been negative with third quarter (Q3) results not really making the market enthusiastic. Session volatility is low. But the Vix is edging up, which signals nervousness. The rupee has made some recovery in January.

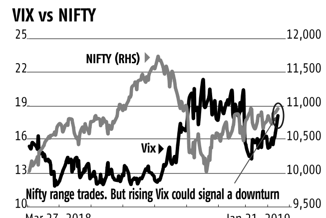
Crude oil prices remained stable though they have risen a little. Inflation is down. Political and geopolitical concerns remain though the focus is corporate results. The US-China trade war continues.

US President Donald Trump's position looks shakier as investigations into his finances continue and the US Congress holds firm on not funding his wall.

On the domestic front, the Rafale row continues. The macro-data and results suggest a Q3 slowdown with outperformances only from information technology on the back of a weak rupee in Q3.

The Nifty hit its all-time high of 11,760 in late August and it retracted to a low of 10,005.

The rebound till the 10,900 level is definitely positive. An eight-week downtrend led to 14.9 per cent retraction off the peak, before the rebound started in early December. The index has range traded between 10,500 and 11,000.



For sustainable bullishness, the index must beat 11,000 and stay above that. But it has not been able to break out and it has oscillated close to the 200-day moving average (DMA), which is at around 10,800. If there's a decisive break, say of 2 per cent in either direction off the 200-DMA, till either 10,600, or 11,000, that could be traded as a trend with some confidence.

Foreign portfolio investors have been net sellers through January and domestic institutions have been selective buyers

The Bank Nifty bottomed at 24,400. The pullback has now gone to 27,600. A long Jan 31, 28,500c (25) and a long 26,500p (38) can be offset with a short Jan 24, 28,500c (5), short 2,650p (7). Net cost is 51. There could be a huge payoff if either breakeven is crossed.

That would require three big trending sessions. As expiry gets closer, some traders might want the reverse positions. The danger is, unexpected corporate results in some bank may cause a big swing.

The Nifty is at 10,961. A long 11,100c (46), short 11,200c (20) costs 26, and pays a maximum 74. A long 10,800p (57), short 10,700p (37) costs 20, and pays a maximum of 80. These are some distance from money but one big session could mean a strike. The combination of these two spreads costs 46, with breakevens at 11,146, 10,754.

COMMODITIES

PRICE CARD

As on Jan 21	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,851.0	-8.5	2,104.4	-10.8
Copper	6,022.0	-2.7	6,537.6	-1.4
Zinc	2,577.0	-4.4	2,918.1	-9.7
Gold ($/ounce)	1,278.2*	4.2	1,404.8	4.6
Silver ($/ounce)	15.2*	4.5	16.9	3.9
ENERGY				
Crude Oil ($/bbl)	62.2*	-22.4	61.5	-22.0
Natural Gas ($/mmBtu)	3.3*	2.5	3.3	1.7
AGRI COMMODITIES ($/tonne)				
Wheat	216.7	-5.9	284.1	1.9
Sugar	354.0*	-6.6	453.4	-0.7
Palm oil	535.0	-1.4	883.8	-3.6
Rubber	1,865.2*	42.4	1,753.6	0.7
Cotton	1,629.0	-5.2	1,725.6	-5.6

* As on Jan 21, 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 71.3 & 1 Ounce = 31.1032316 grams.

Notes:
1) International metals, Indian basket crude, Malaysia Palm oil and Wheat LIFFE pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat and White sugar are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat is NCDEX future price of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no.2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.

Source: Bloomberg   Compiled by BS Research Bureau

India pips Japan to be 2nd largest steel producer

NIRMALYA BEHERA
Bhubaneswar, 21 January

India has surged past Japan to become the second-largest steel producer in the world, with increase in output, backed by sound demand growth. According to World Steel Association (WSA), India produced 96.92 million tonne (mt) of crude steel in 11 months of 2018, compared to 92. 39 mt produced in the same period the previous year between January and November representing growth of 4.9 per cent.

Japan recorded a dip of 0.1 per cent in steel output in the same period at 95 .86 mt, while China maintained its top position with 857 mt of steel production.

"The crude steel production statistics released by the WSA show that India has become the second-largest steel producer in the world, overtaking Japan for the second month in a row, with a growth rate of 4.9 per cent. The growth in production is supported by fast-growing steel demand," said Adam Szewczyk, Head, Data Management with WSA, in a blog titled 'India to significantly boost demand for steel'.

The country's steel use per capita for finished products stood at 66.2 kg, way below the world average of 212.3 kg in 2017. This suggests the country has a huge potential for steel production to meet the increasing demand, he said.

According to the association, India also likely to become the second-largest nation in steel use by the end of 2019, as the demand is expected to grow by 7.3 per cent.

The country's steel industry, after recovering from the twin shocks of demonetisation and goods and services tax (GST) reform, is one of the few bright spots for the world's steel industry, projected to enter a sluggish growth era.

Recently, India has been trying to unleash its growth potential through an extensive reforms agenda to clear institutional bottlenecks. Also, there is a push for infrastructure development. These factors, along with favourable demographics, are improving the macroeconomic fundamentals, which translate into sustained growth in steel use, Szewczyk said.

A global study, conducted in collaboration with the Indian Steel Association, has identified the construction sector as a pan-India steel demand driver on the back of strong infrastructure development and housing demand, especially the affordable category.

TOP CRUDE STEEL PRODUCERS

Country	January to November (in mn tonne) 2017	2018	change (%)
China	803.34	857.37	6.7
India	92.39	96.92	4.9
Japan	95.94	95.86	-0.1
US	74.88	79.15	5.7
South Korea	64.96	66.29	2.0
Russia	65.25	65.81	0.9

Source: World Steel Association

China import norms irk aluminium firms in India

JAYAJIT DASH
Bhubaneswar, 21 January

Primary aluminium producers in the country are irked by China's move to stiffen regulations on import of aluminium scrap.

