

THE MARKETS ON TUESDAY			Chg#
Sensex	35,980.9	▲	130.8
Nifty	10,802.2	▲	30.4
Nifty futures*	10,844.7	▲	42.5
Dollar	₹70.2		₹69.7**
Euro	₹80.4		₹79.7**
Brent crude (\$/bbl)**	57.2**		56.9**
Gold (10 gm)***	₹31,785.0	▲	₹30.0

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

## RBI ASKS BANKS TO TREAT IL&FS LOANS AS NPAs

The Reserve Bank of India (RBI) has declined a request by some lenders to the Infrastructure Leasing & Financial Services (IL&FS) group to allow them a standstill arrangement for six months for their loans. Banking sources said some lenders, who are to close accounts for the third quarter of FY19 early, had sought this arrangement. The plea, if accepted, would save them from making huge provisions, and protect their balance sheet. The non-payment of dues beyond 90 days would force the banks to treat their exposure as a non-performing assets. The National Company Law Appellate Tribunal (NCLAT) had restrained lenders from taking action to recover dues as the case is sub-judice. **ABHIJIT LELE** writes

## Heathrow resumes flights after drone disruption

Heathrow resumed flights, a spokeswoman for Europe's biggest airport said, after departures were disrupted for an hour on Tuesday following reports of a drone sighting. Flights had been suspended at 1705 GMT (10.35 pm IST), police said. Last month, London's second-busiest airport, Gatwick, was severely disrupted when drones were sighted over three days, forcing the cancellation of around 1,000 flights. **PTI**

## Jalan may submit report on RBI reserve in April

A high-level panel led by former RBI governor Bimal Jalan on Tuesday held its first meeting to decide on an appropriate size of reserves that the central bank should maintain and the dividend it should give to the government. The six-member panel is likely to submit its report in April, sources said. The panel has been entrusted with the task of reviewing the best practices followed by central banks worldwide in making assessment and provisions for risks which a central bank balance sheets are subject to. **PTI**

### ECONOMY & PUBLIC AFFAIRS P4

## Modi, Trump discuss trade deficit, defence on phone

Prime Minister Narendra Modi and President Donald Trump held a telephonic conversation during which they discussed the contentious issue of the US trade deficit with India and ways to enhance cooperation in areas of defence and counter-terrorism. The two expressed satisfaction at the continued growth of the India-US strategic partnership.

### COMPANIES P3

## DoT may ask Trai to review flat 3% user levy

The department of telecommunications (DoT) may ask the Telecom Regulatory Authority of India (Trai) to review its recommendation of 3 per cent flat spectrum usage charge on airwaves to be auctioned in the sale. This is because the levy may have legal implications in the future. **MEGHA MANCHANDA** writes

### COMPANIES P3

## Pfizer's move to close 2 units may hit 1,700 staff

US pharma major Pfizer has decided to shut down its manufacturing units in Chennai and Aurangabad. The move will impact over 1,700 employees working in these two factories. Pfizer said it conducted an evaluation of the sites and concluded that due to a significant long-term loss of product demand, manufacturing is not viable. **GIREESH BABU & T E NARASIMHAN** report



### COMPANIES P2

## DESPITE OFFERS, LUXURY CAR SALES HIT SLOW LANE IN 2018

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# Lenders want Goyal to quit Jet's board

SBI gets ready to pick up stake; family member may replace Naresh Goyal on airline's board



### RECAST PLAN

- Naresh Goyal may halve his stake from 51% now
- SBI likely to hold more than 20% in the airline
- Etihaad unlikely to raise stake from the current 24%
- Tatas, PE firms drop plans to invest in Jet

₹8,200 cr  
Jet's debt as of Sep 2018

**ABHIJIT LELE, ANEESH PHADNIS & NIVEDITA MOOKERJI**

Mumbai/New Delhi, 8 January

As lenders, led by State Bank of India, are firming up a way ahead for ailing private carrier Jet Airways, the future role of promoter Naresh Goyal, his stake in the airline and the composition of the board could steer the direction of talks between the two sides, sources in the banking industry said.

While bankers met top executives of Jet on Tuesday to discuss the financial state of the airline and how loans of over ₹8,000 crore could be recast, it is learnt that SBI could possibly consider converting its debt to equity in the Goyal-led company. Also, lenders are clear that Goyal must step down from the Jet board, though there could be an arrangement by which he may continue his association with the airline in a non-executive capacity. "The conversation is around reducing Goyal's say in operating the airline," a banker pointed out.

There's speculation that one of his family members could replace Goyal, 69, on the Jet board. But that person is unlikely to chair the airline board, a person in the know said. His wife Anita Goyal, who's actively involved in running the company, is already on the Jet board, and may have to step down as well. His son Nivaan Goyal, in his 20s and being groomed for a bigger role, could perhaps be a possible choice for a board position.

Naresh Goyal and Anita Goyal also have a daughter Namrata Goyal, who's into film production. There will be a rejig of the current board, a source said.

Goyal, holding about 51 per cent in Jet, is believed to be working on a dilution of stake, bringing it down to around half. According to discussions, SBI would hold more than 20 per cent stake in the airline, which turned 25 last year. Jet's foreign partner Etihaad, with 24 per cent in the airline, was in discussions to raise its stake, but that scenario may have changed with lenders, especially SBI, taking the driver's seat in the deal.

Recently, Jet held talks with other potential investors, including the Tata group and some leading private equity firms. However, the talks failed to fructify because of various reasons, mainly as the investors insisted on Naresh Goyal's complete exit from the airline as a condition for picking up a stake.

Ahead of Lok Sabha elections, the government does not want another Indian airline going bust and is keen that Jet is bailed out, sources indicated. However, ministers have made statements saying that the government does not want to intervene in the business of private airlines.

Analysts have compared the decline of Jet with that of Vijay Mallya-founded Kingfisher Airlines, which owed more than ₹9,000 crore to some 17 lenders including SBI. The loans had become NPAs on the banks' books in 2012. **Turn to Page 6 ▶**

## FINANCE MINISTRY TURNS DOWN SEBI PLAN TO DO AWAY WITH DRR



The finance ministry has rejected the Securities and Exchange Board of India's (Sebi's) proposal to do away with the requirement of the debenture redemption reserve (DRR) — a provision mandating both listed and unlisted companies to set aside 25 per cent of their profits for protection of bond investors in case of a default. Financial institutions such as banks and non-bank financial companies are, however, exempted from this requirement if funds are raised through a private placement. Sebi proposed to the department of economic affairs that the DRR rule be reviewed, saying it was not favourable for development of the corporate bond market. **SHRIMI CHOUDHARY** writes

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# SC reinstates Verma as CBI chief, but curtails his powers

**AASHISH ARYAN**

New Delhi, 8 January

The Supreme Court on Tuesday reinstated Alok Verma as director of the Central Bureau of Investigation (CBI), observing that it was necessary the agency's chief "should be the role model of independence and integrity, which can only be ensured by freedom from all kinds of control and interference". The apex court set aside the government's order sending Verma on leave and divesting him of powers, handing a partial moral victory to him.

The court, however, said Verma would not take any major policy decisions until the high-powered committee responsible for selection and appointment of CBI director met and looked into the allegations of corruption against him. The panel, which comprises the prime minister, leader of Opposition and chief justice of India, would meet within a week to decide on the issue based on the findings of the Central Vigilance Commission (CVC) inquiry, the court said.

The CVC is probing Verma and his deputy, Rakesh Asthana, on charges of corruption. On October 23 last year, the government had, on the recommendations of the CVC, sent Verma and Asthana on leave until further notice after the two accused each other of being corrupt. Subsequently, Verma had moved the Supreme Court, challenging the CVC's decision to send him on leave, calling it "patently illegal" as it flouted the norms of a fixed two-year term for CBI chief. **Turn to Page 6 ▶**

### CASE FILE: CBI VS CBI

#### OCT 2018

- CBI books Deputy Director Rakesh Asthana, DSP Devender Kumar on bribery charges
- Agency raids Kumar's house, office; arrests him
- Kumar moves Delhi HC, seeking quashing of FIR; Asthana, too, moves HC

- HC orders status quo regarding Asthana, seeks CBI response
- Govt divests CBI chief Alok Verma of all powers, appoints M Nageswara Rao interim chief
- Verma moves SC, says fixed tenure cannot be altered
- SC asks CVC to complete probe against Verma in 2 weeks

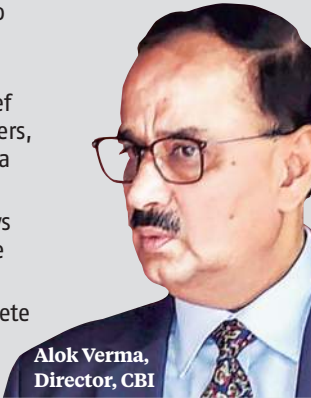
#### NOVEMBER

- FIR against Asthana shows cognisable offences, CBI tells HC

- CVC files preliminary probe report

#### DECEMBER

- Infighting exposed CBI to ridicule, Centre tells SC



Alok Verma, Director, CBI

### SUPREME COURT WRAP

PAGE 2 ▶

## MONSANTO OWNER OF Bt COTTON PATENT

Monsanto is the rightful patent owner for Bt cotton seeds in India, the Supreme Court ruled on Tuesday. It overturned a Delhi High Court division Bench order that had ruled that items such as seeds, plants and animals could not be patented.

## RELIEF FOR VEDANTA'S STERLITE PLANT

The Supreme Court refused to stay the NGT's order of setting aside Tamil Nadu's decision to close Vedanta's Sterlite copper plant at Tuticorin. A Bench sought response from Vedanta on the state's appeal against the NGT's order to reopen the plant.

## DETAILS OF INSOLVENCY LAW PANEL SOUGHT

The apex court on Tuesday asked the government to detail the composition of the Insolvency Law Committee, set up to identify and suggest ways to address issues in implementation of IBC and as to which cases were under active consideration of the group.

# 10% quota to cover pvt institutions too

## Lok Sabha passes the Bill; to be tabled in Rajya Sabha today

**ARCHIS MOHAN**

New Delhi, 8 January

The Lok Sabha on Tuesday passed a Constitution amendment Bill that seeks to provide 10 per cent quota in jobs and educational institutions, including private-run higher educational institutions, to economically weaker sections from the general category.

Terming the measure a "poll gimmick", Opposition parties said it was unlikely to pass judicial scrutiny and cautioned that the government breaching the Supreme Court-mandated 50 per cent cap on quotas would open a Pandora's Box.

After the Bill's passage, Prime Minister Narendra Modi said his government's endeavour was to ensure that every poor person, irrespective of their caste or creed, got to lead a life of dignity.

During the nearly five hour-long discussion, Opposition members said the Bill suffered from lacunae, that it was drafted in a hurry without consultations and unlikely to pass judicial scrutiny. They said the Modi govern-

### DEMAND DELUGE\*

**LJP's Ram Vilas Paswan** demands 60% quota in private sector, judiciary

**AIADMK's M Thambi Durai** wants quota to be raised to 70%

**TRS** seeks 12% quota for Muslims, 10% for STs

**BSP's Mayawati** demands review of quotas for SC, ST and OBCs; wants in proportion of their population

**SP's Ram Gopal Yadav** demands OBC reservation be increased to 54%

**INLD's Dushyant Chautala** says govt should make caste census data public

\*Includes demands made outside Lok Sabha as well

## BILL ON CITIZENSHIP TO NON-MUSLIM IMMIGRANTS CLEARED IN LOK SABHA P6

ment had failed to fulfill its promises on job creation and ₹15 lakh in each bank account, and was now trying to mislead the youth. **Turn to Page 6 ▶**

# Asian firms queuing up to set up R&D units in India

**DEBASIS MOHAPATRA**

Bengaluru, 8 January

After US and European companies, now Asian firms are also betting big on Indian talent by setting up research and development (R&D) units, also known as global in-house centres (GICs), in the country to drive innovation in new technologies.

In the last one year, at least nine large business conglomerates from countries like Japan and Singapore have set up their captive technology centres in India to step up research and development in areas like Internet of Things (IoT), artificial intelligence, data analytics, among others. Experts say that apart from the country's huge talent pool, its growing start-up ecosystem and cost efficiency are the other factors that have spurred the move.

"Asian firms have realised that many US and European companies have grown by leveraging Indian talent. So skill is the

primary reason behind setting up Indian captives," said Pareekh Jain, an engineering services consultant and founder of Pareekh Consulting. "These Asian firms also see India as a huge market which they want to serve through local presence."

For years India has been an attractive place for global corporations to set up GICs. According to management consultancy firm Zinnov, out of a total of 1,257 GICs in operation in the country, 976 are devoted to core R&D. However, the landscape has traditionally been dominated by large US and Canadian companies who together account for 65 per cent of the GICs, closely followed by European firms.

"Currently, only around 7 per cent of the captives are by Asian companies. But, of late, we have seen more Asian firms setting up centres in the country — a trend which has gained momentum in the last 3-4 years," said Ravi Kiran, Senior Consultant at Zinnov.



According to Zinnov, Asian firms that have set up GICs in India recently include Singapore-based e-commerce company RedMart, Go Jet airlines and DBS Bank. In December Chinese smartphone maker, Oppo announced its plan to set up a GIC

here while OnePlus too commissioned its unit in Hyderabad recently.

"We see tremendous potential in the R&D space in India, especially in software. In fact, we are scaling up our Hyderabad R&D centre and we expect this to become

our largest R&D centre globally in the next three years," Pete Lau, founder and CEO of OnePlus told *Business Standard*.

Around 30 companies from Japan already have their GIC here as do South Korean firms like Samsung and Mobis. The new entrants include Japan's Nissan Motor and Rakuten. Nissan, which announced last month that it would set up a global digital hub for driverless cars in Thiruvananthapuram, wants to hire about 550 technology professionals by March 2019.

Similarly, Japanese internet firm Rakuten plans to drive most of its tech research from India and is all set to double its headcount in the country to around 900 over the next 12 to 18 months. "India has a vibrant start-up ecosystem. These Asian firms want to leverage that and also collaborate on future technologies. Some of them are even looking to acquire start-ups if there is a right fit," said Siddharth Pai, a former outsourcing advisor and founder of Siana Capital.

The Reserve Bank of India (RBI) has set up a committee to recommend on how to 'deepen' digital payments. The idea is to encourage digitisation of payments and enhancing of financial inclusion through digitisation.

The five-member committee would be headed by Nandan Nilekani, chairman of Infosys Technologies and former chairman, Unique Identification Authority of India. The panel is to give its report within 90 days from the date of its first meeting.

The other panel members are H R Khan, former deputy governor at RBI; Kishore Sansi, former managing director at Vijaya Bank; Aruna Sharma, former secretary, ministry of information technology; and Sanjay Jain, chief innovation officer, Center for Innovation, Incubation & Entrepreneurship, IIM Ahmedabad. The committee will review the state of digitisation of payments in the country, identify gaps and how to bridge these.

The payments space has seen much of change in the past year, on rules and in other aspects, from data localisation to wallet interoperability. And, the Supreme Court's (SC's) Aadhaar judgment which barred private companies from using that database for paperless verification of customers.

Payments executives say the regulator needs to come up with a solution for electronic Know Your Customer (KYC) norms. Leading banks and wallet companies have been unable to perform KYC verification since that October order of the SC, and unable to digitally enroll customers.

The panel will also assess the current levels of digital payments in financial inclusion and suggest a medium-term strategy for deepening of digital payment. The country's affinity for cash remains strong, despite the massive demonetisation exercise of late 2016. The estimate is cash transactions form 90 per cent of the total in volume and 60-70 per cent in terms of value. **Turn to Page 6 ▶**







# ArcelorMittal, JSW may bid for Asian Colour Coated Ispat



### Apart from JSW Steel and ArcelorMittal, 11 others are believed to be in the fray

**ISHITA AYAN DUTT**  
Kolkata, 8 January

After Essar, ArcelorMittal and JSW Steel might find themselves vying for yet another stressed asset.

The two steel majors have reportedly bid for Asian Colour Coated Ispat, a downstream unit in the sector that was on the Reserve Bank of India's (RBI's) second list of banks' major non-performing assets (NPAs).

Tuesday was the final day for finalising the list of resolution applicants for Asian Colour Coated. Sources aver Arcelor was one applicant. The next step would be to offer resolution plans for the insolvent entity, likely to be early February.

Kuldip Kumar Bassi, the Resolution Professional in the case, declined to comment. ArcelorMittal would not comment and JSW Steel officials were not available.

Apart from JSW Steel and ArcelorMittal, 11 others are believed to be in the fray.

Asian Colour Coated has a debt of around ₹4,900 crore. It has a cold rolling mill, with downstream galvanising and colour coating lines, at Bawal, Haryana. The manufacturing facilities are spread across three locations in proximity to Delhi and Mumbai, and caters to markets across Europe, Africa, Latin and North America, beside India.

ArcelorMittal, it seems to make strategic sense to bid for Asian Colour Coated. JSW has an aggressive expansion plan and is on the lookout for smaller downstream units. Its bid for Uttam Value Steels, too. JSW's more aggressive bid, however, is for Bhushan Power & Steel.

As for Arcelor, industry watchers say the global steelmaker's major could be working on building its downstream capacities, after having bid for Essar Steel, an upstream facility. It is also looking at taking ownership of Uttam Galva Steels, again a downstream facility, after clearing the debts there. Uttam Galva was classified as an NPA for more

than a year and Arcelor had to clear the loans to become eligible for Essar. Subsequently, it was selected as the preferred bidder by the committee of creditors for Essar and its

has been filed with the National Company Law Tribunal for approval, where it is pitted against a competing bid by the promoter group.

At one point, JSW was in the fray for Essar. It had joined the race in the second round of bidding, as an investor in a step-down subsidiary of Numetal. However, the Supreme Court ruling which gave both Numetal and Arcelor time to clear dues of defaulting firms to become eligible for Essar, put Numetal out of the race and, in turn, JSW, too.

# Pfizer to halt operations in Chennai, Aurangabad units

## Future of over 1,700 employees working in these two facilities uncertain

**GIREESH BABU & T E NARASIMHAN**  
Chennai, 8 January

**U**S pharma major Pfizer Inc has decided to shut down its manufacturing units in Irungattukottai, Chennai and Aurangabad, which came to it through an acquisition of US-based injectables manufacturer Hospira in 2015.

Around 1,700 employees working in these two factories are expected to be impacted by the decision.

While the company is shutting down the two facilities, plans are afoot to expand the Vizag manufacturing facility, which also came as part of the acquisition.

Pfizer said that it conducted a thorough evaluation of the Irungattukottai and Aurangabad sites and concluded that due to a significant fall in product demand, manufacturing at these sites is not viable.

“As a result, Pfizer is announcing that both the Aurangabad and Irungattukottai sites will immediately cease manufacturing with the intention to exit both sites as soon as possible in 2019. The exact timing of the exit of the sites is to be determined,” said a Pfizer spokesperson.

The Irungattukottai facility currently employs around 1,000 people and Aurangabad site employs around 700. "Our focus is on our colleagues impacted by this decision and we are committed to keeping them informed of the site exit process," added the company.

The Irungattukottai facility was pro-



**Plans are also afoot to expand the Vizag manufacturing facility of the company**

ducing beta-lactam antibiotics while the Aurangabad facility was manufacturing penicillin and penem API when Hospira acquired it from Chennai-based Orchid Pharma. It was coming up with a green field expansion plant in Vizag for specialty injectables then.

