



ECONOMY P4

RAILWAY STATIONS TO HOUSE STATE GOVT OFFICES SOON

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INDIA INC'S SALARY HIKE TO BE 9.7% THIS YEAR: REPORT



WE GAVE BEFITTING REPLY BY ENTERING TERROR DEN: MODI



India gave a befitting reply to the Pulwama attack by entering the den of terrorists in Pakistan, said Prime Minister Narendra Modi on Tuesday. Pakistan has been conveyed the message that if it doesn't improve, it knows the consequences it will have to face, he added. Calling the Opposition 'poster boys' of Pakistan for seeking proof of the Indian Air Force's action on Jaish-e-Mohammed's terror camp last week, Modi said the air strike happened in the neighbouring country, but "some of those sitting in India were hit by it".

ECONOMY & PUBLIC AFFAIRS P7

BJP website hacked, taken offline

Hackers broke into the website of the Bharatiya Janata Party on Tuesday and defaced it before it was taken offline. No hacking group has claimed responsibility for the breach. The BJP has not issued any official statement. Screenshots of the site's home page, which went viral on social media, showed abusive messages and a GIF of Prime Minister Narendra Modi.

ECONOMY P4

Services PMI rises, gives boost to jobs

The services sector grew at a moderate pace in February due to new work orders, showed Nikkei's purchasing managers index (PMI). This resulted in job creation gaining momentum. PMI for services rose from 52.2 in January to 52.5 in February. A print above 50 means expansion, while a score below that denotes contraction. Despite rising cost burden, the overall inflation rate softened.

Drug regulator issues show-cause notice to J&J

The Central Drugs Standard Control Organization has issued a show-cause notice to Johnson & Johnson for using the government's test report to advertise their baby talc. The firm has been issuing advertisements, quoting government test reports to tell consumers that the baby powder does not contain asbestos and is safe for babies. The regulator has said this violates provisions of the Drugs and Cosmetics Act.

COMPANIES P3

Tata Sons to infuse more cash in Tata Capital

Tata Sons, the holding company of the Tata group, is investing an additional ₹1,250 crore as equity in its financial services arm, Tata Capital Financial Services, so that the latter can meet its liquidity norms. The additional equity would also help Tata Capital to boost its net worth to ₹5,345 crore by the end of this month, said bankers.

ECONOMY & PUBLIC AFFAIRS P7

Govt to focus on lower tax rate and increase in base: FM

Finance Minister Arun Jaitley on Tuesday said the focus of the government was on lowering the tax rates and increasing the base. Interacting with a delegation of the Federation of Indian Chambers of Commerce and Industry, Jaitley said reforms in direct and indirect taxes would continue to further ease the business environment.

ECONOMY & PUBLIC AFFAIRS P7

Pak accuses Indian Navy of 'provocative action'

Pakistan has accused the Indian Navy of "provocative action against Pakistan." A Pakistan Navy statement on Tuesday claimed "one of the submarines of the Indian Navy" was detected on Monday, operating off Pakistan, and "could have been easily engaged and destroyed, had it not been Pakistan's policy to exercise restraint in the face of Indian aggression."

ECONOMY P4

SC hearing on plea against RBI circular begins today

The Supreme Court will start hearing the power, sugar, and shipping companies' challenge to the RBI's February 12 circular from Wednesday. With an exposure of nearly ₹2 trillion in the power sector alone, firms hoping for a verdict in their favour may have to face some disappointment, experts said.

NBFCs face new governance, exposure code

RBI wants to snuff out evergreening, stock-play via bank-led units; risk-based supervision on cards

RAGHU MOHAN

New Delhi, 5 March

The Reserve Bank of India (RBI) is drawing up a new code for non-banking financial companies (NBFCs) which envisages curbs on the licensing and businesses of banked units, parity in CEOs' remuneration structure with that of private banks, and a gradual shift to the risk-based supervision (RBS) system.

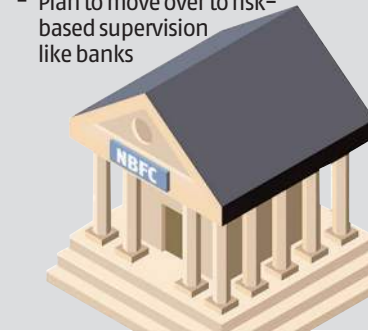
A raft of measures will be rolled out once RBI Governor Shaktikanta Das is through with departmental presentations, which are in their final lap. Multiple high-level financial sources said these guidelines would dovetail into, and form a subset of, the larger regulatory framework for banks and their subsidiaries. This will see the birth of the holding company model once the tax and stamp duty issues are ironed out by North Block because of revenue implications.

Mint Road's extant guidelines on bank-led NBFCs are largely "discretionary" and there is no well-articulated policy, pointed out a source, even though no new licence applications have been entertained by the regulator in the last four years. The banking regulator also wants to plug the loopholes that allow evergreening of loans through banks' NBFC arms in the garb of "innovative financing structures". The NBFCs under the umbrella of banks said to be under close scrutiny are those which put their books into play as loan vendors and with high exposure to sensitive sectors.

Capital markets, real estate and commodities are defined as sensitive sectors in view of the risks associated with fluctuations in prices of such assets. While banks' direct exposure was largely flat, the RBI in its Report on Trend and Progress of Banking (2017-18) observed that NBFCs had been growing robustly in spite of the adverse macro-financial environment, with a consolidated balance sheet expansion of over 17 per cent in the first half of FY19. NBFCs' exposure to real estate increased during FY17, reflecting search for higher yields to 13.4 per cent from 13.3 per cent in the preceding financial year. Turn to Page 13 ▶

RINGING IN A NEW ORDER

- New policy will specifically target bank-led NBFCs
- It will help arrest evergreening of loans through banks' NBFC arms via innovative financing structures
- Exposure to sensitive sectors, particularly loans against pledge of promoter shares, to be curbed
- NBFC CEOs' pay structure to mirror that of private bank chiefs in terms of bonus and stock options
- Plan to move over to risk-based supervision like banks



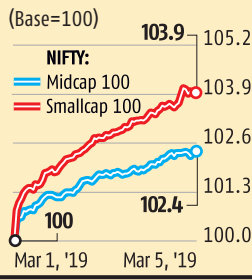
BANKING REGULATOR PROPOSES TIGHTER NORMS FOR HFCs

The National Housing Bank has proposed to raise the capital adequacy ratio (CAR) for housing finance companies (HFCs) and cap their borrowing to 12 times their net worth, after the IL&FS fiasco exposed weaknesses in the profile of some HFCs. This is to be done in a phased manner by March 31, 2022. At present, HFCs have to maintain a minimum CAR, consisting of Tier-I and Tier-II capital, of not less than 12 per cent, while their borrowings are capped at 16 times their net worth. SUBRATA PANDA writes ▶

MID-CAPS, SMALL-CAPS SEE SURGE

Shares in the small- and mid-cap segments were on fire on Tuesday, with one of the gauges posting its biggest single-day jump in nearly five months. The Nifty Smallcap 100 soared 3.9 per cent, the most since October 10 and the Nifty Midcap 100 rose 2.4 per cent, the most since December 12. In comparison, the Nifty 50 gained 1.1 per cent to end at 10,987. The Sensex rallied 379 points, or 1.05 per cent, to close at 36,442. Experts said investors lapped up shares in the broader market, where valuations had turned attractive after one year of sharp underperformance. Easing cross-border tensions helped offset the move by the US administration to terminate trade benefits on Indian imports. Despite mixed global cues, there was a sharp rally in the domestic markets. SUNDAR SETHURAMAN writes

BULLS ARE BACK



Trump scraps preferential trade treatment for India

Govt plays down impact, says benefits were only \$190 million annually

SUBHAYAN CHAKRABORTY

New Delhi, 5 March

Ending months of speculation, the Donald Trump administration cut off India from duty-free access to the US market under its largest preferential trade scheme, but New Delhi played down the impact of the move and is unlikely to contest it. Scrapping the benefits under the Generalized System of Preferences (GSP) will take at least 60 days, officials said.

India was caught off guard late on Monday night when the United States Trade Representative's (USTR's) office announced that India and Turkey would henceforth not be able to claim duty-free trade benefits under the GSP. Talks on the issue had been dragging on for months.

The Indian government on Tuesday made light of the development, saying it was not keen on seeking an overturn of the USTR's order, given that lengthy talks on the matter had broken down earlier. "The (GSP) benefits in absolute sense and as a percentage of trade involved are very minimal and moderate," Commerce Secretary Anup Wadhawan said. "The solutions were there as part of

LITTLE TO LOSE?

**\$5.6 billion:** Worth of Indian exports under Generalized System of Preferences (GSP), or about 11% of total exports to the US in 2017-18



**3,700:** Indian products eligible to get GSP benefits, but India exports only 1,900 items

**\$190 million:** Duty benefits for India in 2017-18, the largest beneficiary of GSP

**1974:** The year the GSP programme was started, providing duty-free access to developing nations



"The (GSP) benefits in absolute sense and a percentage of trade involved are very minimal and moderate"

Anup Wadhawan, commerce secretary

the existing discussions, but unfortunately they couldn't conclude in a manner that could've brought a different outcome," he added.

India exported goods worth \$5.6 billion under the GSP last year, but "our total GSP benefits were to the tune of only \$190 million," the secretary told reporters. He said that because of the US' decision, India's competitive advantage against other developing nations

would get hit only marginally.

India is the largest beneficiary nation under the GSP, the largest and oldest US trade preference programme designed to promote economic development by allowing duty-free entry for thousands of products, mostly from developing nations. Turn to Page 13 ▶

ECONOMY P4

▶GSP withdrawal will hurt US more: Experts

Where did ₹42K cr go, Sebi asks Sun Pharma

Pharma major calls fund-diversion charge baseless

SHRIMI CHOUDHARY

New Delhi, 5 March

The Securities and Exchange Board of India (Sebi) has sought an explanation from Sun Pharmaceutical on the alleged fund diversion of ₹42,000 crore through its key distributor and subsidiary Aditya Mediasales (AML).

In two letters dated January 28 and February 18, the regulator asked Sun Pharma to furnish a detailed methodology of AML's operations, along with the agreement between the drugmaker and AML. Sebi also asked Sun Pharma to explain the rationale, terms, and conditions of the advances given to AML. It is a pharma distribution company and is classified as a promoter shareholder by Sun Pharma. It owned a 1.6 per cent stake in Sun Pharma as of December 31. Sun Pharma's domestic formulation business is entirely routed through it. AML, a super stockist, was declared a related party of the firm only during the financial year 2018.

Sebi's demand for an explanation follows serious allegations made by a whistle-blower in a 150-page complaint to Sebi accusing Sun Pharma of committing corporate governance and tax-related offences and securities market-related violations. Specifically, the whistle-blower complained of a fund diversion of ₹42,000 crore and of personal profits being made to the tune of ₹10,000 crore.

The letter is also believed to allege

CLEARING THE ALLEGATION CLOUDS

What details Sebi sought



- Trade agreement with subsidiary AML
- Loan/advances to AML and its other transactions
- AML's operation methodology and expenses

Sun Pharma's reply



- Alleged transactions contrary to facts and records
- AML profits are low and in range of ₹10-30 crore; turnover for FY18 was little over ₹8,000 crore
- Submits transaction details of loan and repayment of loan with respect to AML

that AML had thousands of crores of rupees worth of transactions with a real estate firm that is controlled by a director on the Sun Pharma board.

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Samsung wants more tax sops to restart TV production

ARNAB DUTTA

New Delhi, 5 March

Samsung India, the largest electronics manufacturer in the country, does not find the central government's offer of incentives to restart television manufacturing attractive enough. It plans to ask for more benefits such as lower corporate tax and tax holiday, in line with what Vietnam offers, sources in the know said.

The Gurugram-headquartered entity halted production of TV sets in India last year, after the government raised the import duty on key components like LCD/LED panels and open cells. The manufacturing base was shifted to Vietnam.

In recent discussions, government officials said they were open to consider reducing the duties on the two key components, which form over half the total production cost of LCD and LED sets.

According to sources, the government's offer of reducing the customs duty on key components will not suffice.

Samsung is one of the top players in the Indian TV market for close to two decades.

The Centre had raised the tariff on panels to 7.5 per cent in December 2017 and then to 15 per cent in February 2018. That on open cells was hiked to 10 per cent from nil. Later, in March last year, the duty on open cells was reduced to 5 per cent. Consequently, Samsung shifted its manufacturing from its factory in Chennai to Vietnam. It was producing 300,000 flat panel TVs a year from Chennai.

Samsung halted the production of TV sets in India last year, after the central government raised import duty on LCD/LED panels

TaMo, M&M provide Indian spark to Geneva Motor Show

AGENCIES

Geneva, 5 March

The 89th version of the Geneva International Motor Show is finally here. The 11-day event, which opens to the general public on Thursday, will showcase expensive luxury cars and supercars. One of the oldest motor shows in the world, it will witness this year a host of electric vehicles and electric concepts, which will set the tempo for brands in the future.

Leading the pack for India are Tata Motors and Mahindra & Mahindra. Tata Motors on Tuesday unveiled four products, including the premium hatchback Altroz and a concept version of the small

SUV H2X, at a media briefing here. The company took curtains off an electric version of the Altroz hatchback as well, which it plans to launch next year.

Luxury electric vehicles brand Automobili Pininfarina, part of the Mahindra group, unveiled



its luxury electric vehicle Battista, which is touted to be faster than a current Formula 1 race car in its 0-100 km/hr sub-two second sprint. When it arrives in 2020, the Battista will be the most powerful car ever designed. It has the potential to accelerate to 62 mph in less than two seconds, faster than a Formula

**Tata Motors unveiled a concept version of the SUV H2X (left); Mahindra group-promoted Automobili Pininfarina's Battista will hit the road in 2020**



1 car, and break the 250 mph top speed barrier all with a potential zero emissions range of over 300 miles, the company said.

Tata Motors also showcased a second SUV from its optimal modular efficient global advanced (OMEGA) platform called the Buzzard Geneva edition, a seven-seater SUV. The name of the vehicle is yet to be finalised for the Indian market.

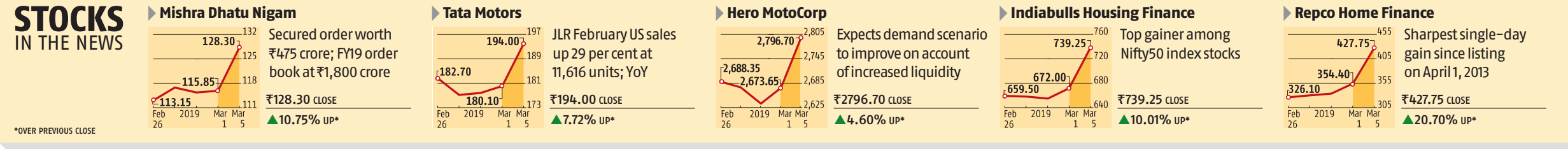
It also revealed Buzzard Sport (known as Harrier in India) during the unveiling, which was attended by Tata Group Chairman Emeritus Ratan Tata and Group Chairman N Chandrasekaran.

All the products are based on the company's OMEGA and agile light advanced architecture (ALFA), which are expected to hit road over the next two years. "All these global products are based on the two new architecture strategy. We are confident that they will be game changers in their own spheres and will reiterate our commitment to offer aspirational products," said Guenter Butschek, Tata Motors MD & CEO. Turn to Page 13 ▶

COMPANIES P3

▶Fleets are the way towards popularisation of electric vehicles: Anand Mahindra





IN BRIEF

## Mukesh Ambani jumps 6 ranks, is 13th richest in world: Forbes



Richest Indian Mukesh Ambani jumped six positions to rank 13th on Forbes World's Billionaire list released on Tuesday that was again topped by Jeff Bezos. Amazon founder Bezos, 55, remains the world's richest person, ahead of Bill Gates and Warren Buffett, as his riches swelled by \$19 billion in one year and is worth \$131 billion, Forbes said. Ambani, 61, saw wealth soar from \$40.1 billion in 2018 when he was placed 19th richest in the world, to \$50 billion to be rank at 13th in 2019. "Ambani chairs and runs \$60 billion (revenue) oil and gas giant Reliance Industries, among India's most valuable companies," Forbes said. Ambani leads the 106 billionaires from India on the list. Wipro Chairman Azim Premji is ranked 36th with a net worth of \$22.6 billion. HCL's co-founder Shiv Nadar, ranked 82nd and ArcelorMittal Chairman and CEO Lakshmi Mittal at the 91st rank come in within the top-100 billionaires in the world. **PTI**

### Jet union warns management against sacking of staff

Jet Airways' employee union has warned the management against the sacking of staff as part of its revival plan. On Tuesday, representatives of the All India Jet Airways Officers and Staff Association gave a memorandum to the airline seeking clarity on the revival plan and future of employees. "Operations at various airports have reduced and employees are anxious. We asked and received assurances that employees will not be removed and jobs will be secure," said association president Kiran Pawaskar. Jet, which is facing funds crunch, has grounded over 40 planes and is cancelling 100 flights daily. It has around 16,000 staff. **BS REPORTER**

### Rlnfra receives ₹648-cr deal for Gujarat airport

Reliance Infrastructure (Rlnfra) has received a letter of award (LoA) for a contract worth ₹648 crore from the Airports Authority of India (AAI) for the construction of a greenfield airport at Hirasar in Rajkot district of Gujarat, the company said in a statement on Tuesday. According to the firm, Rlnfra had scored the highest technical score of 92.2 per cent among nine qualified bidders such as Afcons, and L&T. **BS REPORTER**

### Tata Workers' Union enters 100-year club

Tata Workers' Union, founded on March 5, 1920, has entered the 100-year club. "Its relationship with the Tata Steel management has strengthened and blossomed over the years, in what is best described as A Century of Unity," the company said. Tata Workers' Union was established as Labour Association, following a prolonged strike. Suren Haldar, barrister-at-law, Calcutta, led the talks with the management. On March 20, Dorabji Tata announced the terms of settlement and recognised the Jamshepur Labour Association. Abdul Bari, then deputy speaker of Bihar Assembly, was elected president of the Union in 1936 and he changed the name to Tata Workers' Union in 1937. **BS REPORTER**

### Neev Fund announces PE investments of \$5 million in PRES

Neev Fund, backed by SBICAP and the British government's department for international development, has announced a private equity investment of \$5 million (around ₹35 crore) in Punjab Renewable Energy Systems (PRES). Intelcap was investment banker for the deal. The company is an end-to-end biomass value chain management company and it will use the money to expand in less developed states and regions. Biomass is the term for agricultural residue — paddy straw, cotton stalk, soya husk, maize cob, mustard stalk and the like. **BS REPORTER**

### Audi India launches A6 Lifestyle Edition at ₹49.99 lakh



German luxury carmaker Audi on Tuesday launched its A6 sedan Lifestyle Edition in India, priced at ₹49.99 lakh. The A6 Lifestyle Edition is equipped with new added features and accessories such as rear seat entertainment, mobile coffee machine Espresso Mobil and entry exit lights with Audi logo projection, among others, Audi India said. These features are meant for the new age customers who like to move around impressively and with style, Audi India Head Rahul Ansari said. "With the introduction of the Audi A6 Lifestyle Edition, we have further increased the luxury quotient of the already favourite Audi A6 amongst the luxury car buyers," he said. **PTI**

### Manisha Lath Gupta named Uber India's marketing head

US-based ride-hailing major Uber on Tuesday said it appointed Manisha Lath Gupta as the head of marketing for India. The announcement follows the recent appointment of Pavan Vaish as the head of central operations. She will oversee marketing initiatives for Rides and Eats Business for India South Asia, Uber said in a statement. **PTI**