In the latest step to protect its indigenous aluminium smelting industry, China has classified 'aluminium scrap' under its restrictive imports list.

The new norm, aimed at containing scrap imports, will be effective from July 2019. Moreover, China aims to completely ban imports of scrap and waste by 2020.

Aluminium makers feel China's protectionist steps will accelerate scrap imports to India. Their fears are magnified since China is locked in a bitter trade conflict with the US. After the US clamped 10 per cent import duty on aluminium, the Asian giant retaliated with 25 per cent import duty on aluminium scrap sourced from the US.

The plight of India's primary aluminium producers can be gauged from the spike in imports, especially scrap in the changed geopolitical equations. Between April and October, total aluminium imports by the country rose 24 per cent to 1.37 million tonnes with share of imports reaching 60 per cent in domestic consumption.

MOVE COULD RAISE SCRAP IMPORTS

Item	2017-18 (Apr-Oct)	2018-19 (Apr-Dec)	% Growth
Total aluminium imports	1.1	1.4	24
Scrap imports	0.6	0.8	22
Scrap imports from the US	0.6	0.1	144
Market share of imports	55%	60%	
Mkt share of domestic producers	45%	40%	

Figures in million tonne. Source: Ministry of Commerce & Industry, industry data.

The share of domestic producers, on the contrary, has dipped to 40 per cent.

Scrap imports in the period under review moved up 22 per cent. Import of scrap from the US alone zoomed 144 per cent.

"Aluminium imports in India are totally non-essential in nature as the country has ample domestic capacity. Containing aluminium imports could save $5 billion (or around ₹35,500 crore) in forex outgo," said an industry source.

In the last fiscal, India imported 1.96 million tonnes of aluminium valued at $2 billion (or ₹30,000 crore), representing one per cent of the country's total imports. Of the total aluminum import basket, scrap imports were valued at ₹13,000 crore. In volume terms, scrap comprised 57 per cent of the overall aluminium imports.

Grasim plans foray into menswear with liva fibre

DILIP KUMAR JHA
Mumbai, 21 January

After achieving sizeable growth in womenswear, Aditya Birla Group company Grasim Industries plans to make a foray into the menswear segment with eco-friendly viscose fibre, branded as liva fibre, produced by its sister company Birla Cellulose.

"We are primarily present in the womenswear segment as of now with premium quality textile products, produced from viscose. Now, we are moving towards an eco-friendly fibre variant called Liva eco. We announced our entry into the home textile segment a few months ago with Liva," said Dilip Gaur, Managing Director, Grasim Industries. Grasim's pulp and fibre business division Birla Cellulose has achieved sizeable growth in production of viscose, the natural fibre, in the past five years.

The company's total viscose production has risen to 1,250 tonne per day, from 650 tonne per day five years ago. The company has now announced ₹5,000-crore fresh investment to set up its two plants, with an annual production capacity of approximately 220,000 tonne per annum, in Gujarat. Selling under the brand name, Liva, Birla Cellulose's viscose is currently used in 35 million garments as compared to mere 1.8 million in 2015.

RBI seek views on NPCI's monopoly

Wants to minimise concentration risk, foster innovation in retail payments systems

NIKHAT HETAVKAR
Mumbai, 21 January

The Reserve Bank of India (RBI) has invited comments on the impact of National Payments Corporation of India's (NPCI's) monopoly on the payments space.

This opinion is being sought with a view to minimise concentration risk and promote innovation and competition.

A policy paper placed on the RBI website on Monday discusses the various pros and cons of having a single operator for payments. NPCI is the sole operator for various retail payments systems such as National Financial Switch (NFS), Immediate Payment Service(IMPS) and Unified Payments Interface (UPI), among others.

"NPCI has become an organisation, which is pivotal to the operations of many critical retail payment systems in the country with concentration of many tasks," said the paper.

In October 2018, NPCI has processed nearly 48 per cent of the retail electronic payment transactions (excluding paper) in volume, aggregating to 15 per cent of value of the transactions.

The paper stated that the Indian payments space has

evolved into few operators against a wide array of payment systems. This has raised concerns of concentration, need for competition and the resultant impact on economic efficiency and financial stability.

The paper questions whether it is better to have multiple and varied retail payment systems concentrated in a single entity or diversification across multiple operators. Other payment systems such as ATMs, wallets and card payments have multiple operators, unlike the country's fastest growing payment mode – UPI.

A single operator for payments system would provide standardisation, economies of scale as well as better oversight and governance, said the paper. However, it could also result in systemic and operational risk, lack of innovation and upgradation and inefficiencies. "Monopolistic trends may negatively impact customers on charges, access and quality of service, etc," it said.

The policy paper will also look at liberalising entry point norms for payment players. It would depend on the risk levels of the respective system and an analysis of capability-potential of the entities.

The RBI may consider an open and 'on-tap' the window of making applications for all payment systems. An 'on-tap' facility would mean the RBI will accept applications and grant licences for payment systems throughout the year. The paper added that specific "point of arrival" metrics could be prescribed so that entities unable to achieve capacity and scale within a defined time-line can exit.

The RBI invited comments on the policy paper from stakeholders and members of the public by February 20.

The central bank has focused on the payments space and taken a number of steps towards encouraging digital payments. Earlier this month, the central bank set up a committee to recommend how to 'deepen' digital payments.

In October last year, the RBI opposed creation of an independent payments regulator, which was recommended by a committee set up by the government. The central bank had sought to retain control of payment companies with itself.

The RBI also made a number of sweeping reforms for the payments industry last year, ranging from data localisation to wallet interoperability.

India needs green energy policy to get 175-Gw solar capacity: CSE

India will fall short of the government's target of achieving 175 Gw of solar capacity by 2022, city-based think tank Centre for Science and Environment (CSE) said on Monday.