The Chennai facility has received several observations from the US Food and Drug Administration (US FDA) in the past, the latest being in July 2018. This was for not following quality control norms and lacks data related to laboratory records.

The facility had earlier received observations from the US FDA as part of inspections in 2013 and 2015, according to reports.

The Irungattukottai and Aurangabad sites are purely export-oriented and do

not supply products for Pfizer's India commercial operations.

The decision to close down these facilities will not affect its other Indian manufacturing sites in Goa, Vishakapatnam (Vizag) and the joint venture site, Zydus Hospira Oncology Pvt Ltd (ZHOPL), a collaboration with Cadila Healthcare formed to manufacture injectable cytotoxic drugs in Ahmedabad.

The company announced an expansion to its operations at the Vizag site to bring it up as a global terminally sterilised

manufacturing centre of excellence. It will cater to the export markets, such as United States and eventually, to Canada. India will continue to be an important manu-

facturing location for Pfizer worldwide, said the company.

# DoT may ask Trai to rev spectrum usage charge

**MEGHA MANCHANDA**  
New Delhi, 8 January

The department of telecommunications (DoT) may ask the Telecom Regulatory Authority of India (Trai) to review its recommendation of 3 per cent flat spectrum usage charge on airwaves to be auctioned in the upcoming sale. This is because the levy may

have legal implications in the future.

The department is of the view that there already exists the legally-approved weighted-average method for calculating user fees and a new formula may discourage the service providers from bidding in the auctions besides garnering lower revenues for the exchequer.

A spectrum usage charge is

A spectrum usage charge is

## HK firm gets time till January 10 to substantiate Reid & Taylor bid

**SUBRATA PANDA**  
Mumbai, 8 January

The National Company Law Tribunal (NCLT) has given the employees' association of Reid and Taylor and the investors backing it time till Thursday to furnish documents indicating its net worth. The employees' association has enlisted Hong Kong-based SPGP Holdings as the investor to take over Reid and Taylor.

The tribunal has directed the investor to provide financial statements for the years 2017 and 2018 to substantiate the credibility of providing a resolution plan for the company. Furthermore, the tribunal has also asked the resolution professional (RP) of Reid and Taylor to get in touch with two other investors who have expressed interest in the company. One of them is from the UK and the other from the US. Among the lenders, Finquest Financial Services has an exposure of more than ₹750 crore in Reid and Taylor.





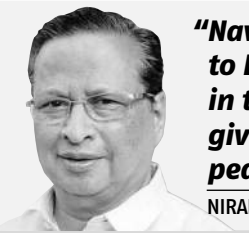
**“This (10% reservation to the economically backward) is an effort by Modi government to try and now combine caste passions along with communal polarisation in order to derive electoral benefits”**

SITARAM YECHURY, CPI(M) general secretary



**“Brute majority has had a history of sell outs in J&K. With 60 members, NC sold out power houses, brought Ikhwan, task force, POTA”**

MEHBOOBA MUFTI, PDP president



**“Naveen Patnaik and Co are going on a picnic today to Delhi which costs ₹52 lakh. They are doing this in the name of farmers. Had this money been given to farmers in debt, many precious lives of peasants could have been saved”**

NIRANJAN PATNAIK, Odisha Congress president

IN BRIEF



**Banking operations were partially affected on Tuesday as a section of employees refrained from work in support of the two-day strike call given by 10 central trade unions to protest alleged anti-labour policies. The All India Bank Employees Association and the Bank Employees Federation of India supported the strike**

PHOTO: KAMLESH PEDNEKAR

**Note ban, GST hit growth in gold industry: Council**



The gold jewellery industry has not witnessed any significant growth in the last two years, particularly after demon-etisation and GST, the national apex body of gem and jewellery said on Tuesday. Though the majority of the population of the older generation saw the precious metal as a long-time investment, the change in the lifestyle of the younger generation, has applied a brake on the jewellery business, chairman of Gem and Jewellery Domestic Council Ananth Padmanabhan said.

PTI

**Rupee tumbles 53p against \$ on crude woes**

The rupee on Tuesday plunged by 53 paise to close at 70.21 against the dollar amid renewed concerns over widening of current account deficit following constant rise in global crude oil prices. Besides, strong demand for the American currency from importers also weakened the rupee performance.

PTI

**IPL to stay in India but to start in March this year**

The Indian Premier League will stay in India despite a speculated clash of dates with the general elections but it will start earlier than usual, from March 23, the Committee of Administrators said. The two-member CoA, comprising chairman Vinod Rai and ex-women's captain Diana Edulji, met on Tuesday to discuss the venues.

PTI

**Modi to announce ₹3,150 cr worth infra projects in Solapur**

Ahead of the general and the assembly elections, Prime Minister Narendra Modi will launch ₹3,168 crore worth of infrastructure and housing projects in Solapur on Wednesday. Modi will launch several development projects and lay foundation stone for a ₹181.33-crore housing project under the PM's housing scheme that offers 30,000 houses, according to a PIB statement.

PTI

**FinMin clears NMDC's ₹1,000-crore share buyback plan**

The finance ministry has approved state-owned iron ore producer NMDC's share buyback plan worth ₹1,000 crore, an official said. The timeline for the launch of the offer will be decided by NMDC's board. "NMDC's ₹1,000 crore share buyback offer has been approved by the finance ministry," the official said. The government has already lined up buyback offers of nine PSUs including ONGC, Oil India, IOC, NHPC, BHEL, Nalco, Cochín Shipyard, NLC and KIOCL.

PTI

**Assets worth ₹6k cr detected under foreign black money law**



Undisclosed assets totalling ₹6,000 crore have been detected under the foreign black money law enacted by the government in 2015, the Parliament was informed on Tuesday. Further, as on October 31, 2018, 34 prosecution complaints have been filed under the foreign black money law.

PTI

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**No Air Surcharge**

**Trump, Modi talk trade, Afghanistan over phone**

US President Donald Trump and Prime Minister Narendra Modi discussed reducing the US trade deficit with India and increasing their cooperation in Afghanistan in a telephone call on Monday, the White House said.

"The leaders agreed to strengthen the US-India strategic partnership in 2019 and exchanged perspectives on how to reduce the US trade deficit with India, expand security and prosperity in the Indo-Pacific, and increase cooperation in Afghanistan," the White House said in a statement.

The US has slapped tariffs on imports of steel and aluminium from India, part of Trump's drive to reduce the US trade deficit and boost American manufacturing jobs. India has threatened to retaliate but said it would not take action until the end of this month.

In Afghanistan, Trump is planning to withdraw more than 5,000 of the 14,000 US troops there, a US official said last month.

REUTERS

**Volatile exchange rate slows \$ bond issuance**

ANUP ROY

Mumbai, 8 January

Dollar bond issuance by Indian companies more than halved as exchange rate swung, and low appetite for Indian bonds kept such issuance subdued.

While dollar bond issuance in 2017 was at \$13.11 billion, it dropped to \$6.09 billion in 2018. However, this didn't mean that the Indian companies cut down on their fundraising significantly. They made good on their dollar funding to raise money from the domestic market.

The total fund raised, through rupee and other foreign currencies, was ₹9.39 trillion in 2017, this fell to ₹8.63 trillion in 2018, across all companies and sectors, including public sector ones. Most of the debt papers issued were in rupee, according to



data from Bloomberg.

"The appetite for Indian bonds in the international market was subdued as very few companies did well in 2018. That explains why dollar bond issuance fell. Besides, rupee depreciation fear meant that hedging costs were very high for the issuers," said Prabal Banerjee,

**TOP 5 DOLLAR BOND ISSUERS IN 2018**

Issuer	Issue date (2018)	Coupon %	Amount issued (\$ mn)
Export-Import Bank of India	Feb 01	3.87	1,000
REC	Nov 13	5.25	700
Yes Bank Ifsc Banking Unit Branch	Feb 06	3.75	600
Power Finance Corp	Dec 06	6.15	500
NTPC	Mar 19	4.5	400

Source: Bloomberg

finance director, Bajaj Group.

**The rupee flip-flopped in 2018**

Directly co-related to crude prices, the rupee hit its lifetime low of 74.4 against the dollar in September as oil crossed \$85 a barrel. But rupee started strengthening back as crude prices softened. While the rupee

started around 64 a dollar in 2018, it closed at below 70 a dollar as the year ended.

This uncertain rupee outlook meant that the Indian corporates could not take a firm view on the rupee level, and hence they delayed raising funds in dollar.

"Capacity creation and credit off-

take in manufacturing/industrial sector have been slow, due to excess capacities. Whatever buoyant credit offtake we are seeing from the banking sector (15 per cent y-o-y) is driven by retail and services. This has contributed to lower mobilisation of resources, including issuances abroad," said Joydeep Sen, consultant at Phillip Capital Fixed Income Desk.

However, the situation might improve after the General Elections.

"Post-election, the issuance may increase as Indian banks are tightening their purse strings due to credit qualifications concern and companies may not have much of an option but to seek dollar funds. In 2018, it was the same consideration, but banks are likely to be more cautious with the capital they get, which they will use for satisfaction of capital adequacy ratios prescribed by the RBI," Banerjee said.

**Tax mop-up woes add to fiscal deficit target fears**

Unless Centre cuts expenditure, meeting the target seems an uphill task

ARUP ROYCHOUDHURY

New Delhi, 8 January

The Prime Minister Narendra Modi-led government's repeated assertions that the fiscal deficit target for the year will be met in spite of no compromise in capital expenditure hinged on one factor: The direct tax collections for the year will exceed the Budget Estimates.

Now, with even that factor under considerable doubt, meeting the already challenging target will be an uphill task, unless the government slashes expenditure and carries forward a substantial chunk of subsidy payments to the next fiscal year, analysts and experts say.

The fiscal deficit target for 2018-19 is ₹6.24 trillion, or 3.3 per cent of gross domestic product. By November-end, it already stood at ₹7.17 trillion, breaching the Budget Estimates by almost 15 per cent. This means the government needs a fiscal surplus of ₹93,000 crore in the next four months to meet the target.

Sources in the government had earlier said direct tax collections could exceed the budgeted target of ₹11.5 trillion by at least ₹30,000 crore. However, it is now known that the Central Board of Direct Taxes (CBDT) Chairman Sushil Chandra has cautioned officials about the direct tax collection growth rate, and said it can adversely affect the Budget Estimates.

In a letter, he has told tax commissioners to step up their efforts, and that net collections were growing at 13.6 per cent against the budgeted target of 14.7 per cent.

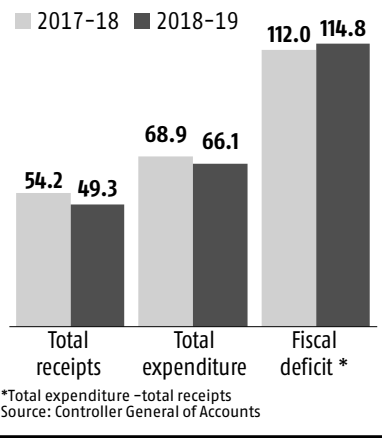
The CBDT data released on Monday showed the government collected income tax revenue amounting to ₹7.43 trillion in April-December 2018-19, 13.6 per cent higher than that collected in the same period of the previous financial year.

In September, Finance Minister Arun Jaitley had said after a meeting with the prime minister that the government was confident it would surpass the direct tax collection target and would meet or surpass the overall tax collection target. That



**NOT ENOUGH**

April-Nov, as % of BE



scenario now seems highly unlikely.

"Given the current concern regarding direct taxes, the fiscal deficit target continues to look challenging. The good thing is that markets have already factored in that the fiscal deficit target is under tremendous challenge. Given the constraints in an election year, sticking to the target is difficult," said Soumya Kanti Ghosh, chief economic advisor of State Bank of India.

"The last quarter of a financial year is when tax proceeds peak, including advance tax receipts in March because of the financial year ending," said Neeru Ahuja, partner, Deloitte India. The tax

authorities will try to collect all outstanding demands and try to maximise collections in this period Ahuja said, but added that it remains to be seen if the budgeted target will be exceeded. "The collections in the January-March quarter will be strong, but will it wipe out the shortfall in GST?"

Officials have admitted that there could be a combined shortfall of ₹70,000 crore-1 trillion on goods and service tax, though the centre's own GST shortfall will not be more than ₹29,000-30,000 crore.

A senior analyst now estimates that if the government does not go for deep spending cuts, the fiscal deficit could be as high as 3.8 per cent of GDP. The person did not wish to be named as he works with the government on a number of initiatives. "If the government does want to stick to the 3.3 per cent target, then the alternative is significant expenditure cuts and taking forward most of the subsidy burden to the next fiscal," SBT's Ghosh said, and added that it will have to seek additional dividend from public sector institutions. As reported, the finance ministry is seeking at least ₹23,100 crore in interim dividend from the Reserve Bank of India.

On the expenditure side of things, the finance ministry is counting on carrying forward some pending subsidy payments to next fiscal, converting some expenditure allocations to ways and means advance, and hoping for some savings on administrative and revenue expenditure.

And, data available for April-October shows that the pace of revenue expenditure for most social sector ministries and some infrastructure ministries has indeed slowed down, when compared to the same period last year. Some of these ministries and departments are commerce, coal, consumer affairs, corporate affairs, defence pensions, North-East affairs, housing and urban affairs, school and higher education, small and medium enterprises, Ayush, women and child development, panchayati raj, youth and sports affairs and others.

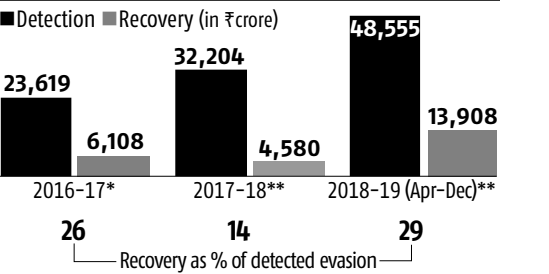
**U-SHAPED RECOVERY IN COLLECTING EVADED INDIRECT TAXES**



The recovery of evaded indirect taxes shot up in 2018-19, after a low in 2017-18, the year when the goods and services tax (GST) was implemented. Recovery as a percentage of the evaded taxes dropped from 26% in 2016-17 to 14% in 2017-18. Then, it went up to 29% in 2018-19 (April to December period), the finance ministry said in a reply to a query in the Rajya Sabha on Tuesday. However, the evasion is slated to grow more than twofold in two years, and about 50% in one year of GST implementation. It rose from ₹23,619 crore in 2016-17 to ₹48,555 in nine months of 2018-19. The evaded amount of Central GST detected is about ₹15,278 crore. While the overall recovery amounts to ₹13,908 crore, recovery under the CGST adds up to nearly ₹10,000 crore. If the overall recovery rate is about 29%, the figure under CGST is 65%.

ABHISHEK WAGHMARE

**Evasion deteriorates, but recovery improves after GST**



Note: \* Service tax + Union excise duties; \*\* Service tax + Union excise duties + GST

**CGST sparkles among others in recovery**

	Figures in ₹ crore
Detected evasion in 2018-19 to date (GST+ Union excise+service tax)	48,555
Recovery to date (GST+ Union excise+service Tax)	13,908
Detected evasion under CGST violations	15,278
Recovery to date (CGST)	9,959

Source: Parliament query

**Solar power-run RO plants quench thirst for clean water**

JYOTI MUKUL

Bheldi/Chakai (Bihar), 8 January

At the tip of an unused railway line is the Bela Rail Wheel Factory, a landmark in the Saran district of Bihar. Deeper in the area, an auto rickshaw blares out, "Balu makhi ko bhagana hai, kala-azar mitana hai" (Shoo away female sandfly, end kala-azar)".

Spread of disease because of unclean surroundings and contaminated water and food is not uncommon in many rural areas of Bihar. Mahmadvpur, a village only 34 km

away from state capital Patna, where the auto rickshaw was carrying out an awareness campaign about the fly that carries the parasite of life-threatening kala-azar disease, is no different.

According to the National Health Profile, Bihar accounts for most kala-azar cases: 72 per cent of 5,758 reported cases in the country in 2017. In the same year, Bihar also reported 309,289 cases of acute diarrhoeal diseases and 171,233 of typhoid — two water-borne ailments.

At the Derni Bazar area near Mahmadvpur sits Krishna Rai, a compounder who runs a clinic. He treats patients for minor ailment but refers them to the district hospital for everything else. "I sometimes give them medicines and injections, too," he said

Villages in these remote areas are dependent on hand pumps for drinking

water, with hardly any government piped water supply. This offers a lucrative catchment area for reverse osmosis (RO)-based water treatment plants.

At Derni and Bheldi villages, TARAurja, an enterprise of Development Alternatives funded by Smart Power India, an initiative of the Rockefeller Foundation, and DESI Power operate solar power mini grids, along with water treatment plants.

These RO plants serve two objectives. They provide an anchor load for the solar power plants especially during summers when water chilling facility is also used besides bundling up related businesses with power generation. Smart Power's rural development programme has 25 water-treatment units. These have touched lives of 5,000 people, it claims.

Two of these plants are run by energy-supply companies, while the rest are run by local enterprises. Each water-

treatment unit serves at least 100-120 households or shops giving access to safe drinking water.

At Bheldi, one cycle producing 1,000 l of RO water uses 6 Kw of power, which includes chilling that is not required in winters. The RO jar is sold under TARAurja brand.

The Bheldi plant inside the same compound as the 37.5-Kw solar power plant has been set up in partnership with Pirmal's Sarvajal initiative.



**With hardly any government piped water supply in remote areas, RO-based water treatment plants are doing good business in various parts Saran district**

According to Smart Power, households form 20 per cent of the customer base but it is cold water more than clean drinking water which is a greater driver for the households. Micro enterprises from the surrounding areas and neighbouring

villages form the remaining 40 per cent clientele. Demand, in fact, reduces to one-third during non-summer months stretching the breakeven for the plants to 16 months. A plant costs around ₹8-9 lakh.

Towards the north of the state, at Chakai in Araria district, water is not a scarce resource and hand pumps dug 20-40 feet yield enough though the water may not be fit for drinking.

DESI Power runs a water-treatment plant here in partnership with SR Acqua. The plant earns around ₹40,000 every month during summers. A 20-litre jar is sold for ₹25 and there are about 200 customers for such water.

Together with drinking water, these ESCOs are supplying irrigation water through water bore pumps that are powered with solar electricity.

At Chakai, irrigation water is piped while DESI puts the water in a drain running through nearby fields in Baharbadhi village. It charges ₹100 for an hour of supply. DESI has employed Bhalo Devi to run a bio mass and solar hybrid power plant at Baharbadhi from where she also controls the irrigation pump.

"In the sowing season, she is a busy person, keeping track of how long water has been released while checking on power load as well," said S N Sharan, managing director, DESI Power.

For his ESCO, water supply is an integral part of the business model especially in times when it faces competition from cheap grid power supply.



# Bill on citizenship to non-Muslim immigrants cleared in Lok Sabha

PROTESTS IN ASSAM ■ SEVERAL OPPOSITION PARTIES WALK OUT ■ BILL TO BE TABLED IN RS TODAY

ARCHIS MOHAN & PTI  
New Delhi, 8 January

The Lok Sabha on Tuesday passed the Citizenship (Amendment) Bill amid a walkout by several Opposition parties, including the Congress and the Trinamool Congress. The Rajya Sabha is set to take up the Bill on Wednesday, which seeks to provide Indian citizenship to non-Muslims from Bangladesh, Pakistan and Afghanistan.