# Voda Idea, Airtel, Jio pay ₹6,000-cr spectrum dues

Debt-ridden RCom has not made payment of ₹21.5 cr as on due date



PRESS TRUST OF INDIA  
New Delhi, 5 March

Telecom operators Vodafone Idea, Bharti Airtel, and Reliance Jio have paid the government about ₹6,000 crore in spectrum dues slated for March 3, but debt-ridden Reliance Communications (RCom) has so far not deposited its dues of ₹21.5 crore, sources said. A source privy to the development told *PTI* that India's largest telecom operator Vodafone Idea has made payment of over ₹3,042.7 crore to the Department of Telecom towards its spectrum dues (that is, deferred payment instalment for spectrum bought in auctions). The due date for the said payment was March 3, and Vodafone Idea made its payment on March 2, the source said. Vodafone Idea — whose ₹25,000 crore fund raising plan by way of rights issue recently got the Cabinet nod — is slated to make its next payment of over ₹6,000 crore sometime in April. While Bharti Airtel made payment of ₹1,918 crore and Reliance Jio of ₹1,053 crore by the due date, the embattled RCom has not yet made payment of ₹21.5 crore as on the due date. The sources aware of the stipulated procedures said that telecom companies are given a grace period of 10 days after the

### Airtel's planned rights issue 'credit positive', says Moody's

Telecom operator Bharti Airtel's proposed rights issue is "credit positive" as it will enable the company to pare debt and improve liquidity, according to Moody's. Airtel's Board had last week approved fund-raising plans of up to ₹32,000 crore through a combination of rights issue and bond — a move that will help the company take on market competition intensified by Jio, and cut debt. "The proposed rights issue, if completed, is credit positive for Bharti because it will allow the company to reduce debt and improve its liquidity," Moody's Investors Service said. Airtel's fundraising plans entail rights issuance of up to ₹25,000 crore and Perpetual Bond with equity credit of up to ₹7,000 crore. Assuming the ₹25,000 crore rights issue is concluded and all proceeds are used to pay down bank debt at the Indian operations immediately, the consolidated adjusted debt/Ebitda (Earnings before interest, tax, depreciation and amortisation) would fall, Moody's said. **PTI**

## GoAir plans to sublease older Airbus A320 planes

Wadia group-owned GoAir will sublease most of its older Airbus A320 planes to ensure better fuel efficiency and improved profitability, the airline said in a statement on Tuesday. It has a fleet of 47 planes, including 17 Airbus A320Neo. Others include Airbus A320XLR. The airline has grounded 8 planes in the past few weeks as it explores the sublease option. While sources said the airline was slowing down capacity expansion as it faces a shortage of pilots, GoAir said its planes were under scheduled maintenance and repair work. It did not indicate number of such planes undergoing checks but said the maintenance won't hit the existing summer schedule. "We follow this very business principle of undertaking scheduled maintenance & engineering checks of the aircraft in January, February, and March so that GoAir has maximum capacity to cater to in the ensuing peak season," it said. **ANEESH PHADNIS**

## US-based Under Armour set to enter India market

ARNAB DUTTA  
New Delhi, 5 March

Under Armour, the US-headquartered sportswear maker, will set up its first branded store in this country. In November, it had formed a local subsidiary. Under Armour is now at an advanced stage of talks with several prospective franchise partners. Globally, it is the fourth largest sportswear firm by revenue. Nike, Adidas, Puma, and Reebok are other top sportswear companies from abroad which have been present in the Indian market for over a decade. "For two months, we have been working on finalising our franchise and distribution partners. We are also setting up the India team, currently very small," said Tushar Goculdas, managing director for Under Armour in India. A veteran in this segment, he was in Adidas for over a decade. He was director for marketing and sales in Adidas India till 2015 and then moved to Dubai as vice-president for the region. While not ready to put a number on the

store count in India in the short run, Goculdas says they are entering with a long-term objective. Initially, targeting locations such as upmarket malls in major cities, such as Delhi and the surrounding region, Mumbai and Bengaluru. Unlike others in the market, Under Armour is not taking any local brand endorser on board. It intends to rely on its global ambassadors — actor/producer Dwayne Johnson, swimmer Michael Phelps, basketball star Stephen Curry, golfer Jordan Spieth and boxing champion Anthony Joshua. However, the India market is considered a difficult one. While all major global players are here, none except the Adidas group of firms are making money. Last year, Nike, Puma and Fila all incurred a net loss, despite growth in sales. Only Asics, the super-premium Japanese brand, remained profitable. Goculdas says while Under Armour would be placed as a premium brand, balancing the price proposition and profitability would not be a problem.



**"For two months, we have been working on finalising our franchise and distribution partners. We are also setting up the India team, currently very small."**  
**TUSHAR GOCULDAS**, Under Armour India MD

# 'Saregama to grow aggressively over the next 3-4 years'

Saregama is getting its mojo back. Bolstered by Carvaan, a portable digital audio player that turned out to be a disruptor, the company has chalked out an aggressive growth path. In an interview with Avishek Rakshit and Ishita Ayan Dutt, RP-Sanjiv Goenka Group Chairman **SANJIV GOENKA** talks about a road map, which includes taking Carvaan to the next level, launching more films on OTT platforms and getting back into Hindi film music production after a decade. Edited excerpts:

**WARC has declared Carvaan as the most effective campaign in the world. How did you come up with this product?** There was a huge discussion on how we can make our product relevant. After two or three continuous meetings, we concluded that the target audience was 45 to 70 years. We realised that they were not tech-savvy. So, we had to make the product easy for them. A Murphy transistor was lying in the boardroom and somebody said that our target audience would identify with that product. That is how we came up with the look and feel. Then there was a campaign, which was very targeted, focused and emotional. It was about gifting a

product to your parents. It worked. **What is the next level for Carvaan?** It has done extremely well with the 20-odd metros and sub-metros. We have not started marketing it in the rural areas, yet. That is going to be our next thrust to make it a community-listening product. Now, we have to go beyond Amazons and to the villages. There will also be another new product variant, which we will be launched in the next 10 days. It is absolutely exciting. On the other hand, the strategy for users who already have a Carvaan is to upgrade it to superior variants and for people who do not have it, can go for a Carvaan Mini. This year, we may end up spending ₹100 crore on its promotions.



**To what extent has Carvaan helped Saregama revive?** It is now 50 per cent of our total sales and about 40 per cent in terms of margins. Carvaan has clearly revived the company and with it, retro has become popular once again. **What kind of growth do you see in Saregama in the next five years?** It is a reinvented company. So, we expect to grow aggressively and attractively every year. All are worked out in our mind for the next 3-4 years. We cannot forecast but next year will be in a much better position. This year, we will earn revenue

from four films. Next year, we will have revenue from 16 movies. We did not have the benefit of Carvaan volumes at the beginning of the year. From the first half of next year, we will be starting with volumes. Then content will be there on the over-the-top (OTT) platforms. **So, you will be aggressive on films?** We have done a deal with a major platform for 12 films this year. Some of our films are already on Netflix. We are talking with another platform. If it is successful, there will be more. So far, our films have been based on real life stories but now we will go on for fictions as well. **What about series on OTT platform?** We have been doing a lot of serials for Tamil TV and we are the number one provider for Sun TV. I think, what we need is a little more confidence. We are doing it really well before we venture into it. It is my way of being a little cautious. **You have re-entered the Hindi film**

**music production space. What made you venture back into film music production?** Now, that all revenues (for industry) are through legitimate platforms, you can actually keep a track on downloads, sales and (online) hits. Hence, it has become a much easier business to handle. We will go on and create originals. We are back in the Hindi films space. The first major banner have been re-signed with us is Vidhu Vinod Chopra. It is the beginning and we will have others. **How has the industry changed in the past five years?** I think, with more and more digital, there will be two major changes — business will be getting more and more transparent and Carvaan becoming a disruptor. It is not only wireless or Andriod-powered but users are getting another medium to listen to music. In a way, we have recreated a desktop version of a laptop.



**Nissan plans to roll out the scheme next month on its newly launched Kicks, a compact sports utility vehicle**

## Nissan to offer subscription plan for Kicks

SHALLY SETH MOHILE  
Mumbai, 5 March

Nissan Motor India plans to roll out a subscription model for its cars as it seeks to boost presence in India's passenger vehicle market where it has been a marginal player. To begin with, it will offer the scheme on its newly launched Kicks, a compact sports utility vehicle. The plan allows those opting for the scheme to subscribe the Kicks for a monthly fee, said two people aware of the scheme. Nissan plans to roll out the services next month. A company spokesperson confirmed the development. "Nissan will offer a subscription model as a unique way of getting behind the wheel of a Nissan Kicks. The package allows the customer to drive the Nissan Kicks home with zero down payment up front," said the spokesperson in an email response. The monthly fee is inclusive of insurance, maintenance and 24x7 roadside assistance, he added. The scheme is applicable to all variants of and colours of the Kicks. The subscribers, he said, "will benefit as they do not have to pay hidden costs of car ownership, which includes vehicle registration, heavy interest on car loans, insurance, regular equated monthly instalments (EMIs), and the cost of associated paperwork." The "intelligent ownership package" also provides an attractive and value-for-money vehicle-running cost of ₹11/km. Further details will be announced soon, he said. Nissan's subscription model will be akin to a lease rental plan. The maker of Micra and Terrano models will be the second carmaker in the mass car market to offer leasing as a product. In October last, Mahindra introduced leasing for retail buyers. It allows those opting for the scheme to lease a Mahindra KUV100 or an XUV 500 for up to five years. The lease rental model works like EMI on a loan. One needs to pay a monthly rental in case of leasing. The scheme may attract large multinational corporations and business owners as they prefer leasing over buying as it doesn't require a down payment, which in turn frees up their cash flow, said analysts. The lease rental is calculated based on a residual value-based funding, which is the cost of the car once it is used for a specific duration.

### BENEFITS OF THE PLAN

- The scheme, to be rolled out next month, allows the customer to drive the Nissan Kicks home with zero down payment
- The plan allows those opting for the scheme to subscribe the Kicks for a monthly fee
- The monthly fee is inclusive of insurance, maintenance and 24x7 roadside assistance
- Subscribers will not have to pay hidden costs of car ownership, which includes vehicle registration, interest on loans, insurance, EMIs and cost of associated paperwork

The residual value is estimated based on various factors such as car model, the city of registration, tenure, kilometres, and so on. The key factors in determining the leasing price are the tenure of the lease and the annual usage. The higher the tenure and distance travelled in a year, the higher will be the lease rental, and vice versa. "Leasing as a concept has been there for many years globally. Unlike the developed world, in India, leasing will appeal to a certain segment in the market but it will be very niche for the next three to five years," says Kavan Mukhtyar, partner and leader, automotive practice at PwC, adding it is unlikely to change the competitive dynamics in any way in the foreseeable future. Others are more optimistic. "This could be a big trigger point for Nissan that has seen its volumes in India being stuck in low gear," said an analyst, declining to be identified. In the ten months from April to January, Nissan sold 30,864 units, against 43,136 units a year ago, according to Society of Indian Automobile Manufacturer (Siam). Company's market share during the period dropped to 1.10 per cent against 1.59 per cent. The lease model, said the analyst, will particularly appeal to young, upwardly mobile, working professionals who are invariably hopping cities and countries. A leasing model will allow them to surrender the car without any hassles, he said.



# Tatas to infuse ₹1,250 cr in financial services arm

DEV CHATTERJEE  
Mumbai, 5 March

Tata Sons, the holding company of Tata group, is investing an additional ₹1,250 crore as equity in its financial services arm, so that the company can meet its liquidity norms. The additional equity will also help Tata Capital Financial Services to boost its net worth to ₹5,345 crore by this month-end, say bankers.

The investment is expected to be funded by Tata Sons by raising funds via a combination of existing cash and bank balances, dividend income, and borrowings. “The company is in talks to raise around ₹1,000 crore from banks,” says a lender.

According to a source close to the development, the group had already invested a similar amount in Tata Capital early this financial year, thus taking its total investment in the financial services business to ₹2,500 crore. “The Tata group has identified financial services as one of the core areas, as it is meeting the funding requirements of the group’s suppliers, vendors, and dealers,” says a source.

When contacted, a Tata Sons spokesperson declined to comment. Tata Sons had earlier invested ₹785 crore in 2016-17 in the financial services business as equity. In recent years, the firm had to write off significant amount of loans – especially debt given to the infrastructure sector. This resulted in its net worth and profitability getting affected. The group’s financial services business also remained a laggard in the industry. The additional capital will boost Tata Capital Financial’s adjusted net worth to ₹5,345 crore, against a net worth of ₹3,145 crore as of September last year.

For the next financial year, the group is planning to bring all the financial services arms, including Tata Capital, the insurance arms, and the asset management business, under a single umbrella, with a new head leading the entire vertical. The additional equity infusion will help the company to



TATA CAPITAL'S BALANCE SHEET			In ₹ cr
	Net worth	Revenues	PAT
FY16	3,430.6	4,143.7	265.8
FY17	3,119.1	4,143.7	216.0
FY18	3,441.4	4,465.4	482.6

Compiled by BS Research Bureau      Source: Capitaline

## Tata Motors shares zoom 8%; m-cap rises by ₹4,014 cr

Shares of Tata Motors on Tuesday jumped nearly 8 per cent amid massive buying, adding ₹4,014 crore to its market valuation, in line with an overall bullish market sentiment.

The scrip rose 7.72 per cent to close at ₹194 on the BSE. During the day, it jumped 9.93 per cent to ₹198. At the NSE, shares gained sharply by 7.26 per cent to close at ₹193.40. The company’s market valuation moved up by ₹ 4,013.56 crore to ₹56,014.56 crore on the BSE.

On the traded volume front, 46.62 lakh shares were traded on the BSE and over 5 crore shares on the NSE during the day. Tata Motors led the Sensex chart.

Meanwhile on Friday, Tata Motors Ltd in a clarification to the BSE on reports that Tata is exploring strategic options including JLR stake sale said, “There is no truth to the rumours that Tata Motors is looking to divest its stake in JLR and we would not like to comment further on any market speculation”.

PTI

# Blu Smart, Jio tie-up on cards

To offer BMW, Jaguar on its electric mobility platform

JYOTI MUKUL  
New Delhi, 5 March

Gurugram-based electric transport start-up Blu Smart Mobility is in talks with JioMoney, the digital wallet of the RIL group, and Reliance Jio, for data services across its offerings.

Backed by Gensol, one of the largest solar energy service players, Blu Smart launched operations earlier this year, with a fleet of 100 Mahindra eVeritos. It is in talks with Coca-Cola to offer its seamless transportation solutions.

The company also has a partnership with Paytm for online cashless payments in the National Capital Region (NCR) market. Through a tie-up with Jio, it wants to provide content, entertainment, and WiFi to its clients.

“Jio and Paytm are promoting a cashless economy and we share the same vision with them. All of Blu Smart’s 100 cars in the NCR are powered by Paytm cashless payment services,” said Punit Goyal, co-founder, Blu Smart.

Goyal said they were accelerating the adoption of shared mobility, electric sus-

tainable mobility, seamless cashless payments, and high customer engagement by providing on-demand content and WiFi services in cars.

The company plans to take the total number of Mahindra eVeritos to 1,200 besides inducting 300 Tata Tigor Electric cars and 25 BMWi3.

“The plan is to scale up BMW i3 to 50 and induct 25 Jaguar I-PACE in 2019. The number of Jaguars will be scaled up to 100 in 2020. We will offer the high-end cars to corporate clients so that they are able to enjoy evolving technology and not buy a depreciating asset,” said Goyal.

For its corporate clientele, it offers seamless transportation solutions. The company would start with 100 cars for Coca-Cola and would expand to 1,500 cars across several corporate clients.

“There is a massive demand from them for seamless, affordable, on-demand, premium experience at economical rates for reliable and assured employee transportation service,” he said.

Since running electric mobility service requires



Punit Goyal (right), co-founder, Blu Smart, with Gaurav Trivedi, general manager and fleet head

PHOTO: COMPANY

assured charging of vehicles, Blu Smart is setting up its own charging stations. These stations will be open for public fast charging as well. Currently, the company has 10 such stations in Gurugram, but it plans to have 500 such shared charging platforms across the country by December 2019. Some of these stations will come in partnership with real estate developers such as the Lodha group in Mumbai.

“These could be through a revenue-sharing model or depending, on time of the

day, there could be no charge,” said Goyal.

The charging stations will conform to Bharat Charge, Combined Charging System (CCS), and CHAdeMO standards. CCS standards are for European and American cars while CHAdeMO is used by Japanese, Korean and Chinese cars.

It plans to introduce car-sharing services by May 2019 for intercity and intracity trips. The company is also looking at electric scooter sharing and electric bus and autorikshaw services.

# Fleets are the way towards popularisation of electric vehicles, says Anand Mahindra

PRESS TRUST OF INDIA  
Geneva, 5 March

For Mahindra group, from whose stable electric luxury supercar Battista is being rolled out, the path to mass adoption of electric vehicles (EVs) will be through fleet such as Ola, according to the group’s Chairman Anand Mahindra.

At present, EVs are out of reach of price sensitive buyers, specially in India, but the usage of such vehicles by fleet operators will help in achieving economies of scale in the industry and ultimately help in reaching personal mobility, Mahindra told PTI in an interview. Speaking at the sidelines of the 89th Geneva International Motor Show, he also said the group is also working on how to bring its GenZe electric scooters to India as it would be “too expensive” for the country currently.

“Right now the break even for electric cars applies more to cars that are used much more. The more you use the electric cars the better your payback,” he said.

Welcoming the ₹10,000 crore FAME-II scheme under which four-wheeler electric vehicles will get subsidy only for fleet operators and commercial purposes,



Mahindra said, “What the government has done is spot on.” He, however, added, “Whether the government had done it or not we had decided to focus on fleet anyway.” When fleets start using EVs, economies of scale is created in the industry as the cost of these vehicles come down when more people buy them, he said. Moreover, when people start using these cars seeing firms like Uber, Ola using it, people get accustomed to it and thus helping in popularisation of EVs,

Mahindra added.

“Fleets are the best way to familiarise people to speed up adoption. So in some point, if see all these charts converge that’s the time that people will start using it for personal mobility. Mahindra will be ready (for it) with some options which are both affordable and exciting,” he said.

In the past, Mahindra had tied up with app-based cab aggregator Ola in partnership with the Indian government to build India’s first electric mass mobility ecosystem in Nagpur. When asked about the group’s electric two-wheeler programme, Mahindra said, “We make GenZe e-scooters overseas (in the US). It is too expensive for India but we have some thoughts.”

He further said, “The e-scooters will come to Europe first. So GenZe may even be marketed by under Peugeot which we own in Europe. So the question is how to bring it to India, we are working on it.” Bullish on the segment, Mahindra said, “Electric two-wheelers are going to be a big movement, shared fleets as well as personal mobility...the biggest trend in the world is going to be kick scooters, next biggest trend is e-bikes and e-scooters.”

# Goa tourist trade Act amendment a worry for e-travel aggregators

NEHA ALAIWADHI & KARAN CHOUDHURY  
New Delhi, 5 March

A recent amendment in the Goa Registration of Tourist Trade Act, which has made it compulsory for online travel aggregators and hotels to register their business to continue operations, has raised concerns in the sector.

The amendment, which has been notified in the official gazette, is expected to negatively affect online travel firms such as MakeMyTrip, Oyo and Airbnb, raising their compliance costs and setting a precedent that other tourism-heavy states may look to emulate.

Companies said they were still studying the Act, which was passed on January 31. “While we are taking up this Bill through industry bodies, we are concerned about some of the onerous provisions around local registration,” said a MakeMyTrip spokesperson.

An industry source, who did not wish to be named, said the Act would create high-entry barriers for new service providers and limit customer choice.

“E-commerce businesses are already having to register in every state under the new GST (goods and services tax) rules. The ones that don’t need to register are those that don’t meet the revenue

threshold (essentially small businesses). But they have to pay tax up to 18 per cent. If the government is going to force them to register their business under the new Goa Tourism Act, it will lead to a loss of revenue for the state, while increasing operational and compliance costs for small businesses,” said the source.

In January, a group of small and medium hotels in Goa had demanded an amendment in existing tourist laws to check low and aggressive pricing by online room aggregators and also to regulate the conversion of residential property to boutique hotels and bed and breakfasts.