CSE Director General Sunita Narain said this at a national conference where she released a report titled the "State of Renewable Energy in India 2019".

Emphasising the need for a renewable energy policy to meet the needs of the poorest people in the country, she said there were several challenges like air pollution, climate change and lack of clean fuel for cooking for which renewable energy was essential.

"We believe that India needs a renewable energy policy that is less about industry and more about ensuring supply to meet the needs of the poorest in the country. It should be a means to both de-carbonise the economy and provide access to large numbers of people who are energy-deprived.

"Renewable energy is not just another infrastructural challenge, rather this sector is important to achieve the challenges of modern era," Narain said. PTI

MEGHALAYA TO SC

Rescue operation to pull out trapped miners to continue

The Centre on Monday told the Supreme Court that it was not abandoning the operation to rescue 15 miners trapped for more than a month inside an illegal rat-hole coal mine filled with water in a remote part of Meghalaya.

The state government in its status report told the top court that on January 16, the remotely operated vehicle (ROV) of the Indian Navy detected a body at a depth of 210 feet in the flooded mine and efforts were made to retrieve it but could not be completed as the body parts started disintegrating. A bench comprising Justice A K Sikri and Justice S Abdul Nazeer said the Centre and the state should look into the suggestions made by petitioner Aditya N Prasad with regard to the rescue operation and posted the matter for further hearing next week.

The court is hearing a public interest litigation filed by Prasad, who sought urgent steps to rescue the 15 miners trapped in the mine since December 13.

Solicitor General Tushar Mehta, appearing for Centre, said it is a human tragedy and the matter cannot be treated as adversarial. He said both the Centre and the state government are not abandoning the operation and taking measures to rescue the miners.

Divers use a pulley to enter a coal mine that collapsed in Ksan
PHOTO: REUTERS/FILE

Advocate Amit Kumar, appearing for Meghalaya, submitted the status report, detailing the steps taken to rescue the miners from January 7 to January 17.

Kumar read from the report and said the ROV was used to move the body detected on January 16 from a depth of 210 feet to 100 feet, but due to the condition in the rat-hole, there are signs of decay, making the extrication process difficult.

"In the process of pulling the body, the skull, the left wrist, and the leg from the knee level got disengaged. It is the considered opinion of the naval team that if the body is pulled further, there will be total disintegration of different parts, rendering the same virtually impossible to retrieve... Presumably and as per the latest reports, the bodies of the remaining miners are behind the body detected on January 16," the report said.

It said a medical team has advised them against pulling the body as it may cause complete disintegration.

The status report said that rescue teams have so far pumped over one crore litres of water from the main shaft and the adjoining shafts but there has been no substantial decrease in the water level.

"The further course of action as regards recovery of the detected bodies and the pumping activities shall be decided on the basis of consultation between the medical team, the Navy ROV team and the family members of the deceased miner," it said. PTI

INX Media case: CBI seeks sanction to prosecute Chidambaram

PRESS TRUST OF INDIA
New Delhi, 21 January

The Central Bureau of Investigation (CBI) has sought the sanction of the central government to prosecute former Finance Minister P Chidambaram *(pictured)* as it has almost finalised a charge sheet in the INX Media case, which involves alleged irregularities, officials said on Monday.

The CBI, which registered the case on May 15, 2017, has now sought sanction of the centre mandated under the Prevention of Corruption Act, they said.

Chidambaram was not listed as an accused in the FIR registered by the agency but seeking sanction to prosecute him implies that he may figure as one in the final report of the agency, the officials said.

The Act mandates an investigating agency to get a prior sanction from competent authority for prosecution of an accused public servants.

Chidambaram's son Karti was arrested by the agency in the case, which pertains to alleged irregularities in clearing foreign investment proposals to the tune of ₹305 crore, for allegedly receiving ₹10 lakh.

Uber Eats leverages Alia's brand recall value

With the Bollywood actress at her bubbly best in a new campaign, the fight for the number three slot in online food ordering is getting stiffer

TE NARASIMHAN
Chennai, 21 January

A hungry Alia Bhatt walks out of a party to dine with a friend at home. She rushes to the kitchen to help herself with food and is greeted by the humble apple gourd or *tinda* (in Hindi) in a container. She is upset and threatens to walk out, but is saved in time by Uber Eats, the food ordering app that sits on her phone. She and her friend help themselves with burgers ordered using the app.

For viewers of this commercial, currently on across television channels, a smile of recognition comes easily. There have been innumerable times when consumers have wished to escape from home food, opting instead for fancy fare from a neighbourhood restaurant or hotel. For all those moments now, there is Uber Eats.

The campaign, which is the first featuring Bhatt, appointed in November, makes no bones about what it wishes to achieve: Brand recall. In a competitive market, estimated to be ₹ 50,000 crore in size and growing at 15-20 per cent per quarter, experts say the fight for the top three spots is stiff.

Swiggy and Zomato claim to be clocking a monthly order run rate of 28 million, though the former achieved the number ahead of the latter, say experts, giving it an edge over its rival. Zomato also had to contend with consumer backlash last month following a delivery boy's move to eat from a customer's food packet, denting its brand image. Zomato has since apologised for the incident, launching tamper-proof packs recently.

With Swiggy and Zomato therefore fighting tooth and nail with each other for leadership of the market, it is the third spot that is drawing attention of players such as Foodpanda, backed by Ola, and Uber Eats, part of the Uber group.

In 2017, Foodpanda had appointed actor Shahrukh Khan as its brand ambassador with the objective of driving brand salience, basically goading consumers to order food during any daypart, to satiate their hunger. Foodpanda also drove home the message of aggressive offers through the campaign.

While Uber Eats is making no such claims, the bid to get consumers to try out its app, especially, in moments of distress, is familiar, say brand experts.