Home Minister Rajnath Singh, who piloted the Bill, said the proposed amendments in the law were not against the provisions of the Constitution and would provide succour to persecuted minorities in the three neighbouring countries.

Several opposition members, including those of the Trinamool Congress, Congress and Left parties, said the Bill was potentially divisive, and would push demographically sensitive Assam and West Bengal. The Bill provides granting Indian citizenship to the Hindus, Jains, Christians, Sikhs, Buddhists and Parsis from Bangladesh, Pakistan and Afghanistan after six years of residence in India, instead of 12 years, even if they do not possess any document. “They have no place to go to, except India,” the Home Minister said.

According to a PTI report from Agartala, at least seven persons were injured, some with gunshot wounds, on Tuesday in West Tripura district, about 15 km from the state capital, when police and paramilitary jawans resorted to lathicharge and opened fire in the air to disperse Citizenship Bill



Passengers at a bus terminal in Guwahati. The passing of the Citizenship Amendment Bill in the LS was marked by a ‘bandh’, which brought life to a standstill in Assam and had its effect in the other north-eastern states

PHOTO: PTI

protesters. Protesters had blocked the Assam-Agartala National Highway, a senior police officer said.

As many as 70 organisations, led by Krishak Mukti Sangram Samiti (KMSS), began an indefinite “economic blockade” in Assam on Tuesday to protest the amendments to the Bill. They have also threatened to organise a statewide protest on Wednesday to protest the amendments to the Bill.

Large sections of people in Assam and other northeastern states have been protesting against the Bill, saying it will nullify the 1985 Assam Accord under which any foreign national, irrespective of religion, who had entered the state after March 24, 1971, should be deported.

The supporters of the 70 organisations said they would hold protests in

front of offices and installations of Oil India Ltd and ONGC across the state. “Our aim is to prevent taking away oil, petroleum products, coal, forest products and limestone from the state,” KMSS Adviser Akhil Gogoi said.

A PTI report quoted an unnamed Oil India official who said the company has appealed to the agitators to spare the sector since it is related to safety and hazardous materials, which needs constant supervising by experts.

“Also, 440 tea gardens run with our gas. PSU firms like BVFCL, NEEPCO and APL too get our gas. Digboi and NRL Refineries get crude from us. Therefore, the perception that all our products go out of the state is not correct. Most of our produce are consumed in the state itself and very little go out,” the official said. The official

said that if Oil India stops production, the power scenario of the state would worsen.

In the Lok Sabha, the Home Minister said leaders like former Prime Minister Jawaharlal Nehru and Manmohan Singh have backed such a provision in the past. “The burden of those persecuted migrants will be shared by the whole country. Assam alone should not have to bear the entire burden. The Government of India is committed to give all help to the State Government and people of Assam,” Singh said.

The Asom Gana Parishad, a partner in the BJP-led Assam government, broke up with the BJP while the NDA allies, the Shiv Sena and the JD(U), have opposed this legislation. Mizoram and Meghalaya governments have opposed the Bill by adopting resolution against it in their respective cabinet meetings.

The Bill was originally introduced in 2016 and was later sent to the Joint Parliamentary Committee (JPC), which submitted its report on Monday. On the basis of the recommendations of the JPC, a fresh Bill was introduced on Tuesday.

The Congress said many states have opposed the Bill and it should be sent to a select panel. As the government did not heed the demand, the Congress staged a walkout. Trinamool’s Saugata Roy dubbed the Bill as “divisive” and “insidious” that goes against the basic tenets of the constitution. “This is the worst form of vote-bank politics,” Roy said.

AIMIM’s Asaduddin Owaisi said the Bill is a brainchild of people who continue to believe in the “two-nation theory”.

# SC forms five-judge Bench to hear Ayodhya case

PRESS TRUST OF INDIA  
New Delhi, 8 January

The Supreme Court on Tuesday set up a five-judge Constitution Bench to hear the Ram Janmabhoomi-Babri Masjid land title dispute case. The Bench will be headed by Chief Justice Ranjan Gogoi and also comprise Justices SA Bobde, NV Ramana, UU Lalit and DY Chandrachud. The Constitution Bench is scheduled

to hear the matter on January 10.

On January 4, the top court had said further orders in the matter would be passed on January 10 by “the appropriate Bench, as may be constituted”. As many as 14 appeals have been filed in the apex court against the 2010 Allahabad High Court judgement, delivered in four civil suits, that the 2.77-acre land be partitioned equally among the three parties — the Sunni Waqf Board, the Nirmohi Akhara and Ram Lalla. The apex

court on October 29 last year had fixed the matter in the first week of January before the “appropriate Bench”.

Later, an application was moved for according an urgent hearing by advancing the date, but the top court refused the plea, saying it had passed an order on October 29 relating to the hearing of the matter. The plea for early hearing was moved by the Akhil Bharat Hindu Mahasabha, a respondent in the appeal filed by legal heirs of M Siddiq, one of the original litigants in the case.

► FROM PAGE 1



## Lenders want Goyal to quit Jet’s board

In 2011, Kingfisher Airlines lenders had converted a debt of around Rs 1,600 crore at a premium of 60 per cent, giving the airline a lifeline and the consortium of banks a 23 per cent stake.

It is learnt that lenders to Jet will finalise their decision on providing fresh financial support by end of January. When asked to confirm, a source in the company said it’s an evolving matter and can be described as “work in progress”. Lenders believe that there’s still room for planning and reducing losses.

Along with debt restructuring and conversion of loans to equity, Jet is also seeking fresh loans of around ₹1,500 crore which would help in repaying debt. The airline has around ₹1,700 crore loan repayment between December-March, according to rating agency ICRA.

The parties concerned are meanwhile awaiting the report of Jet’s forensic audit. Lenders also have to assess provisioning burden for the stressed account. Jet is a standard account as of now but from a sector which is showing signs of stress. Hence, prudential provisions would be more than what is done for normal account, a senior executive with a public sector bank said.

Following the recent default, Jet’s lenders would have to initiate resolution process within 180 days, according to the Reserve Bank norms. Last week, Jet informed the stock exchange that payment of interest and principal amount due to the consortium of banks on December 31 was delayed due to temporary cash flow mismatch. It said the company

had engaged with banks on the same. The default prompted ICra to downgrade Jet’s rating to ‘D’. This was the seventh rating downgrade for Jet since March 2017. Loan instruments, which are in default or those expected to touch that mark soon, are assigned ‘D’ rating, according to the rating agency.

As of September end, the airline had a debt of ₹8,200 crore. Around ₹165 crore of principal amount was due for repayment by December end, it is learnt.

## SC reinstates Verma as CBI chief, but curtails his powers



The fixed term was to ensure the independence of the agency’s chief, Verma’s lawyer Senior Advocate Fali S Nariman had said.

In its pleadings before the court, the government had said

it had to send Verma and Asthana on leave as they were fighting like “Kilkenny cats”. The allegations, which had spilled outside the CBI, had exposed the agency to “public ridicule” and created an unprecedented situation, which prompted the government to intervene “in public interest.” Attorney General K K Venugopal had told a three-judge bench of Chief Justice Ranjan Gogoi, Justice S K Kaul and Justice K M Joseph during the hearing in the case.

The infighting snowballed after the CBI booked Asthana on the charge of receiving bribe from an accused probed by him in a case linked to meat exporter Moin Qureshi. Asthana later wrote to the CVC, stating that he was being framed and that the bribe was actually meant for Verma and not him. The CBI had alleged that Asthana had accepted a bribe of ₹2 crore from Satish Babu Sana, a businessman who was also under probe in the Qureshi case.

Apart from Asthana, the CBI had also arrested some of its other officers, including Deputy Superintendent Devendra Kumar. Kumar was the investigation officer in the case involving Qureshi and was arrested on charges of “falsification of records” at the behest of Asthana. Following the arrest of Kumar, the Prime Minister’s Office had summoned Verma and Asthana in a bid to douse the fire and salvage the credibility of the agency, but without much success.

The government had faced a lot of flak for removing Verma as CBI chief. Opposition parties, including the Congress had alleged that Verma was sent on leave as the government feared he would initiate a probe into the Rafale aircraft deal. Congress President Rahul Gandhi had also accused the government of destroying the

reputation of probe agencies like the CBI, alleging that the agency was being used as a “weapon of political vendetta” under the current dispensation and was in “terminal decline”.

Reacting to the judgment, Finance Minister Arun Jaitley said that while the court’s order would “obviously be complied with”, the initial decision to send Verma on leave and divest him of his powers was done to protect the integrity of the investigating agency and was a “perfectly bonafide” move. “The government took this decision to protect the integrity of the CBI... The government took the action of sending two senior officers of the CBI on leave on the CVC’s recommendation,” he said.

On the other hand, the Congress President reiterated his stand that nothing was going to save the PM as the CBI chief who was probing Rafale was back at helm of affairs of the agency. “The CBI chief was ousted at 1 am in the night because he was about to begin a probe into the Rafale deal. The CBI chief has been reinstated and we have got some relief. Now let’s see what happens,” Gandhi said.

Communist Party of India (Marxist) general secretary Sitaram Yechury welcomed the top court’s judgment and said that order reinstating Verma was a “direct indictment of Modi and his office”.

## 10% quota to cover pvt institutions too

Pointing to the P V Narasimha Rao government’s similar effort, Congress’ KV Thomas reminded the House that the Supreme Court had struck it down. Lok Janshakti Party chief Ram Vilas Paswan, a BJP ally, demanded an identical 60 per cent reservation be replicated in the private sector, and quotas in the judiciary. He advised the government to put the law in the ninth schedule of the Constitution to keep it beyond judicial challenge.

Speaking during the discussion in the House, Finance Minister Arun Jaitley said nearly all political parties had supported such a measure at one

time or the other. He rejected suggestions that the measure might not pass the legal muster of 50 per cent cap. Jaitley said the bar was for caste-based reservations, while the Bill sought quota for the economically weaker sections in the general category. He said the Constitution needed an amendment as it currently mentioned only social and educational backwardness as the criteria for quota.

In the afternoon, Union Minister for Social Justice and Empowerment Thaawarchand Gehlot introduced the Constitution (124th Amendment) Bill 2019 in the Lok Sabha. Later, replying to the discussion, Gehlot expressed confidence the Supreme Court would accept the proposed law.

The Lok Sabha passed the Bill with the requisite two-thirds of the members present and voting supporting the Bill, with 319 members voting in favour and four against. Apart from the Bharatiya Janata Party (BJP) and its allies, the Congress and most other Opposition parties supported the Bill.

Prime Minister Narendra Modi and Congress President Rahul Gandhi were present in the House when it passed the Bill. The government will table the Bill in the Rajya Sabha on Wednesday. The Bill is unlikely to face any obstacle despite the BJP-led National Democratic Alliance lacking majority in the Rajya Sabha. Nearly all Opposition parties have said they would support it and unlikely to demand that it be referred to a select committee for further scrutiny.

In the Lok Sabha, All India Anna Dravida Munnetra Kazhagam (AIADMK) members staged a walk out, maintaining the Constitution did not envisage reservations based on economic backwardness.

AIADMK’s M Thambi Durai said the proposed law would cause corruption and confusion. He said Tamil Nadu had 69 per cent reservation for socially and educationally backward sections, and demanded 70 per cent reservation at the Centre.

Outside Parliament, Bahujan Samaj Party chief Mayawati said her party supported the Bill, but called for a review of reservations currently given to Scheduled Castes,

# India may get access to Iran’s Farzad-B oil block

SUBHAYAN CHAKRABORTY  
New Delhi, 8 January

Despite talks hitting rock bottom after the US sanctions went live last year, India may still get access to Iran’s Farzad-B gas block as discussions are ongoing, a senior Iranian minister has said.

“Indians have had the opportunity of getting into Farzad-B (gas field) earlier, and they still have it,” Gholam Reza Ansari, deputy minister for Economic Affairs at Iran’s Foreign Affairs Ministry, said on Tuesday, hinting that Iran was willing to provide easier terms for India once negotiations progress.

Ansari’s comments come after senior officials from Oil and Natural Gas Corporation Videsh Limited (OVL) — the overseas investment arm of ONGC — said it may reduce its investment outlay, and agreed to Iran taking delivery of all gas already produced in the field.

India had been looking to secure a contract for developing the gas field since 2009 but successive economic sanctions against the Islamic regime have scuttled plans, as have differences over pricing issues as well as the gamut of Indian investments in the projects. On the other hand, Iran Foreign Minister Mohammad Javad Zarif, who is on a visit to India, came down hard on Trump and batted for the export of more Iranian fertilizers to India, saying that sanctions have hit domestic farmers.

### Uncertain oil trade

Back in November, last year, India — the world’s third largest oil importer — had managed to squeeze out a six-month waiver from the United States with regards to sanctions. As a result, New Delhi had been allowed to import only nine million barrels of Iranian crude. “As far as I understand, Indians are trying to extend these waivers and I think, due to the traditional relation between our countries,



### LONG STORY

**2008** OVL discovers the Farzad-B gas field in the Gulf

**2010** It submits a revised Master Development Plan for producing 60% of the 21.68 trillion cubic feet in place of gas reserves

■ Experts later said plans to develop the field as well as setting up a facility to convert it into LNG will be expensive

■ OVL has started facing competition from global players as well

### Govt allows Iranian bank to open Mumbai branch

The Centre has allowed an Iranian bank to open a branch in Mumbai, Union Minister Nitin Gadkari said on Tuesday after a meeting with Iran’s Foreign Minister Md Javad Zarif. Iran’s Bank Pasargad will open its branch in three months. PTI

they will be successful in securing those waivers as well,” Ansari said.

As a result, the US has made the issue a part of its current trade negotiations with New Delhi. “Senior US officials visiting India have suggested that they may be willing to give India a waiver on America’s tariff hikes on aluminium and steel imports, provided India commits to significantly change its sourcing pattern with regards to petroleum,” a senior trade department official said. India is yet to respond to this, he added.

The UPA government had

also been able to bypass international sanctions led by the US after deciding to use the euro for paying Iranian producers. But India will not have access to the European currency this time around as leading European Union nations have also supported Trump’s call for sanctions.

### Payment mechanism

India is considering Iran crude oil payments in rupee terms, senior government officials confirmed. As of the last financial year, Iran is the third-largest supplier of crude oil to India. The rupee payment mechanism has been suggested as the best possible way to cut India’s dollar exposure and shore up the value of the rupee, which has continued to plummet. While Indian exports of man-made textiles are slowly increasing, Indian companies have been unable to use the market access in pharmaceuticals, according to the Federation of Indian Exports Organizations.

While Indian exports of man-made textiles are slowly increasing, Indian companies have been unable to use the market access in pharmaceuticals, according to the Federation of Indian Exports Organizations.

earned less than ₹8 lakh.

Telangana Chief Minister and Telangana Rashtra Samithi President K Chandrasekhar Rao asked party MPs to seek amendments to the Bill to have 12 per cent reservation for backward Muslims and 10 per cent reservations for STs. The state Assembly had passed a resolution to this effect in 2017.

## RBI sets up...

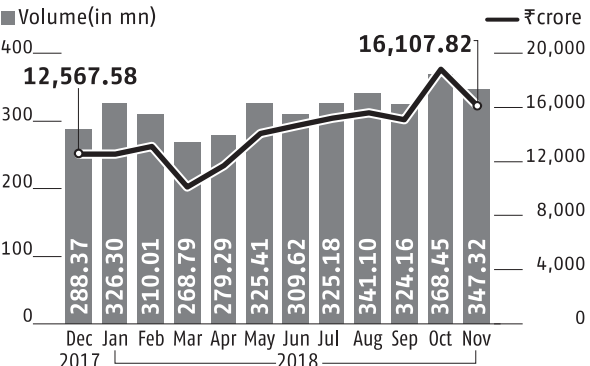
The committee will also undertake analysis across countries, to identify those that could be adopted here.

According to the latest RBI data, prepaid payment instruments in December saw a fall of six per cent in transaction volume over the previous month to 394.17 million; value fell 16 per cent to Rs 18,500 crore. Card transactions in December saw a drop of four per cent in volume against November and five per cent in volume, to 1.3 billion transactions and Rs 3.8 trillion respectively.

The Unified Payments Interface saw growth of 18 per cent in volume and 12 per cent in value to 620 million transactions worth ₹1 trillion in the same period. The committee would suggest measures to strengthen the safety and security of digital payments, and how to raise customer confidence and trust while accessing financial services through digital modes.

Last week, RBI extended the limited liability of customers to payment entities not covered by previous guidelines. In December, it had said it would implement an ombudsman scheme for digital transactions, to be notified by the end of January.

### GROWTH OF DIGITAL PAYMENTS



Source: RBI



# Tejas set to fly in Malaysia air show

Malaysia, which is planning to buy about 30 light fighters, is showing interest in Tejas; earlier it was eyeing Sino–Pak’s JF–17 Thunder

AIAI SHUKLA  
New Delhi, 8 January

Many experts consider the Tejas Light Combat Aircraft (LCA), though not yet fully developed, already far deadlier than its opposite number — the JF-17 Thunder fighter, developed by China and built in Pakistan.

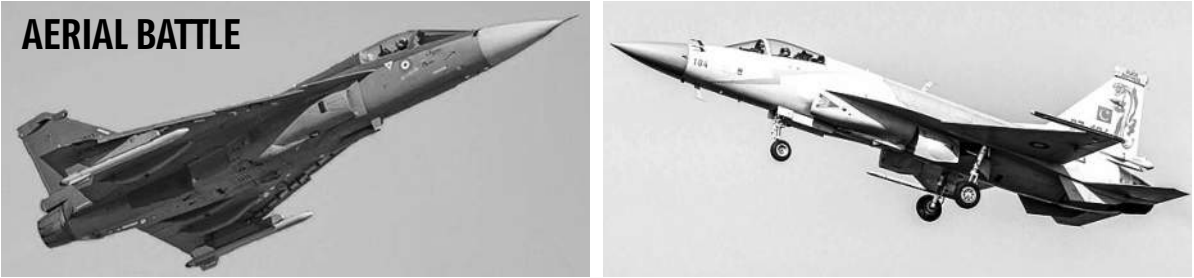
Now Malaysia too is endorsing the Tejas’ quality by shifting interest from the Sino-Pakistani to the Indian fighter. Last year, Kuala Lumpur was discussing a deal with Pakistan to buy the JF-17. But now, the Royal Malaysian Air Force (RMAF) is signalling strong interest in the Tejas.

*Business Standard* learns that Kuala Lumpur has asked New Delhi to send a Tejas fighter to the Langkawi International Maritime and Aerospace Exhibition 2019 (LIMA’19) — Malaysia’s premier defence exhibition — being held from March 26-30. It is believed that Malaysia’s defence minister is keen to fly in the Tejas.

Malaysia is reportedly keen on buying about 30 light fighters. If it selects the Tejas and wants delivery early, it would get the fighter in the “final operational clearance” (FOC) configuration, which was accorded on December 31.

