WEDNESDAY, 30 OCTOBER 2019
16 pages in 1 section
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THE MARKETS ON TUESDAY		Chg#
Sensex	39,831.8▲	581.6
Nifty	11,786.8▲	159.7
Nifty futures*	11,844.5▲	57.7
Dollar	₹70.8	₹70.9**
Euro	₹78.5	₹78.8**
Brent crude ($/bbl)##	60.9##	61.0**
Gold (10 gm)###	₹38,168.0▼	₹343.0

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

COMPANIES P2

INDIGO PLACES 300-JET ORDER WITH AIRBUS

WORLD P14

UK SET TO VOTE IN DECEMBER AS OPPOSITION BACKS EARLY POLL

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

AMAZON PUMPS IN OVER ₹4,400 CRORE INTO INDIA BUSINESS

As Amazon's India unit cuts losses further in its fight for supremacy in the country's growing online commerce market, the e-tailer is pumping in more funds in its India units to turbocharge the company in this festive season. Amazon has decided to infuse about ₹4,472.5 crore in its various business entities in India, including seller services, digital payments and retail. The funding is expected to help Jeff Bezos-led firm take on Walmart-owned Flipkart. 3▸

Sena not promised CM's post for 2.5 years: Fadnavis

Maharashtra Chief Minister Devendra Fadnavis on Tuesday said the Shiv Sena was not promised the CM's post for two-and-a-half years when the alliance was formalised before the 2019 Lok Sabha polls and asserted he will be the CM for the next five years. 16▸

COMPANIES P2

Banks jittery over giving fresh loan to Patanjali

Bankers are sceptical over Patanjali Ayurved's repayment capacity of a fresh ₹4,000 crore loan sought for acquiring Ruchi Soya after a rating firm downgraded Patanjali's debt, saying there is no corporate guarantee offered by the parent firm. According to Patanjali's plan, the banks would take a 65 per cent haircut on Ruchi Soya's ₹12,100 crore dues. **RAGHU MOHAN & DEV CHATTERJEE** report

ECONOMY & PUBLIC AFFAIRS P4

Encrypted e-way bill on gold likely to come soon

Amid declining goods and services tax (GST) revenue collection, the government is mulling the introduction of the e-way bill on the movement of gold to plug evasion. The matter is being examined by the GST law committee to ensure that the movement of gold is not tracked by robbers or other anti-social elements. **DILASHA SETH** reports

BACK PAGE P16

Clashes, shutdown as EU MPs reach Kashmir

PHOTO: PTI

A delegation of 23 EU MPs, on a two-day visit to assess the situation in Jammu and Kashmir, arrived on Tuesday to a complete shutdown and clashes between people and security forces in several parts of the city and the Valley. A convoy of security vehicles escorted the MPs, who were travelling in bullet-proof vehicles, from the airport to their hotel where a traditional Kashmiri welcome awaited them. Top police and civil officials of J&K administration told the delegation that people had been yearning for peace but the terrorists had been continuously threatening them by firing bullets.

THE SMART INVESTOR P10

Sebi brass may change over next six months

The Securities and Exchange Board of India (Sebi) may look very different by the start of the next financial year. Terms of a number of individuals at the top are expiring by then, while some would have already moved on. The regulator is already looking to fill some key positions. Interviews for executive directors have been ongoing, according to a source. **SACHIN P MAMPATTA** writes

RESULTS RECKONER

Quarter ended Sep 30, 2019; common sample of 386 companies (results available of 438)

SALES			
Sep 30, '18	**22.5%**	₹7.13 trillion	↗
Sep 30, '19	**4.2%**	₹7.43 trillion	↗
PROFIT BEFORE TAX			
Sep 30, '18	**7.6%**	₹95,893 crore	↗
Sep 30, '19	**18.5%**	₹1.13 trillion	↗
NET PROFIT			
Sep 30, '18	**2.0%**	₹65,261 crore	↗
Sep 30, '19	**24.0%**	₹80,893 crore	↗

Companies with zero sales excluded; given the change in corporation tax rates, to give a fair comparison the profit before tax has been considered. Compiled by *BS* Research Bureau; source: Capitaline

Dividend distribution tax may be scrapped

Rejig of long-term capital gains tax on agenda to boost inflows

SHRIMI CHOUDHARY
New Delhi, 29 October

The finance ministry and regulators are reviewing the possibility of scrapping the dividend distribution tax (DDT) in a bid to regain investor confidence in the equity markets, said sources in the government. It is also considering rationalisation of the long-term capital gains (LTCG) taxation structure by classifying three asset classes against six at present.

The government and regulators have had a few rounds of discussion over the taxation system for share markets in the past few days, said official sources, adding that the government feels the DDT might be acting as a hindrance to the inflows of foreign investment in the country.

Dividends paid by domestic companies are subject to tax at 15 per cent. With a surcharge of 12 per cent and education cess of 3 per cent, the effective rate is 20.35 per cent.

Companies pay dividend from their profit. In the hands of investors, it is tax-free for up to ₹10 lakh. Those who earn more than ₹10 lakh per annum as dividend have to pay 10 per cent tax.

Ministries and government departments have cited comparative studies during meetings to increase foreign inflows into the domestic market by making tax rates in line with global peers, said sources.

A task force on direct tax legislation, too, had explained various factors around dividend distribution affecting investments and making the Indian markets quite unattractive globally. The panel had asked for the DDT to be replaced with a classical system of taxation, under which dividend receipts be declared as regular income.