Bhavik Rathod, head of Uber Eats India and South Asia, says it was looking for a strong connect with the youth through an ambassador such as Bhatt. She is the first brand endorser for Uber Eats in the world and is expected to feature in more campaigns in the future.

"Today's youth relate to Alia's easy-going, carefree and energetic personality. She is known for her unique style and agility as an actor, qualities that are integral to the Uber Eats brand," he said, adding that the fit between the two was perfect.

"Today's youth relate to Alia's easy-going, carefree and energetic personality. She's known for her unique style and agility as an actor, qualities that are integral to the Uber Eats brand"
BHAVIK RATHOD
Head, Uber Eats India

Namita Katre, head of brand, strategy and campaigns, Uber Eats India, who devised the current piece of advertising featuring Bhatt, says the objective was to strengthen the brand's role in an individual's life and establish its position as an ally of the youth. "The campaign goes beyond functional attributes such as speed and affordability, focusing on the consumer's ordering behaviour instead," she says.

A few more films featuring Bhatt, which are digital-only, show her cheating on her diet and ordering food for a house party. "Uber Eats is leveraging a mainstream celebrity in a situational plot, making it relevant to its target audience. Foodpanda's campaigns have been tactical, aimed at driving sales," says Saurabh Uboweja, CEO of firm Brands of Desire.

Some experts though point to the downside of being a unit of a cab service. Harish Bijoor, CEO of Harish Bijoor Consults, says, "While it is great for a celebrity to talk about one's service, the bigger challenge for Uber Eats would be to clean up negative brand tags associated with its parent." Also, words specific to a language (*tinda*), say experts, may not find takers in markets such as the south, where it doesn't click. The battle has begun.

FROM PAGE 1

RBI refuses to budge on FPI portfolio limits

"The FPIs' contention was that the RBI should go back to the old regime. The RBI said it did not want to tinker with the new rules, and that it was offering the investors a new route under the VRR," said a source familiar with the matter.

In October, the RBI came out with a discussion paper with proposals to introduce the VRR. Investments through the route would be free of the macro-prudential and other regulatory prescriptions applicable to FPI investments in debt markets, provided the FPIs voluntarily commit to retain a required minimum percentage of their investments in India for a period of their choice, the discussion paper stated.

For instance, FPI investments through the VRR shall be exempt from the cap on short-term investments (less than a year) at 20 per cent of the portfolio size, concentration limits, and caps on exposure to a corporate group. The total amounts for investment through the VRR shall be separately indicated for government securities (G-Sec) and corporate debt (including commercial paper), and shall be individually allocated to FPIs through an auction process.

The minimum retention period for allotments under each auction would be three years or as decided by the RBI.

The FPIs also asked for clarity on investments in state-development loans (SDLs) on Monday. FPI investments in SDLs are currently negligible as these are not explicitly backed by the Government of India nor given a sovereign rating.

"As of now, the RBI is taking care of servicing the SDLs on time. There is no explicit undertaking or comfort on this. Investors may think these bonds are not sovereign and less traded as they are not reissued. And, to that extent, they are not keen to put money in SDLs. So, someone needs to clear the air on this," said Ajay Manglunia, head, fixed income, Edelweiss Capital. Measures to boost investments in the currency derivatives segment and interest rate futures were also discussed.

FPI investments through the VRR shall be exempt from the cap on short-term investments

The average daily turnover of currency derivatives for December stood at ₹25,412 crore on the BSE and ₹36,953 crore on the NSE. The turnover of interest rate derivatives stood at ₹202 crore and ₹1,957 crore on the two exchanges, respectively.

FPIs are permitted to invest in central government securities (g-secs), including Treasury bills, and the SDLs without any minimum residual maturity requirement, subject to the condition that short-term investments by an FPI under either category does not exceed 20 per cent of the total investment of that FPI in that category. Currency volatility, concerns on fiscal slippages, political uncertainty, and restrictions on investments has spooked FPIs investing in debt papers.

The rupee depreciated 8.4 per cent to 69.77 against the dollar in 2018, and has shed 2.1 per cent this year.

FPIs sold ₹46,500-crore worth of debt papers in 2018. When interest rates were near-zero in the US, it made sense to come to India, take forex risk and invest in Indian bonds, according to experts. One could get a 3-4 per cent return, after hedging.

But with the Fed hiking rates and emerging markets now seen as a risky proposition, India has become much less attractive for FPIs. Volatility in Crude oil prices could put the Indian currency under pressure again.

Sun co-promoter may quit race for Jaypee Infratech

Jaypee Infratech, which has large tracts of land on both sides of the Yamuna Expressway, had defaulted on its debt of ₹9,913 crore, forcing lenders to refer the company to the National Company Law Tribunal under the Insolvency and Bankruptcy Code (IBC) , 2016.

Emails sent to Suraksha and Dosti Realty did not elicit any response. Their holding in SPARC is 3.93 per cent, valued at ₹175 crore based on Monday's stock price. Dosti Realty is also facing headwinds due to a sharp decline in real estate prices in Mumbai since demonetisation in November 2016. Of Dosti's 14 ongoing projects, six are being carried out in partnership, with MJ Pharmaceuticals, a subsidiary of Sun Pharma and Suraksha Realty.

For the financial year 2016-17 (last available), Dosti Realty had a revenue of ₹376 crore and a profit of ₹40.35 crore, compared to a revenue of ₹421 crore and a profit of ₹ 76.3 crore reported in the previous financial year.

In May last year, lenders of Jaypee Infratech had rejected an offer made by Suraksha-Dosti combine, saying the upfront cash was too low and the offer of ₹7,000 crore was not attractive enough. Later, in August 2018, the Supreme Court ordered a re-bid of Jaypee Infratech after an amendment in the IBC, which brought homebuyers on par with financial creditors.