Hindustan Aeronautics Ltd (HAL), which builds the Tejas, prices the current version at ₹200 crore (\$28.5 million). This may be slightly costlier than the JF-17 Thunder, which is priced at about \$25 million, but the Tejas offers better performance.

Surpassing the workmanlike JF-17



AERIAL BATTLE

- Last year, Kuala Lumpur was discussing a deal with Pakistan to buy the JF–17 (*right pictured*). But now, the Royal Malaysian Air Force is signalling strong interest in the Tejas (*left pictured*)
- *Business Standard* learns that Kuala Lumpur has asked New Delhi to send a Tejas fighter to its premier defence exhibition
- Surpassing the workmanlike JF–17 Thunder, the Tejas incorporates four state-of-the-art technologies
- Besides Malaysia, a West Asian emirate has expressed interest in the Tejas fighter

Thunder, the Tejas incorporates four state-of-the-art technologies: It has an unstable design and a sophisticated quadruplex digital flight control system. Second, it is built largely of light composite materials, allowing the fighter to carry more weaponry. Third, it has a sophisticated glass cockpit and micro-processor-based utility controls, with systems like fuel controlled by computers. Finally, its American GE F-404IN engine is superior to the JF-17’s Russian RD-93.

Besides Malaysia, a West Asian emirate has expressed interest in the Tejas fighter, as well as the Rudra — a weaponised version of HAL’s Dhruv advanced light helicopter. It is learnt that the Tejas and the Rudra will be sent soon to West Asia for

evaluation. Contacted for confirmation, HAL chief R Madhavan declined to identify prospective customers, but stated: “There is significant overseas interest in buying the Tejas light fighter. HAL is pursuing imminent opportunities in South-east and West Asia.” Unfortunately, HAL will be deploying one of its older, prototype Tejas fighters to Langkawi and West Asia, rather than one of the new aircraft it has series-built for the Indian Air Force (IAF). A twin-seat fighter is essential for prospective customers to be taken for a spin. But since the IAF has delayed in finalising the configuration of the twin-seat Tejas, the only ones existing are two HAL prototypes built years ago. “We will ferry one Tejas to Malaysia in

March and show it at Langkawi. We know how to do this, having already participated in the Bahrain International Air Show (BIAS),” says a senior official from HAL, which will again spearhead the effort. In 2016, HAL had moved a team of two Tejas fighters, three pilots and a maintenance team to Bahrain. The Tejas fighters flew over 2,500 kilometres in three days: from Bangalore to Jamnagar, then to Muscat and on to Bahrain the final day. The IAF flew the maintenance team and spares on one of its giant C-17 Globemaster III aircraft. India-Malaysia defence ties are solidifying. The Malaysian air force already flies the Sukhoi-30MKM, which is modelled on the IAF’s Sukhoi-30MKI. This makes for interoperability between the

two air forces. In August, on the way back to India from Exercise Pitch Black — a multi-national air exercise in Australia — the IAF contingent stopped over in Malaysia to carry out a bilateral exercise with the RMAF.

“The RMAF crew flew in the IAF’s Sukhoi-30MKI and IAF crew got an opportunity to fly in RMAF Sukhoi-30MKM aircraft. This was the first time that both the forces had come together and undertook flying operations,” announced our defence ministry on August 23.

Malaysia’s switch to the Tejas fighter would be a second disappointment to Pakistan, after Sri Lanka earlier backed away from the JF-17 after first expressing interest. Last April, a senior Pakistani defence ministry official had announced Malaysia’s interest in buying the JF-17. Then, in November, Pakistani media at the IDEAS 2018 defence exhibition in Karachi reported “keen interest” in the JF-17 by a Malaysian delegation, headed by RMAF chief General Dato Effendi.

The JF-17 Thunder is a single-engine, lightweight, multi-purpose combat aircraft that was developed jointly by the Chengdu Aircraft Industry Corporation of China and Pakistan Aeronautical Complex, Kamra. In contrast to the IAF’s laborious induction of the Tejas, the JF-17 first flew in August 2003 and entered service in March 2007. The Pakistan Air Force currently flies five squadrons of the JF-17, with another five on the way.

## RBI asks banks to treat IL&FS loans as NPAs

ABHIJIT LELE  
Mumbai, 8 January

The Reserve Bank of India (RBI) has declined a request by some lenders to the Infrastructure Leasing & Financial Services (IL&FS) group to allow them a standstill arrangement for six months for their loans.

Banking sources said some lenders, who are to close accounts for the third quarter of FY19 early, had sought this arrangement. The plea, if accepted, would have saved them from making huge provisions, and protect their balance sheet.

The non-payment of dues beyond 90 days would force the banks to treat their exposure as a non-performing assets.

The National Company Law Appellate Tribunal (NCLAT) had restrained lenders from taking action to recover dues as the case is sub-judice. The matter is being heard at the National Company Law Tribunal and NCLAT.

While the IL&FS group was an individual account case, the implication of default in the second quarter of FY19 by group entities was quite severe. There was almost liquidity freeze in the market during the third quarter of FY19, making it a systemic issue.

The total exposure of the group is pegged at ₹91,000 crore. Of this, bank loans are over ₹50,000 crore. Much of the exposure is to the public sector banks.

**While the IL&FS group was an individual account case, the implication of default in the second quarter of FY19 by group entities was quite severe**



# The 1-in-10 achievement

The share of renewable energy in generation is reaching 10 per cent, and the country's first gigawatt-scale floating solar tender is out



VANDANA GOMBAR

India's renewables and electric mobility story for 2019, and beyond, is evident from a few key numbers. The share of renewable energy in generation is reaching 10 per cent, and the country's first gigawatt-scale floating solar tender is out.

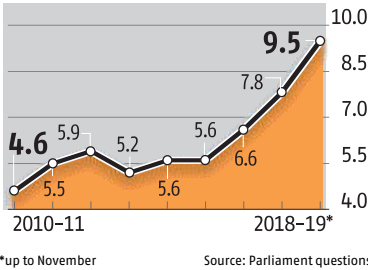
■ Renewables share: The power produced by renewable energy plants in the country is reaching an important milestone. Almost 10 per cent of the total generation is from renewables now — mostly wind and solar [see box]. At the other end of the spectrum is Germany, where renewable energy became the biggest source of power in 2018, accounting for 40 per cent of the total generation, marginally ahead of coal's 39 per cent share.

In terms of installed capacity in India, the share of renewables is touching 21 per cent, with over 70 gigawatts of capacity operational, according to the latest data.

■ Gigawatt-scale floating solar: Maharashtra State Electricity Distribution Company invited bids for procuring 1 gigawatt of solar power via competitive bidding from floating projects on the Ujjani Dam in Solapur.

## ISING RENEWABLES SHARE

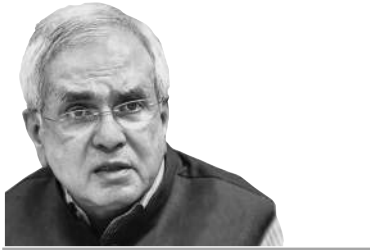
Share (%) of generation from renewables



This is a fairly large tender, given that globally, commissioned floating solar projects total about 1.3 gigawatts currently, according to BloombergNEF. These are mostly in countries with limited land available for solar such as China, which accounts for 80 per cent

# A blueprint for inclusive & sustained growth

Contrary to what some have said, NITI Aayog's 'Strategy for New India @75' attempts to provide a framework for making development a mass movement



RAJIV KUMAR

It has been gratifying to see the response to NITI Aayog's 'Strategy for New India @75' (henceforth Strategy), which was released by Finance Minister Arun Jaitley on December 19, 2018. Arun Maira writing in *The Hindu* (December 27), while emphasising that the "shape of growth matters" also lauds the document for changing the "... approach to planning from preparation of plans and budgets to the creation of a mass movement for development in which every Indian recognises her role and experiences the tangible benefits." Similarly, Madan Sabnavis (*Business Standard*, December 20) finds the focus on agriculture to be well taken and the Strategy having provided useful sign posts that should be followed by time-bound action plans for achieving them. Most importantly, the Strategy has triggered a spate of commentaries and discussion in the public domain on the pace, direction and shape of economic growth in the coming years. NITI

Aayog's focus on rapid, greener, employment-intensive and more formal growth, as spelled out in the Strategy has been welcomed by several experts and economists.

However, some, like Rathin Roy (RR, *Business Standard*, December 26) are baffled about the timing of the document "... so late in the lifetime of this government." I had hoped that my friend RR would have realised that the Strategy that aims to put India on a qualitatively superior development paradigm, can be and should be government agnostic. Its intention is to enrich the public discourse on development and involve the largest number of stakeholders in its preparation.

Moreover, RR has conveniently chosen to overlook the crucial distinction between the government's think tank and line ministries. The line ministries, having agreed to targets and the way forward, as presented in the Strategy, will formulate time-bound action plans and ensure their effective implementation. It is certainly unreasonable and perhaps dysfunctional to suggest that a single document would contain action plans for all ministries and sectors. In fact, it was a conscious choice to limit the length of each of the 41 chapters and provide an outline of measures required and leave it to the line ministries to implement them. State governments, who have extensively commented on the Strategy will hopefully also use this to draw up their own development blueprints.

Some observers have found the Strategy to be utopian in its emphasis on establishing a "development state" in



The Strategy also suggests specific measures for promoting growth of the dairy and the horticulture sectors, essential for diversifying sources of farmers' incomes

the country that takes on the responsibility of efficient delivery of a clutch of public services. Similarly, its target of doubling exports in the next five years or indeed for its focus on doubling farmers' incomes has been seen by some as infeasible. This is criticism for the sake of it. These observers have perhaps not noticed the massive effort that the government led by the Prime Minister has made in making the government more responsible, transparent and accountable. The Strategy has merely tried to emphasise that this stupendous effort, if sustained over the coming years, will result in putting in place the much-needed development state. Abdication of its mandated role by the state and handing over its functions to the private sector, as was done by earlier governments, is a recipe for uneven, unequal and unsatisfactory growth. This is unacceptable.

NITI Aayog's Strategy points to the alternative path in which the state facil-

itates the growth of private enterprise and innovation while ensuring that those at the end of the queue or the bottom of the pyramid are looked after efficiently and effectively by the state through more efficient delivery of public services.

The Strategy suggests a range of very specific measures. For example, it does not merely call for raising the investment to GDP ratio to 36 per cent, which will help achieve 9 per cent growth. It also asks for tax to GDP ratio to be raised from 17 per cent to 22 per cent along with raising private investment and ramping up household and public savings, which are both eminently possible and desirable. In this context, there is also a focus on enhancing our effort at mobilising non-tax revenues by expediting disinvestment. This level of detail should suffice for designing a plan of action for the next five years for which the NITI Aayog will now of course work together with all relevant departments.

A similar level of detail for the way

forward is evident in a host of other chapters. The three chapters on doubling farmers' income have recommendations ranging from the abolition of the essential Commodities Act to the adoption of zero-budget natural farming and including measures like doing away with export bans and creating collection centres at the village level. We also suggest specific measures for promoting growth of the dairy and the horticulture sectors, which is essential for diversifying sources of farmers' incomes. The Strategy calls for transforming Indian agriculture to a modern value chain and converting farmers from mere commodity producers to 'agropreneurs' who benefit from value addition and market diversification. It has been quite heartening to receive positive feedback from a large number of stakeholders who have noticed the Strategy's focus on specific measures rooted in ground realities in place of ideological and abstract recommendations that have often characterised approach and planning documents of yesteryears.

The Strategy is a fairly unique document given its comprehensive nature on the one hand and focus on specific implementable measures on the other. It has for the first time chosen to put forward a development blueprint that is not burdened either with technical jargon or with dubious quantification based on closed economy assumptions or ideological predilections. Yes, it does not provide detailed time-bound plans of action. This is in deference to the mandate of state governments and line ministries, with which NITI Aayog works in close cooperation. Contrary to what some have said, the Strategy attempts to provide a framework for making development a mass movement that will see a new India emerging as it reaches the 75th year of its independence.

The author is editor, Global Policy for Bloomberg NEF. Email: vgomb@bloomberg.net

## CHINESE WHISPERS

### A mock session



Opposition members on Tuesday held a "mock session" of Parliament inside Rajya Sabha after the chair adjourned the House for the day. They said their protest was aimed to highlight the "dictatorial" manner in which the chair extended the sitting of the House by a day without gauging the mood of the House, which is customary in such cases. While the chair adjourned the House, the Opposition members lingered at their seats for nearly an hour, and some senior members, including Congress' Ghulam Nabi Azad, Trinamool Congress' Sukhendu Sekhar Roy and others spoke about how the Narendra Modi government was "eroding parliamentary democracy". These members later trooped out to the statue of Mahatma Gandhi inside the Parliament premises to continue their protest. The Opposition members have threatened to disrupt the proceedings on Wednesday as well.

### No cakewalk for Bhargava

Ending days of speculation, the Bharatiya Janata Party (BJP) named former cabinet minister Gopal Bhargava the leader of the Opposition in the Madhya Pradesh Assembly on Monday. The decision was announced by Union Home Minister Rajnath Singh who said Bhargava was the unanimous choice of the party. His name was proposed by former CM Shivraj Singh Chouhan and was seconded by former minister Narottam Mishra. Former ministers Rajendra Shukla and Narottam Mishra were also in contention, it is learnt. Shukla is a close aide of Chouhan and Mishra is considered close to the party top brass. Chouhan had distanced himself from the race early on.

### Battle lines drawn in Andhra

As the Lok Sabha elections draw near, the battle in Andhra Pradesh is hotting up. The state Assembly polls and the Lok Sabha polls will be held simultaneously. On Wednesday, YSR Congress Chief YS Jaganmohan Reddy is slated to complete his 3,500 km *padayatra* in Srikakulam. Meanwhile, rival N Chandrababu Naidu, Andhra Pradesh chief minister and chief of the Telugu Desam Party, landed in New Delhi on Tuesday evening to meet Opposition leaders, including Congress President Rahul Gandhi and Communist Party of India (Marxist) Chief Sitaram Yechury. After the drubbing the Congress-TDP alliance suffered in the Telangana Assembly polls, there are voices in the Congress that want the party brass to rethink its alliance with the TDP in Andhra. Naidu is keen on continuing with the alliance and also convince the CPI (M) to join it.

## DECODED

On January 4, the Supreme Court allowed the National Consumer Disputes Redressal Commission to go ahead with a probe against Nestle India's Maggi, thereby reviving a 2015 class action suit filed by the Indian government against the Swiss food maker. That was the first time the government had taken action under Section 12-1-D of the Consumer Protection Act, which empowers both the Centre and states to file such complaints. Aashish Aryan explains what constitutes a class action suit, its prevalence in India and related international norms.

# Standing together

What are the circumstances under which a class action suit can be initiated in India?

Simply stated, a class action suit is a civil suit initiated by people with respect to a public right or a private right claimed in common for themselves and for others. Such suits are also called representative suits. The people who initiate the litigation claim to represent not only their own interests, but also the interests of people who may not be parties to the suit.

Class actions may be initiated either by private individuals, associations of people like societies and trusts or by the government. Such suits are initiated under circumstances when a wrong deed impacts a large group of people, who may not always have the ability or willingness to represent themselves. Class action suits can be initiated only by private individuals who are part of the wronged community. The government, on the other hand, can initiate a class action suit even if it is not part of the wronged community since it is considered a representative of the people.

What are the laws that govern class action suits in India?

The term 'suit' typically refers to civil

suits filed in the civil courts under the provisions of the Code of Civil Procedure, 1908, in conjunction with other applicable laws. In the case of a class action suit arising from a public nuisance or other wrongful act affecting the public, the Advocate General, or, two or more persons may initiate such a suit. In other instances, where there is a group of people with the same interest, one or more such persons may, with the permission of the court, initiate a representative suit, Gyanendra Kumar, partner, Cyril Amarchand Mangaldas, said.

For example, under the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985, the government took it upon itself the right to initiate litigations on behalf of the affected people.

Generally, the permission of a court or other relevant authority is required for a group to be certified as a "class". Other victims are typically given the right to join the class. Class action suits have proliferated in countries that permit lawyers to get a share of the final damages awarded in the class action suit as their contingency fee. In India, such contingency fee is banned by the Bar Council of India, Kumar said.

What are the different kinds of class



### actions permissible by law?

There are different kinds of class actions under law. The most common type of class action in India has been in the form of writ petitions filed before the Supreme Court or before the High Courts. These are commonly referred to as public interest litigations (PIL).

Class actions are also initiated under the Consumer Protection Act, 1986, by individual consumers or associations (for instance, the cases filed by flat owners' associations against a builder) or by the state or the central government.

The Consumer Protection Bill, 2018 — which proposes establishment of a Central Consumer Protection Authority empowered to file class action suits on behalf of consumers — has been passed by the Lok Sabha recently. Under this, if an adverse finding is made against a corporation, the defendant can be directed to pay compensation for loss or injury suffered by a group of consumers, Amita Katragadda, also a partner at Cyril Amarchand Mangaldas, said.

Various other special enactments also enable class actions. Under the

Companies Act, 2013, action may be initiated by a prescribed number of members or depositors of companies on behalf of the members or depositors unless specific members opt out of the class.

### What are the international norms guiding class action suits?

Class action suits are recognised by most countries in the world where consumers or affected parties can pursue a common course of action, Katragadda said. These can be in respect of a wide variety of claims concerning consumer protection, environmental law, securities regulation, among other things. One of the most famous class action suits in the US resulted in the Tobacco Master Settlement Agreement in November 1998 between the four largest US tobacco companies and the attorneys general of 46 states. Under the terms of the settlement, the manufacturers agreed to pay a minimum of \$206 billion over the first 25 years of the agreement for the states to recover their tobacco-related health-care costs.

## LETTERS

### Prudent move

This refers to your editorial "A welcome quota" (January 8). Providing 10 per cent reservation to the economically backward sections in the general category is a step in the right direction. If India is to progress, we need to encourage the culture of meritocracy. This will only be possible if we gradually move away from caste and religion-based reservation system to the one based on economic considerations. Reservation needs to be provided to all the deserving candidates who are marginalised due to their weak financial background, irrespective of their gender, caste, race or religion. Such a move has the potential of rewarding merit and at the same time address the social concern of discrimination. It will help the country realise its potential.

Ketan K Shah Ahmedabad

### But where are the jobs?

The government's hasty decision to give 10 per cent quota in jobs and educational institutions for the economically backward upper castes at this point in time seems to be a pre-poll political gimmick. The move is perfectly understandable as upper castes form the Bharatiya Janata Party's core support base.

The object of reservation is to correct the under-representation of the lower castes in education and employment. As for the poor among the upper castes, eco-



conomic assistance can be extended to them. Reservation is primarily aimed at reversing centuries-old caste oppression and regaining dignity.

In this context, the creamy layer rule precludes the well-to-do among the lower castes from the benefit of reservation. It is significant that the upper castes already have jobs disproportionate to their numbers. Interestingly, the opponents of reservation now have no problem with reservation based on economic criterion and subordination of "merit" to upper-caste interests. Meanwhile, it is interesting to note that the government has not created any more jobs but gone ahead with reservation in jobs instead.

G David Milton Maruthancode

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.