## L&T Infra Finance moves NCLT against Essar Power

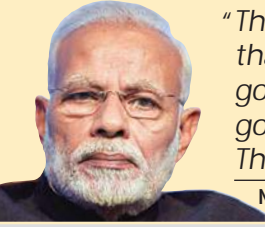
VINAY UMARJI  
Ahmedabad, 5 March

After Essar Steel, Essar Power (EPL) was taken to the National Company Law Tribunal (NCLT), Ahmedabad, by one of the lenders L&T Infrastructure Finance Company, on Tuesday.

As a financial creditor of EPL’s subsidiary Essar Power Gujarat (EPGL), L&T Infrastructure Finance Company had been claiming dues worth ₹45.54 crore, in which the latter defaulted.

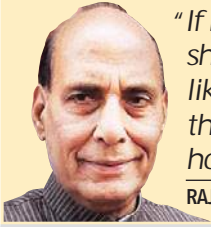
However, being the guarantor for its subsidiary, Essar Power defaulted on its guarantee. As a result, L&T Infrastructure Finance Company’s legal counsel Arjun Sheth & Associates has filed an interlocutory application under Section 7 of the Insolvency and Bankruptcy Code with a plea to initiate corporate insolvency resolution process against Essar Power.





*"There is a recent trend of people expecting that everything has to be done by the government. They also seek answers from the government for the works that are not done. This was not a tradition in our country"*

NARENDRA MODI, prime minister



*"If my Congress friends feel the numbers should be informed to them, then I would like to say that it you want to go to Pakistan, then go, count and ask people there that how many were killed by our jawans"*

RAJNATH SINGH, home minister



*"BJP chief Amit Shah is arduously making claim that IAF strike had killed over 250 terrorists in Pakistan but why his guru, PM Modi... is silent? Terrorists killed is good news, but what is the secret behind deep silence of PM over it?"*

MAYAWATI, BSP chief

# RBI to infuse ₹12.5k cr into system via OMOs

PRESS TRUST OF INDIA  
Mumbai, 5 March

The Reserve Bank of India (RBI) said on Tuesday it would infuse ₹12,500 crore into the financial system through open market operations (OMO).

The central bank said it has decided to purchase certain government securities under OMO for an aggregate amount of ₹12,500 crore on Thursday through multi-security auction, using the multiple price method.

The decision is based on an assessment of liquidity conditions and also of durable liquidity needs, it added.

"There is an overall aggregate ceiling of ₹125 billion for all securities in the basket put together. There is no security-wise notified amount," RBI said.



It further said the eligible participants should submit their offers in electronic format on RBI Core Banking Solution (E-Kuber) system before noon on Thursday.

The result of the auction will be announced on the same day and payment to successful participants will be made during banking hours on the following day.

## IN BRIEF

### World Bank to give \$250-mn loan to boost rural income



The World Bank will provide a \$250-million loan for the National Rural Economic Transformation Project (NRETP) to help women in rural households develop viable enterprises for farm and non-farm products. An agreement was signed between the World Bank and the Centre on Tuesday. "A key focus of the project will be to promote women-owned and women-led farm and non-farm enterprises across value chains; enable them to build businesses that help them access finance, markets and networks; and generate employment," the World Bank said. NRETP is an additional financing to the \$500-million National Rural Livelihoods Project (NRLP) approved by the World Bank in July 2011. The \$250 million loan has a 5-year grace period, and a final maturity of 20 years.

### Bank of Baroda cuts lending rate by 10 basis points



Bank of Baroda (BoB) on Tuesday cut benchmark lending rate by 0.1 percentage points, a move that would make home, automobile and other loans cheaper. The bank has reduced the lending rate by 10 basis points across all tenors up to one year. The new rates are effective from Thursday, BoB said in a regulatory filing. The Marginal Cost of Funds Based Lending Rate (MCLR) for overnight and one-month tenors would be 8.25 per cent and 8.30 per cent, respectively, it said.

### 93% of rural houses now have access to toilets: Govt survey

Around 93 per cent households in rural India have access to toilets and of these, 96.5 per cent use these, a survey commissioned by the Centre has found. The National Annual Rural Sanitation Survey 2018-19, conducted by an independent verification agency under the supervision of the ministry of drinking water and sanitation.

### BoB merger likely to create outsourcing opportunity of ~1k cr

The merger of Bank of Baroda, Vijaya Bank and Dena Bank will create IT outsourcing opportunity of ~1,000 crore, in terms of integrating the different technology stacks used by these banks. According to several places in the know, while existing vendors Infosys and Hewlett-Packard have a fair chance of clinching this deal, global majors IBM and Accenture are also seen as strong contenders to execute the projects.

### Centre launches transport scheme to boost agri exports

The Centre introduced a scheme of financial assistance for transport and marketing of agriculture products, with a view to boosting export. Under the scheme, the Centre would reimburse a certain portion of freight charges and provide assistance for marketing of agricultural produce.

### Five banks fined for non-compliance of various norms

Five banks faced a total penalty of ~10 crore from the Reserve Bank on Tuesday for non-compliance of various directions. Bank of Baroda, ICICI Bank, YES Bank and Canara Bank have been penalised for not complying with directions on global transaction messaging software Swift, according to regulatory filings by the lenders. Allahabad Bank was fined for non-compliance of directions with regard to Nostro accounts.

### Icra downgrades Reliance Capital's rating to A1

Reliance Capital on Tuesday said that Icra has revised its rating by one notch to A1 for the short-term debt programme, due to delay in monetising non-core investments. The agency has downgraded the rating with negative implications outlook.

### Re spurts 43 paise to close at 70.49 against dollar

The rupee rebounded by 43 paise to close at 70.49 against the dollar on Tuesday, largely driven by positive macro data and easing crude prices. Forex traders said heavy buying in domestic equities and sustained foreign fund inflows also propped up the local unit.

### Michel claims CBI asked him to implicate people

Christian Michel, arrested in the ~3,600-crore AgustaWestland chopper deal, alleged before a Delhi court on Tuesday that CBI had asked him in Dubai to implicate certain persons in the case, failing which he would face problems in jail. The threat was given before he was extradited to New Delhi, he said. Michel made the allegations through his lawyer before the court while opposing Thiar Jall authorities' move to shift him to a high security cell in isolation.

## SCRAPPING OF PREFERENTIAL TRADE TREATMENT FOR INDIA

# US will end up hurting itself more, say experts

Overall impact of US move expected to be minimal on domestic industry

SUBHAYAN CHAKRABORTY  
New Delhi, 5 March

Cutting off duty-free access to Indian products will hurt the domestic industry in the US, which depends on cheaper imported material and goods, said exporters on Tuesday. They added while loss of benefits under the Generalized System of Preferences (GSP) will squeeze margins and compromise competitiveness, the overall impact will be minimal.

"India's exports to the US stood at \$50.57 billion in 2017, with a GSP tariff advantage of only \$190 million. This is less than 0.4 per cent of our exports. Naturally, its withdrawal will have a marginal impact," said Ganesh Kumar Gupta, president of the Federation of Indian Export Organisations (FIEO).

In 2017-18, exports to the US stood at \$47.87 billion, more than a 13 per cent rise over the previous year. It is expected to remain unaffected even if the GSP is removed, said senior commerce department officials, citing in-house research.

Late on Monday, US President Donald Trump had informed the Congress that he intended to end the preferential treatment to India and Turkey under the GSP, adding that New Delhi had not provided the US "equitable and reasonable" access to its markets. This sparked fears of a major setback to bilateral trade ties.



### MAJOR EXPORT TO US WITH GSP BENEFITS

Exports to US in 2017-18*	\$ billion
Machinery and parts	2.83
Vehicles and parts, apart from tram and trains	2.21
Iron and steel articles	1.60
Organic chemicals	1.58
Electrical machinery and equipment	1.32
Plastic and articles made from it	0.72
Aluminium and aluminium products	0.68
Furniture and bedding	0.57
Rubber and rubber articles	0.41
Articles of stone, plaster, cement or asbestos	0.40

\*Figures show total exports from sector and not only those with GSP benefits  
Source : Commerce Department, Office of the United States Trade Representative

Gupta on Tuesday said India mostly exported intermediate and semi-manufactured goods to the US under the GSP. This helped cost effectiveness and price competitiveness of the US downstream industry. So, GSP withdrawal will also affect the competitiveness of the manufacturing sector. It would affect customers as well.

The import price of most chemicals products, which constituted a large chunk of

India's exports, is expected to increase by about 5 per cent. The withdrawal of GSP benefit will also hit the import-diversification strategy of the US, where it is keen to replace China as the main supplier to other developing countries, according to the FIEO.

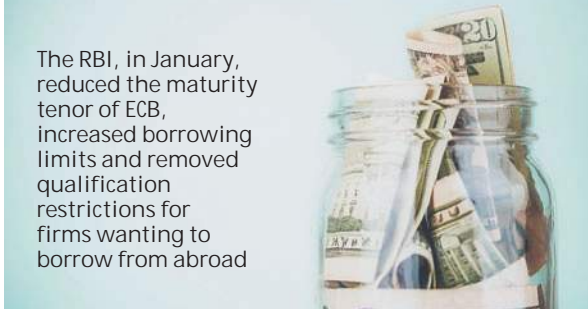
There are about 3,700 kinds of items on the list of goods eligible to receive GSP benefits. Of this, India has managed to export only 1,900 kinds of items.

# NBFCs looking at offshore funds to diversify borrowing sources

SUBRATA PANDA  
Mumbai, 5 March

To diversify borrowing sources and reduce dependence on traditional funding avenues like banks, mutual funds and insurance companies, non-banking financial companies (NBFCs) and housing finance companies (HFCs) are looking to tap into the offshore credit market via masala bonds, external commercial borrowing (ECB) and foreign currency bonds.

"So far, NBFCs had no appetite. But since the appetite is coming back, all the HFCs and NBFCs are looking at various avenues of funding like retail bond issue, foreign institutional investor's (FIIs) money and offshore issuances," said Ajay Manglunia of Edelweiss Securities.



The RBI, in January, reduced the maturity tenor of ECB, increased borrowing limits and removed qualification restrictions for firms wanting to borrow from abroad

After sudden defaults by Infrastructure Leasing & Financial Services (IL&FS) group last year led to a credit crunch, the traditional avenues of borrowing for HFCs and NBFCs had come under some strain. And since these relied heavily on banks, insurance companies and mutual funds for funding, there was a liquidity crunch situation. The cost of funds had also gone up.

The relaxation in the ECBs and masala bonds norms has made it attractive for the NBFCs and HFCs to tap into the offshore credit market for funds.

The Reserve Bank of India (RBI), in January this year, reduced the maturity tenor of ECB, increased borrowing limits and removed qualification restrictions for companies wanting to borrow funds from abroad. Industry experts

are of the opinion that the overseas route for funding will not have much bearing on the cost of funds as it will depend largely on the timing and dollar-rupee hedge costs. But, this will certainly help in diversifying the liabilities of these NBFCs and HFCs.

According to Karthik Srinivasan of rating agency Icra, "Since the rupee cost of funds for NBFCs has gone up in the recent times, at this point in time, if NBFCs get an opportunity to raise funds from overseas route, it will be to diversify their borrowing sources. But, the investor and lender appetite will remain the key. Also, availability of funds and cost of funds will be points of consideration."

More on business-standard.com

# Services PMI rises, gives boost to jobs

INDIVJAL DHASMANA  
New Delhi, 5 March

The services sector, the dominating area of India's economy, gathered moderate pace in February due to new work orders, showed the Nikkei purchasing managers' index (PMI). This resulted in job creation gaining momentum.

PMI for services rose from 52.2 in January to 52.5 in February, showing acceleration in the growth rate. A print above 50 means expansion, while a score below that denotes contraction.

Despite rising cost burden, the overall inflation rate softened. New business received by services companies rose to a great extent in February amid strengthening underlying demand, the PMI survey said, adding the upturn in new orders in the services sector was domestically driven since there was renewed contraction in external sales.

Upbeat demand conditions in the domestic demand fed through to the labour market, with services sector jobs expanding at the same solid rate that was registered at the start of 2019.

Pollyanna De Lima, principal economist at IHS Markit, compiler of PMI and author of the report, said, "Faster increases in new work and business activity supporting one of the best upturns in jobs for eight years."

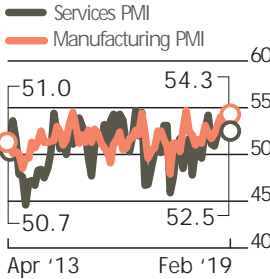
The earlier data had shown that PMI for manufacturing had grown to a 14-month high figure of 54.3 in February, up from 53.9 in January.

As such, composite PMI output index rose from 53.6 in January to 53.8 in February, indicating acceleration in private sector activity in the country.

"Indian economic growth strengthened halfway



### TRACKING NUMBERS



through the final quarter of 2017-18 to the second-fastest since last July. The acceleration was driven by a thriving manufacturing sector, where production growth hit a 14-month high," Lima said.

Lima further noted that manufacturing new export orders rose at a sharp rate against a backdrop of weakening global demand and trade friction. When looking at other emerging markets, the PMI data showed that the Indian goods-producing industry outperformed those in Brazil, Russia, and China by a sizeable margin.

Meanwhile, price pressures waned, as almost 97 per cent of panellists reported no change in their selling prices.

According to experts, the signs of easing inflationary pressures indicate that the Reserve Bank of India (RBI) is likely to adopt an accommodative monetary policy stance.

## SC to start hearing plea against RBI Feb 12 circular from today

AASHISH ARYAN & SHREYA JAI  
New Delhi, 5 March

The Supreme Court will start hearing on the power, sugar, and shipping companies' challenge to the Reserve Bank of India's (RBI) February 12 circular from Wednesday.

With a total exposure of nearly ₹2 trillion in the power sector alone, companies, hoping for a verdict in their favour, may have to face some disappointment, experts said.

"Value maximisation is the main purpose of the Insolvency and Bankruptcy Code (IBC) and that has been upheld by the Supreme Court time and again via various judgments. If the petitioners limit themselves to this line

of argument, there is some hope for them. It is going to be tough otherwise," Saurav Kumar, Partner at law firm IndusLaw said.

Essar Power, GMR Energy, KSK Energy, and Rattan India Power, as well as The Association of Power Producers (APP) and Independent Power Producers Association of India, had in August moved the court, challenging the constitutional validity of the circular of the RBI.

On February 12 last year, the RBI had asked banks and other lenders to either execute a resolution plan for big stressed accounts or file insolvency petitions against them in the National Company Law Tribunal (NCLT).

# Railway stations will soon be housing 'mini secretariats'

## Odisha, Madhya Pradesh and Uttarakhand show interest in the redevelopment project

SHINE JACOB  
New Delhi, 5 March

The Railway Board has initiated discussions with several state governments to have mini secretariats and offices at stations, as part of the Indian Railways' station redevelopment programme. Odisha, Madhya Pradesh (MP), and Uttarakhand have already expressed interest in the project.

"States have expressed interest to set up government offices at stations in Bhubaneswar (Odisha), Ujjain (Madhya Pradesh), and Dehradun (Uttarakhand)," said a railway official close to the development.

The ministry of railways had announced it would redevelop 600 stations with an investment of ₹1 trillion, making railway land available to private players for commercial and real estate.

Another source in the railways said of this, only 44 stations will be taken up during the initial stage, that too in clusters. "These stations will be taken up in cluster approach so that the developer can balance footfall, revenue, and land availability of various stations," he added.

The Indian Railway Stations Development Corporation (IRSDC), the nodal agency, is currently working on two projects at Habibganj (Madhya Pradesh) and Gandhinagar (Gujarat).

For Habibganj, the investment by Bansal Group is ₹450 crore, of which ₹100 crore would be spent on redevelopment and ₹350 crore on commercial development.

About ₹4,000 crore would be spent on the Gandhinagar station. To increase interest of private developers, a new policy approved last year had allowed them to use 20



per cent of the redeveloped area on the station premises for residential purposes. The remaining 80 per cent would be utilised for commercial purposes.

Bids were invited for two other stations, Bijwasan and Anand Vihar in Delhi. But it had to be stalled because of a tussle between the railway ministry and the urban development ministry.

The Delhi Development

Authority (DDA) had raised objection to land given to the Railways being used for commercial purposes.

"We are in the final stages of coming up with a new revenue-sharing model," the railway official quoted above said.

The IRSDC is already entrusted with development of 11 more stations at Chandigarh, Shivaji Nagar in Pune, Surat, Sabarmati,

and Gandhinagar in Gujarat, Gandhinagar in Jaipur, Amritsar, Gwalior, Nagpur, Baiyappanahalli in Bengaluru, Thakurli in Mumbai, and Kanpur Central.

For Gandhinagar and Surat, the IRSDC has already formed a joint venture with Gujarat government bodies. The official said such a joint venture or a special purpose vehicle with the DDA was unlikely to happen.

### THE ROAD MAP

**15 stations already taken up by IRSDC**  
Chandigarh, Habibganj (Bhopal), Shivaji Nagar (Pune), Bijwasan (New Delhi), Anand Vihar (Delhi), Surat, Sabarmati, Gandhinagar (Gujarat), Gandhinagar (Jaipur), Amritsar, Gwalior, Nagpur, Baiyappanahalli (Bengaluru), Thakurli (Mumbai) and Kanpur Central

<b>600</b> total number of stations planned	<b>~1 trillion</b> expected investment	<b>44</b> stations on cluster model in first phase
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# Ex-directors slapped with money laundering charges by IL&FS board

‘Sanctioned loans deceptively to external and group firms with sole objective to bypass RBI norms’

PRESS TRUST OF INDIA  
New Delhi, 5 March

Tasked with cleaning up of mammoth financial mess at embattled IL&FS, its government-appointed board has charged 14 former directors of group firm IL&FS Financial Services (IFIN) of facilitating money laundering, sanctioning loans in violation of rules and causing “huge financial stress and losses” to the company.

In show cause notices issued to the 14 former directors, the new management has charged them of having “sanctioned loans deceptively to external and group companies with sole objective to infringe on the Reserve Bank of India guidelines of excessive exposure of IFIN to intra-group companies.” They have also been accused of extending loans for criminal intent of falsification of repayment by a number of borrowers, including some entities associated with large corporate groups.

The notices, dated February 27, have



asked former directors to reply within seven days upon receipt as to why departmental and legal actions should not be taken against them for their “misconduct, dereliction of duties, gross negligence and acts of conspiracy and getting unlawful gains for one-self and others.” Officials said no reply has been received from any of the 14 noticees and the board is set to follow up the notices with stern action,

which may include filing of cases.

When contacted, IL&FS (Infrastructure Leasing and Financial Services Ltd) spokesperson Sharad Goel declined to comment.

The notices follow an extensive special audit ordered by the new board and conducted by Grant Thornton of crisis-hit IL&FS Group, which identified numerous financial irregularities in deals with financial implications of

over ₹13,000 crore.

IL&FS Group, which operates at least 24 direct subsidiaries, 135 indirect subsidiaries, six joint ventures and four associate companies, is sitting on debt of ₹94,000 crore and landed in a major controversy last year following multiple defaults, prompting the government to supercede its board.

The audit report has identified at least 29 instances where loans disbursed to borrowers appeared to have been utilised by their group companies to repay the existing debt obligations with IL&FS Financial Services Limited (IFIN). LIC is the single largest shareholder with over 25 per cent stake in IL&FS and Japan's Orix Corp owns a little over 23 per cent.

IL&FS Employees Welfare Trust holds 12 per cent in the company. The Abu Dhabi Investment Authority, HDFC and Central Bank of India hold 12.56 per cent, 9.02 per cent and 7.67 per cent, respectively, in the cash-strapped company. SBI has the lowest stake, at around 7 per cent, in the company.

# Govt focus on cutting tax rate, says Jaitley

FM says efforts are on to expand tax base

INDIVIAL DHASMANA  
New Delhi, 5 March

Finance Minister Arun Jaitley on Tuesday told an industry delegation that the focus of the government was on lowering tax rates and expanding the base. Interacting with a delegation of the Federation of Indian Chambers of Commerce and Industry (Ficci), Jaitley said reforms in direct and indirect taxes would continue to further ease the business environment in the country.

Later, Ficci President Sandip Somany said the FM promised the delegation that the government would lower the corporation tax rate to 25 per cent for all companies once the goods and services tax (GST) collection improved. Currently, the corporation tax rate is 30 per cent.