Lactalis buys Prabhat's dairy biz for ₹1,700 cr

Earlier this month, Prabhat had tied up with Denmark-based DLG Group as part of its plans to foray into the animal nutrition business. The company had been looking to offload its dairy business for some time now, said experts tracking the market, and was in talks with Tata Global Beverages last year for a possible sale at ₹400 crore. That did not come through though.

Raviraj Vahadane, chief financial officer of Prabhat Dairy, said, the acquisition represented a meaningful opportunity for the employees of the company to be associated with one of the global leaders in the dairy products business.

The company intended to share a substantial portion of the proceeds from the sale with shareholders after meeting its tax and transaction cost obligations, he said.

For Lactalis, the acquisition of Prabhat's dairy business is its fifth in five years. In January of 2014, the company had bought South India's second-largest dairy company Tirumala Milk for ₹1,750 crore. It then snapped up the dairy business of Indore-based Anik Industries for ₹470 crore in March of 2016, indicating that it was ready for more.

SOLUTION TO SUDOKU #2663

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5	2	6	9	4	8	3	7	1
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9	4	2	3	8	1	7	6	5
8	3	7	4	5	6	9	1	2
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SOLUTION TO CROSSWORD #3252

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IN BRIEF

RECESSION UNLIKELY

"After two years of solid expansion, the world economy is growing more slowly than expected and risks are rising... Does that mean a global recession is around the corner? No"

CHRISTINE LAGARDE, IMF MD after the body cut its global growth projections for 2019 and 2020 to 3.5% and 3.6%, respectively.

India among most trusted nations

India is among the most trusted nations globally when it comes to government, business, NGOs and media but the country's brands are among the least-trusted, according to a report. The 2019 Edelman Trust Barometer report released Monday, ahead of the World Economic Forum (WEF) meet in Davos, noted that the Global Trust Index witnessed a marginal increase of 3 points to 52. China topped the Trust Index among both the informed public and the general population segments, with scores of 79 and 88 respectively. India was at the second place in the informed public category and third place in the general population category. The Index is the average per cent of trust in NGOs, business, government and media. The findings are based on an online survey in 27 markets covering over 33,000 respondents. The fieldwork was conducted between October 19 and November 16, 2018. PTI

India's richest 1% get richer by 39% in 2018

Swiss special police officer keeps watch from a rooftop ahead of the WEF meet PHOTO: REUTERS

Indian billionaires saw their fortunes swell by ₹2,200 crore a day last year, with the top 1 per cent of the country's richest getting richer by 39 per cent as against just 3 per cent increase in wealth for the bottom-half of the population, an Oxfam study said Monday. Globally, billionaires' fortunes rose by 12 per cent or $2.5 billion a day in 2018, whereas the poorest half of the world's population saw their wealth decline by 11 per cent, the international rights group said in its annual study released before the Davos summit. Oxfam said that 13.6 crore Indians, who make up the poorest 10 per cent of the country, continued to remain in debt since 2004. PTI

India up a notch on talent index

India has moved up one position to rank 80th on the global talent competitive index, but remains a laggard among the BRICS nations, a new survey showed Monday. Switzerland continues to top the list, which was released by INSEAD business school in partnership with Tata Communications and Adecco Group. With an overall position of 45th and despite a fall of two places, China is the best performer among BRICS countries, while India remains the laggard of this grouping, the report said. However, India performed better than its lower-income peers when it comes to growing talent (48th) and access to growth opportunities (41st). PTI

India Inc makes up for government's absence

140 corporate leaders from country to attend the annual event

Preparations afoot for the WEF annual meeting in Davos PHOTO: REUTERS

PRANJAL SHARMA
Davos, 21 January

The impact of volatility in local politics is visible at the World Economic Forum (WEF) Annual Meeting, being organised in the Alpine Swiss town of Davos. Indian Prime Minister Narendra Modi is on the list of leaders of major economies — including US President Donald Trump, his French and Chinese counterparts Emmanuel Macron and Xi Jinping, respectively, and British Prime Minister Theresa May — to skip this year's event, the theme for which is "Globalization 4.0: Shaping a New Architecture in the Age of the Fourth Industrial Revolution".

Most ministers in the central government, too, are giving the annual meeting a miss, though last-minute participation from Commerce and Industry Minister Suresh Prabhu is expected. Yet, India will be making its presence felt in Davos — around 140 corporate leaders, including Gautam Adani, Mukesh Ambani, Nandan Nilekani, N Chandrasekhar, Pawan Munjal, Anand Mahindra and G M Rao, will be attending the gathering between January 22 and January 25.

The corporate honchos will be joined in by state leaders. The most prominent political leader from India will be Madhya Pradesh Chief Minister Kamal Nath, who has been a regular at Davos. Punjab has made a surprising show with Finance Minister Manpreet Badal leading a compact delegation to invite investment in the state. The Government of Punjab is keen to diversify its economic base by reducing its reliance on agriculture. Andhra Pradesh CM Chandrababu Naidu, who has spent a lot of effort in marketing his state as a tech-savvy region, will be represented by his son Nara Lokesh, minister for IT and Rural Development.

Former Reserve Bank of India Governor Raghuram Rajan, New Development Bank President K V Kamath and IMF Chief Economist Gita Gopinath are also expected to be here.

Even as local political issues kept to global leaders at home (Trump because of the government shutdown, May due to the Brexit deal impasse and Macron for Yellow Vest protests), discussions at the WEF meeting would be crucial because of its theme encompassing globalisation at the time of rising nationalism and trade war, and the fourth industrial revolution due to rapid strides being made in robotics and artificial intelligence.

A survey of 10,000 people in 29 countries by the WEF on Globalisation 4.0 reflects rising nationalism and worries over the impact of technology. Over 72 per cent of respondents say that collaboration between countries is the best way to mitigate isolationism. About 57 per cent say that new immigrants are "mostly good" for the country while less than 50 per cent are unequivocal about benefiting from the advance of technology.