## HAMBONE

BY MIKE FLANAGAN



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## Growth deceleration

Advance estimates of GDP growth disappoint

The Central Statistics Office (CSO), which released the first advance estimates of economic growth on Monday, expects gross domestic product to grow at 7.2 per cent for 2018-19. While this is an improvement over the 6.7 per cent growth in the previous year, the estimate has come as a disappointment because it is below the expectation of most institutions mapping the Indian economy. For instance, both the Reserve Bank of India as well as the International Monetary Fund expected the economy to grow by 7.4 per cent this year. Even the Union finance ministry expected a growth rate of 7.5 per cent for the current fiscal. To be sure, the CSO's figures are just the initial estimates and a more robust set of numbers will be released in February-end; yet they are significant as they will provide the foundation for the preparation of the interim Budget on February 1.

The most significant aspect of the latest estimates is the clear deceleration in the growth momentum. The first half of the fiscal witnessed a respectable growth rate of 7.6 per cent. But that's only half the story. GDP growth rate, in fact, dipped sharply from 8.2 per cent in the first quarter to just 7.1 per cent in the second quarter. A full year growth of 7.2 per cent implies that the CSO expects economic growth to drop to just 6.8 per cent in the second half of the year, which corresponds to the last six months of the current government's tenure. This clear dip is seen in most sectoral estimates. For instance, manufacturing is expected to grow at 8.3 per cent in FY19, sharply higher than the 5.7 per cent in FY18. But it is expected to slow down sharply from 10.3 per cent in the first half of the year to just 6.4 per cent in the second half. Similarly, on the expenditure side of the national income accounts, estimates suggest that while both private and government consumption will moderate, it is the gross fixed capital formation (or investments) that will rise sharply in the second half of the year.

While a rise in the rate of investments from 7.6 per cent a year ago to 12.2 per cent in 2018-19 is welcome news, it is arguable whether the increase in investments will necessarily sustain as new projects tend to be held up before a general election. It is also possible that even these estimates have an element of over-estimation. After all, data compiled by the Centre for Monitoring Indian Economy showed a fall in investment projects being completed, as well as a 30 per cent drop in new investment projects taken up between December 2016 and 2018. What could drag down growth in the second half is the government's inability to come up with economic boosters as fiscal deficit in the first eight months of the year has crossed 112 per cent of the full-year target.

Overall, there is indeed some merit in the government's optimism (Economic Affairs Secretary S C Garg has described the advance estimates as "very healthy") as India remains the fastest-growing major economy in the world. No one can also deny that the average figure of 7 per cent-plus growth is good news as it indicates that the economy has put behind it the pangs of demonetisation and the rollout of the goods and services tax. But it is the secular deceleration that is the worry.

## Apt reversal

Order restoring CBI director follows the letter of the law

In ordering the reinstatement of the Central Bureau of Investigation (CBI) director, Alok Verma, a three-member Bench of the Supreme Court has underlined the Union government's failure to observe institutional propriety. In an implied rebuke, the court also ordered the government to convene the selection committee within a week to consider Mr Verma's status. The committee comprises the prime minister, the chief justice of India (who was a member of the three-judge Bench that unanimously passed Tuesday's order) and the leader of the Opposition, in this case, Mallikarjun Kharge of the Indian National Congress. At one level, the order could be seen as a setback to the government, which had controversially transferred Mr Verma following the outbreak of a toxic dispute between him and his deputy, Rakesh Asthana, in October last year.

However, a closer reading of the judgment shows that the apex court has scrupulously avoided passing an opinion on the controversy between Messrs Verma and Asthana, which involved a dramatic midnight raid on the CBI headquarters. It has not, for instance, ruled on Common Cause's petition seeking the removal of Mr Asthana and the constitution of a special investigating team to examine corruption charges against him and CBI officials, including an FIR filed by Mr Verma. Instead, the apex court has focused on a strict interpretation of two laws that govern the terms of the CBI director's appointment and dismissal. The thrust of the Supreme Court's judgment is that neither the Central Vigilance Commission (CVC), which oversees the CBI's functioning, nor the Department of Personnel and Training (DoPT) is competent to order Mr Verma's transfer under the terms of the CVC Act and the Delhi Special Police Establishment Act, which created the CBI. In reviewing the judicial history of the formation of the CVC and the CBI, the court pointed out that, among other things, the CBI director would be identified by a selection committee, have a minimum tenure of two years and, critically, could be transferred "in an extraordinary situation", only by the endorsement of the selection committee. In the court's words, therefore, it has raised a "pure question of law answerable on application of known and established principles of law".

Predictably, the judgment has not entirely pleased either party. Though the ruling has sent out an unambiguous message to a government that has demonstrated scant respect for institutions these past four years, there are questions as to why Mr Verma's powers have been curtailed and the three lost months of tenure not restored to him (he has 21 days to go before his term officially ends). The court ruled that Mr Verma could not take "policy decisions", but conduct routine affairs. Many have chosen to interpret this as enabling Mr Verma to start fresh investigations. Given that Mr Verma still has to run the gauntlet of a selection committee hearing, this is unlikely. Even this sharp rap on the knuckles for the government by the judiciary, however, does not detract from the tawdry power play of this current controversy, nor has it restored the credibility of the CBI. In that sense, Prashant Bhushan, who appeared for the petitioners, offered an apt metaphor in describing the ruling: "Operation successful but patient crippled."

## A 'Westphalia' for West Asia



### BOOK REVIEW

TALMIZ AHMAD

The Thirty Years' War began 400 years ago and ended with the "Peace of Westphalia" negotiated between the contending parties over five years. The war involved the major powers of the day — the Holy Roman Empire, France, Spain and Sweden — and the numerous German principalities that were linked to the empire through a series of complex historic agreements and traditions. The war combined contentions emerging from power rivalries, sectarian differences and, following the religious differences after the Reformation, the need to shape new constitutional arrange-

ments linking the principalities with their emperor.

The peace that ended these bloody conflicts was a marathon diplomatic effort based on innovative practices and processes that ended religious strife and set up a new order in Europe that lasted a century-and-a-half. This book by three distinguished historians of Europe and West Asia contends that Westphalia can provide ideas to provide security to West Asia.

In several respects, the present West Asian scenario is very similar to the contention-ridden Europe of the 17th century. Now, too, we have several conflicts taking place simultaneously that involve states and non-state, and sub-state players battling each other in a strategically vital geographical space, with fluid alliances and infirm coalitions.

These confrontations have emerged from security concerns but are being defined on a sectarian basis, recalling Sunni-Shia divisions that go back to early

Islam. As in Europe earlier, while the central competition is between Saudi Arabia and Iran, they are engaged in proxy wars in Syria and Yemen.

These contestations have their roots in the Arab Spring when people's agitations had demanded wide-ranging reform, including participation in governance. These demonstrations brought down at least four potentates, but also united the Arab potentates against reform and encouraged them to divert popular attention to religious and sectarian threats by demonising their enemies.

Finally, like the earlier wars, these regional conflicts are taking place amidst an over-arching rivalry between the great powers of the day — France and the Emperor then, the US and Russia now.

The authors contend that the Peace of Westphalia provides the diplomatic tools for peace-making and specific agreements that could serve as models to address the conflicts in West Asia. They assert cor-

rectly that, as in the past, a piecemeal approach to resolving regional conflicts will just not work, as the ongoing conflicts are inter-linked. They call for an inclusive peace congress of all the contending players that will take a comprehensive view of regional security, as was done at Westphalia.

They point out that the major powers would be more amenable to compromise if a regional balance of power is in place. To achieve this, borrowing from the Westphalia precedent, they suggest that some preparatory steps could be taken such as a ceasefire and interim peace arrangements in Syria and Yemen.

They do not see the absence of trust between the major powers as an obstacle but recognise that peace talks will work only if there is a genuine desire for compromise on both sides. This will require Iran and Saudi Arabia to set out their core security interests and the legitimate zone of influence acceptable to them.

Three factors that facilitated the agreement at Westphalia were the presence of mediators that had a major stake in peace and the emergence of a moderate "Third

Party" of cross-confessional states that worked behind-the-scenes to promote agreement. Finally, the enforcement of the treaty "in perpetuity" was based on "mutuality and reciprocity" in that it was collectively guaranteed by *all* the participating parties, thus effectively defining a regional collective security arrangement.

The writers describe the "Third Party" as powers having a direct and abiding interest in peace, willing to co-operate with others similarly impelled, and having enough clout in terms of legitimacy and geopolitical capability to apply pressure on the contending parties when needed.

The conflicts in West Asia have now continued for eight years and taken the lives of half-a-million people, destroyed cities and civic life, sharpened ethnic, religious and sectarian animosities and encouraged extremist elements. There is also no effective peace effort to address the contentions that divide the main powers and their allies. This book, the product of extensive studies and discussions among western and regional scholars and policymakers, is an important first attempt to promote such an initiative.

The obstacles are several: The contending powers do not have a shared vision for regional order and still believe that, with their allies, they can achieve their interests through ongoing military confrontations. Again, the two principal powers, one regional, the other global — Israel and the US, respectively — do not exhibit any interest in regional peace and the accommodativeness this will require of them.

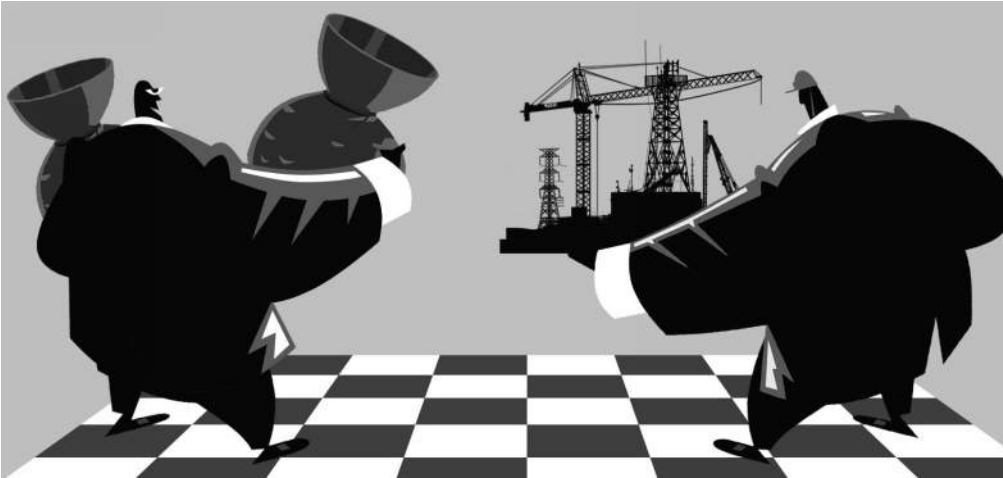
Until there are changes in these two areas, West Asia will remain condemned to further conflict. This calls for India to lead and shape a "Third Party" made up of China, Japan and South Korea and bring in Russia, France and Germany, when required.

*The reviewer is a former diplomat*

### TOWARDS A WESTPHALIA FOR THE MIDDLE EAST

Patrick Milton, Michael Axworthy and Brendan Simms  
Hurst and Company,  
160 pages; ₹2,686

ILLUSTRATION BY BINAY SINHA



## From developing to developed

India needs to take the lead in ensuring that the term 'developing country' is defined to exclude China

Is the People's Republic of China (PRC) still a developing country? This is a question that will increasingly be asked going forward, and it is one on which the Indian government must swiftly have a position.

The answer, in many ways, seems automatic. The PRC is now an aspirant superpower. It is one of the top two economies in the world; at gross domestic product per capita, that has likely already passed \$10,000, it is now or will shortly be above the median world per capita income. Within four years, it will almost certainly be defined as an upper-income country by the World Bank. The government in Beijing is powerful and well-funded. Indeed, its cash pile is the envy of the world. Its massive reserves can be easily used to cushion domestic crises and to finance the forays of its infrastructure and other companies abroad. Increasingly, its problems are those of a richer country: Managing its transition to a more innovative growth path; controlling its carbon emissions rather than expanding its electricity distribution network; improving urban quality of life; and realigning foreign and trade policy to its new status and its dense web of interdependencies.

But this is not how the leaders in Beijing see it. They are insistent that the PRC continues to be seen as a developing country, with the problems and thus the opportunities open to other countries with that status. In this insistence we can determine why exactly this is more than a mere disagreement over definitions. After all, in all other aspects, the administration of Xi Jinping has sought to convey a PRC

that has already arrived on the world stage, that no longer needs to, in the words of Deng Xiaoping's memorable admonition, "bide its time".

The truth is that the PRC seeks all the benefits of developing-country status with few of the problems. For example, developing countries that have failed to evolve a sufficiently free, empowered and independent private sector are given a bit of leeway in trade discussions. This is for good reason — the private sector in such countries

needs nurturing, and meanwhile, state companies are the primary instruments of economic nation-building. But the PRC is long past such a stage. It now uses its powerful public sector not just to ensure that the control over the economy by the Communist Party continues, but also as agents of its aggressive foreign policy abroad. The question that others will ask is naturally why developing-country status should be used as a shield to deflect criticisms of

Beijing's unwillingness to further reform its public sector.

This behaviour is replicated across its various forms of international engagement. In the fight against climate change, for example, the PRC is justly celebrated for its decision to make the Paris Agreement on Climate Change possible by signing a bilateral agreement in advance with the United States. But it should also be recalled that it sought to hide behind genuine developing countries in its opposition to a binding agreement on climate in the past — the Paris targets were of course nationally determined and not binding under international



### POLICY RULES

MIHIR S SHARMA

## White-collar crime: Why they do it

What do Bernie Ebbers, Sanjay Kumar or Kenneth Lay have in common? All these superstars of World Inc were charged with fraud and conspiracy at the peak of their respective careers. India also has had its fair share of members in the corporate Hall of Shame, and B Ramalinga Raju happens to be one of its leading lights. Mr Raju, who once won the Golden Peacock award for corporate governance, was charged with engineering a massive fraud at Satyam Computer Services exactly 10 years ago.

Compared to the harrowing experience of his counterparts abroad after the scams in their respective companies, Mr Raju has had a relatively peaceful existence so far. He was let off on bail after 20 months in prison, and is now busy presiding over his family empire from his palatial bungalow at Hyderabad's Jubilee Hills.

In contrast, Bernie Webbers, who was WorldCom, much like Mr Raju's status in Satyam, is serving a 25-year prison term, after he was found guilty of executing what was then the largest accounting fraud in history. In September 2006, Mr Ebbers drove himself to prison in his Mercedes, which he is not scheduled to see again until 2028. Sri Lankan-born Sanjay Kumar, chairman and CEO of Computer Associates, was sentenced to 12 years in jail after pleading guilty to securities-fraud charges. And Kenneth Lay of Enron, who was accused of shady accounting practices, died from a heart attack while awaiting sentencing. His co-conspirator Jeffrey Skilling is in jail since 2006.

And consider what has happened to Carlos Ghosn, who was among the most celebrated chief execu-

tives around the world. The chairman of Renault-Nissan-Mitsubishi is locked up at an austere detention centre in Japan for an alleged under-reporting of his salary by more than \$44.5 million to the Tokyo Stock Exchange between 2011 and 2015.

So why do CEOs allow their reputation, carefully built over decades, to be blown to smithereens? Take Mr Raju, for example. The journey from being the poster boy of India's IT industry to becoming Qaidi No.4148 at a Hyderabad jail must have been tortuous. Money couldn't have been the sole motivation, considering he was the owner of India's fourth largest IT

company. In fact, all the fraudster CEOs were fabulously wealthy when they committed their crimes. Nevertheless, they risked their careers, families, reputation, wealth, power, everything. For what? One answer could be that all that power and money made these CEOs feel invincible and above the law.

The other reason, strangely, is that they strongly believe they did nothing wrong. After his initial confession about fudging figures, Mr Raju insisted that he had not taken a "single rupee from the company". Former McKinsey head Rajat Gupta is another example of this. After serving a two-year prison-term on insider trading charges, Mr Gupta talked about some "errors and misjudgements" and started a legal battle to overturn his conviction, arguing that he served a jail term for conduct that is not criminal as the government lacked evidence to show he "received even a penny" for passing confidential boardroom information to the now-jailed hedge fund manager and his one-time friend and business associate Raj Rajaratnam. The effort proved



### POWERPOINT

SHYAMAL MAJUMDAR

fruitless as on Tuesday, a federal appeals court declined to throw out his conviction, upholding a lower-court ruling, which found Mr Gupta guilty of passing tips to Mr Rajaratnam about Berkshire Hathaway's \$5 billion investment in Goldman Sachs and the bank's financial results for two quarters in 2008.

Yet others said after their sentencing they truly believed that they did nothing but try to improve the conditions of their employees. Ironically, their employees and shareholders suffered the most from their actions.

Curious about the motives behind white-collar crimes, Eugene Soltes, a Harvard University professor spent seven years interviewing nearly 50 convicted corporate CEOs and wrote a book, *Why They Do It: Inside the Mind of the White-Collar Criminal*. Most of the subjects in the book exhibit an overwhelming lack of remorse for what they've done. Many of them seem to view their crimes as solutions to a problem at work, rather than moral failings. Many of the convicted executives Mr Soltes spent time with described their conduct bluntly. "Morals go out the window when the pressure is on," explained Steven Hoffenberg, who confessed to running a Ponzi scheme that stole from thousands of investors in his company, the Towers Financial Corporation. "When the responsibility is there and you have to meet budgetary numbers, you can forget about morals."

Yet others feel they deserve anything they could possibly want — money, fame, a bonus and a football field-sized office. They should get these things because they "deserve" them. This level of selfishness can lead to all sorts of slimy decisions and behaviour. By the time they realise their mistake, it's already too late. That's what happened to Mr Raju, prompting him to make that famous statement that he was riding a tiger and did not know how to get off without being eaten.



# FinMin turns down Sebi's plan to do away with DRR

Regulator says debenture redemption reserve increases issuance cost; ministry disagrees

SHRIMI CHOUDHARY  
New Delhi, 8 January

The finance ministry has rejected the Securities and Exchange Board of India's (Sebi's) proposal to do away with the requirement of the debenture redemption reserve (DRR) — a provision mandating both listed and unlisted companies to set aside 25 per cent of their profits for protection of bond investors in case of a default. Financial institutions such as banks and non-banking financial companies are, however, exempted from this requirement if funds are raised through a private placement.

The markets regulator proposed to the Department of Economic Affairs (DEA) last month that the DRR rule be reviewed, saying it was not favourable for the development of the corporate bond market. Sebi cited certain anomalies that were raising the cost of issuance by 18 per cent, particularly for infrastructure and manufacturing companies. In its proposal to the DEA, Sebi cited a study it had conducted on the costs involved in the issue of corporate bonds and measures that can be taken to diversify the issuer and investor base.

According to the Sebi study, around 90 per cent of the issuances happen in the credit rating bucket of AA or above. Further, corporate bond issuances are done primarily through the private placement route, of which almost 60-70



per cent of the issues are done by financial sector entities.

The private sector and non-financial entities constitute only 20 per cent of the total issuances, with the remaining being state-owned firms.

Sebi highlighted that the gap between the financial and private sector issuances was due to the exemption given to financial institutions, with most of them raising funds through a private

placement and that there was no level playing field for other sectors.

Sebi also said the DRR requirement was increasing the cost of issuance for non-financial companies, which was up to 18 per cent for infrastructure and manufacturing companies.