Finance Minister Arun Jaitley a meeting with Ficci office-bearers at North Block on Tuesday

PHOTO: PTI

“He (Jaitley) promised that as the revenue collection from the GST goes up... he will rationalise the taxes for the rest of the corporate sector over the next few

years,” Somany said.

In his second Budget, Jaitley had announced that the corporation tax rate would be cut to 25 per cent over four

years. However, tax has gone down only for micro, small, and medium enterprises (MSME) in a phased manner.

First, companies with an annual turnover of up to ₹50 crore had their tax rate cut to 25 per cent. Then, those companies with turnover up to ₹250 crore benefitted. Almost 99 per cent of companies filing tax returns in the country come under the MSME bracket.

Jaitley reportedly told the delegation that indirect tax collections were set to increase. The GST was on track and would settle down soon. After the meeting, Somany said discussions revolved around a wide range of issues, including taxation, job creation, and boosting industrial output. The Ficci president urged the FM to reintroduce investment allowance, linking it with employment generation. A request was also made to extend the phased manufacturing programme to other sectors, where the country was largely dependent on imports.

## AROUND THE WORLD

# US indefinitely delays hike in tariff for China

BLOOMBERG  
5 March

The US has confirmed the country its postponing “until further notice” a scheduled tariff increase on Chinese goods, the latest sign that the world’s two largest economies could be headed toward a de-escalation of their trade dispute.

Formalising a plan President Donald Trump announced last week, the US Trade Representative’s office published a statement in the Federal Register stating it was “postponing the date on which the rate of the additional duties will increase to 25 percent for the products of China covered by the September 2018 Action in this investigation.”

The new tariffs had been set to take effect March 1, but now the rate will remain at



The new tariffs had been set to take effect March 1, but now the rate will remain at 10 per cent

10 per cent, according to the statement.

The US and China are said to be close to a trade deal that could lift most or all US tariffs as long as Beijing follows through on pledges ranging from better protecting intellectual-property rights to buying a significant amount of American products.

# HIV patient’s remission spurs hope for curing AIDS

BLOOMBERG  
5 March

A stem-cell treatment put a London cancer patient’s HIV into remission, marking the second such reported case and reinvigorating efforts to cure the AIDS-causing infection that afflicts some 37 million people globally.

The patient has been in remission for 19 months, the International AIDS Society said in a statement. That’s too soon to label the treatment — which used hematopoietic stem cells from a donor with an HIV-resistance gene — as a cure, researchers said on Tuesday in a study in the journal Nature. Hematopoietic stem cells give rise to other blood cells.

An embargo on the paper was lifted due to early reporting of the finding. *The New York Times* said on Monday that the latest surprise success confirms that a cure for HIV infection is possible. University College London researchers made the announcement at the annual Conference on Retroviruses and Opportunistic Infections in Seattle this week.

# Ex-Nissan chief Ghosn wins bail in Japan

PTI/AFP  
Tokyo, 5 March

A Tokyo court on Tuesday unexpectedly granted bail to former auto industry titan Carlos Ghosn, who has spent more than three months in a detention cell.



It was the latest twist in a case that has gripped Japan and the business world since the tycoon’s shock arrest on November 19 over suspicions of financial misconduct. An appeal by prosecutors against the decision to

grant Ghosn bail was thrown out late Tuesday, according to the Jiji news agency.

The 64-year-old Ghosn’s lead lawyer Junichiro Hironaka suggested to Japanese media he could be freed on Wednesday, once his defence team has raised bail which was set at one billion yen (\$9 million).



# Pak claims detecting Indian sub, Navy says it's business as usual

'Indian Navy does not take cognizance of such propaganda. Our deployments remain undeterred'

AJAI SHUKLA  
New Delhi, 5 March

With the Indian Air Force (IAF) and Army already having exchanged blows with the Pakistani military, Pakistan has now accused the Indian Navy of “provocative actions against Pakistan.”

A Pakistan Navy statement on Tuesday claimed “one of the latest submarines of the Indian Navy” was detected on Monday, operating off Pakistan, and “could have been easily engaged and destroyed had it not been Pakistan’s policy to exercise restraint in the face of Indian aggression and to give peace a chance to prevail.”

Pakistan claims this is the second time an Indian submarine has been detected in Pakistani waters, after an incident on November 14, 2016, when the “Pakistan Navy caught Indian Navy submarine operating in Pakistani EEZ (exclusive economic zone).”

Soon after the Pakistani statement, a video emerged on social media, purporting to be of the detected Indian submarine. It quickly emerged this was a fake video, produced by a Pakistani television channel in 2015.

International maritime law permits vessels from all countries, including warships, to operate freely in international waters, including in other countries’ EEZs, which extend 200 nautical miles from their coasts. A country’s territorial waters extend only 12 nautical



The Navy's third Scorpene-class submarine, INS Karanj, seen as a tugboat pulls it at the Mazagon Dock naval shipbuilding yard, in Mumbai

PHOTO: REUTERS

miles from its coast; and, even in those waters, vessels from other countries enjoy the “right to innocent passage”.

From official Pakistani statements, it is evident that the Indian submarine never encroached into Pakistani territorial waters.

The Indian Navy responded unapologetically on Tuesday, stating that it “remains deployed as necessary to protect national maritime interests.”

It said in an official statement: “Over the past several days, we have witnessed Pakistan indulging in false propaganda and spread of misinfor-

mation. The Indian Navy does not take cognizance of such propaganda. Our deployments remain undeterred.”

That suggests that Indian submarines will continue their peacetime routine of patrolling off the Pakistani coast, without entering territorial waters, but ready to sink Pakistani shipping at short notice if hostilities break out.

“We routinely send submarines for patrols along the Pakistani coast, as also into the South China Sea. Pakistan too sends submarines to patrol India’s western coast. And maritime patrol aircraft from both sides play a cat-and-

mouse game, trying to detect and identify enemy submarines,” says a former Indian submariner.

In this provocative game, Indian submarines enjoy a significant geographical advantage.

Pakistani submarines cannot come too close to India’s western coast, where the water is very shallow, since the gradient of the continental shelf is low.

In contrast, the water is deep until close to the Pakistani coast, permitting submarines to operate freely without the risk of scraping their hulls on a shallow ocean floor.

India operates a fleet of 14 conventional submarines: nine Russian-origin Kilo-class boats, four German-origin HDW boats and one recently-commissioned Scorpene submarine, INS Kalvari, which the Pakistan Navy claims to have detected. Five more Scorpene submarines of the Kalvari-class are under construction and would all join service by 2021.

In addition, India operates two nuclear powered submarines: the attack submarine, INS Chakra, and a nuclear ballistic missile submarine, INS Arihant.

Pakistan’s navy operates eight submarines: five French-origin Agosta-90B and Agosta-70 boats and three Italian-origin Cosmos-class midget submarines. There is a joint venture with China to build at least six Yuan-class submarines in Pakistan, which will enter service between 2023-2028.

# India gave a befitting reply by entering Pak terror den, says Modi

PRESS TRUST OF INDIA  
Dhar, 5 March

India gave a befitting reply to the Pulwama attack by entering the den of terrorists in Pakistan, Prime Minister Narendra Modi said Tuesday.

Pakistan has been conveyed the message that if it doesn’t improve, it knows the consequences it will have to face, Modi said at a rally in Dhar district of Madhya Pradesh.

“India gave a befitting reply to Pulwama attack by entering den of terrorists. We have told them (Pakistan), if they don’t improve, they know what will happen to them,” he said.

Calling the Opposition as ‘poster boys’ of Pakistan for seeking proof of Indian Air Force’s action on Jaish-e-Mohammed’s terror camp last week, Modi said the air strike happened in the neighbouring country, but “some of those sitting in India were hit by it”.

“Though the air strike took place in Pakistan, it has pained some people sitting in India,” Modi said. “People world over feel that we have done the right thing by replying to Pulwana terror attack,” Modi said.



“Though the air strike took place in Pakistan, it has pained some people sitting in India... People world over feel that we have done the right thing by replying to Pulwama terror attack”

NARENDRA MODI, Prime Minister

## No. of terrorists killed will be known soon: Rajnath

PRESS TRUST OF INDIA  
Dhuhri (Assam), 5 March

Union Home Minister Rajnath Singh on Tuesday said the number of terrorists killed in the air strike by the IAF on the training camp of Jaish-e-Mohammed in Pakistan’s Balakot would be known “sooner or later” (*aaj nahi toh kat*). He claimed

that National Technical Research Organisation (NTRO) system had informed about presence of around 300 active mobile phones at the site before the air strike by India.

Charging the Opposition of doing politics over the strike, he asked the Congress to go to Pakistan and count the bodies.

## JeM chief's son and brother among 44 arrested in Pak

JeM chief Masood Azhar’s son and brother were among 44 members of the banned militant outfits arrested by authorities in Pakistan on Tuesday, amid mounting pressure from the global community on Islamabad to rein in the terror groups operating on its soil. “We have taken 44 people in custody as part of crackdown on militant groups,” Minister of State for Interior Shehryar Khan Afridi said. Ministry of Interior Secretary Azam Suleman Khan said Hammad Azhar and Mufti Abdur Rauf were among those arrested on Tuesday.

PTI

## Balakot strike ‘not military action’, says Sitharaman

Defence Minister Nirmala Sitharaman said on Tuesday that the IAF strike that destroyed a JeM terror camp in Balakot area was “not a military action” as there was no civilian casualty. She also said Foreign Secretary Vijay Gokhale had not given any casualty figure in his media briefing after the air strike and only gave a statement which is the government’s “position”. Gokhale has said the non-military and preemptive strike on the JeM training camp killed a “very large number” of terrorists, trainers and senior commanders.

PTI

## Pak SC bars pvt channels from airing Indian films

Pakistan’s Supreme Court on Tuesday barred private channels from airing Indian films and television shows, amid escalating tensions between the two countries following the Pulwama terror attack.

A three-member Bench of the apex court, headed by Justice Gulzar Ahmad, heard the case pertaining to the telecast of Indian material on Pakistani channels. “The apex court has barred private channels from airing Indian material,” state-run Radio Pakistan reported. The hearing of the case has been adjourned for an indefinite period.

PTI

# Stability in rupee likely to shore up uridashi issuance

### TOP FIVE ISSUANCES

Issuer name	Issue Date	Coupon	Amount Issued (₹ Cr)
Inter-American Development Bank	Feb 25, '19	5.74	128.52
International Bank for Reconstruction & Development	Jan 28, '19	5.83	97.92
Goldman Sachs Group	Feb 4, '19	0	52.0
Goldman Sachs Group	Mar 5, '19	0	36.4
Credit Agricole Corporate & Investment Bank	Feb 26, '19	6.1	28.6

Source: Bloomberg

### ANUP ROY

Mumbai, 5 March

After sitting out in 2018, Japanese retail investors are renewing their interest in rupee denominated bonds, expecting the currency to remain largely stable or even appreciate going forward.

According to investment bankers, marquee global banks are again promising high returns to Japanese retail investors in the form of rupee denominated bonds, known as uridashi bonds. Goldman Sachs has already issued two tranches of bonds so far this year. The latest one, to hit the market on Tuesday, coincided with rupee’s sharp rise against the dollar. The local currency closed at 70.49 a dollar, up 0.60 per cent from its previous close of 70.91.

In 2018, total issuance of this bond was only ₹2,832.5 crore, compared with ₹5,822.1 crore in 2017. Rupee’s rapid loss in 2018 made the holders of the bonds lose out on exchange rate fluctuation and so the issuance fell. So far this year, ₹438 crore worth of bonds have been issued, less than half of 2017 level, but the pace is expected to rise once election results are declared by April-May, bankers said.

Admittedly, uridashi bonds are not very important in the Indian context. The outstanding size of the bonds, at ₹19,238.4 crore, is just a tiny fraction of the total uridashi bond market. The proceeds of the bonds also don’t necessarily come back to India. But it is a global currency bet, and so it helps gauging the mood of the investors in overseas rupee derivatives, a segment that the Reserve Bank of India (RBI) is trying to understand now through a task force.

The bonds also carry a coupon, or are issued at a discount to face value. The investors’ interest is in gaining on the interest rate. Watanabe, as the Japanese retail investors are known as, invest in these emerging market currency bonds globally as her bank in Japan offers near zero per cent interest on deposits. The Goldman bonds, even with zero coupon, are issued at a discount implying a yield of 6.947 per cent. Long years of low interest rates in Japan forced retail investors there to bet on currencies worldwide, from the 1990s. Speculators and carry traders often influence the exchange rate of some currencies, but they are far from holding the sway on Indian currency. When one moves from a higher interest rate-bearing currency (rupee) to a lower one (yen, euro or dollar), the party with the rupee gets a forward premium. The forward premium takes care of the coupon rate on the bonds.

According to investment bankers, marquee global banks are again promising high returns to Japanese retail investors in form of these bonds

# Regulator proposes tighter norms for HFCs

SUBRATA PANDA  
Mumbai, 5 March

The National Housing Bank has proposed to raise the capital adequacy ratio (CAR) for housing finance companies (HFCs) and cap their borrowing to 12 times their net worth, after the IL&FS fiasco exposed weaknesses in the profile of some HFCs. This is to be done in a phased manner, by March 31, 2022.

Currently, the HFCs have to maintain a minimum CAR, consisting of Tier I and Tier II capital, of not less than 12 per cent, while their borrowings are capped at 16 times their net worth.

The CAR will be increased to 13 per cent by March 31, 2020, to 14 per cent by March 31, 2021, and finally to 15 per cent by March 31, 2022. Similarly, the proposed cap on borrowing is 14 times of net owned fund (NOF) by March 31, 2020, 13 times by March 31, 2021, and 12 times by March 31, 2022.

Moreover, the National Housing Bank (NHB) has proposed that the amount of public deposits that the



deposit-taking HFCs can take should be capped at three times of their net worth. The NHB has asked for comments and suggestions from HFCs and other stakeholders by March 31, 2019, on the changes.

Analysts said the regulator has been mulling the move (for higher capital standard and cap on leverage) for some time. But, the liquidity crisis in the immediate aftermath of Infrastructure Leasing & Financial

Services (IL&FS) group defaults in the second quarter revealed the weaknesses in some HFCs’ profile. This hastened the efforts to initiate revision in norms.

According to Karthik Srinivasan of rating agency Icra, “The draft guidelines are welcome from a systemic point of view. In any case, the proposed three-year road map provides HFCs with adequate time to adjust their business plans. We do not think the guide-

### CHANGES AHEAD

Minimum CAR HFCs have to maintain

CURRENT: Not less than 12%

PROPOSED: Will be increased to 13% by Mar 31, 2020, to 14% by Mar 31, 2021, and finally to 15% by Mar 31, 2022

Cap on borrowings for HFCs

CURRENT: 16 times the net worth

PROPOSED: 14 times of net-owned fund (NOF) by Mar 31, 2020, 13 times by Mar 31, 2021, and 12 times by Mar 31, 2022

lines with have any immediate negative affect as most HFCs are within or near the suggested thresholds.”

“Few HFCs may need to raise Tier 2 bonds to meet the 15 per cent capital adequacy levels,” he added.

Ravindra Sudhalkar, executive director and chief executive officer, Reliance Home Finance, said: “Regulators need to make availability of capital easy for HFCs with a strong balance sheet, as the liquidity crunch

is acting as a huge roadblock to the overall growth of the housing market. Going forward, availability of capital will play a crucial role particularly if we have to achieve the government goal of housing for all by 2022.

Experts believe this is also been seen as step to bring NBFCs and HFCs on the same page when it comes to CAR.

They also pointed out that though currently NHB allows borrowing by HFCs at 16 times their net worth, very few strong companies have leverage beyond 13 times their net worth and most are not beyond 10-11 times. This will phase out the HFCs that are non-serious and strengthen the remaining players.

“As on today, most HFCs are closer to the proposed CAR of 15 per cent and the borrowing cap of 12 times their net worth. HFCs who find difficulty in complying with the proposed caps may sell their portfolio to free capital and become compliant,” said Deo Shankar Tripathi, managing director and chief executive officer of Aadhar Housing Finance.

# Real estate firms move top court against ‘financial creditor’ tag for homebuyers

AASHISH ARYAN & KARAN CHOUDHURY  
New Delhi, 5 March

Real estate companies such as Wave Group’s Wave Megacity Centre, among others, have approached the Supreme Court challenging the government’s decision to grant homebuyers the status of financial creditors.

In their petition before the top court, these real estate companies have claimed that granting financial creditor status to all homebuyers and real estate allottees will complicate the situation as they will now have to accommodate all such people to the committee of creditors.

“These companies have been fighting battles on many fronts. Adding homebuyers to the mix has only added confusion. In fact, if they are not part of the legal process, the chances of them getting at least their money back is much more,” said a source close to a company against which insolvency proceedings are on.

The Parliament had, on August 11 last year, passed a Bill to amend the Insolvency and Bankruptcy Code 2016, allowing homebuyers to be treated as financial creditors.

The petition by real estate companies comes nearly a month after the top court had stayed further proceedings against Ansal Housing in a similar case. Hearing the petition moved by Ansal Housing challenging the government’s decision, a two-judge Bench of Justices Rohinton Fali



The petition by real estate companies comes nearly a month after the top court had stayed further proceedings against Ansal Housing in a similar case

Nariman and Vineet Saran had issued notice to the central government and stayed further proceedings against the company. The case is likely to be heard next on March 25.

In its petition, Wave Megacity Centre has alleged that such insolvency applications moved by the real estate allottees against the company were “solely an arm-twisting and coercive tactic”.

“Even in the case of justifiable delay, the petitioner will be faced with no alternative but to refund amounts as demanded by such allottees that approach the National Company Law Tribunal

(NCLT). This, in turn, would have a cascading effect and significantly hamper construction work of all ongoing projects being developed,” Wave Megacity Centre has said in its petition.

Real estate companies have also contended that such applications would drive solvent and financially healthy real estate companies that do not have any defaults from other financial creditors such as banks to insolvency.

More on [www.business-standard.com](http://www.business-standard.com)

“The amendment is also in conflict with the provisions of Real Estate (Regulation and Development) Act (RERA) and directly interferes with the functioning of RERA authorities who are vested with the jurisdiction to issue binding directions,” the petitioners said in their application.

Despite Ansal Housing having obtained a stay on proceedings against itself from the apex court, National Real Estate Development Council (NAREDCO) said it would wait for the top court to hear each such petition moved by other developers before commenting on the possible implications.

“It is not the case that a generic order impacting all such cases has been applied for or passed; we will have to wait for the court to hear each such petition,” Niranjan Hiranandani, national president of NAREDCO, said. Some other beleaguered developers, however, said the stay has given a confidence that they might be able to lower the financial burden on them.

## Canadian fund to invest ₹1,800 cr in Edelweiss arm

ABHIJIT LELE  
Mumbai, 5 March

Canadian pension fund manager CDPQ will invest about ₹1,800 crore (\$250 million) in ECL Finance, the non-banking financial company of Edelweiss Group.

CDPQ Private Equity Asia Pte, a wholly owned subsidiary of CDPQ, and Edelweiss Group signed the agreement, according to an Edelweiss statement released on Tuesday.

CDPQ will now help with long-term strategy to build a strong credit portfolio. The focus will be on the retail segment, said the statement.

“The planned investment by CDPQ would contribute towards establishing a large and diversified credit platform in India. This proposed investment will close after customary regulatory approvals,” said the statement.

With new funds, ECL will be able to capitalise on opportunities in the credit market over the next three-four years, said the statement.

Deepak Mittal, managing director and chief executive officer, ECL Finance, said: “Credit has been our strength and we are well positioned to capitalise on the India opportunity.”



# The ₹100-billion wager

Here's what India can learn from China's electric vehicles programme



VANDANA GOMBAR

As India embarks on a ₹100 billion (\$1.4 billion), three-year programme to support electric vehicles (EV) and charging infrastructure, it may be able to reap a late mover advantage by looking at what is happening in the world's largest electric vehicle market — China.

There are four things that stand out in China's strategy for electric vehicles: **Rewarding efficiency:** The subsidy

was always higher for higher-range electric vehicles running over 250 km on a single charge. Support has been substantially slashed for lower range models. For cars with a range of 100-150 km, there is nil subsidy support now.