"With advances in robotics and artificial intelligence ... we will have to move from a narrative of production and consumption toward one of sharing and caring," says Prof Klaus Schwab, founder and executive chairman of WEF. "The changes that are underway today are not isolated to a particular country, industry, or issue. They are universal, and thus require a global response."

Perhaps reluctantly business and political leaders are realising the perils of rising inequality and suspicion of technology caused by a skewed model of capitalism. The WEF is making a distinction between globalisation and globalism.

"Globalisation is a phenomenon driven by technology and the movement of ideas, people, and goods. Globalism is an ideology that prioritises the neoliberal global order over national interests. Nobody can deny that we are living in a globalised world. But whether all of our policies should be 'globalist' is highly debatable," he says.

India 'buoyant territory' for investments: Survey

Global growth pessimism among CEOs worst since 2012

ABHISHEK WAGHMARE
New Delhi, 21 January

A survey of global CEOs has termed India a "buoyant territory" and "the rising star" among most attractive investment markets, even as a large number of corporate leaders presented a gloomy outlook for the world economy in 2019.

About 29 of global CEOs expect growth in 2019 to be slower than that in last year, the survey by PwC shows. It is the worst since 2012 when 48 per cent CEOs had a pessimistic view of the world economy, which was then recovering from a financial crisis.

The apprehension, as suggested in the survey, is spread across all regions, but the strongest in North America and Western Europe. Though CEOs optimistic of a rise in global economic growth (42 per cent) far exceed those having apprehensions, they are fewer than last year (57 per cent). Global GDP growth has not crossed 4 per cent since 2011, according to the World Bank data.

Growth confidence in the medium term, too, has plummeted to the worst since the 2008-2009 financial meltdown. Only 36 per cent CEOs are "very confident" about good growth prospects over the next three years, the lowest since in 2009 when 34 per cent of those surveyed had such expectations.

Such a feeling may have an adverse impact on India, especially since the proportion of CEOs who are unsure about where to invest this year is bigger than the share of those hoping for a good return on investments in India. About 8 per cent CEOs think India is important for the overall growth of their organisations, while 15 per cent "do not know" where to invest.

However, the survey report says India surpassed Japan and the UK as a better investment market, and that it is a "buoyant territory" in terms of CEO revenue confidence. "India is the rising star on the list of most attractive investment markets," it says.

WORLD ECONOMIC FORUM DAVOS 2019

Global giant PwC reached out to 1,378 global CEOs in more than 90 countries (or regions) in September–October 2018 for the annual survey, which is the 22nd in the series. The findings were released on Monday, ahead of the World Economic Forum meeting in Davos.

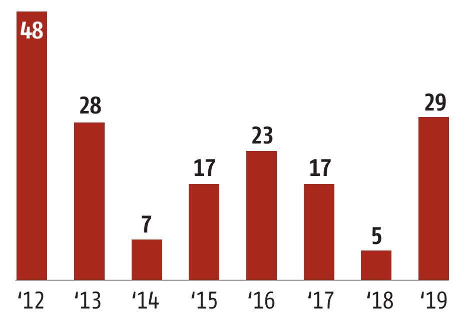
"Trade conflicts", "availability of key skills" and "protectionism" are the three biggest threats to growth in the Asia-Pacific region, which includes India, China and Japan.

About 31 per cent CEOs in North America think that creating a direct link between education and employment is important. Only 11 per cent CEOs in the Asia-Pacific have this view. Skilling and re-training are considered important by 31 per cent CEOs in North America, and by 50 per cent of their Asia-Pacific counterparts.

Policy uncertainty did not feature as a major threat in 2018, but 35 per cent of CEOs think that it will impact growth adversely in 2019. The survey also asked about the impact of "trade conflicts" for the first time, and 31 per cent of global CEOs expect it to push growth down in the coming year.

GLOBAL CORPORATE LEADERS EXPECT A SLOWDOWN IN 2019

CEOs who think global economic growth will decline in 2019 (%)



TOP 7 THREATS TO GLOBAL GROWTH IN 2019

CEOs who think it will affect 2019 growth (%)

Over-regulation	35
Policy uncertainty	35
Availability of key skills	34
Trade conflicts	31
Cyber threats	30
Geo-political uncertainty	30
Protectionism	30

GROWTH CONFIDENCE IN MEDIUM TERM PLUMMETS

CEOs who are 'very confident' about good growth in next three years (%)

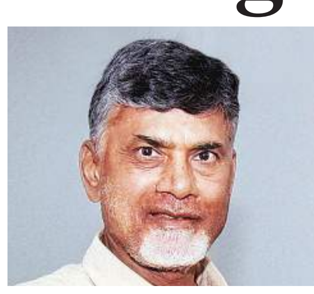
2007	44
2008	42
2009	34
2010	50
2011	51
2012	47
2013	46
2014	46
2015	49
2016	49
2017	51
2018	45
2019	36

Source: PwC

The importance of US market for China's growth could take a hit in 2019. While 21 per cent Chinese CEOs think Australia will drive their growth in 2019, 17 per cent think it's the US. In 2017 and 2018, more than 58 per cent had ticked the US as the top contributor to Chinese growth.

Andhra, Telangana take rivalry to Swiss Alps

ARCHIS MOHAN
New Delhi, 21 January




N Chandrababu Naidu and K Chandrasekhar Rao have decided to skip the Davos event, but sent strong delegations to woo investors

After the dusty electoral battle field of Telangana, Telugu rivals, Telangana Chief Minister K Chandrasekhar Rao and his Andhra Pradesh counterpart N Chandrababu Naidu, have renewed their rivalry at the World Economic Forum Annual Meeting in Davos, a town the Swiss Alps, but in absentia.