In its response, the DEA said the actual cost was not that high, and that Sebi should relook at it. If required, Sebi could refer the matter to its committee

## NOT ON THE SAME PAGE

### SEBI TO FINMIN

- Review the debenture reserve norms
- Existing mechanism not favourable to corporate bond market, raising cost of issuance by 18% for companies
- No level playing field due

### MINISTRY'S VIEW

- Debenture reserve not adding any cost to the issuing company
- Sebi needs to relook the cost as it's not as high as appears
- No negative implication,

to exemption given to financial institutions

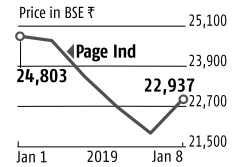
- Cites study, which reveals 70% issuances come via private placement route
- Both listed/non-listed firms to set aside 25% of their profits for this reserve

except 25% cannot be used for dividend payment

- For shareholders, distribution of dividend is not the driving factor
- Such reserves are required for investor protection in terms of redemptions

More on business-standard.com

## QUICK TAKE: VALUATIONS CAP UPSIDE FOR PAGE



Page Industries has shed 20 per cent over the last three months. Volume growth was impacted last quarter due to subdued demand. While valuations remain rich, stock performance will depend on the volume trends in the men's innerwear segment

## TSI P11 BHARAT FORGE FACES EARNINGS PRESSURE ON MULTIPLE CONCERNS

## THE COMPASS

# 'Semi-arranged match' may not fill all gaps for Bandhan Bank

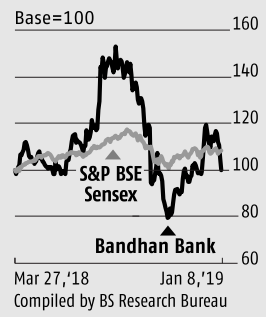
Merger with Gruh Finance will help in expansion of footprint but will not impact bank's liability profile too much

HAMSINI KARTHIK

Deepak Parekh, Chairman of HDFC, termed the merger between Bandhan Bank and Gruh Finance as a semi-arranged match. But this one too, as with any marriage, may take time to establish compatibility. Tuesday's stock market reaction echoes similar sentiments. While Gruh Finance stock took a big beating – down 17 per cent to adjust to the merger swap ratio — Bandhan's stock fell over 5 per cent.

While the merger with Gruh Finance expands Bandhan's footprint beyond its core eastern and north-eastern markets, there are still concerns over the value accretion the deal can offer to investors.

Gruh's loan book at ₹16,500 crore is sizeably lower than that of Bandhan. However, it does make the latter's asset portfolio less concentrated around micro-finance loans (MFI loans), with the share of MFI loans reducing to 58 per cent from the current 85 per cent.



On the flip side, the merger also makes Bandhan susceptible to shocks in the housing market. "Affordable housing finance has been witnessing many new entrants, thus impacting the competitive dynamics. If the scaling-up of this business continues to remain profitable, it can provide benefits over the longer term," noted analysts at PhillipCapital.

Further, with Gruh's cost of funds at 7.6 per cent, it is about a per cent higher than that of Bandhan. Gruh's liability portfolio is also dependent on banks and other market borrowing for 89 per cent of its funding needs. More

importantly, despite being a deposit-accepting entity, deposits account for only 9 per cent of its liability profile. For Bandhan Bank, scaling up deposits is the need of the hour. With a current account-savings account (CASA) ratio of 37 per cent, the metric needs to strengthen further.

Finally, with 7 per cent dilution to earnings and 12 per cent dilution to the merged entity's book value, it needs to be seen whether Bandhan Bank will sustain its premium in the next round of equity dilution to further reduce promoter holding to 40 per cent, say analysts.

"Finding a good quality candidate for inorganic growth to further reduce stake could be challenging. Likewise, for Bandhan Bank's investors, at what stage their promoters dilute their holding remains a big overhang," says Siddhart Purohit of SMC Capital. This is the reason questions have been raised as to why investors have been subject to a couple of rounds of stake reduction.

# Equity flows slow to a 22-month low

ASHLEY COUTINHO & JASH KRIPLANI  
Mumbai, 8 January

Flows into equity schemes touched a 22-month low of ₹6,606 crore in December as market volatility made investors wary.

The number of folios, on the other hand, crossed the 80-million mark for the first time in the industry's history.

"It has been a tricky year for investors with volatility and negative returns in equity diversified funds playing on their minds. The silver lining is that investors have stayed put and continue to invest through the SIP route, which augurs well for the industry," said Swarup Mohanty, chief executive officer of Mirae Asset MF.

The equity inflow (equity schemes and equity-linked saving schemes) for December was 42 per cent lower than the past 12-month average of ₹11,385 crore.

Fund managers faced a tough time beating the benchmark in 2018, with nearly three out of four diversified equity schemes under per-

forming their respective underlying indices. Market observers have attributed this to large sums chasing too few stocks, and the impact of regulatory changes such as categorisation of schemes as well as the introduction of total returns index, in lieu of a simple price index.

Mutual funds garnered ₹8,022 crore of its assets by way of SIPs in December 2018, 29 per cent higher than the previous year, data from Amfi shows. Funds took in ₹7,985 crore through SIPs in November.

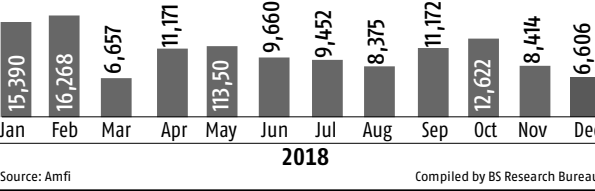
"It is heartening to see that we have gone past the ₹8,000 crore per month in SIP book. This highlights that retail participation in equity is well on track. Gross flow in equity, including balanced funds, has increased over the last month, which is a positive trend," said Vishal Kapoor, chief executive officer of IDFC MF.

Kapoor attributed the slowdown in inflows in equity schemes to the year-end holidays, a time when distribution activity typically slows down. "Most of it picks up in the



## ON A SLIPPERY SLOPE

Flows into equity schemes fall to a near two-year low



January-March quarter when the focus shifts to tax saving ELSS funds," said Kapoor.

The change in distributor commission structure slowed down the collection for new

fund offers further. Open-ended equity schemes garnered just ₹409 crore in December.

On the debt side, liquid funds once again saw outflows in December to the tune of

₹1.48 trillion. In September, these funds had seen their worst monthly redemption in over a decade, following the IL&FS default.

"Systemic liquidity is neutral as the Reserve Bank of India (RBI) has stepped in. We don't see liquidity tightening anytime soon. We should see positive flows coming back in January for liquid schemes," said Amfi's Venkatesh.

Overall, equity assets grew 2 per cent to ₹7.8 trillion over the past year. Total AUM of the MF industry, on the other hand, fell 5 per cent to ₹22.85 trillion.

"We saw reasonable inflows this year even when Indian macro was under some pressure. Lots of macro and fundamental adjustments have already happened. And with that, the markets are looking far more attractive now than a year ago. This should lead to increased inflows into mutual funds. We are optimistic that inflows will sustain," said Manish Gunwani, chief investment officer, equity investments, Reliance Mutual Fund.

# Sensex jumps 130 points as banking stocks rally

PRESS TRUST OF INDIA  
Mumbai, 8 January

The benchmark indices ended higher for the third straight session on Tuesday, on wide-spread buying in banking stocks towards the end amid fresh inflows by foreign funds and positive global cues.

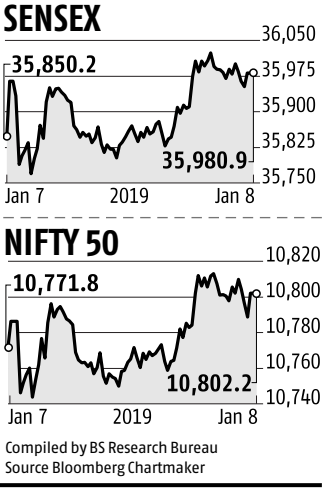
The Sensex rose 130 points to end at 35,980.93, while the broader Nifty advanced 30.35 points to 10,802.2.

Both indices traded in the negative through majority of the session as investors booked profits in recent gainers amid weakness in the rupee on account of the rise in global crude prices.

However, with the emergence of buying towards the close of the session, Sensex wiped off losses and hit a high of 36,037.35 before settling 0.36 per cent higher. The index had rallied 336.45 points in the previous two sessions.

The Nifty settled 0.28 per cent higher. Intra-day, it touched a low of 10,733.25 and a high of 10,818.45.

According to Hemang Jani, Head (advisory), Sharekhan by BNP Paribas, banking stocks remained in focus after the



RBI governor on Monday expressed satisfaction over the performance of the banking sector by saying bad loans have declined, particularly those of state-owned banks. "Also the sharp moderation in bond yields should significantly boost treasury performance of the banking sector," he pointed out.

The market traded range-bound with a positive bias, in which PSU banks led the gains on account of improving non-performing asset resolution, along with capital infusion

and depressed valuation, said Vinod Nair, Head of Research, Geojit Financial Services.

Investors have some concerns ahead of corporate earnings and hope over the ongoing US and China trade meeting, he added.

Earlier in the session, investors logged gains ahead of Q3 earnings of blue-chip companies such as TCS and Infosys later this week amid fresh weakness in the rupee which again breached the ₹70-mark against a dollar, traders said.

## Share buyback on Infosys' January 11 board meet agenda

DEBASIS MOHAPATRA  
Bengaluru, 8 January

Infosys will consider buyback of its shares, apart from proposals of giving special dividend to shareholders as part of its capital allocation policy, in its upcoming board meet on January 11. "The board of the company will consider proposals including buyback of shares, and payment of special dividend, for implementation of the capital allocation policy at its meeting to be held on January 11, 2019," the company said in a filing to exchanges on Tuesday.

According to the capital allocation policy approved by shareholders in April 2018, Infosys plans to give back around ₹10,400 crore to shareholders by the end of this financial year. Under the current framework, it also plans to return up to 70 per cent of its free cash flow to shareholders.

For the first time in its history, Infosys conducted a share repurchase of ₹13,000 crore in 2018. Market participants expect a similar buyback of this year as well, on the back of its current capital allocation policy framework.

Last year, its peers Tata Consultancy Services (TCS) and HCL Technologies had conducted such share repurchase for a second consecutive year. While TCS bought back ₹16,000 crore at ₹2,100 a share last year, HCL Technologies had conducted a repurchase of ₹4,000 crore during this period. Analysts say Indian IT services players are increasingly emulating the capital allocation models of global technology majors such as Accenture and IBM in conducting regular share repurchase programme.

SACHIN P MAMPATTA  
Mumbai, 8 January

The Securities and Exchange Board of India (Sebi) is working on improving its analytical capabilities. The move is to aid surveillance and other functions, according to Chairman Ajay Tyagi.

"A process by Sebi is also underway to further strengthen its in-house analytics capacity to support its market surveillance and risk management functions," he said, while speaking at the 55th Annual Conference of the Indian Econometric Society, an event organised by the National Institute of Securities Markets (NISM) and Mumbai University.

The markets regulator also announced the setting up of a research advisory committee on Tuesday. The committee will comprise both market practitioners and economists, according to a statement on Sebi's website.

The committee will look to define "objectives, scope, and direction of research relevant for development and regulation of capital markets in India and for Sebi, especially keeping in view the linkage of research to policy making", the statement said.

It added that it will also develop databases, explore research collaborations and promotion of research proposals by internal and external

## NEW INITIATIVES

- Improving analytical capabilities
- Move to help on surveillance, risk management
- A research committee has also been announced
- Will aid in policy-making
- Research internships is also in place



AJAY TYAGI, Sebi chairman

researchers. Former Sebi chairman U K Sinha had previously remarked on the lack of sufficient research on Indian markets. He had said there is data Sebi could provide for researchers who wish to conduct research on capital markets.

Tyagi on Tuesday said the thrust on research is to ensure that policy-making is based on ensuring that decisions are driven by facts and less by opinions of policymakers.

"Policymakers often have pre-conceived biases towards the outcome of their policy prescriptions. A policy backed by an independent research could go a long way in mitigating such biases, thereby leading to optimal decision making," he said, according to a copy of the speech on the Sebi website.

Research can monitor policy deci-

sions and their effects after they have been implemented. It can also help make price discovery efficient. This can be through its aid in helping evolve a robust market, and identifying regulatory gaps compared to what is done elsewhere in the world.

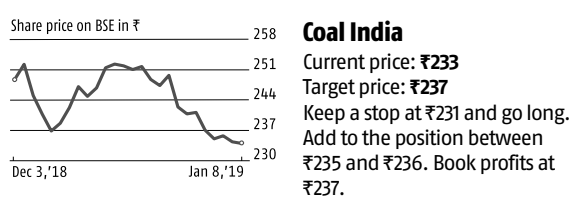
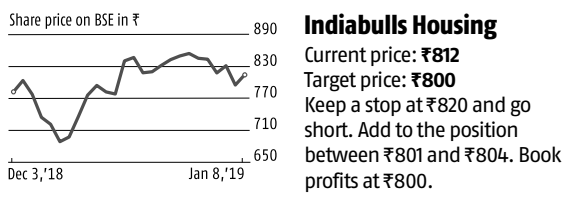
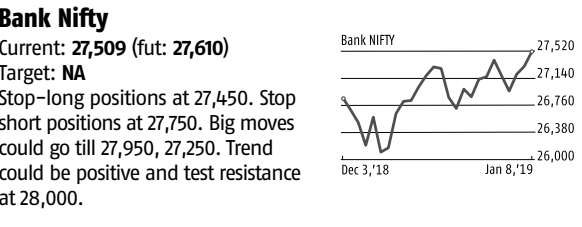
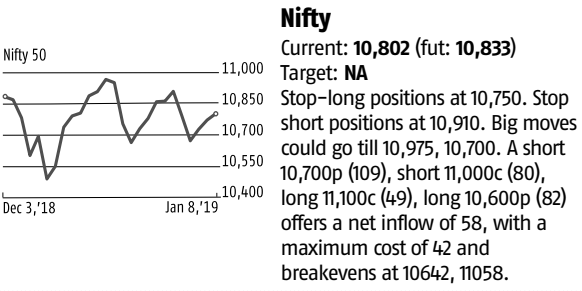
He added that there is a research internship programme that the regulator has also put in place.

There was also a mention of recent events on capital markets.

"Capital markets globally have been quite volatile during the current financial year and are likely to remain so in the coming days, on account of various factors such as US Fed rate hikes, volatile oil prices, intensifying trade conflicts and sanctions. The Indian markets have also been affected by these factors," he said.



TODAY'S PICKS



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

Bharat Forge faces earnings pressure on multiple concerns

Fall in truck volumes , pressure on non-auto segments are the negatives

RAM PRASAD SAHU  
Mumbai, 8 January

Automobile component companies Bharat Forge, Motherson Sumi, and Ramkrishna Forgings, catering to the North American heavy truck market, are being affected by a fall in volume, which is down 42 per cent in December compared to the previous year. After a high in August, volumes in that market for Class-8 (heavy duty) trucks are down and among the lowest in nearly two years.

The segment accounts for a fifth of Bharat Forge's standalone revenue and is among its more profitable segments. Motherson Sumi has exposure to the US market through a subsidiary, PKC — it has 62 per cent market share in the North American heavy duty truck segment and this is expected to contribute 7.5 per cent to the company's 2018-19 consolidated revenue. For Ramkrishna Forging, exports account for about 30 per cent of revenue and of this, the North American market accounted for nearly 80 per cent.

Analysts believe there could be a downcycle ahead, given the rise in order cancellation, affecting revenue in the coming quarters.

Bharat Forge has other concerns, too. Such as falling medium and heavy commercial vehicle (M&HCV) sales in the



BHARAT FORGE: DECLINING PROFIT			
in ₹ crore	FY18	FY19E	FY20E
Revenue	8,357	9,896	10,584
% change y-o-y	30.7	18.4	7.0
Operating profit	1,778	2,082	2,199
% change y-o-y	42.1	17.1	5.6
Net profit	894	1,052	1,108
% change y-o-y	46.8	17.7	5.3
E: Estimates			Source: CLSA

domestic segment as well. After 25 per cent growth in nine months, compared to a year before, M&HCV volume fell 21 per cent in December. The trend is expected to continue, given higher borrowing cost, increased running cost and relaxation in axle load norms. Domestic and export revenue from trucks account for

40-45 per cent of Bharat Forge's standalone revenue.

The sharp fall in crude oil prices will also impact the forging company's revenue, as this was one of the fastest growing of its non-auto segments. Analysts at CLSA, who have downgraded the stock, believe the industrial export segment

(25-30 per cent of Bharat Forge revenue), has high exposure to oil & gas.

The segment saw strong cyclical recovery over two years, but the recent fall in commodity prices is clouding the outlook. Further, a depreciating currency was a positive for the company, given its large export; the recent recovery in the rupee will limit the gain there.

Given the multiple headwinds, analysts have cut Bharat Forge's earnings estimate by 16-24 per cent over the next couple of financial years. They believe the company is at the start of a downgrade cycle.

Given the pressure on earnings (profit growth of only 13 per cent over the next couple of years), analysts at Nomura believe the stock, down 22 per cent since the start of November, is expensive at a little over 16 times its FY20 earnings estimate.

They, however, find Motherson Sumi's valuation attractive at 18 times the FY20 estimate — the company is expected to see 22 per cent net profit growth over FY18-21. Given the pressure on volumes across segments in the domestic automobile market and select segments in the key export markets of America and Europe, investors should wait for a rise in demand before taking exposure to large component makers.

Oil prices rise on US-China trade talk hopes, Opec cuts



REUTERS  
New York, 8 January

Oil prices rose more than 2 per cent on Tuesday, supported by hopes that demand may rise more quickly if talks between US and Chinese officials resolve the trade dispute between the world's two biggest economies. US West Texas Intermediate (WTI) crude oil futures climbed \$1.22, or 2.5 per cent to \$49.74 a barrel by 12:25 pm EST (17:25 GMT or 22:55 IST). The contract earlier touched a session high of \$49.95, the most since December 17.

Brent crude futures rose \$1.32 a barrel, or 2.4 per cent, to \$58.65. "The trade situation is definitely bullish; you have a good demand construction if we can wrap up this trade deal," said Bob Yawger, director of futures at Mizuho in New York. The talks are going well so far and will continue on Wednesday, US delegation member Steven Winberg said.

These are the first face-to-face meetings between officials from the two countries since US President Donald Trump and Chinese President Xi Jinping agreed in December to a 90-day truce in a trade war that has buffeted global financial markets.

On Monday, US Commerce Secretary Wilbur Ross and China's foreign ministry expressed optimism on resolving the dispute. Some analysts warned, however, that tensions could flare anew.

Oil traders also worried that a possible worldwide economic slowdown could dent fuel consumption. The hedge fund industry has cut significantly its bullish positions in crude futures. S&P Global Ratings said it had lowered its average oil price forecasts for 2019 by \$10 per barrel to \$55 for Brent and \$50 per barrel for WTI.

"Our lower oil price assumptions reflect slowing demand and rising supply globally," said S&P Global Ratings analyst Danny Huang.

Crude prices have been buoyed by supply cuts from the Organization of the Petroleum Exporting Countries including top exporter Saudi Arabia, and allies including Russia.

Saudi-based Arab Petroleum Investments Corp, which funds petroleum projects, estimated that oil prices are likely to trade at \$60 to \$70 per barrel by mid-2019.