**Ecosystem approach:** China has the world's most extensive charging system for electric vehicles — comprising public and private chargers — and has the largest capacity for manufacturing batteries for electric vehicle.

**Credit system:** At least one vehicle out of every 10 sold by automakers in China has to be electric in 2019, as per a mandate. Exceeding this would generate credits that can be sold to other automakers falling short on their mandate.

**City restrictions:** Cities like Beijing and Shanghai have significantly curtailed sales of conventional vehicles with internal combustion engines. That has pushed sales of electric vehicles.

About 18 per cent of all EVs sold globally in 2018 were in six Chinese cities, and some of these rank among the top EV markets globally.

India's electric vehicle subsidy policy announced last month is skewed towards two-wheelers (privately-owned vehicles). For three-wheelers, and four-wheelers, "the incentives will be applicable mainly to vehicles used for public transport or registered for commercial purpose," the government statement said. The policy aims to support 1 million two-wheelers, 500,000 three-wheelers, 55,000 four-wheelers and 7,000 buses.

On the renewable energy side, India's capacity reached 75 gigawatts in December 2018. Another 100 gigawatts must be added by 2022 to reach the target of 175 gigawatts. Wind farms accounted for the largest chunk (35 gigawatts) while solar power crossed the 25 gigawatts mark. The balance was biomass and small hydropower. The



TOP FIVE MARKETS FOR ELECTRIC VEHICLES (excluding US and China)		
Passenger EVs sold in 2018		
Shenzhen	84,000	
Shanghai	81,000	
Germany	72,000	
Norway	72,000	
UK	61,000	

Note: US EV sales in 2018 totaled 350,000 while China's total was 1.1 million  
Source: China Passenger Car Association, BloombergNEF

outlook for 2019 is positive for both solar and wind.

India will be among the top three solar markets in 2019. It is projected to install a little over 12 gigawatts this year, according to BloombergNEF (BNEF), equal to the estimated US installation. China will remain the world's leading solar market, with 39 gigawatts of new solar farms likely to be set up, with the U.S. and India running neck and neck for the second slot, followed by Japan, at about 9 gigawatts.

On wind power, though the market

in India was muted in 2018, with just 2.3 gigawatts of new capacity added, the outlook is bullish for the next few years. About 3.7 gigawatts is expected to be added this year, and around 6 gigawatts or slightly more every year over the next three years. Global installations are estimated at around 60 gigawatts this year, and in 2020, according to BNEF.

*The author is the editor, Global Policy for BloombergNEF.  
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# Combining mammon and morals

ESG funds are gaining traction in India but conceptual and practical questions about them abound still

SURAJEET DAS GUPTA

The \$1 billion fund announced recently by three former Tata executives — Mukund Rajan, Alan Rosling and Govind Sankaranarayanan — in alliance with Quantum Advisors wants to invest in small- and mid-cap listed stocks. But this is only part of their strategy: They also want to play an active role in the companies in which they invest to ensure they comply with the objectives of the fund.

On the other hand, KKR-backed Avendus Capital, which is raising a similar amount, wants to take minority stakes in the top 100 companies by market cap. It, too, will attempt to influence management decisions but it is not looking for an active role.

Two funds, two strategies but both purport to be part of the latest trend in global investing: ESG (Environmental, Social and Governance) funds. A post 2008-crash development, ESG funds purport to look beyond a company's financial performance to other factors that may materially impact corporate performance. Such investors also study parameters such as environment (climate change), social (health, safety and human rights) and governance (quality of management or board independence) when investing

in a company. Globally some \$26 trillion has been sunk into such funds.

A lot of groundwork has already gone into enabling investments in ESG funds. The MSCI, for instance, runs an ESG Index for institutional clients that tracks and rates about 200 Indian companies and hopes to double that number this year. And the experience of "impact funds," which are similar to ESG funds except that they focus on companies producing products and services that promote sustainability, also provides a handy measure.

Belgium-based Incofin, an impact investment firm, has funded and even sold its stakes in Fusion Microfinance (which serves unbanked women) as well as in Anapurna Microfinance for decent returns. Last year Kotak Asset Management became the first in India to sign the United Nations-supported Principles for Responsible Investment, which tries to integrate ESG practices into investment policies and practices. And even State Bank of India has joined the bandwagon — it has renamed one of its older mutual funds SBI Magnum Equity ESG Fund.

The two new-mega funds have ambitious plans. Rajan, who was brand custodian to the Tata group, says they are looking at investing around \$50 million in some 20 mid- and small-cap listed companies. "We would like to see at

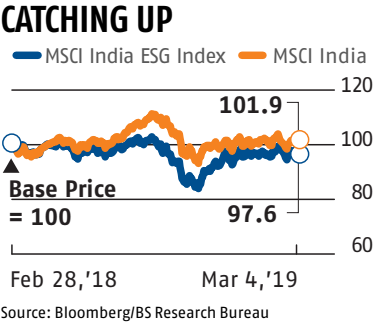


least a 10 per cent stake in the company and become the second-largest investor after the promoter. Our aim is to play an active role in implementing the ESG programme," he says.

The horizon is long-term with an exit route of seven-eight years. To identify targets, the fund is building an internal team that will score 4,000-odd companies on ESG parameters.

Andrew Holland, CEO of Avendus Capital Public Alternative Strategies LLP, the fund will focus on 15-20 companies and has tied up with Institutional Investor Advisory Services to create a ranking framework based on ESG principals. The fund will also track the invested company by scoring its ESG performance once a year.

If ESG funds appear to combine mammon and morals, market analysts point to multiple downsides. One, many investors say that ESG funds' return on investment is lower than normal funds because the com-



panies in which they invest face rising ESG compliance costs and, therefore, lower profits. Two, some say ESG is mere "packaging"; most of the companies they choose would also be in the list of, say, a mutual funds based on the BSE 100 scrips. Three, questions have been raised on the arbitrariness of rating companies on ESG performance. This is a global problem — for instance, American Tower

Corporation was rated at the bottom as well as the top by different rating agencies on ESG parameters.

The same challenges seems to be evident in India. The MSCI Index, for instance, puts companies in tobacco or alcohol or using fossil fuel in the negative list. But as Rajan points out: "You cannot be a purist in choosing companies, one has to look at its intention as well." So for him Tata Power might be dependent on fossil fuels, but it has put up a plan of action that by 2025 when 40 per cent of its revenues will come from renewable energy, which makes it an attractive ESG bet. An analyst says, ITC might be in tobacco but it could be in the ESG fund list because it scores high on corporate governance and its intention to reduce its dependence on tobacco and move towards consumer goods and other sectors could make it a good bet.

Avendus is assigning a higher weight for companies with good governance parameters and much less to environmental and social ones, principally because the latter two are more difficult to achieve. Holland, however, says if governance is in place all the other parameters become easier to achieve.

Both Holland and Rajan aver that criticism that ESG funds give low returns is a myth. The MSCI ESG India Leaders Index has continuously outperformed that of the MSCI India Index, the point out. And the trend is similar, globally too. The question is whether ESG funds will catch on as they did in other global markets. With corporate governance suddenly leaping to forefront of newspaper headlines in India — from ICICI Bank to IL&FS — ESG funds in India may find more takers than the cynics suggest.

## CHINESE WHISPERS

**The argument continues...**

If you thought the battle over *rasogolla* is over, think again. More than a year after the sweet got the Geographical Indication (GI) tag of *Banglar Rasogolla*, the Odisha Small Industries Corporation (OSIC) has filed a rectification petition demanding that the GI tag of the sweet be changed to "*Jagannath Rasgulla*". The GI registry is set to hear the issue in April and has asked the OSIC to submit documents to support its claims in two months. If it fails to do so, the rectification petition will be dismissed. West Bengal and Odisha have been engaged in a bitter legal battle over the origin of the sweet since June 2015.

## Highway blues



An upscale hotel in Pune, located on a highway, serves liquor on its seventh floor restaurant but not in the ground floor restaurant. When a guest enquired about it, he was told that the distance between the highway and the seventh floor via the staircase was more than 500 metres, a senior lawyer tweeted. In December 2016, the Supreme Court had banned sale of alcohol within 500 metres of state and national highways to discourage drunken driving. Seven months later, it clarified that the ban did not apply within city limits. It is not clear if the hotel is within city limits and was aware of this relaxation.

## Strengthening journalism

**Tathagata Satpathy (pictured), four-time Biju Janata Dai (BJD) Lok Sabha member from Dhenkanal, Odisha, announced on Tuesday that he was quitting electoral politics to focus on journalism.**

"There is a need for more fearless voices in journalism now. Distancing myself from politics to refocus on journalism. Grateful to my leader Naveen Patnaik for his support all these years..." the 63-year-old tweeted. The son of former Odisha chief minister Nandini Satpathy and two-time Lok Sabha member Debendra Satpathy, Tathagata is known to take up uncommal causes — demanding legalisation of cannabis and supporting homosexuality when much of India's political elite balked at supporting the cause publicly — to name a few. He said he was quitting at the insistence of his 13-year-old son but rejected speculation that he was headed to the Bharatiya Janata Party, following party colleague B J Panda.

## DECODED

Subhayan Chakraborty explains the Generalised System of Preferences, the largest trade preference scheme of the US, and how it will affect India's exports.

# Clearing a hurdle

**What is the Generalised System of Preferences (GSP)?**

The GSP is the United States' largest and oldest trade preference programme. Established by the Trade Act of 1974, the GSP promotes economic development by eliminating duties on thousands of products when imported from one of the 120 designated beneficiary countries and territories. Rolled out at a time when the US economy was booming, the programme sought to expand and cement the country's trade relations with numerous nations across the global south, including the vast majority of African nations struggling with economic issues after independence.

At the height of the cold war, the scheme projected American power across the globe and aimed to bring nations at risk of courting the USSR and allied nations into its economic fold. On Monday night, India was made non-eligible to receive GSP benefits.

**Why should India bother?**

India has consistently remained the largest beneficiary nation under the scheme. In the last financial year, it received a total of \$190 million as duty benefits. Upwards of 3,700 Indian products are entitled to receive GSP benefits. In essence, spread across tariff lines and categories, this enables India to access the US market at zero duty costs for thousands of goods.

The country exported goods worth \$5.6 billion to the US in 2017-

18 through the scheme, representing 11 per cent of the total exports to the US, pegged at \$47.87 billion. It is a significant catalyst for boosting exports state bound in multiple sectors such as inorganic and organic chemicals, agricultural and marine products, among others.

**What does the US want?**

In November 2018, the US president had signed an executive order to end the duty-free status of 50 Indian exports to the US. The country has attracted the wrath of the current Donald Trump administration which has repeatedly pointed to the large trade deficit run up by the US with India. America's current trade deficit stands at \$ 21.2 billion, up from \$ 16.63 billion five years back.

Since China does not figure in the list of GSP eligible list, the United States Trade Representatives (USTR) Office has sharpened its attacks against India, which it feels should not seek benefits intended for less developed economies.

India's GSP eligibility had been under threat ever since it was clubbed with Indonesia and Kazakhstan to be scrutinised by a sub-committee under the USTR. The sub-committee came down heavily on New Delhi for continuing to take advantage of liberal trade policies while restricting market access for US goods.

**Has India benefited from GSP?**

The government data suggests India managed to export only 1,900 items



through the GSP, showing the nation's inability to build up trade competitiveness. Most export items are raw materials and intermediary goods. India's exports have helped in cost effectiveness and price competitiveness of US downstream industry. On the flipside, the GSP withdrawal is also expected to impact the competitiveness of many manufacturing sectors in the US and will hit US consumers at the same time, according to trade experts.

**Will India's exports be adversely affected now?**

Since GSP exports account for only 0.4 per cent of all exports, its withdrawal is expected to have marginal impact, according to the largest export body, Federation of Indian Export Organisations. This is echoed by the government as well. Some others believe that since export orders to developed markets such as the US have cutthroat competition and margins have remained depressed across sectors, major export share is at

**India's GSP eligibility had been under threat ever since it was clubbed with Indonesia and Kazakhstan to be scrutinised by a sub-committee under the United States Trade Representatives. The sub-committee came down heavily on New Delhi for continuing to take advantage of liberal trade policies while restricting market access for US goods.**

stake. Since other developing nations are operating on similar margins and costs, entire chunks of the export market may be lost.

**Where does this leave India-US trade relations?**

The first casualty of the latest developments is widely expected to be the mutually acceptable trade package between the nations, under negotiation for months. The package has been in the works for the past one year and trade officials have met as many as five times to hammer out a deal that provides an amicable solution to grouses from both sides.

On the other hand, India may also announce retaliatory tariffs. Officials also feel that India can't yet again delay the imposition of the already announced higher duties on 29 key imports from the US. These have been deferred a record six times. Expected since June last year, the tariffs are set to go live from April 1.

## LETTERS

### Electoral politics

I found the edit "Off target" (March 5) quite intriguing. India's diplomatic victory over Pakistan in the context of the Balakot air strike is as much due to Prime Minister Narendra Modi's incessant efforts to build close relationship with nations that are of strategic importance to it (including Saudi Arabia) as being a democracy. In the number of Pakistanis killed, the Opposition is missing the strategic significance of established facts. That Indian Air Force penetrated Pakistan territory and that Pakistan's retaliation was feeble and was confined to sending a F-16 plane to Indian borders put to rest the threat it represents as a nuclear power.

Why depend on international media and question the truth of damage done in Balakot? If the casualties in Pakistan were little or non-existent, the media in Pakistan would have been the first to publicise them with pictures calling out the Indian bluff. Instead, its government agreed to release the captured Indian pilot within two days. This was due to the active global pressure on it by world powers like the US, France, Russia and even China considering India's striking power.

Separating the Balakot strike from electoral politics is not possible. By staging the Pulwama attack killing 40 CRPF jawans just two months before the Lok Sabha elections, Pakistan most likely wanted to facilitate Modi's defeat. If Modi had not attacked quickly, his party and he would have faced an angry electorate. The unexpected and daring response came as a shock to Pakistan as well as the Opposition. Hence, the outcry for details.

**Y G Chouksey** Pune

### Changing farm scenario

This refers to Surinder Sud's "Beyond loan waivers & doles" (March 5). The issues raised and the points made look rational and suggestions worth pursuing. Obviously, the "agricultural agenda" is presented at this point of time to gar-



ner support from as many political parties as possible that may be participating in the 2019 general elections. A mention has been made about the need for bringing agriculture and irrigation in the concurrent list of the Constitution to let the Union government play a more meaningful role in their development. There would be no two views on the desirability of revisiting the subjects in the central, state and concurrent lists of the Constitution as political formations have undergone a change from what they were decades ago.

In the present scenario, pending large scale changes in statutes, the NITI Aayog should be in a position to play a proactive role in guiding the Centre and the states where necessary, in the formulation of policies affecting prices, wages and income across sectors. After the NITI Aayog took over most of the roles of the erstwhile Planning Commission, the impression one got was that the new dispensation was listening to all stakeholders before advising government on the policy issues. From the article, it is not clear whether the Consortium of Indian Farmers Association did approach NITI Aayog to brief it about its concerns about farm sector policy.

**MG Warriar** Mumbai

Letters can be mailed, faxed or e-mailed to: The Editor, Business Standard, Nehru House, 4 Bahadur Shah Zafar Marg, New Delhi 110 002. Fax: (011) 23720201 • E-mail: letters@bsmail.in. All letters must have a postal address and telephone number.



## Trade error

US goes too far, but India's response could have been better

The United States administration has decided to exclude imports from India and Turkey from its Generalised System of Preferences (GSP) scheme. The scheme allows for certain sets of goods to be imported into the US with zero tariffs. India is currently the largest beneficiary of this scheme, with about \$5.6 billion worth of imports benefiting. This is a disturbing development for Indian exporters who are already stressed, and shows the US in poor light. It's true India's tariffs are generally high, and its general stance on trade is protective, but the US government's moves have also been inconsistent. For example, US President Donald Trump's repeated insistence on balancing bilateral trade runs counter to all the canons of free trade. He has complained about tariffs on solar panels while imposing such tariffs himself.

However, the Indian government's sanguine reaction to the GSP withdrawal appears misplaced. The government has argued that the concessions amounted to a duty reduction of less than \$200 million a year, so there is unlikely to be any effect on exporters. This is an unfortunate response to what is a serious setback to Indo-US trade ties. Many exports from India have wafer thin competitive advantages. Thus, the difference made by this change could be more substantial than the figure cited by the government. It is also worthwhile to consider what this means for Indo-US economic relations more generally. India runs a moderate trade surplus with the US, only about \$23 billion. Even given the current US administration's protectionist impulses, this should not have been allowed to devolve into a major confrontation that led to excluding India from a programme that it has benefited from since the 1970s. It is not as if India has not made concessions — for example, duties on motorcycle imports from the US have been slashed, following Mr Trump's repeated invocation of the tariffs India imposes on iconic Harley-Davidson machines, which are made in an electorally significant state. But it is clear that it has not made the strategic case for more integrated economies effectively enough to the US. Among the trade lines that are due to be hurt are chemicals and engineering — precisely the sort of manufacturing exports that India needs to grow going forward in order to create sustainable jobs within the country.

Unfortunately, there has been a certain myopia in the Indian trade establishment about the national interest. Recent Indian populist moves can be held responsible for this state of affairs. For example, restrictions on US-made medical devices, particularly cardiac stents and knee implants, have inflamed opinion in Washington DC. The unfortunate fact is that Indian patients have themselves not benefited considerably from price controls in this sector, given that hospitals find it easy to merely shift the cost burden elsewhere. The dairy sector is another flashpoint. India has essentially argued that "religious reasons" prevent the import of dairy products from the US. One of the issues is that the US has not banned the use of bovine somatotropin, or "bovine growth hormone", produced from cattle's pituitary glands, as a supplement in dairy farming. It is unclear why a compromise involving labelling could not have been found, even if religious reasons were considered sufficient for such a major breakdown in trade relations. India's options are limited. For example, it had proposed retaliatory tariffs of about \$235 million on 29 American goods, but has put off implementing these six times already in the hope that a negotiated trade settlement will come through. Such fruitless exercise does not mean much. At a point of inflection in world trade, when pressure is gathering on the People's Republic of China and trading networks are in flux, India should have been more proactive.

## Beyond a boundary

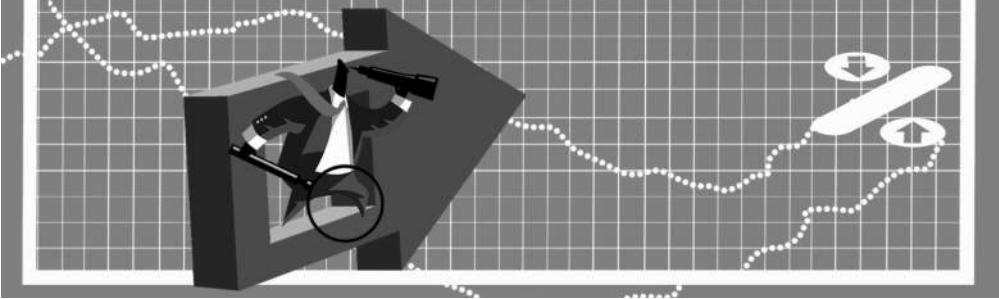
Why ICC should have a say in IPL

The Board of Control for Cricket in India (BCCI) has recently stated that the International Cricket Council (ICC) will not have a say in the administration of the Indian Premier League (IPL). The proposal, made at a meeting in Dubai recently, was part of ICC's larger plan to "monitor" the burgeoning T20 tournaments around the world — IPL may be the richest but every cricketing nation has a similar tournament on its annual calendar. The Indian cricketing body has said that IPL is a domestically organised tournament, just like the Ranji Trophy, in which the ICC has no say. To that extent, BCCI is correct as ICC does not have the jurisdiction to get involved in domestic tournaments until requested, and it does not get involved in similar domestic tournaments in Pakistan, Australia and elsewhere. But that should change.