The two states have scaled up their presence at the annual event. Andhra Pradesh lounge occupies the space earlier used for the Confederation of Indian Industries (CII)'s 'Indian Adda', while the Telangana government has set up its lounge across the road. Rao's Telangana Rashtra Samithi (TRS) won in the December Assembly polls in the state, defeating an alliance comprising the Congress and Naidu's Telugu Desam Party (TDP).

However, the upcoming Lok Sabha election and the Andhra Pradesh Assembly polls have forced Naidu, a regular at Davos, and K T Rama Rao, Rao's son and Telangana IT and industries minister, to skip the event.

K T Rama Rao, who attended the WEF last year and has been elevated as working president of the TRS after the party's win in the state polls, opted to stay back to focus on preparedness for the Lok Sabha battle. Telangana has sent a strong delegation led by its senior ministers.

Naidu, on the other hand, has dispatched his son and state IT Minister Nara Lokesh and Finance Minister Yanamala Ramakrishnudu to Davos. Lokesh, 35, a Stanford Business School graduate, would speak in 12 sessions, apart from participating in 30 high-level bilateral meetings, government sources said. "Stronger the pitch of various states, the better for India as a country," K T Rama Rao replied in a tweet on the rivalry between the Telangana and the Andhra Pradesh governments at Davos.

The two states plan to showcase their improved 'ease of doing business rankings'.

According to TDP sources, Naidu did not wish to travel overseas since the Andhra Pradesh Assembly election and the Lok Sabha polls will be held simultaneously. He also wanted to be present at the Opposition rally that West Bengal CM Mamata Banerjee held in Kolkata on Saturday. K T Rama Rao is his party's key strategist.

Andhra Pradesh has 25 Lok Sabha seats, while Telangana has 17. The TDP and TRS hope to maximise their wins to be influential players in case of a coalition government takes shape at the Centre post-2019 battle.

In the run-up to the global event, Naidu accused the Narendra Modi government of putting obstacles in Andhra Pradesh's efforts at getting investments. The TDP alleged the Centre restricted the number of days the Andhra government entourage could spend in Davos. "Who gave you (Centre) the right? Is it the spirit of cooperative federalism?" he asked.

WORLD

France slaps Google with $57 million fine

AFP/PTI
Paris, 21 January

France's data watchdog on Monday announced a fine of €50 million ($57 million) for US search giant Google, using the EU's strict General Data Protection Regulation (GDPR) for the first time.

Google was handed the record fine from the CNIL regulator for failing to provide transparent and easily accessible information on its data consent policies, a statement said. The CNIL said Google made it too difficult for users to understand and manage preferences on how their personal information is used, in particular with regards to targeted advertising.

Google was handed the record fine from for failing to provide transparent and easily accessible information on its data consent policies

"People expect high standards of transparency and control from us. We're deeply committed to meeting those expectations and the consent requirements of the GDPR," a Google spokesperson said in a statement. "We're studying the decision to determine our next steps."

The ruling follows complaints lodged by two advocacy groups last May, shortly after the landmark GDPR directive came into effect.

One was filed on behalf of some 10,000 signatories by France's Quadrature du Net group, while the other was by None Of Your Business, created by the Austrian privacy activist Max Schrems. Schrems had accused Google of securing "forced consent" via its Android mobile operating software through the use of pop-up boxes online or on its apps.

May tries to solve Irish border riddle

REUTERS
London, 21 January

British Prime Minister Theresa May said on Monday that she would try to break the deadlock over her Brexit deal by seeking further concessions from the European Union on a backup plan to avoid a hard border in Ireland.

With just over two months until the United Kingdom is due to leave the European Union on March 29, there is no agreement in London on how and even whether it should leave the world's biggest trading bloc.

After her Brexit divorce deal was rejected by 432 lawmakers last Tuesday, May has been searching for a way to get a deal through parliament.

May said she could not take a no-deal Brexit off the table as there was not yet an alternative, and the EU would not be unlikely to extend Article 50 without a plan to secure parliament's approval.

"So when people say 'Rule out no-deal', the consequences of what they are actually saying are that, if we in parliament can't approve a deal, we should revoke Article 50. I believe this would go against the referendum result," May said.

She said another referendum would strengthen the hand of those seeking to break up the United Kingdom and could damage social cohesion by undermining faith in democracy.

May vowed to be "more flexible" with lawmakers in trying to agree changes to the Northern Irish backstop, an insurance policy to ensure there will be no return to border checks between the British province and Ireland.

Indian-American Kamala Harris in presidential race

Kamala Harris, the first Indian-origin Senator, on Monday officially launched her campaign for the US presidential election in 2020 to take on President Donald Trump, saying she was "honoured" to announce her bid on a day when Americans celebrated Martin Luther King Jr who sought inspiration from Mahatma Gandhi.

A rising party star and vocal critic of President Trump, Harris, 54, is the fourth Democrat to join the battle for the party's nomination in the 2020 polls. "I am running for president," Harris said in a tweet along with a simultan eously released video message. "Kamala Harris: For the People" is the theme of her campaign.

If elected, she would be the first woman and woman of colour to be the president of the US. "I love my country. This is a moment in time that I feel a sense of responsibility to stand up and fight for the best of who we are," she told *ABC News*.

Explaining the significance of announcing her presidential bid on Martin Luther King Jr Day, Harris said the icon of US civil rights movement has always inspired her. PTI

China grants Ivanka 5 trademarks amid talks

AP/PTI
Shanghai, 21 January

The Chinese government has granted Ivanka Trump's company preliminary approval for another five trademarks this month, as her father's administration pushes ahead on trade negotiations with China.

Four trademarks, including child care centres, sunglasses and wedding dresses, were approved on Sunday. A fifth, covering brokerage, charitable fundraising and art valuation services, was approved on January 6, according to online trademark office records. The applications were filed in 2016 and 2017. If no one objects, they will be finalised after 90 days.