Yet, US oil supply is surging. A steep rise in onshore shale drilling has helped make the United States the world's top producer, with crude production up 2 million barrels per day (bpd) last year to a world record 11.7 million bpd.

The market is closely watching US supplies, which analysts expect pulled back 3.3 million barrels in the latest week. If government data on Wednesday confirms that forecast, it would send a strong bullish signal to the market, said John Kilduff, a partner at Again Capital Management in New York.

Reduce flight cancellation charges through websites

Travel portals are offering zero cancellation plans that give a full refund if a flier cancels tickets

TINESH BHASIN

Online travel portals are increasingly launching plans that allow fliers to get full refund in case they cancel their air tickets. The offering helps to take the sting out of the high charges that airline companies deduct in case of a cancellation.

Sample this: If you are flying from Mumbai to Delhi in November, the cheapest fare is ₹2,451. If a person cancels this ticket, they will need to pay about ₹2,016. If a flier opts for the zero cancellation plan from Yatra, for example, they will need to pay ₹849 and will then get full refund in case of

cancellation. The price one pays varies from one online travel agent (OTA) to another.

The product is growing in popularity. Most popular travel websites such as Yatra, MakeMyTrip, Paytm and Goibibo offer it. "The product has already gained a lot of traction, with over 1 million customers having purchased it. The engagement of customers who have opted for zero cancellation on our platform is far higher than other customers," says a MakeMyTrip spokesperson.

However, there is an important exclusion. Most of these websites provide full refund only if the customer cancels the ticket 24 hours before the scheduled departure. The passenger gets back the ticket fare, minus the convenience fee. But if the

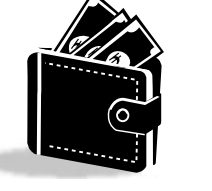
cancellation is done within 24 hours of departure, then the flier gets a refund after deduction of cancellation charges from the airline.

The product is also available on select routes and many offer the same

for a one-way ticket, as of now. "Many opt for the product when they are not sure if they will fly on a specific date, but also worry that if they do need to, the airfare may be much higher," says Sharat Dhall, chief operating officer (B2C), Yatra.com.

Some travel portals like Yatra have tied up with an insurance company for this product. Websites like MakeMyTrip have designed it in-house. Zero cancellation has become popular, given the travel insurance pays for a ticket refund only in specific situations such as sickness, injury or

YOUR MONEY



COMMODITIES

Prices of agri commodities rise on low output estimates

This may lead to pressure on food inflation in the near term

DILIP KUMAR JHA  
Mumbai, 8 January

Prices of major agricultural commodities have started moving up steadily due to less sowing and production estimates for the ongoing rabi season.

Tur (pigeon pea) was ₹37 a kg on November 1 at the benchmark Latur (Maharashtra) market; it is now ₹46 a kg. Similarly, prices of all other varieties of pulses have risen during the period by up to 32 per cent. So have ragi, bajra, jowar, wheat and paddy. All this would see upward pressure on the wholesale price index (WPI) and consumer price index (CPI). However, with a general election to be held in the first half of 2019, the central government is not likely to allow this beyond a point and, hence, agri product prices could be monitored.

"In some cases, kharif output was also lower this year, following drought in Maharashtra and Tamil Nadu and uneven distribution of rain in Gujarat and some other major states. It is too early to say that prices of agri commodities would shoot up but, as there is a lot of pressure on the government to ensure increase in farmers' income, that will itself be an upward pressure on prices. So, we can expect increase in food inflation from March onwards," said Madan Sabnavis, chief economist, CARE Ratings.

Union agriculture ministry data showed a decline of 3.4 per cent, as of January 1, in rabi sowing to 56.44 million hectares, as compared to the same day last year. The area under rice (15 per cent of its yearly production) is down 25 per cent to 1.4 million hectares; that under pulses was down



RATE CHART

Price in ₹/qtl			
Commodity	Statel/Centre	Jan 5, '19*	% Change#
Moong	Rajasthan - Pali	6,975	32.2
Tur	Maharashtra-Latur	4,850	31.8
Barley	UP - Jalaun	1,919	16.0
Bajra	Rajasthan - Alwar	1,610	11.0
Urad	MP - Chhatarpur	4,025	10.3
Jowar	Rajasthan - Ajmer	2,100	9.1
Soy bean	MP - Ujjain	3,350	7.7
Ragi	Karnataka- Hassan	2,300	5.9
Lentil	MP - Sagar	3,700	5.7
Wheat	MP - Chhatarpur	1,825	0.8

\*Latest available price of 2019; #Change over October-end  
Source: AgMarket, Department of Agriculture and cooperation  
Compiled by BS Research Bureau

6.4 per cent to nearly 14.4 million hectares. "The government raised the Minimum Support Price (MSP) of kharif and rabi crops. While most commodities are trading below this threshold, the government is trying to ensure farmers get at least the MSP, which is driving prices of agri commodities," said Vijay Sardana, an agri market expert.

The area sown under coarse cereals reported a fall of 17.3 per cent to 4.33 million hectares. That under oilseeds was lower by 1.5 per cent to 7.52 million hectares.

impacted rabi sowing. Arrivals declined despite a one per cent rise in kharif production (according to the first advance estimate), implying farmers or middlemen are holding on to stock," said Hetal Gandhi, director, CRISIL Research. The southwest monsoon season ended with rainfall about 9.4 per cent short of the long-period average. Though this is categorised as normal, the distribution was somewhat patchy, and there are pockets of stress. Unless rabi sowing improves in the next few weeks, there could be a trickle-down effect on the sectors being driven by rural India, Gandhi added.

Gold import plunges 14.5% in '18

RAJESH BHAYANI  
Mumbai, 8 January

India's gold import fell 14.5 per cent to an estimated 759 tonnes in 2018. It was 876 tonnes last year. According to data compiled by GFMS Thomson Reuters, the year's gold import bill is estimated to be lower by 13.4 per cent to nearly \$31.4 billion (₹2.2 trillion).

Debjit Saha, senior analyst, GFMS Thomson Reuters, said: "Sluggish demand for gold jewellery on account of a higher price (the rupee was weaker), a not-so-good monsoon resulting in less disposable liquidity with the farming community and consumers' reluctance to buy jewellery through cash beyond a small limit all meant less demand. After demonetisation and introduction of the goods and services tax (GST), consumers are careful in buying gold through cash."

GST has provided more access to authorities in check-

LACKING LUSTRE

■ Fine gold from dore  
■ Gold import (tonnes)

Total (\$ mn)		
36,239	(-13.4)	31,373
876.2	(-14.5)	748.8
225.1	(24.3)	279.7
651.1	(-28.0)	469.1

CY2017 (% chg) CY2018  
Dec 2018 figures are industry estimates  
Source: GFMS

ing. It has increased traceability in the supply chain, making it more difficult for traders to evade the lens of authorities.

Also, the government changed the criteria for nominated agencies eligible to import gold. Previously, four-star export houses from the gems and jewellery sector and



five-star export houses from any sector were so recognised as a nominated agency for gold import.

In October 2017, it was mandated that status holders (export houses) could only import gold for actual use, ie import of gold as input for manufacture and export thereof.

Prabhat Dairy to enter animal nutrition biz

PRESS TRUST OF INDIA  
Mumbai, 8 January

Prabhat Dairy is entering the animal nutrition business, which includes cattle feed, nutrition supplements and animal genetics, in association with Denmark-based DLG which is into high-quality vitamin-mineral feeds for the livestock.

The Mumbai-based company already supplies cattle feed under the brand Annapurna to

dairy farmers. Leveraging its expertise and wanting to create a strong presence in the booming animal nutrition market, the company is set to launch a separate animal nutrition business, it said in a statement on Tuesday. Prabhat Dairy has signed joint development agreement with Denmark-based DLG, a major in high-quality vitamin-mineral feeds to drive its diversification.

"Under this agreement, two products which are already

developed in Denmark, will be shipped to India for a pilot.

One of these two products is for milching cows and another for dry cows, and will be given to 150 selected farms to administer on 1,000 cows for the improvement of health and to increase milk productivity and quality," the statement said. The pilot phase will be for four to six months, after which commercial launch will be planned, the company added.



IN BRIEF

Amid reports of Brexit delay, Remain MP faces 'Nazi' barb

Dozens of British MPs have written to London's police chief to warn about a "deteriorating public order and security situation" around parliament, after Brexit supporters assailed pro-EU figures there on Monday. A cross-party group of 55 lawmakers sent the letter to the Metropolitan Police commissioner after Remain supporting MP Anna Soubry was called a "Nazi", "liar", "fascist" and "scum" by the protesters during live TV interviews near parliament. On the other hand, PM Theresa May's office stressed MPs will vote on her Brexit deal on January 15, amid speculation that London could seek to delay its looming departure. Junior Brexit minister Martin Callanan, too, said the government won't postpone the divorce. **AFP/PTI**

LOOKING TRUMP, TALKING XI



North Korean leader Kim Jong-un and wife Ri Sol-Ju leave Pyongyang for Beijing to meet Chinese president Xi Jinping amid reports of a possible second summit with US President Donald Trump

PHOTO: REUTERS

German police arrest 20-year-old after massive data breach


German police have arrested a 20-year-old man in connection with one of the country's biggest data breaches, which affected hundreds of politicians, the BKA federal criminal police said on Tuesday. German authorities are under fire for their handling of the breach in which personal data German politicians including Chancellor Angela Merkel, were published online. **REUTERS**

Malaysia probes claim China offered to bail out IMDB

Malaysia said on Tuesday it was investigating claims China offered to help bail out scandal-hit state fund IMDB and get foreign probes into the controversy dropped in return for securing infrastructure deals. Huge sums were reportedly looted from the Malaysian government fund in an audacious fraud, which allegedly involved former PM Najib Razak. **AFP/PTI**

Samsung shares Apple pain in Q4

South Korean company's operating income falls to \$9.6 billion amid sputtering demand for memory chips



Samsung's shares fell 1.7 per cent in Seoul on Tuesday

PHOTO: REUTERS

biggest export destinations — has hit demand for memory used in everything from personal comput-

ers to mobile devices, raising the pressure on a company struggling to revitalise its smartphone busi-

Rupiah will beat rupee in battle of high-yielders, says Goldman

**BLOOMBERG**  
Singapore, 8 January

Indonesia's rupiah is set to outperform the Indian rupee thanks to the diverging impact of oil prices, portfolio flows and monetary policy sensitivities to the Federal Reserve, according to Goldman Sachs Group.

"Although India and Indonesia are typically clubbed together under "high-yielding Asian currencies, there are several key differences in the structure of both economies that may differentiate their market performance and create investment opportunities," economists includ-

ing Nupur Gupta and Jonathan Sequeira, wrote in a January 7 note.

- Indonesia is a net commodities exporter due to its coal exports, and higher commodity prices will help its fiscal balance and hurt India's.
- Indonesian portfolio flows are dominated by bonds rather than equities, and its notes should outperform given significantly reduced US rate hike expectations, relatively more hawkish Bank Indonesia pricing and better supply/demand dynamics due to the lower fiscal deficit.
- BI is more sensitive to the Fed than the Reserve Bank of India (RBI), hav-

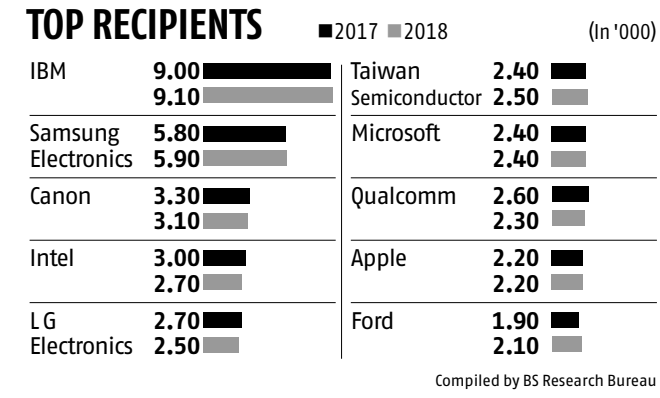
China increases US patent holdings, IBM tops

**BLOOMBERG**  
Washington, 8 January

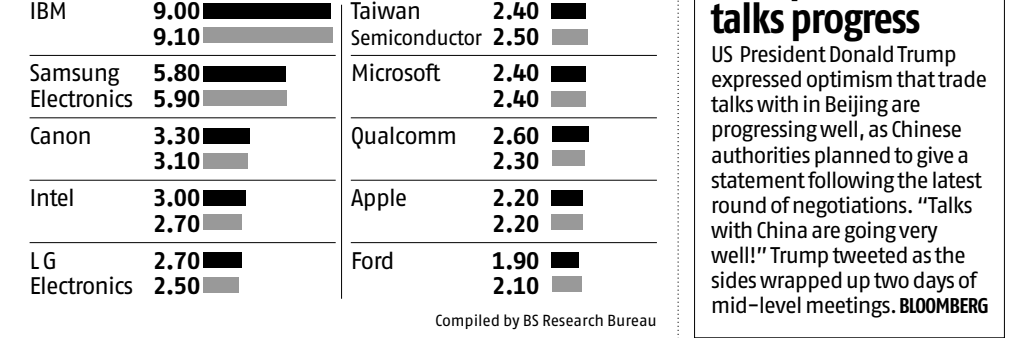
Chinese inventors received a record number of US patents in 2018 and are on pace to overtake Germany in the No 4 position of top recipients, according to an analysis of filings with the US Patent and Trademark Office.

Inventors working for Chinese companies were issued 12,598 US patents in 2018, a 12 percent jump on the year and a 10-fold increase over the 1,223 they received a decade ago. The US still dominates the field, with 46 per cent of the 308,853 US utility patents issued last year, followed by companies based in Japan, South Korea and Germany.

International Business Machines (IBM) alone received



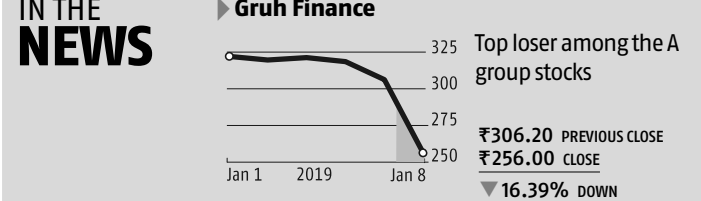
TOP RECIPIENTS



Compiled by BS Research Bureau


STOCKS

IN THE NEWS

**► Gruh Finance**  


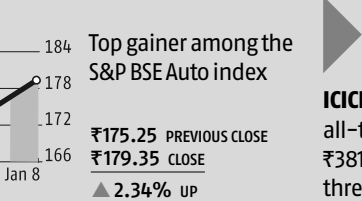
Top loser among the A group stocks

▼16.39% DOWN

**► Page Industries**  


Trading volume jumps seven times

▲4.70% UP

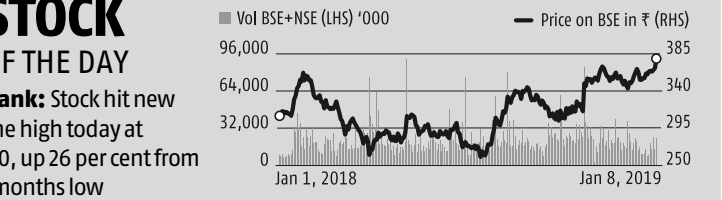
**► Tata Motors**  


Top gainer among the S&P BSE Auto index

▲2.34% UP

STOCK OF THE DAY

**ICICI Bank:** Stock hit new all-time high today at ₹381.60, up 26 per cent from three months low



NIFTY 50									
Company	Close (₹)	% Chg	WT	Con	SH	Company	Close (₹)	% Chg	PE
Adani Ports	378.8	-0.8	0.6	24.3	34.5	IOC	134.0	0.4	1.3
Asian Paints	1401.3	0.4	1.4	63.2	65.7	ITC	284.3	0.9	7.6
Axis Bank	650.9	2.1	2.7	367.0	-	JSW Steel	293.9	1.4	0.9
Bajaj Auto	2694.9	1.3	1.0	17.4	18.1	Kotak Mah Bank	1228.9	-1.4	3.6
Bajaj Fin	2537.1	-0.6	1.4	54.8	45.2	L&T	1302.2	-0.1	4.2
Bajaj Finsrv	6443.1	0.6	0.9	29.6	32.1	Mah & Mah	723.4	-0.8	1.6
Bharti Airtel	329.3	1.3	0.9	77.0	-	NTPC	147.0	-1.1	1.0
Bharti Infratel	296.0	1.4	0.6	22.7	21.4	L&T	147.5	-0.3	1.3
BPC	352.0	-1.0	0.8	7.8	9.2	ONGC	197.4	-0.6	1.0
Cipla	513.7	-0.1	0.6	30.0	25.8	Power Grid	1104.7	0.0	8.5
Coal India	233.3	-0.5	0.7	13.0	14.7	SBI	305.3	0.0	2.5
Dr Reddy's	2570.5	0.5	0.7	27.2	37.2	Sun Pharma	496.1	4.0	1.1
Eicher Motor	2044.7	1.1	0.6	25.9	30.3	SBI	305.3	0.0	2.5
GAAIL	354.6	-0.7	0.8	16.6	14.5	Tata Motors	180.0	2.6	0.7
Grassim	836.6	1.9	0.7	34.7	18.1	Tata Steel	491.4	1.2	0.8
Grati	945.2	0.4	1.1	14.2	16.6	Tata Steel	491.4	1.2	0.8
HCL Tech	1959.0	-0.7	1.4	20.7	25.6	TCS	1893.6	-0.2	4.4
HDFC Bank	2103.0	-0.8	0.8	30.9	30.0	Tech Mahindra	689.9	0.3	1.0
Hero MotoCorp	2970.3	0.4	0.8	15.9	16.2	Titan Company	946.2	0.2	0.9
Hindalco	206.5	-1.0	0.7	7.6	31.4	UltraTech	3916.3	-0.9	0.9
HPCL	248.0	-0.7	0.8	5.2	5.8	UPL	752.2	-1.5	0.6
HUL	1770.9	-0.8	2.8	73.3	66.9	Vedanta	195.7	1.1	0.8
ICICI Bank	380.2	3.4	6.4	31.7	70.8	Wipro	325.6	0.4	0.8
Indiabulls Hous	812.6	2.3	0.6	8.1	8.8	YES Bank	129.4	2.8	0.5
IndusInd Bank	1577.2	1.2	1.8	-	24.7	Zee Enter	461.7	-2.4	0.6
Infosys	670.1	-0.2	4.3	34.9	54.1	Nifty50	10802.2	0.4	100.0