The BCCI's apprehensions principally centre on the possibility that ICC would want to muscle in on the enormous profits that the 11-year-old cash cow generates — its brand value crossed \$5 billion in 2017. This may be a valid concern, but a disingenuous one too. First, it is worth recalling the IPL concept is not an original one. It came up as a result of some formidable competition from Subhash Chandra's Indian Cricket League (ICL) that, Kerry Packer-style, was attracting international cricketers — not to speak of BCCI board members — to an attractive tournament format. The BCCI at the time had complained that the ICL operated outside the purview of the ICC. It imposed lifetime bans on ICL players and then launched its own fantastically successful copycat version that killed off the ICL. Its founding values alone, therefore, contradict its current arguments. This apart, unlike the Ranji Trophy, IPL's enormous profits are predicated on the participation of international players, umpires and a host of other officials who also serve in other ICC tournaments, including the World Cup. Indeed, all other cricketing events on the calendar tend to be put on hold when the IPL is underway. Given that the resources of the global cricketing community are being leveraged, the argument that this most significant tournament in the annual calendar should claim some sort of an exception appears weak.

There is another good reason for the IPL and all other similar tournaments to be under the ICC's umbrella. Around the world, T20 is becoming the most popular format of the sport, and has the potential for an explosive multiplier effect in creating higher levels of tournaments for cricketers — just as the domestic premier European football leagues feed into the hugely popular inter-club Champions League. A Champions League T20 tournament flopped because it was run by BCCI, Cricket Australia and Cricket South Africa, without any cohesion among the other major cricketing nations — England, West Indies, Bangladesh, Pakistan. A similar tournament involving all nations under the ICC's umbrella would have a better chance of success, and also introduce a healthy, genuinely sporting dynamism into T20 tournaments beyond the hoopla of money-making and, inevitably, new standards of corruption. Indeed, the exclusion of the IPL and other T20 tournaments from the ICC's remit is *sui generis* in the sporting world. Associations such as FIFA, ATP, or NBA may not be models of great administration but their roles as global supervisory bodies for each sport has enhanced the popularity of their respective sports. Cricket, on the other hand, has a diminishing audience except for the individual T20 leagues. For this format to survive as a sporting property rather than a short-term way for cricketers and administrators to bolster their income, it demands a global not a parochial approach.

ILLUSTRATION: BINAY SINHA



## What can be done to revive growth?

Economic growth solves many problems. Can lower interest rates help reverse the slowdown?

Debatable as the analytical utility of quarterly GDP statistics in India may be, the continuing drop in growth rates as recently reported for the December quarter surprised no one: If anything the magnitude of the drop was larger than expected. Over the last several months, economic momentum has steadily worsened, as measured by the growth of monthly sales of largely formal sectors. Even the decline in prices of crude oil did not provide the relief that was expected by many. Growth in the current quarter is projected to slow further.

Is this the new normal? Far from it; there are too many positive structural changes that the Indian economy is undergoing for its potential growth rate to fall so steeply. But then, what can revive growth?

It is clear that the slowdown has been consumption driven. Investments, on the other hand, as measured by Gross Fixed Capital Formation (GFCF), continued to grow in double-digits for the fifth quarter in a row, and the ratio of GFCF to GDP continued to inch up, though, to be sure, there is no euphoria yet. In earlier editions of this column, we have discussed the two primary drivers of slowing consumption: Weak food prices stalling income transfers from the rich to the poor, and the end of the pay commission cycle.

It is worth repeating that we have gone through the seventh pay commission implementation in the last three years without the aggregate deficit blowing up. In contrast, during the last two pay commissions (there is one every decade), the fiscal deficit rose sharply, as the pension and salary expenditures of governments rose by 2 to 2.5 per cent of GDP. Observers

wringing their hands at fiscal deficits in India being unchanged for five years also forget that these are still among the lowest in India's history (absolute deficits are no doubt among the highest in the world: State plus central government deficits add up to more than 6 per cent of GDP). As a share of financial savings, the ratio has fallen, implying less crowding out. Further, with the salary bill now rising at a pace slower than nominal GDP, more than 1 per cent of GDP of fiscal space could open up in the next three years.

Yet the bond market has continued to punish the government with bond yields that are higher than they need to be. The term premium, which is the difference between the repo rate set by the RBI and the yield on the 10-year government bond, is elevated compared to its history. Many observers think the market is efficient, and that elevated yields are just the markets disciplining the government. That may indeed be a factor, but one must not forget that markets often mis-price assets, and that the Indian bond market is far from liquid: Nearly half the bond buying is conducted by treasury departments of

banks that are often passive. That is perhaps one reason why technical charts are used to price bonds. By terming the government bond as just another security whose price they do not seek to control, policymakers have under-estimated the critical role their yields play in the pricing of debt in the economy.

This high term premium is on top of very high real interest rates, due to the Monetary Policy Committee (MPC) missing an inflection point in agricultural surpluses, and persistently overestimating inflation. While moving from an era where the RBI



TESSELLATUM  
NEELKANTH MISHRA

## GST revenue conceals more than it reveals

Data on GST revenue is now available from several official sources. An examination of these numbers raises three concerns. These relate to recognition of revenue, reporting of revenue and allocation of revenue. We focus only on the revenues from the IGST and Compensation cess for the year 2017-18.

### Recognition of revenue

Article 269A of the Constitution, specifies that the state share of the IGST together with the CGST paid set off against IGST payable shall not form part of the Consolidated Fund of India (CFI). Further IGST revenues are to be allocated between the Centre and the states complying with the IGST Act, the IGST rules and the GST (Settlement of Funds) Rules. All outstanding refunds and input tax credit claims must be fully settled or earmarked. The balance comprises IGST paid on interstate sales to consumers, unregistered and composition dealers, ineligible supplies and time barred claims. IGST tax credits cannot be claimed in respect of these categories, so this represents the true IGST revenue.

The outstanding balance in the IGST account includes pending refund claims and unadjusted amounts due to dealers. This cannot be considered as revenue. What percentage of IGST collections represents such commitments? It is difficult to estimate, but three points need consideration. One, IGST on exports and imports yields more than 50 per cent of aggregate IGST collections. Both will have to be refunded, the former immediately on export and the latter to the extent the imported goods are exported after passing through the manufacturing cycle. Two, IGST has also to be refunded on returns from interstate branch transfers and consignment sales, regular interstate sales returns, deemed exports, refund of accumulated credit due to inverted duty structure, year-end or volume-based incentives and refund to tourists and embassies. Three, there is an unknown amount of refund claims pending. In February 2018, the erstwhile Central Board of Excise and Customs (CBEC) reportedly admitted that 70 per

cent of its refund claims were stuck. It can thus be argued that ₹1,76,688 crore recognised as IGST revenue in 2017-18 includes the above mentioned commitments and needs to be excluded. Even after the true IGST revenue is arrived at, half of it belongs to the states.

The Compensation Cess Act requires that the proceeds of the cess shall be credited to a non-lapsable Fund known as the Goods and Services Tax Compensation Fund (Fund), which shall form part of the public account of India. For 2017-18, the Budget documents show revenue of ₹62,612 crore as compensation cess. Of this, only ₹56,146 crore was transferred to the Fund. What should be recognised as cess revenue for the Government of India (GoI)? Legally nil, as the entire collections should be kept in the Fund in the public account. At best the ₹6,466 crore which was retained by the GoI in CFI.

### Reporting of revenues

Of the ₹1,76,688 crore IGST collection reported for 2017-18, ₹35,000 crore was equally shared between the Centre and the states as ad hoc IGST settlement in February 2018. Since ₹17,500 crore was disbursed to states in February 2018, the net IGST can be only ₹1,59,188 crore, if the issues raised earlier are ignored.

Regarding the compensation cess, an amount of ₹41,146 crore was paid to the states during the year. The net collections after deducting this amount was ₹21,450 crore. This figure finds no place in the Budget documents which shows the gross revenue of ₹62,612 crore.

### Allocation of GST revenue

The GST (Settlement of Funds) Rules was amended in February and June 2018 empowering the GoI to "provisionally settle any sum of IGST which has not been settled so far" which is to be adjusted subsequently. On this basis, a sum of ₹30,000 crore and ₹1,76,688 crore was shared between the states and the Centre in the early 2018. The state's share of ₹15,000 crore was distributed amongst states based upon their revenue in 2015-16. The ₹1,76,688 crore amount was taken into the CFI and settled as per 14 FC award.



V BHASKAR

governor set the rates using a touchy-feely approach to a much more quantitative committee-based approach is progress, this move was made without any improvement in the inflation and growth forecasting capability of the MPC. Observers have pointed to the problem of every member relying on only one set of inflation projections — if these are wrong the economy suffers, as it has done for many quarters. Recent MPC commentary points to improvements being brought about in the inflation forecasting process — another sign of improving systemic maturity.

Even though the MPC has in the last two meetings brought down its inflation projections substantially, inflation is still below its forecasts. Now, the MPC's growth projection for the coming year of 7.2 to 7.4 per cent also seems too high, as the Central Statistics Office (CSO) projects just 6.3 per cent growth in the current quarter. Can growth accelerate a full per cent point without a meaningful catalyst?

Would the MPC cutting rates make a difference? The Indian economy is not known to be particularly rate sensitive, but in the current environment it might just be. If the short end of the rate curve (that is, the repo rate) is pushed down, either the term premium expands further, which would be hard to justify, or the 10-year government bond yields would fall. This may in fact provide some relief to the beleaguered bond mutual funds struggling with outflows, as well as the funding availability for non-banking finance companies (NBFCs).

The most important takeaway for us from the December quarter results reported by companies was the sharp slowdown in NBFC credit disbursement. Banking system credit data is made available every fortnight but even though non-banking sources of finance have become much more important in recent years than they have ever been, there is no systemic credit measure that is reported frequently. Quarterly results were therefore the first available indicator of the extent of the slowdown in aggregate credit. Anecdotal this has become worse in the current quarter: Lower yields would at least prevent further deterioration even if they do not quickly bring back growth.

There are four fiscal boosts as well that will become effective in a few months: The GST rate cut for real-estate may help break the buyers' strike and restart cash flows in real estate. The income transfer scheme is of a meaningful size, but it might need to be recalibrated (the frequency and size of transfers, as well as the number of beneficiaries) for greater economic impact. Thirdly, if farm loan waivers get executed in time, and banks restart agricultural credit disbursement (they hold back while loan waivers are being implemented), it could support cash flows in the agricultural economy. And lastly, the recapitalisation of PSU banks adds some capacity to the financial system.

Without the financial system breaking out of its current stasis however, these measures may not be sufficient to push India back to its potential growth rate again.

*The writer is co-head of Asia Pacific Strategy and India Strategist for Credit Suisse*

## Superhuman learning



### BOOK REVIEW

DEVANGSHU DATTA

The ability to learn is a sign of intelligence. So is the ability to teach. What about the ability to teach oneself? Children learn their first language by decoding conversations, even without formal help. Really bright people teach themselves stretching beyond the known. A lot of artificial intelligence (AI) involves setting a few rules, and crunching tons of data to look for patterns and insights. This is akin to a child learning language.

What can AI most effectively learn via this auto-didacticism? The AlphaZero algorithms provide some answers, and

proof of concept. The algorithms were created by DeepMind, a British AI company founded by neuroscientist and game playing prodigy, Demis Hassabis (DeepMind is a subsidiary of Alphabet). It is, at the moment, the best player of the ancient game of Go, Shogi (a Japanese version of chess) and chess.

*Game Changer* examines AlphaZero from the chess players' perspective. Mr Regan and Ms Sadler are strong chess players, with mathematics and IT backgrounds. It would have been great to have a take from Go and Shogi professionals, but that is lacking, in English at least.

Of the three, chess is the easiest to play, or program and it's by far, the most popular. Computers have long since outstripped humans at chess, which has "only" about 10<sup>6</sup>50 legal positions (that's 10 followed by 49 zeros). For reference, the best guess is that there are about 10<sup>6</sup>78 atoms in the universe. Shogi has about 10<sup>6</sup>71 legal positions. Go has about

2x10<sup>6</sup>170 legal positions (20 followed by 169 zeros) making it, by far, the most complex. Most Shogi programs are as good as the best humans. Until 2016, no Go program had beaten any professional Go player. DeepMind's first algorithm, AlphaGo, learnt by being fed a database of Go games, which helped it derive strategic principles. It played against itself on a very fast network to refine its understanding.

The algorithms use a "Monte Carlo Tree Search" (MCTS) to choose moves. In MCTS, the program plays out many thousands of games every second against itself, starting from a given position. It selects moves at random and assigns probabilities of success to each move, depending on results. This trains the neural network to find strategic patterns. In March 2016, AlphaGo beat Lee Sedol, the Go world champion. It had derived strategic principles that Go grandmasters concede supersede anything humans know.

The next iteration, AlphaGo Zero was self-taught. "Zero" was just given the rules of Go. It played against itself, without a database. It beat AlphaGo. The third gen-

eration, AlphaZero is a "generic reinforcement learning algorithm", which taught itself to play Shogi and chess, by playing itself. It had just the basic rules of these games, with no databases, no opening manuals, or endgame tablebases. It took just four hours, working on a very fast system with over 5,000 specialised chips to train its neural network. It was playing many million of games every minute, so that isn't as crazy as it sounds.

It reinvented and surpassed human understanding, discovering every strategic concept humans have learnt in five centuries, and adding its own secret sauce to play in ways humans never thought possible. It thrashed one of the best conventional chess engines, Stockfish, first under very restrictive conditions. It repeated the feat more convincingly, under equal conditions. It also beat one of the best Shogi programs, Elmo.

AlphaZero has a "superhuman" playing style that experts describe as "intuitive". It has changed the way humans play, and inspired a new approach to engine development, using MCTS. AlphaZero runs on specialised chips but

crowd-sourced projects like LeelaChessZero use commercial hardware to implement similar principles.

Conventional engines are programmed with strategic rules fed by human "teachers". Instead of MCTS, they calculate via an "alpha-beta" algorithm. In the second AlphaZero-Stockfish match, Stockfish was crunching 70 million moves per second, analysing to great depths to select the "best" moves. It calculates 900 times as much as AlphaZero (which sees about 80,000 positions a second). But AlphaZero "understood" chess better.

Stockfish evaluates a given position as superior for one side or equal, by assigning a numeric value using a pawn as the basic unit. This is misleading for humans since it will not distinguish between a dynamic position, where there's only one good move, and a stable situation with many equivalent moves.

AlphaZero estimates probabilistically. It says white (or black) will score 55 per cent (or 75 per cent) after it has played out the position millions of times internally, using MCTS. This is more helpful because a dynamic position may have a

lower probability than a stable position.

Moreover, AlphaZero is not afraid to sacrifice material for mobility, or other long-term gains. The authors did a lot of analysis to illustrate the stylistic quirks. Intriguingly, DeepMind is trying to open the black box of these self-taught heuristics to get a sense of how the neural network "thinks".

So now we know that an autodidactic algorithm can discover new things. But chess, Shogi and Go are closed systems with complete information. In theory, these games can be "solved" with every position judged a win or a draw.

This is a fascinating book for game players, and chess players in particular. It also offers insights about AI development. Well worth a deep dive.

### GAME CHANGER: AlphaZero's Groundbreaking Chess Strategies and the Promise of AI

Natasha Regan, Matthew Sadler  
New In Chess, 416 pages, ₹1,544



# Mid, small caps see big surge

Nifty Smallcap 100, Midcap 100 rally 3.9%, 2.4%; movement follows a year of underperformance

SUNDAR SETHURAMAN  
Mumbai, 5 March

Shares in the small- and mid-cap segments were on fire on Tuesday, with one of the gauges posting its biggest single-day jump in nearly five months. The Nifty Smallcap 100 soared 3.9 per cent, the most since October 10, while the Nifty Midcap 100 rose 2.4 per cent, the highest since December 12. In comparison, the benchmark Nifty50 gained 1.1 per cent to close at 10,987. The Sensex rallied 379 points, or 1.05 per cent, to close at 36,442.

Experts said investors lapped up shares in the broader market, where valuations had turned attractive after a year of sharp underperformance. Easing cross-border tensions also helped offset the move by the US administration to terminate trade benefits on Indian imports.

The sharp rally in domestic markets took place despite mixed global cues. However, Indian markets were shut on Monday, when most global markets had rallied on the back of the US and China inching closer to a trade deal.

“From a valuation perspective, large-caps are highly valued. There is an opportunity in the high-quality small- and mid-cap segments. I don’t know how long it will continue, but we have seen optimism emerge towards this segment,” said B Gopkumar, CEO (broking and distribution business) of Reliance Capital.

In the past one year, the Nifty Smallcap 100 index has declined 24 per cent, while the Nifty Midcap 100 index has fallen 11 per cent, even as the Nifty has gained 5.1 per cent.



## IN THE OFFING

The rally comes after a year of underperformance

	Last close	Tuesday	YTD	One-year	Biggest gain since...
Nifty	10,987.45	1.14	1.15	-24	Feb 20, 2019
Nifty Midcap 100	17,363.65	2.37	-2.9	-11	Dec 12, 2018
Nifty Small cap 100	6,334.70	3.94	-1.8	5.1	Oct 10, 2018

Experts said that a year ago, the price-to-earnings (P/E) multiples for smaller companies had climbed to historic highs. The subsequent correction was inevitable and necessary for normalisation of valuations, according to them.

The mid- and small-cap indices had a dream run between January 2017 and January 2018 — zooming 48 per cent and 56 per cent, respectively. The gains were fuelled by easy liquidity and strong flows in mutual funds.

The small- and mid-cap

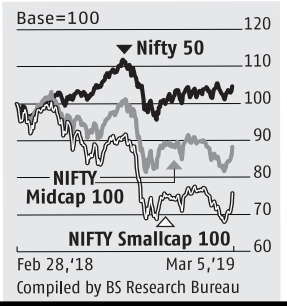
counters have been buzzing since the past two weeks. The Nifty Smallcap 100 has rallied nearly 12 per cent, against the Nifty’s gain of 3.3 per cent, in the past fortnight.

“We believe the tide is about to turn and expect the small- and mid-cap space to outperform. Our conviction is anchored by attractive valuations, improving macro data, and improving sectoral trends. These, we believe, point to an imminent bounce-back,” said Edelweiss in a note to investors.

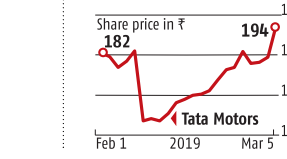
“Mid- and small-caps have

outperformed after one year of underperformance as investors’ strategy has changed from sell-on-rally to buy-on-dips, due to attractive valuations,” added Vinod Nair, head of research at Geojit Financial Services.

Both domestic as well as foreign investors were seen buying shares aggressively on Tuesday. According to provisional data, foreign institutional investors bought shares worth ₹752 crore, while domestic institutions bought shares worth another ₹581 crore, which led to the boost in market momentum.



## QUICK TAKE: TATA MOTORS’ RALLY MAY FIZZLE OUT



Shares of Tata Motors soared 7.3 per cent, extending its one-month rally to 50 per cent, after luxury arm Jaguar Land Rover (JLR) reported strong US sales in February. Analysts remain cautious on the stock, given concerns over the Brexit impact, weak China sales, and JLR’s negative cash flow

## TSI P11

US to remain a challenge for drug majors

## THE COMPASS

# JSPL to gain from expansion in capacity, better pricing for steel

Blast furnace in Angul from March seen boosting production and improving cash flow

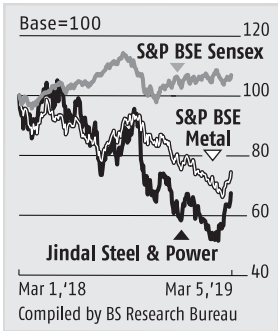
UJJVAL JAUHARI

Jindal Steel and Power (JSPL) is set to accrue gains on account of various factors, following an improvement in outlook for steel prices.

While the higher steel prices will translate to better margins and earnings, capacity expansions in the firm’s steel business will further boost its financials. JSPL’s DRI (direct-reduced iron) plant at Angul, with a capacity of 1.8 million tonnes per annum (mtpa), is expected to start production by mid-March.