Ivanka Trump's expanding intellectual property holdings have long raised ethical concerns, particularly in China, where the courts and bureaucracy tend to reflect the will of the ruling Communist Party.

Ivanka's lawyers in China did not respond immediately to a request for comment.

Critics argue that by asking a foreign government for valuable intellectual property rights, White House officials could open themselves to pressure in government negotiations. There is also concern that the family's global trademark portfolio would open the way for lucrative business opportunities once Trump leaves office.

"The sheer number of foreign trademarks Ivanka Trump has gotten while working in the White House would be troubling enough, but the fact that she just got one for charitable fundraising when her father's namesake foundation is especially troubling," said Jordan Libowitz, a spokesman for watchdog group Citizens for Responsibility and Ethics.

High cost may be a spoiler for Jaguar's engine upgrade plan

Future of four Jaguar squadrons uncertain as Air Force puts project on hold

AJAI SHUKLA
New Delhi, 21 January

The plan to extend the service life of the Indian Air Force's (IAF's) Jaguar fleet, by equipping 80 of the fighters with new engines, is in trouble. Indian planners believe Honeywell, the sole vendor in the project, is demanding an exorbitant price to replace the Jaguar's existing Rolls-Royce engines.

Hindustan Aeronautics (HAL), which is leading the project, has written to Honeywell protesting its "high and unacceptable quote", which HAL says will "kill" the plan to re-engine the Jaguar.

IAF, HAL, and Honeywell sources confirm that the US firm has quoted $2.4 billion for 180 engines — which include 160 engines for 80 twin-engine Jaguars — and 20 spare ones. This amounts to $13.3 million (₹95 crore) per engine. It has taken the cost of "re-engining" each Jaguar to a prohibitive ₹210 crore, including ₹20 crore per aircraft that HAL will charge to integrate the new engines in the fighter and to flight-test and certify those.

Business Standard learns that, given Honeywell's high quote, the IAF has put on hold the next step of the Defence Procurement Procedure, which is to obtain the defence ministry's "acceptance of necessity" for the project.

A Jaguar fighter undergoing an upgrade at HAL, Bengaluru
PHOTO: AJAI SHUKLA

The IAF has six Jaguar squadrons, comprising 120 fighters. Of these, only 80 latest ones are getting new Honeywell engines, while the older 40 Jaguars will fly with their original Rolls-Royce engines.

If the "re-engine" project fails, all six Jaguar squadrons will retire. The IAF did not respond.

Business Standard has examined a detailed protest note that HAL sent to Honeywell this month, arguing that the US firm's current $2.4 billion quote, which can be reduced to $1.9 billion, prices each engine at twice that of an earlier quote, submitted by Honeywell in 2013.

That quote was submitted when the plan was for Honeywell to supply 275 engines. That included 240 engines for all 120 Jaguars, plus 35 engines spare. For all these engines, Honeywell had demanded $1.634 billion, or just under $6 million per engine.

HAL's note to Honeywell points out that its current quote of $13.3 million per engine is more than double the 2013 quote. Even if a consolidated order were placed, which would bring down Honeywell's cost to $1.9 billion, or $10.6 million per engine, that is still 75 per cent higher than the 2013 price.

In 2013, Honeywell was also responsible for integrating the F-125IN engines with the Jaguar, flight-testing and certification, developing a new alternator to power the other aircraft systems, and providing maintenance know-how. The US firm had quoted an additional $2.1 billion for all this, taking the 2013 quote to $3.734 billion.

For full report, visit www.business-standard.com

Naval drill to test nation's readiness against attacks

PRESS TRUST OF INDIA
Kochi, 21 January

The Navy in coordination with the Coast Guard and other stakeholders will conduct a two-day defence exercise along the coastline from Tuesday to test the nation's preparedness against any attack through the sea route.

Codenamed "Sea Vigil 2019", it is the first exercise on such a large scale. Multi-agency teams will be deployed in all coastal districts to undertake security audit of various vulnerable locations such as fish landing centres, as well as major, minor and intermediate ports, lighthouses, coastal police stations, control rooms and operations centres, a defence statement said Monday.

DGCA puts in place norms for 'digi yatra' roll-out

PRESS TRUST OF INDIA
Mumbai, 21 January

Aviation regulator Directorate General of Civil Aviation (DGCA) has put in place norms for the roll-out of the much-awaited "digi yatra" facility, which will make air travel paperless and hassle-free.

An initiative of the civil aviation ministry and the Bureau of Civil Aviation Security (BCAS), the facility seeks to minimise paperwork for air travel under a digital system or e-boarding process for airport entry and boarding flights using documents such as a passenger's Aadhaar number and mobile phone, among others.

In this regard, the DGCA has issued the Civil Aviation Requirement (CAR) on procedures and requirements for the implementation of e-boarding process (digi yatra).

The airlines will make a provision to collect the digi yatra ID of the passenger for domestic travel as per Digi Yatra policy at the time of the booking irrespective of the channel, according to the norms.

The passenger will have the option to offer any one of the approved identification document (ID) such as passport, voter card, Aadhaar or m-Aadhaar, PAN card, driving licence, service photo identity card issued by state/central government, PSUs, local bodies or public limited companies, among others, as per the CAR.

According to the DGCA, the digi yatra ID created will be authenticated during the first travel by the passenger at an airport which offers such a facility.

In the authentication process, the ID of the passenger will be verified and validated by an authorised security officer and this will activate the digi yatra ID.

At the same time, according to the norms, the airline will ensure that e-tickets are issued with a 2D/QR barcode following "one person, one ticket & one code" rule so that each passenger, even in a group booking, is issued with individual ticket having unique code.

The airlines will also have to collect passport number for all international travel, the norms stated.