S&P BSE SENSEX STOCKS									
Company	Close (₹)	% Chg	WT	Con	SH	Company	Close (₹)	% Chg	PE
Asian Paints	1401.3	0.5	1.6	63.2	65.7	L&T	1381.9	-0.1	5.0
Axis Bank	650.9	2.1	2.7	367.0	-	Mah & Mah	724.6	-0.7	1.9
Bajaj Auto	2690.9	1.3	1.0	17.4	18.1	Maruti Suzuki	742.1	1.0	2.5
Bajaj Fin	2535.1	-0.7	1.7	54.8	45.2	NTPC	147.0	-1.0	1.2
Bajaj Finsrv	6443.1	0.6	0.9	29.6	32.1	ONGC	197.4	-0.5	1.2
Bharti Airtel	329.3	1.3	0.8	13.0	14.6	Power Grid	1104.0	0.0	9.7
Bharti Infratel	296.0	1.4	0.6	22.7	21.4	Reliance Ind	1104.0	0.0	9.7
BPC	352.0	-1.0	0.8	7.8	9.2	SBI	305.3	0.0	2.5
Coal India	234.0	-0.1	0.8	13.0	14.6	Sun Pharma	447.2	4.0	1.3
HCL Tech	1959.0	-0.7	1.4	20.7	25.6	Tata Steel	491.4	1.1	0.7
HDFC Bank	2103.0	-0.8	0.8	30.9	30.0	Tata Steel	491.4	1.1	0.7
Hero MotoCorp	2974.8	0.5	1.0	16.0	16.2	Tata Steel	491.4	1.1	0.7
HPCL	248.0	-0.7	0.8	5.2	5.8	Tata Steel	491.4	1.1	0.7
HUL	1770.9	-0.8	2.8	73.3	66.9	Tata Steel	491.4	1.1	0.7
ICICI Bank	380.2	3.5	6.3	31.8	70.8	Tata Steel	491.4	1.1	0.7
Indiabulls Hous	812.6	2.3	0.6	8.1	8.8	Tata Steel	491.4	1.1	0.7
IndusInd Bank	1577.2	1.2	1.8	-	24.7	Tata Steel	491.4	1.1	0.7
Infosys	670.1	-0.2	4.3	34.9	54.1	Tata Steel	491.4	1.1	0.7

WORLD INDICES											
Indices	Close	% Chg	Indices	Close	% Chg	Indices	Close	% Chg	Indices		
Americas (Jan 07,19)	14504.1	0.5	Strats Times	3122.9	0.7	Asia/Pacific (Jan 08,19)	21295.3	0.2	Europe/Africa (Jan 07,19)	2562.6	-0.3
Nasdaq Composite	6823.5	1.3	Stock Exchange of Thai	1594.0	0.1	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
S&P 500	2933.4	0.4	Shanghai Sec Comp	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
Dow Jones	2933.4	0.4	Taiwan Tse Comp	9563.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
Europe/Africa (Jan 07,19)	2562.6	-0.3	Thailand SET	1227.6	-0.4	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
CAC 40	4755.0	0.8	Kuwait Lumpur Comp	6252.9	-0.4	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
FTSE 100	6854.4	0.6	Jakarta Composite	6252.9	-0.4	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
IBEX 35	8827.1	0.6	Kospi	2025.3	-0.6	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
DAX	10775.6	0.3	Volatility (Jan 07,19)	2025.3	-0.6	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
Asia/Pacific (Jan 08,19)	21295.3	0.2	COBOD (Jan 07,19)	2025.3	-0.6	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
Nikkei 225	20204.0	0.8	COBOD S&P 500	2025.3	-0.6	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3
Hang Seng	25875.5	0.2	COBOD S&P 500	2025.3	-0.6	Europe/Africa (Jan 07,19)	2562.6	-0.3	Europe/Africa (Jan 07,19)	2562.6	-0.3

ADVANCES/DECLINE

BSE

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In its new campaign for candies, the company uses outlandish scenarios and humour to build greater recall for the brand among young audiences

# Pulse breaks out of the candy jar

The ₹300-crore homegrown hard-boiled candy brand expands its product portfolio, looks to launch a range of beverages under its label

T E N A R A S I M H A N  
CHENNAI, 8 January

Pulse, the hard-boiled candy brand from the Noida-based D S Group that turned in sales worth Rs 300 crore in 2018, the third year since its launch, is expanding its label. The candy that sells for ₹1 a piece will now also have a mango-flavoured line of beverages and it is adding more flavours to its candy portfolio. But as the brand that is commonly cited as a case study in word-of-mouth marketing, steps out its comfort zone; is it biting off more than it can chew?

In its favour, Pulse has already taken the battle to the doorstep of global and national giants and emerged unscathed so far. Pulse competes with Perfetti’s Alpenliebe, Mentos, Chlor-mint and Parle’s Mango Bite among others. For the D S Group that also owns Pass Pass and Rajnigandha Pan masala (mouth fresheners) and Catch spices, the tastes that sway the mass market are something it knows well. It also has built up a cadre of loyal consumers that the company expects will carry forward into new categories.

On the flip side, beverages is a more contested category where in recent years, health and nutrition concerns have

opened up a whole new box of marketing tools. The cola majors have increased their ad and marketing spends in non-cola beverages with Coca-Cola’s Maaza and Minute Maid and Pepsico’s Tropicana leading the multi-national charge while Parle and a band of indigenous brands such as Paperboat, Raw Pressery among others are the large national brands.

The group believes that the brand pull that Pulse has generated in recent years will stand it in good stead. And it is working to create greater awareness; it has launched a campaign with short videos (10-30 seconds) with a tag line of ‘*Pran Jaaye par Pulse na jaaye*’ (I may lose my life but not my Pulse) with quirky and humorous examples of how far people can go for their candy. Apart from that it says that it is putting in the rigour required to build a differentiated product, just as it did with Pulse candies.

Getting the taste right

The journey to Pulse was a natural progression says Shashank Surana, VP, New Product Development, DS Group. Pulse was launched in 2016 and since then the group has spent significantly on research and innovation, he adds. As a result the category that was growing at 7-9 per cent at the time is now moving

at an average of 20-22 per cent.

In 2016, hard-boiled candies contributed around 40 per cent in the non-gum, non-chocolate confectionary market and when the D S group first toyed with the idea of stepping in, it looked to differentiate itself on the basis of taste. The group chose raw mango as the flavour to begin with as it was the most popular taste cited by people. But Parle already had its bestseller Mango Bite in the market and that led the group to add a tangy twist to the regular sweetness of mango. And thus there came about a powder-filled *kacha aam* (raw mango) candy.

“Consumers loved it during test marketing initiatives and we had to convert that into a full launch. Such was the rage that usually candies are sold in pieces, ours sold in jars,” says Surana.

The group has since expanded the range of flavours, apart from raw mango it now has guava, orange, pineapple and litchee, all with a tangy core. A healthy variant, ‘Pulse Zero’, a salt and sugar-free candy has also been launched in the raw

mango flavour. For beverages, a mango-masala variant is on the cards. Surana says that the group is also looking at other formats of food and beverages and wants to add new flavours and products.

Pitch and price

When Pulse stepped into the confectionary market in 2016, most brands were targeting children. The group wanted to expand the market to young adults and adults and that is where the tangy flavour coupled with some smart positioning and advertising helped.

Pulse is now looking to carry the image forward into its beverages. The group believes that the lessons learnt in building up the Pulse candy brand will come in handy in navigating the new market.

“In the beginning we were trying to simply meet demand. After that we assessed the kind of growth we need. The industry currently averages about 10 per cent CAGR and we are growing at similar percentage,” says Surana.

Research showed that Pulse could expand by increasing the flavour basket. “Since the candy business is about ₹3,200 crore, there is huge scope to expand and grow,” he adds. The group started its confectionery business with Chingles, a chewing gum, in 2013. It has also repositioned Pass Pass, a mouth freshener as a confectionery product, partly on account of changing tastes and also because of the group’s growing hold on the category.

When Pulse was launched, almost 86 per cent of the market was selling at 50 paise. Only 14 per cent was at ₹1. Today, while 66 per cent of the industry is at 50 paise, the 14 per cent at ₹1 price point has moved up to 34 per cent.

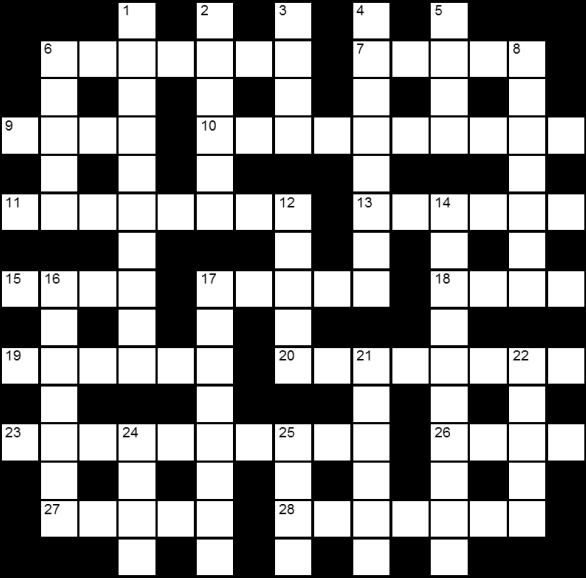
By pricing it at the higher end and through product differentiation, the company believes it set itself up to a higher standard. It has paid off as today consumers ask for the brand by name.

As Pulse gets set for the next phase, it hopes it can put its marketing lessons to good use and repeat the success it has had with its candies. But the big difference is that the competition today is stiffer and, competing brands are also well-versed with the Pulse story.

“Since the candy business is worth about ₹3,200 crore, there is huge scope for us to expand and grow”

SHASHANK SURANA  
Vice-president, New Product Development, D S Group

THE BS CROSSWORD # 3242



ACROSS

- 6 How the Indian warrior spoke? (7)
- 7 In a frenzy creating a mess (5)
- 9 Find somewhere to stop among the trees (4)
- 10 Nut elixir, say, for cosmic

DOWN

- 1 Private matter that never comes to light (4,6)
- 2 A file of simple properties (6)
- 3 English politician going round in search of a local farmer? (4)
- 4 They're kept on track after automobile runs into birds (8)
- 5 Disorderly nude found in sand (4)
- 6 Fight with brother broke the law (5)
- 8 His mark was made in India

- education? (5)
- 18 Creature given to failure on the stage? (4)
- 19 Cutlery is around top table, right? (4,2)
- 20 Hustling around in the daytime (8)
- 23 A measuring device for farm machinery (10)
- 26 A variety still to be discovered, we hear (4)
- 27 Last minute, nips up and back (5)
- 28 In these people go downhill fast in a dodgy way (7)
- (7)
- 12 A poet's heated complaints (5)
- 14 U-boat raid results in surrender (10)
- 16 Articles from wines to almost anything (7)
- 17 First-aided orchestra getting old (8)
- 21 Any row could cause trouble in this country (6)
- 22 Pays to be in possession for a time (5)
- 24 With some lubrication, even a thick-head can reduce this (4)
- 25 A job for some expert – a skilled man (4)

SOLUTION TO #3241

A	U	S	T	R	A	L	I	A	N	S	T	A	M	P
M	P	A	O	V	A	R	I	E	S					
C	L	I	T	R	I	G	S							
N	T	N	E	L	I	G	S							
T	O	N	I	C		S	P	A	R	E	P	A	R	T
H	T	H												
O	B	S	T	E	T	R	I	C						
F	C	O	E	H										
S	L	A	C	K										
U	V													
N	O	E	N	C	O	R	E	S						
D	N	O	N	I	E	A	T							
A	F	G	H	A	N	I								
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BS SUDOKU # 2655 Very Hard: ★★★★★ WEATHER TODAY'S FORECAST

Solution tomorrow

HOW TO PLAY

Fill in the grid so that every row, every column and every 3x3 box contains the digits 1 to 9

SOLUTION TO #2654

7	8	3	6	4	5	2	9	1
1	6	4	9	2	7	8	5	3
5	9	2	1	8	3	7	6	4
6	2	7	3	1	4	9	8	5
3	4	5	2	9	8	6	1	7
8	1	9	5	7	6	4	3	2
9	3	8	7	5	2	1	4	6
4	7	6	8	3	1	5	2	9
2	5	1	4	6	9	3	7	8

NATIONAL			TODAY'S FORECAST
Max/min temperatures in°C			
Ahmedabad	Sunny	28/11	
Aizawl	Sunny	21/7	
Bangalore	Sunny	30/12	
Bhopal	Sunny	23/8	
Bhubaneswar	Sunny	28/13	
Chandigarh	Sunny	19/6	
Chennai	Partly cloudy	29/21	
Delhi	Fog	21/6	
Guwahati	Sunny	25/12	
Hyderabad	Sunny	29/12	
Imphal	Sunny	22/8	
Indore	Sunny	24/9	
Kochi	Sunny	33/20	
Kolkata	Sunny	26/13	
Lucknow	Sunny	22/8	
Mangalore	Sunny	33/20	
Mumbai	Sunny	31/20	
Pune	Sunny	32/13	
Srinagar	Sunny	6/-5	
Surat	Sunny	31/16	
Thiru'puram	Sunny	33/22	



# At Sundram Fasteners, change takes driver's seat

Arathi Krishna’s focus on quality control and diversification since taking over as managing director in April last year is paying off



TE NARASIMHAN  
Chennai, 8 January

A new feather in Arathi Krishna’s cap came six months after taking over as Sundram Fasteners’ managing director in November, when she won the equivalent of an Oscar for a manufacturer, the Deming Prize for quality control.

The auto parts manufacturer, which is part of the \$8.4-billion TVS Group, won the award late last year for all its 17 plants which are located across geographies and engaged in different aspects of manufacturing, a first for any company not just in India, but also globally.

Now Krishna, 50, is busy preparing the ground for the next phase of growth at the company. She has lined up around ₹500 crore in capex for 2019-20, and the bulk of this money will be spent on improving the company’s market share in non-automotive businesses, including defence and aerospace and entering new geographies, in particular the US where the company plans to set up a manufacturing unit.

Winds of change have been blowing at Sundram Fasteners ever since the eldest daughter of the company chairman and manufacturing veteran Suresh Krishna took the helm last year.

She is among a handful of women leading an automobile company in the country, but her rise to the top wasn’t an overnight decision. As her father was keen that she learnt the ropes of the business from the factory floor up rather than succeeding at the top, Krishna invested over two-and-a-half decades in the company, a period during which she worked her way up through the ranks.

She is, however, not the only woman in senior positions within group companies. The TVS group has quite a few of them in various senior roles. Apart from Krishna and her sister, Arundhati, who is joint managing director at Sundram Fasteners, Preetha Muthanna is joint managing director at Sundaram Industries, Shobhana Ramachandran is the managing director for TVS Tyres and Lakshmi Venu at Sundaram Clayton.

“I had an easy transition into the company and was easily accepted by employees,” says Krishna, who joined Sundram Fasteners in 1990 at the age of 20 after completing her MBA from the University of Michigan Business School.

Krishna’s grounding in the company began on the factory floor, where she would interact with employees and try to understand the technologies involved in the manufacturing process. Her early days gave her a deep understanding of labour issues and, to her credit, the company has



“IT IS IMPORTANT FOR TIER-I SUPPLIERS TO FOCUS ON ZERO DEFECTS AS CUSTOMERS HAVE RAISED THE BAR ON QUALITY”

ARATHI KRISHNA  
Managing Director, Sundram Fasteners

not lost a single day’s work to labour strife so far.

“She has her expertise in corporate strategy and general management, and under her leadership several new product lines have been set up and stabilised at the company, leading to a robust growth and operating performance,” says a senior executive at Sundram Fasteners.

One of her earliest initiatives at the company was to make the workforce younger, and the work culture more performance-based and technology-oriented. At present, the average age of employees at the company is 37.

The validation of her strategy came when she won the Deming Prize, a quality award presented by the Union of Japanese Scientists and Engineers to companies that have achieved breakthrough results by applying Total Quality Management. The award recognised the group’s quality leadership for a range of technologies,

including casting and forging.

The preparation for Deming began in earnest in November 2012 when the company roped in 89-year-old Yasutoshi Washio, a world renowned TQM expert from Japan, to guide in its goal. The campaign was led by Krishna herself.

A key challenge was to reduce defect rates by about 80 per cent. “It is important for a Tier-I supplier like Sundram Fasteners to focus on zero defects as customers have raised the bar on quality by benchmarking incidents per billion. Winning this award is a confirmation of the practices that we have been implementing at all our plants,” says Krishna.

With its systems and processes at par with the best in the world, Krishna has now set her sights on overseas expansion in a big way along with strengthening her position in the domestic market.

## GROWTH PATH

- Plans to grow revenue from non-auto sources to 40 per cent from 20 per cent currently
  - Foray into wind, aerospace and defence
  - ₹500 crore will be spent in 2019-20, mainly on non-automotive business
  - Plans to set up a manufacturing unit in the US
  - Expand into electric vehicle market by forging partnerships with EV manufacturers
- “We are on a good wicket; have home-grown advantage. Multinationals are attracted to India, but only we know how difficult it is to operate in India,” says Krishna.
- “We had enough things happening in the last 10 years. Few exist even now, but we know how to handle them.” The challenges she is referring to have come in the form of erratic power supply, tepid market and political upheaval, among others.

What’s lending optimism to her plans is the underlying strength of the country’s auto industry and the sunrise status that it enjoys given its relatively small reach (15-20 per cent) currently. As the economy grows and expands, the demand for auto parts is expected to increase as goods will need to be moved from one place to another, she says. At the same time, car population is expected to touch 10 million from around 3 million by 2030. “Overall, I am optimistic and expecting double-digit growth,” she says.

The company currently has 27 facilities across the world, including one in China, and Krishna is looking at a greenfield facility in the US. It is also expanding its footprint in the electric vehicle (EV) market by forging partnerships with manufacturers and getting associated with them at the design stage itself. Currently, 30 per cent of its portfolio is geared towards the EV market.

Over the next five years, the company is targeting around 40 per cent of the revenue to come from non-auto so as to attenuate the effects of cyclicity on its traditional business. Automobile currently accounts for 80 per cent of the revenue and the goal is to reduce its share and increase that of wind, aerospace and defence.

“We don’t get into any new products if we don’t see 5-8 years of visibility at least,” she says.

# Ride-pooling gets a social makeover with new app from HERE

BLOOMBERG  
8 January

HERE Technologies, the automotive mapping company controlled by three German carmakers, is giving ride-pooling a new twist with an app that makes it easier for friends to share a trip to work, games or concerts.

The app, dubbed SoMo, aims to tap the power of social networks by matching drivers and riders with people they know, rather than at random, according to a statement Monday at the CES technology trade show in Las Vegas. The app also gives individual riders choices like buses, trains and commercial ride-sharing services.

Car-pooling, encouraged by policy makers since the oil shocks of the 1970s, never caught on in big numbers, as drivers resisted sharing their commute with strangers. App-based products have given the idea new life, though some riders have been reluctant to partake. HERE is betting that tying together people who know each other or have similar interests will help SoMo overcome those concerns, said Liad Itzhak, the head of HERE’s mobility unit.

“It was often more like a platform for hitchhiking,” Itzhak said in a phone interview. “The cost for the driver is very high, and you lose flexibility and sometimes privacy,” he said.



The app, dubbed SoMo, aims to tap the power of social networks by matching drivers and riders with people they know, rather than at random

If it catches on, the app could help keep companies like Uber Technologies and Lyft from dominating the future of transportation, while reducing congestion on city roads, Itzhak said. SoMo also ties into a provider network called the HERE Mobility Marketplace that the Amsterdam-based company announced a year ago at CES. Individuals can search for rides on commercial taxi and ride-sharing services, as well as public transportation or bike-share programmes. This feature will put SoMo into competition with a number of digital upstarts like Israel’s Moovit and Daimler AG-owned Moovel Group GmbH that are aiming to better organise the array of choices consumers now have to get around without their own cars.