The company will also see its 3.2 mtpa blast furnace achieve 11,000 tonnes per day (tpda) of rated capacity by the end of FY19. While the blast furnace had already stabilised with a production rate of 8,500 tpda, the DRI plant has now resumed operations of its coal gasification unit.

All these factors indicate good progress on its Angul plant achieving 5 mtpa production, say analysts who expect JSPL to achieve 5.8-6.5 mt of steel production during FY20, compared to an exit rate



of 6 mt at the end of January 2019. The ramp-up in downstream capacity will also boost margins. Coupled with cost efficiencies, all this will likely result in savings of up to ₹2,000 per tonne in FY20, say analysts at Edelweiss.

In fact, cost efficiencies and the volume ramp-up are already reflecting on financials. JSPL’s domestic steel operations had seen per-tonne profitability improve 9 per cent year-on-year to ₹12,344 during the December quarter (Q3), helped by better product mix, despite softness in steel prices.

Notably, the profitability has inched closer to levels reported by larger peers. JSW

Steel, for instance, had seen per-tonne profitability of ₹12,060 for its stand-alone operations during the December quarter, while Tata Steel’s fully integrated India business continued to lead, with per-tonne profitability of ₹16,400.

JSPL’s power business, though, continues to be the weak link. It had, however, seen better demand in Q3 with Plant Load factor (PLF) rising two percentage points to 35 per cent and realisations improve 3 per cent over the September quarter. Nevertheless, it is the steel business (contributing over 85 per cent to the consolidated top line) that continues to drive the overall prospects of JSPL.

Analysts at Motilal Oswal Securities say the ramping up of its new blast furnace at Angul is expected to drive 29 per cent compounded annual growth in steel production over FY18-20. Even if steel prices soften, and assuming compression in per-tonne profitability by 20-25 per cent from current levels to ₹9,500, analysts expect JSPL to generate significant free cash flow.

# Equity markets lost sheen in Q3

SACHIN P MAMPATTA  
Mumbai, 5 March

Equities may not be the most exciting market to be in, even if you are a stock exchange.

The two equity bourses in India saw significant slowdown in total income and profit, in the December quarter (Q3). A combination of fewer listings and falling ‘average daily traded value’ contributed to the drag in Q3. Non-equity bourses have shown sharper gains over the same period, according to an analysis of quarterly numbers.

The equity-focused National Stock Exchange and the BSE posted a combined increase of 11.9 per cent in total income, on a year-on-year (YoY) basis. Total expenses grew slightly faster, at 12.5 per cent. Overall, profit growth came in at only 1.9 per cent, hit by higher taxes in the quarter.

Both the BSE and NSE are the leading bourses in the equity segment, with the former being listed and the latter unlisted. The NSE discloses quarterly figures on its website, which was used for the analysis.

Interestingly, the two listed non-equity focused exchanges registered better gains. The commodity-focused Multi Commodity Exchange of India recorded a 42.6 per cent YoY gain in total income. Its profit more than doubled to ₹42 crore.

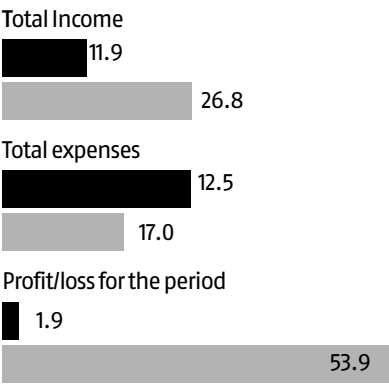
Power trading platform Indian Energy Exchange recorded a 177 per cent gain in profit to ₹42.62 crore. Total income was up 9.6 per cent to ₹76.92 crore. The exchange also benefitted from one-off returns, on account of treasury gains.

This was largely on account of the fall in interest rates in November and December, which resulted in gains on long-

## IN NUMBERS

Non-equity focused bourses have shown higher growth

- Equity (y-o-y growth in %)
- Non-equity (y-o-y growth in %)



Source: Company financials  
Note: Equity includes figures from BSE and the National Stock Exchange. Non-equity looked at the Multi Commodity Exchange of India and the Indian Energy Exchange

term investments, as stated during and analyst call after the Q3 results.

Equities faced a drag in Q3. There were 12 initial public offerings worth ₹36,294 crore in the quarter ended December 2017. There were none in the December 2018 quarter, shows the data from primary market tracker PRIME Database.

New listings contribute to the earnings of stock exchanges, along with the trading in already-listed shares. The average daily traded value fell for the two equity bourses

by around 3 per cent, shows the data.

Analysts believe that new segments can help drive growth in the future, even for exchanges that were primarily known as equity plays. Platforms for mutual fund (MF) transactions, insurance, and small and medium enterprises (SMEs) are among those expected to help volumes at Asia’s oldest stock exchange, according to a February 3 Result Review report by HDFC Securities.

“The BSE has several growth engines that are currently in the investment phase. Its new platforms INX and Insurance will start contributing from FY20-21E. Volume growth in Star MF will drive transaction revenues, with costs mostly fixed. Incremental revenue from new platforms (INX, Star MF, Insurance, SME and Bonds), volume revival, and higher listing revenues should also lead to revenue growth of 12.5/11.2 per cent in FY20/21E,” said the report, authored by analysts Amit Chandra, Aura Prasad and AK shay Armani.

Interestingly, the NSE has also got into multiple other businesses. It announced the launch of its commodity segment in October. This has also involved substantial investment. “As required by Semi, an amount of ₹250 crore has been earmarked towards a separate fund to augment the Settlement Guarantee Fund for Commodity Derivatives, by way of appropriation from General Reserves. Further, the company has earmarked investment of ₹250 crore towards the same,” it said.

Meanwhile, operational leverage could kick in with any recovery in equity markets, leading to higher growth for the segment as well, believe analysts.

# Sebi directs promoters, directors of Supreme Tex

PRESS TRUST OF INDIA  
New Delhi, 5 March

Market regulator Securities and Exchange Board of India (Sebi) on Tuesday directed 10 promoters and directors of Supreme Tex Mart to disgorge over ₹18 crore of unlawful gains made by them while trading in the scrip of the firm.

Sebi, in its interim order passed in 2017, “prima facie” found that the entities had engaged in the manipulative practice of sending SMS to investors, recommending purchase of Supreme Tex’s shares.

Due to the sending of SMS, volumes of the scrip of the company increased, which were then offloaded by them in the secondary market.

In a fresh order on Tuesday, Sebi noted that the promoters and directors of the firm had offloaded over 27 per cent shares of the company, making unlawful gains of over ₹14 crore, during the investigation period from June-October 2016.

# New NBFC loans for real estate may be ₹1.7 trn

JASH KRIPLANI  
Mumbai, 5 March

Non-banking financial companies (NBFCs) with large, but relatively low-vintage, loans to real estate developers are the most vulnerable to rising risks for asset quality in the sector, said analysts. According to some estimates, such loans stood at ₹1.7 trillion at the end of September 2018-19 (FY19).

Several NBFCs might not be prepared for the stress, as a large part of their exposure to real estate developers has only come in recent years.

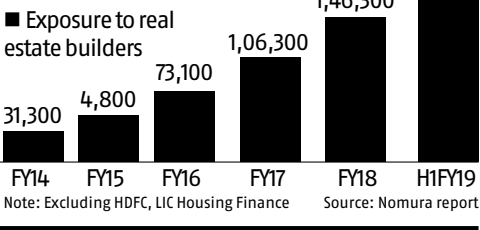
“A majority) of the real estate builder (CRE) funding in last four years (65 per cent incremental) have been driven by NBFCs and housing finance companies (HFCs), which were relatively new to CRE funding (10 per cent of market share in FY14),” analysts at Nomura said in a recent note.

These NBFCs’ exposure to developers has come at a fast clip, while banks have been shown relatively



## TESTING TIMES

NBFCs’ ‘new’ to developer financing have seen 5-times jump in exposure



more caution.

“If we exclude HDFC/LIC Housing Finance, which traditionally have been larger lenders to CRE, the growth of other NBFCs/HFCs in the sector has been at more than 40 per cent compound annual growth rate. Their loan book has grown from ₹30,000 crore in FY14 to ₹1.7 trillion in H1FY19,” analysts at Nomura added.

Analysts have flagged Edelweiss, L&T Finance, Indiabulls, and Piramal due to their real estate exposures. Among banks, analysts point out that

Yes Bank and IndusInd Bank have larger exposures.

Experts warn that the levels of non-performing assets (NPAs) could inch up further in the current quarter.

“Developers are saddled with inventory of more than 40 months of sales in most markets and are over-leveraged. Cash flow constraints and incremental credit from NBFCs have started pushing up NPA levels,” said analysts at Credit Suisse in a recent note. According to CLSA analysts, loans worth \$10-15 billion could be

under stress (about ₹70,509 crore to ₹1.05 trillion). Estimates suggest the stressed part accounts for 15-20 per cent of the total advances of \$60-70 billion (₹4.23-4.93 trillion) made to the real-estate sector by banks and NBFCs. Weak sale in under-construction housing segment is one of the key reasons for this.

“Construction activity at weaker developers is slowing and signs of stress should be visible from the first half of FY20 onwards, as liquidity among developers gets tighter,” the CLSA said in its note.

Risk-aversion from NBFCs would put further strain on developers’ liquidity. Analysts said NBFC disbursements fell 18 per cent on a year-on-year basis in the previous quarter and the decline in current quarter could be even higher.

Some of the NBFCs might be better placed to recover their dues. Lenders with cross-collateralisation rights on lease rental discounting (LRDs), unsold inventory or promoter assets will be better-off, analysts said.



# US to remain a challenge for drug majors

Indian firms such as Sun, Biocon, Aurobindo with specialty product portfolios will do better than peers

UJJVAL JAUHARI

New Delhi, 5 March

FIRM EARNINGS OUTLOOK

(in ₹ crore)

■ Sun Pharma

■ Biocon

■ Aurobindo

NET REVENUE	% change (YoY)
34,215	15.4
7,201	28.1
27,892	48.1
EBITDA	
8,248	28.6
1,840	32.2
6,024	49.9
NET PROFIT*	
5,347	38.8
1,039	35.4
3,159	27.2

₹ FY20 Estimates; \* adjusted for exceptional items

Source: Analyst reports

There are signs that pricing pressures for Indian pharmaceutical majors in the US market is easing a bit. But, while the worst seems to be over, growth could continue to be a challenge.

One of the reasons for this is the rate of approvals for abbreviated new drug applications (ANDA), which has been quite high for the past few months. Analysts at IIFL said at the current rate, ANDA approvals in 2018-19 (FY19) would be 38 per cent more than in 2017-18 (FY18).

This means competition in a larger basket will be high.

Analysts expect the US Food and Drug Administration (USFDA) to keep approval rates elevated, and the US generic pricing will improve from the current mid-to-high single digit erosion, when overall generic approvals start to come down, or first-time/exclusive generic opportunities start to go up. The first is not happening yet; there is some progress on the second. Ranjit Kapadia, senior vice-president, pharma, Centrum Broking, said companies are looking for opportunities in differentiated and proprietary products as well as biosimilars to boost growth.

Brokerages have given higher valuation to companies with more complex products than their peer. Analysts also reflect this trend. For instance, analysts say the promising ramp-up of the specialty pipeline is the reason for a positive outlook on Sun Pharma. While the company launched Yonsa (oncology drug) and Ilumya (psoriasis treatment) during the first half of FY19, it launched Xelpros (ophthalmology) in the third quarter. It also plans to launch Cequa in this quarter.

This is critical for Sun as incremental generic sales from Halol, according to broking firm Prabhudas Lilladher, remained tepid in the December quarter. While corporate governance concerns remain a move from generics to specialty in the backdrop of US headwinds is the key differentiator for Sun vis-à-vis its peers, feel analysts at ICICI Securities.

Aurobindo has been among the few generic majors that has not seen as much pricing pressure. Lower dependence on any one product helped it counter it.

Also, the company's mainstays on growth are also products with limited competition, such as its injectables portfolio. The company has continued to grow by turning around acquisitions.

While it recently completed the acquisition of Apotex's portfolio in Europe, it is on the verge of integrating the dermatology business of Sandoz in the US.

The acquisition transacted at attractive valuations (one time sales and five times Ebitda), will give Aurobindo higher scale (\$2.3 billion of consolidated US sales) and portfolio diversification.

The incorporation of the Sandoz business will increase the FY20 earnings per share by 15- 20 per cent, according to analysts at Elara Capital. Strong US business and an emerging European Union, transitioning from negative operating margins into the double-digits profitability, are key drivers for Aurobindo, they added.

However while Aurobindo may have succeeded with acquisitions, it has not worked as well for others.

Lupin had acquired the Gavis portfolio to drive US growth in 2015, for about \$880 million. However at the start of FY19, it had to take a one-time impairment of ₹1,464 crore on opioid drugs, looking at the increasing control on sale of these drugs.

The company's former Chief Financial Officer Ramesh Swaminathan had said, "We have seen underperformance in the sale of certain molecules and we have made impairment provision on a conservative side."

More on [www.business-standard.com](#)

## New aviation passenger charter lacks teeth

It neither mentions timelines for refund or compensation, nor talks about penal provisions for airlines

ANEESH PHADNIS & TINESH BHASIN

Pune resident Vandana Saxena Poria was supposed to fly from Mumbai to Bangkok on Tuesday, with a connecting flight to Australia. The Mumbai-Bangkok flight was on an Indian carrier, which sent a message to Poria that her flight had been cancelled. She called up the airline but couldn't speak to an executive despite being put on hold for 60 minutes. She reached out to the online travel agent, and the international airway that would take her from Bangkok to Australia. But, both tried to wash their hands off with the plea that it was the Indian carrier's responsibility. Eventually, she got a seat on an earlier flight to Bangkok, for which she was not prepared.

According to the newly introduced passenger charter, the airline should offer Poria an alternative flight or refund, whichever is acceptable to the passenger. The charter, which lists a flier's rights, was revised on February 27. It has introduced new provisions for flight delays; boarding denied due to overbooking; flight diversions; cancellation of tickets, etc.

Among the newly introduced provisions, a few will benefit fliers. Earlier, if a person had made a mistake in his name when buying the ticket, he had to cancel and buy a new one. Now, if the passenger asks for a correction within 24 hours of booking, it can be done free of cost. There's compensation for missing connecting flights due to the airline's fault, which was not covered earlier. Fliers can also cancel or modify their tickets within 24

### WHAT THE NEW REGULATIONS SAY

- Airline informs of flight cancellation**  
Alternative flight or refund, based on passenger's preference
- Airline doesn't inform of cancellation**  
Alternative flight or refund, based on passenger's preference, along with compensation
- Boarding denied due to overbooking**  
Airlines must arrange an alternative flight departing within an hour. If not, airline will pay compensation
- Ticket cancellation**  
No charges if passenger cancels within 24 hours of booking and before 7 days of departure of the flight
- Flight diversion**  
Refreshment should be provided
- Loss of baggage (domestic)**  
Airline liability restricted to ₹20,000 per passenger
- Loss of baggage (International)**  
Limited to SDR 1,131

Note: Special drawing rights (SDR) refer to an international type of monetary reserve currency. Source: Ministry of Civil Aviation

hours, without paying any charge, provided the flight departs seven days later. Experts are not convinced the charter will be able to address customer grievances fully. "Some of the new provisions in the charter dilute it. Moreover, it doesn't talk about the timeline within which the airline must act," says D Sudhakara Reddy, founder and national president, Air Passengers Association of India (APAI).

Aviation experts say a lot more could have been done. "The government had the opportunity to empower fliers, as has been done in the European Union's flight compensation regulations. The recently-introduced charter has many loopholes that will allow airlines to deny compensation to passengers," says Devesh Agarwal, a Bengaluru-based aviation expert. He points out that if an airline does not follow the provisions, the charter does not mention how it will be penalised. There is no way for a traveller to know if the regulator has acted on his complaint. Passenger rights are also not applicable if the event is beyond the airline's control, like a natural disaster, political instability, riots, flood, delays attributed to Air Traffic Control, and so on. In

the past, airlines have not compensated passengers, laying the blame on 'technical fault'. They only refund the cost of the ticket. Aviation experts say this will continue as the new regulations do not cover 'technical problems'.

The civil aviation ministry is hoping that self-regulation by airlines will work. "We hope self-regulation will work and airlines and airports will implement the regulations. At present, there is no mechanism to ensure implementation on a day-to-day basis. Customers can report grievances on the AirSewa app. Also, the civil aviation ministry and the Directorate General of Civil Aviation take regular feedback from airlines on complaints received and redressed. The ministry is also considering a data monitoring system which would analyse all air traffic data and this could help in framing new regulations or making existing rules effective," says a source.

Passengers like Poria need to complain and wait for a resolution, if they are unable to get through to the airline's contact centre. "Such a situation arises when an airline has cancelled a large number of flights, and is unprepared to deal with a high volume of calls. Passengers have to write to them for compensation in case of cancellation. Typically, airlines do not volunteer to pay on their own," says a source in a domestic airline.

### YOUR MONEY



### TODAY'S PICKS

<div><div>Nifty 50</div><div><div>11,150</div><div>11,000</div><div>10,850</div><div>10,700</div><div>10,550</div></div><div>Feb 12019Mar 5</div></div>	<div><div>Bank NIFTY</div><div><div>27,640</div><div>27,380</div><div>27,120</div><div>26,860</div><div>26,600</div></div><div>Feb 12019Mar 5</div></div>	<div><div>Price in ₹</div><div><div>3,000</div><div>2,900</div><div>2,800</div><div>2,700</div><div>2,600</div></div><div>Feb 12019Mar 5</div></div>	<div><div>Price in ₹</div><div><div>245</div><div>237</div><div>229</div><div>221</div><div>213</div></div><div>Feb 12019Mar 5</div></div>	<div><div>Price in ₹</div><div><div>327</div><div>319</div><div>311</div><div>303</div><div>295</div></div><div>Feb 12019Mar 5</div></div>
<div><div><b>Nifty</b></div><div>Current: <b>10,987</b> (fut <b>11,031</b>)</div><div>Target: <b>NA</b></div><div>Stop-long positions at 10,950.</div><div>Stop-short positions at 11,005.</div><div>Big moves could go till 10,900, 11,150.</div><div>A long mar14 11,100c (47) can be offset with a short mar07 11,100c (41).</div><div>If 11,100 is hit, the Mar 14 option's gains will offset the losses in the Mar 7.</div></div>	<div><div><b>Bank Nifty</b></div><div>Current: <b>27,554</b> (fut: <b>27,634</b>)</div><div>Target: <b>NA</b></div><div>Stop-long positions at 27,475.</div><div>Stop-short positions at 27,750.</div><div>Big moves could go till 28,000, 27,275.</div><div>Trend is bullish but newsflow could change the sentiment.</div></div>	<div><div><b>HeroMotor</b></div><div>Current price: <b>₹2,795</b></div><div>Target price: <b>₹2,840</b></div><div>Keep a stop at ₹2,770 and go long.</div><div>Add to the position between ₹2,825 and ₹2,835.</div><div>Book profits at ₹2,840.</div></div>	<div><div><b>Coal India</b></div><div>Current price: <b>₹241</b></div><div>Target price: <b>₹246</b></div><div>Keep a stop at ₹239 and go long.</div><div>Add to the position between ₹244 and ₹245.</div><div>Book profits at ₹246.</div></div>	<div><div><b>Bharti Airtel</b></div><div>Current price: <b>₹308</b></div><div>Target price: <b>₹311</b></div><div>Keep a stop at ₹303 and go long.</div><div>Add to the position between ₹304 and ₹395.</div><div>Book profits at ₹303.</div></div>

DEVANGSHU DATTA

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

## COMMODITIES

MCX BASE METALS FUTURES CONTRACTS

CREATING VALUE FOR HEDGERS

MCX

METAL & ENERGY

Trade with Trust

PRICE CARD

As on March 5

	International		Domestic
	Price	%Chg*	Price %Chg*
METALS (\$/tonne)			
Aluminium	1,859.5	-5.4	2,156.3 -3.8
Copper	6,420.0	4.2	6,866.2 1.7
Zinc	2,788.0	3.0	3,149.4 2.7
Gold (\$/ounce)	1,285.8*	3.9	1,417.9 4.1
Silver (\$/ounce)	15.1*	4.2	16.8 4.4
ENERGY			
Crude Oil (\$/bbl)	65.1*	7.4	65.2 8.1
Natural Gas (\$/mmBtu)	2.9*	-35.6	2.9 -35.3
AGRI COMMODITIES (\$/tonne)			
Wheat	210.5	-3.2	269.5 -10.0
Sugar	341.2*	-0.7	466.9 3.4
Palm oil	540.0	13.7	883.8 7.0
Rubber	1,738.0*	39.3	1,815.9 7.8
Cotton	1,586.7	-10.2	1,730.7 -5.6

\* As on Mar 05, 1800 hrs IST, % Change Over 3 Months  
Conversion rate 1 US\$ = 70.5 & 1 Ounce = 31.1032316 grams.

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

# Man-made textile industry on the cusp of turnaround

DILIP KUMAR JHA  
Mumbai, 5 March

A revival in demand over the last few weeks, following producers' ability to fix prices of their products, has brought the man-made textile industry on the cusp of a turnaround. The stabilising oil prices can be seen as the key factor behind this because prices of synthetic yarn and fabric move in tandem with crude oil prices — the latter being the sole raw material of the former.

The prices, which are holding above \$60 a barrel since February 1, have allowed synthetic yarn, fabric, and textile manufacturers to fix their product prices for the long term. Towards the end of December, the prices fell sharply to \$49.79 a barrel, from \$85.10 a barrel. After a gradual pick-up, it is currently trading at \$65.05 a barrel.

This has come as a major relief for man-made fibre and yarn manufacturers reeling from the pressure of demonetisation and the goods and services tax (GST). After the implementation of both, a large portion of man-made yarn and fabric business, which saw transactions in cash, disappeared.

"With the revival in demand, man-made fibre and yarn business is on a turnaround. The December quarter was highly volatile because of fluctuating crude prices. Once they stabilised, man-made fibre and yarn businesses benefitted," said Madhu Sudhan Bhageria, chairman and managing director (MD), Filatex



### SHINING TRADE

How imports stand

■ Staple fibre ■ Yarn fabrics madeups ■ RMG fibres

FY15	407	1,886	143	2,436
FY16	403	1,727	168	2,298
FY17	366	1,607	176	2,149
FY18	369	1,896	234	2,499
FY19*	395	1,859	277	2,531

(\$ mn)

Total

\*Up to Jan 2019; Compiled by BS Research Bureau

Source: DGCI

India, one of the country's largest manufacturers of man-made fibre and yarn. The revival also increased the stock prices of man-made fibre and yarn manufacturers, which rose up to 10 per cent over the last two weeks.

Domestic man-made fibre and yarn manufacturers are betting big to grab a larger pie of the global market. This comes at a time when

China, the world's largest producer of these products, is cutting production due to high labour cost. Industry sources said the labour cost in China has risen to \$1,100 a month, compared with \$200 a month in India.

Sensing this opportunity, leading domestic players have chalked out massive investment plans to expand their capacity and a grab

## Iron ore auctions hit the slow lane

JAYAJIT DASH  
Bhubaneswar, 5 March

Iron ore auctions in the country are losing their momentum, dogged by issues ranging from regulatory and environment to threats posed by the outlawed ultras.

Since the enactment of the new Mines and Minerals (Development and Regulation) Act 2015, only 17 iron ore blocks could be auctioned.

The list of auctioned deposits includes 12 operative blocks offered for bidding in Karnataka. Auctions in the southern state were done conforming to a Supreme Court order pronounced before the revised MMDR Act was enforced.

The price of acquiring these auctioned assets was deterring, an industry source said, citing eight of the 17 blocks received final bids, with a staggering premium of over 100 per cent, the highest being 275 per cent of the sale price notified by the

Indian Bureau of Mines. Besides Karnataka, three iron ore blocks have been auctioned in Odisha and one apiece in Jharkhand and Madhya Pradesh.

The other sore point is the disproportionate asset distribution in the auctioned blocks. Of the 17 blocks, six have deposits of less than 15 million tonnes (mt) and even for these blocks, mining leases are envisaged to be signed for 50 years, according to the statutory terms.

Insufficient reserves in the six auctioned blocks have flagged concerns on long-term raw material security for meeting the requirement of end-use projects.

The future of iron ore blocks is beset with uncertainty. Key iron ore producing states of Odisha, Jharkhand, and Chhattisgarh are riddled with disparate roadblocks to the smooth conduct of auctions.

More on [business-standard.com](#)

### HITTING ROADBLOCKS

Block detail	Reserve (mt)	Status	State	Highest bid (in %)
Paratpura	2.60	New	MP	275
HG Rangangouda	63.33	Operating	Karnataka	130
Lakshmi Narayan Mining Company	31.53	Operating	Karnataka	111
Kanhaiyalal Dudhara	9.26	Operating	Karnataka	111
VS Lad & Sons	28.61	Operating	Karnataka	103

MP: Madhya Pradesh

Sources: Union mines ministry, Industry data







# Geotagging, elections push OOH branding

Technology helps recast one of the oldest modes of promotion, while a string of big events promises to deliver a big year for outdoor advertising

SNEHA BHATTACHARJEE  
New Delhi, 5 March

Out of home (OOH) advertising may well count as a relic in the age of digital media. And yet, innovative repackaging coupled with data-driven usage and an action-packed year where cricket and elections promise an advertising blitzkrieg are unlocking new opportunities for the old medium.

For one, the industry is tackling an old problem, that of its lack of metrics. New technology and a handy set of tools is helping advertisers get a far more accurate idea of the returns from the medium.

Laqshya Media Group (LMG), a marketing communications group, has been working with OOH vendors with ‘SHARP’ or Strategic Hyperlocal AI-powered Research Planner—a tool that helps advertisers drive more value from billboard promotions. Recently when Zee5 launched its web series, *Rangbaaz*, LMG analysed consumer congregation points, high traffic routes, etc and identified dominance zones to gain maximum mileage.

Sai Nagesh, chief strategy officer, LMG said, “SHARP is the combination of diverse data points involving geotagged OOH formats, traffic study by a global research agency, API integrations with large service providers and other multiple databases”. As part of Phase 1 the software delivers results for 26 cities with data on more than 50,000 sites comprising billboards, mall facades, pillars, poles across these cities.

The OOH media players have taken their time incorporating data-led strategies in



From 9 per cent in 2018, OOH advertising is expected to grow at 11 per cent in 2019: Pitch Madison

their marketing plans, however. Nagesh attributes this to the perception that OOH is the last step in the marketing communication mix. Consequently the medium ends up bagging a disproportionately small share of the spend pie.

Lack of professional players has also been a drawback, says Haresh Nayak, regional director, Posterscope, an OOH communications agency that is a part of the Dentsu Aegis network. “The industry is slowly opening up thanks to technology that’s played an important role in calculating data for brands,” he says.

Most brands see OOH as a ‘reminder’ medium to keep the brand name alive in front of the target audience. “With a measuring tool, advertisers and media owners will be forced to relook at the medium as accurate measurement will ensure better ROI for both sides,” says Nagesh.

Ambi Parameswaran, founder-CEO Brand-Building says he is not sure how advanced these cross-indus-

try measurements are. “Each big advertiser, and media buying agency has its own metrics,” he says. Still few doubt the increased enthusiasm for OOH as an advertising medium today for a wide range of businesses.

According to the Pitch Madison report, in 2018, the OOH market grew by 9 per cent and now stands at ₹3,365 crore. Organised retail, consumer services and real estate were the top three categories that contributed to OOH; OTT players are emerging as big spenders too. In 2019, it is expected to grow by 11 per cent to reach a size of ₹3,750 crore.

Nayak however feels that the OOH industry has already been growing at 20 per cent year on year and will see at least 30-35 per cent growth in 2019. “It is the season of large campaigns. World Cup, Indian Premier League, Lok Sabha elections, these would involve large spending as well. Clients are making note of long-term hold,” he says.

There are new hurdles too, as Parameswaran points out. For instance some cities are trying to restrict OOH use for election campaigns (Goa) and Chennai has eliminated traditional hoardings. However, there has been a growth of what is called “street furniture” that doubles up as billboard space. “The emergence of bus stands as a viable ad medium is an indication that we will see OOH transforming into new modes of delivery systems,” he adds.

Airport advertising commands a healthy share of the OOH market too.

Nayak points out, “if your campaign is good, OOH will bring great visibility for your brand”. Brands will have to keep in mind what a consumer would want to see. It is here that the new measurement tools could play a big part. “A metric tool will help brands understand the consumer data better and accordingly help them design their campaigns,” says Harish Bijoor, founder, Bijoor Consultants.

▶ FROM PAGE 1

## NBFCs face new governance, exposure code

Fear is that bank-led NBFCs may also have taken on substantial exposure given that several state-run banks had almost vacated lending to these sectors following strictures under the prompt correct action framework in recent times.

Of particular concern is the business of loans against shares to promoters of companies, which allows them to play foot-loose, and the dangers arising out of such exposures to the capital and realty marts. To the extent banks use their NBFCs to gain regulatory flexibility to service their borrowers, fear is that if these subsidiaries were to walk into a quicksand, capital calls will come to bear on the promoter bank. The move to write in a new framework on NBFCs’ CEO remuneration is to align it with that of private bank chiefs on bonus and stock options and to make it part of the variable-pay component. So too, the shift to get NBFCs on RBS — the off-site surveillance mechanism in place for banks. The guidelines may not cover the entire universe of NBFCs but, to begin with, at least the systematically important entities on liquidity,

exposures, supervisory controls and governance like in the case of banks.

## Trump scraps preferential trade treatment for India

The move to end the GSP for India and Turkey is the latest push by the Trump administration to redress what it considers unfair trading relationships with other countries. Trump has pledged to reduce US trade deficits, and has repeatedly called out India for high tariffs.

**Uncertainty over trade package**

Coming down hard on India, the USTR said on Monday, “India has implemented a wide array of trade barriers that create serious negative effects on United States commerce.”

The first casualty of the latest development is expected to be the mutually acceptable trade package between the two nations, under negotiation for months. Trade officials have met as many as five times in the last one year to hammer out a deal that provides an amicable solution. Sources had

earlier indicated India was considering the dismantling of its current price-cap regime for coronary stents in favour of a trade margin policy. But the government now says that keeping in the mind the realities of the health sector and India’s position as a developing nation, essential medical equipment like stents would not see a hike in prices.

**Rough ride for now**

Officials didn’t clarify whether India would again delay the imposition of the already announced higher duties on 29 key imports from the US, which has been deferred a record six times. After multiple deferment since June last year, the tariffs are now set to go live from April 1. Wadhawan said internal reviews would be conducted to decide on whether the deadline would be extended, but other officials advocated the need of a tougher stance.

**Where did ₹42K cr go, Sebi asks Sun Pharma**

In an email response to *Business Standard*, a Sun Pharma spokesperson said: “While we do not have access to the whistle blower documents, we have received an information request from SEBI related to our transactions with Aditya Medisales. We have responded to SEBI on the query.”

Sun Pharma has denied all allegations of wrongdoing, called them baseless and false, and provided specific details for each query raised by the regulator, said a source familiar with the case. On the fund diversion allegation, Sun Pharma said that AML has been generating profits after tax ranging between ₹10 crore and ₹30 crore in last five years. It said that AML’s book of accounts has already been filed with the Registrar of Companies and other appropriate authorities whenever required.

Further, Sun Pharma enclosed the AML turnover figures for five years from 2013 to 2018. According to the disclosure, the turnover for FY18 was a little over ₹8,000 crore; in FY17, it was ₹7,800 crore; in FY16, ₹6,000 crore; in FY15, ₹4,300 crore; and in FY14, the turnover was about ₹2,000 crore.

One of Sebi’s queries related to the trade arrangement between AML and Sun Pharma. Typically, the distributor is a third-party which buys drugs from the manufacturer and sells them to customers for a margin. However, in this relationship, Sun Pharma was dealing with a distributor which was also its subsidiary, an arrangement that raised suspicions.

On this matter, Sun Pharma explained that AML operates through Carrying and Forwarding Agents (CFAs) who have a proper drug licence to reach out to various locations. In addition, AML also has an arrangement with separate CFAs who have a demarcated warehouse and drug licence. In its submission to the regulator, Sun Pharma has given a copy of the agreement between AML and CFAs and its separate arrangement with agents.

## TaMo, M&M provide Indian spark to Geneva Motor Show

While the Altroz and its EV version are based on the ALFA platform, the Buzzard comes pinned on the OMEGA architecture. The company plans to launch the product in the next financial year. The Altroz, which will be launched later this year, will come with both petrol and diesel engine options.

**Faster than a F1 car**

The Battista will deliver a level of performance that is “unachievable today in any road-legal sports car featuring internal combustion engine technology,” Automobili Pininfarina claimed.

“This is the most authentic and exciting automotive story imaginable. The Battista is the hypercar of the future, inspired by a legendary past,” Automobili Pininfarina CEO Michael Perschke said.

Electrification unlocks the door to a new level of performance and a zero-emissions future, whilst a passion and respect for automotive history will define how this landmark car looks and feels, he added.

More on business-standard.com

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# Average pay hike to be 9.7%, top performers to get 15.6%: Survey

Aon's salary increase survey says attrition rate declined to 15% in 2018 as against 18.5% in 2013

VINAY UMARIJ  
Ahmedabad, 5 March

Employees in India are expected to get an average salary hike of 9.7 per cent this year, a marginal increase from last year, while top performers will get 15.6 per cent hike, as companies are focusing on performance and productivity.

Human resources consultancy firm Aon's annual salary increase survey predicts an average salary hike of 9.7 per cent across industries, as companies expect a positive economic outlook, backed by high economic growth expectation, high domestic demand, and low inflation.

Conducted over 1,000 participating companies across 20-plus industries, the survey finds pay increase stabilising at single digits of 9.3 per cent in 2017, 9.5 per cent in 2018, and 9.7 per cent projected in 2019, after consistently clocking double-digit growth between 2010 and 2016.

“Pay increases are marginally positive, compared to earlier years. A big highlight is the reducing difference in pay increases across industries year-on-year. A lot of the pay increase decline is also reflected in the constant drop in voluntary attrition levels across industries,” said Anandorup Ghose, partner and head, emerging markets, Aon.

While there is improvement in the overall increment projection, pay increase budgets across sectors are increasingly inclined towards the overall average. According to Ghose, this is also



## LOW ON DOUBLE-DIGIT RAISE

Sectors projecting double-digit increment have come down over the years, with only five sectors projecting such increment for 2019

<b>11.1%</b> Consumer internet companies	<b>11.1%</b> Professional services	<b>10.1%</b> Life sciences	<b>10.1%</b> Automotive	<b>10.1%</b> Consumer products
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being reflected in expectation of head count coming down from 20 per cent to 12-13 per cent this year.

“The lower pay hike shows the need in India Inc to control cost. This is being done by hiring fewer people. Moreover, bulk hiring is getting replaced by focused hiring,” said Ghose.

Sectors projecting double-digit increment have come down over the years, with only five sectors projecting a double-digit increment for 2019. These include sectors such as consumer internet companies (11.1 per cent), professional services (11.1 per cent), lifesciences

(10.1 per cent), automotive (10.1 per cent), and consumer products (10.1 per cent).

While India Inc saw a positive shift in increment percentages, attrition continues to maintain a downward trend. Attrition has declined from 18.5 per cent in 2013 to 15.8 per cent in 2018, indicating blunting the edge of the ‘push’ forces at work. At the same time, the ‘pull’ forces have abated as well, with fewer industries attracting talent from the market.

Against overall attrition, involuntary attrition has gone up from 3.5 per cent to 3.7 per cent between 2014-15 and 2018-19, and more prominently from 3.3 per cent

to 3.9 per cent in the case of entry level for the same period. The survey attributes this trend to cost rationalisation as well as rising automation in certain kinds of jobs, especially in information technology (IT) and the manufacturing sector.

According to Aon's survey findings, in order to manage overall pay budgets, companies are rethinking their hiring strategy and focusing on hiring key skills, which will determine the success of the business over the longer term.

As digitisation becomes the new normal, companies are investing in these niche skills to stay relevant in the changing business scenario.

“Every election year presents a set of interesting dynamics in how companies plan and execute on budgets. We expect this year to be no different. But we are fairly confident that the double-digit pay increase days are well behind us, as India Inc shows maturity in managing economic and political cycles,” added Ghose.

Meanwhile, from 2001-2007, the services sector has observed higher salary increases on the back of boom in sectors like IT/ITeS and banking, but after 2008-09, the manufacturing sector has gained the lead and has consistently given higher increments, given high industrial growth.

Further, 2016 onwards, the divide has been slighter and the margin between the two sectors has reduced considerably to under 1 per cent on an average.

# PM unveils national pension scheme for unorganised sector



PM Narendra Modi hands over a card to a beneficiary of 'Pradhan Mantri Shram Yogi Pension Yojana' for unorganised workers during an event in Ahmedabad on Tuesday

PHOTO: PTI

PRESS TRUST OF INDIA  
Ahmedabad, 5 March

Prime Minister Narendra Modi launched the Pradhan Mantri Shramyogi Mandhan Pension Yojana on Tuesday, a pension scheme for workers of the unorganised sector in Gujarat.

“Under this scheme, unorganised workers will get a pension of ₹3000. I am told that over 1.4 million workers have been enrolled under the scheme,” Modi said. Speaking at the event, Modi targeted Congress President Rahul Gandhi over poverty, saying only those oblivious to sleeping hungry at night can think that it is a state of mind.

For some, poverty is just an opportunity to click photos, Modi said, sharpening his attack on the Congress

“THIS SCHEME HAS BEEN LAUNCHED BY OUR GOVERNMENT AS A TRIBUTE TO THE UNORGANISED SECTOR, WHO CAN EARN SOME MONEY TILL THEIR BODY IS FIT BUT ARE WORRIED ABOUT WHAT WILL HAPPEN TO THEM WHEN THEY GET OLD”

NARENDRA MODI, Prime Minister

chief. “This scheme is aimed at uplift of the section of society which has been ignored and left at the mercy of God. They (Congress) gave slogans of *garibi hatao* (end poverty). Some projected themselves as messiah of workers. But during their

tenure they did not launch such a scheme, he said.

“They ruled the country for 55 years and collected votes in the name of poor,” he said. “This scheme has been launched by our government as a tribute to the unorganised sector, who can earn some money till their body is fit but are worried about what will happen to them when they get old,” Modi said.

“They thought that poverty is a mental state. See how is this *net*a who says that there is nothing like poverty but a mental state,” Modi said, targeting the Congress president. “For them poverty is an opportunity to click pictures. Only those oblivious to sleeping hungry even for one night can think that it is a state of mind,” Modi said.

# Congress rejects alliance with AAP in Delhi

ARCHIS MOHAN  
New Delhi, 5 March

Unwilling to overcome their misgivings about Delhi Chief Minister Arvind Kejriwal and the Aam Aadmi Party (AAP), the Congress party's Delhi unit on Tuesday rejected the possibility of a pre-poll alliance with the AAP for the seven Lok Sabha seats in Delhi.

The BJP had won all the seven seats in the 2014 Lok Sabha polls, and a split in vote between the Congress and AAP could repeat the result in the city-state. The BJP has a consistent 33 to 36 per cent vote share in Delhi.

As in the case with West Bengal, where the local Congress unit has opposed any truck with the Trinamool Congress, party President Rahul Gandhi

bowed to the wishes of the party's Delhi unit that decided against an alliance with the AAP. Senior leaders of the Congress party's Delhi unit, including Delhi unit chief Sheila Dikshit, met the Congress chief for nearly two hours in the morning. They conveyed to him their opposition to an alliance with AAP. “We have unanimously decided that we will not have an alliance with the AAP

and we will contest alone and will emerge stronger,” Dikshit said.

Kejriwal accused the Congress of helping the BJP. “At a time when the whole country wants to defeat Modi-Shah duo, Cong is helping BJP by splitting the anti-BJP vote. Rumours are that the Congress has some secret understanding with the BJP. Delhi is ready to fight against a Cong-BJP alliance.