The task force suggested that companies be taxed on dividend income that has not been shared with shareholders.

The DDT was introduced in the 1997 budget, and extended to debt-oriented mutual funds in the Budget for 2018-19. At present the DDT is 10 per cent; with surcharge and cess, it rises to 11.6 per cent. On debt-oriented MFs, the DDT is 25 per cent; effectively, it rises to 29 per cent with cess and surcharge.

In a bid to ease tax compliance for investors infusing money in various asset classes, the government is reworking and rationalising the LTCG tax structure. It might soon have only three broad categories: Financial equity, financial non-equity, and others (including property, gold and so on).

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RELIEF ON CARDS

5 CATEGORIES on which capital gains tax is imposed

- Immovable property
- Listed equity shares
- Unlisted shares
- Equity mutual funds
- Debt mutual funds and others

RATES depend on terms (short and long) and asset class

SHORT TERM
- Equity shares, equity mutual funds held for up to 1 year
- Immovable property and unlisted shares held for up to 2 years
- Debt mutual funds and other assets held for up to 3 years

DIVIDEND DISTRIBUTION TAX
- 15% paid by domestic companies on dividend
- With surcharge, cess, levies, it can be 20.35%

India to spend $100 bn on energy infra: Modi

The world's third-largest energy consumer is 83% dependent on imports to meet its oil needs

Prime Minister Narendra Modi meets King Salman bin Abdulaziz Al Saud in Riyadh, Saudi Arabia, on Tuesday PHOTO: PTI

PRESS TRUST OF INDIA
Riyadh, 29 October

India will invest $100 billion in oil and gas infrastructure to meet energy needs of an economy that is being targeted to nearly double in five years, Prime Minister Narendra Modi said on Tuesday as he sought investment from oil kingpin Saudi Arabia and other nations to boost supplies.

Speaking at Saudi Arabia's annual investment forum, also known as "Davos in the desert", Modi promised a stable, predictable and transparent policy regime to catalyse foreign investments.

"India is investing heavily in oil and gas infrastructure," he said adding as much as $100 billion will be spent by 2024.

The world's third-largest energy consumer is 83 per cent dependent on imports to meet its oil needs and about half its gas needs are shipped from abroad. Its per capita energy consumption is a fraction of the global average and it is now investing heavily in physical infrastructure as well as city distribution to boost availability in a growing economy.

Turn to Page 13 ▸

Aramco IPO on December 11: Report

Saudi Aramco will make its debut on the Riyadh stock market on December 11, Saudi-owned Al-Arabiya television said. The IPO forms the cornerstone of a reform programme conceived by Crown Prince Mohammed bin Salman.

"Yes, there has been a slight slowdown (in the Indian economy). But my own view is that it is temporary. All the reform measures that have been taken in the last few months will see the outcome and I am quite sure that in coming quarter this will reverse." **MUKESH AMBANI**, chairman and managing director, RIL

Markets surge on tax cut buzz; Sensex zooms 500 pts

SUNDAR SETHURAMAN
Mumbai, 29 October

The benchmark indices gained the most in three weeks on Tuesday as investors lapped up shares of blue chip companies amid reports that the government was planning to abolish the dividend distribution tax (DDT), along with the newly-introduced buyback tax.

A new high by the S&P 500 of the US and gains in the Asian markets amid progress in the US-China trade talks and hopes of interest rate easing by the Federal Reserve also boosted sentiment.

The Sensex gained 582 points, or 1.5 per cent, to end at 39,831, a level last seen on July 4. The Nifty 50 index gained 160 points, or 1.4 per cent, to close at 11,787, with nearly 90 per cent of its components logging gains.

During market hours, news agency IANS reported that the Prime Minister's Office (PMO) and the finance ministry were working on measures which may include the DDT being scrapped.

At present, companies are subjected to a 15 per cent tax on the total dividend distributed to their shareholders.

The abolition of the DDT is one of the long-pending demands of market players as it leads to double taxation.

There was also speculation the government may soon rationalise the equity tax structure, including a review of the long-term capital gains tax (LTCG) and the securities transaction tax (STT). Also, there was a buzz around lowering personal income tax.

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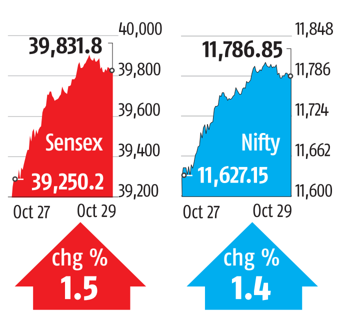
BEST FIGURES IN 4 MONTHS



Price in ₹	Oct 29, 2019	Chg (%)
GAINERS		
Tata Motors	172.6	**16.6**
Tata Steel	391.0	**7.1**
YES Bank	58.2	**6.3**
Axis Bank	739.2	**4.1**
LOSERS		
Bharti Airtel	360.0	**-3.4**
KMB	1,575.1	**-1.1**
Power Grid Corp of India	201.2	**-0.6**
SBI	280.5	**-0.5**

Sources: Exchanges, Bloomberg

Govt selects panel to fight telecom stress

SURAJEET DAS GUPTA
New Delhi, 29 October

The government has set up a committee of secretaries (CoS) under Cabinet Secretary Rajiv Gauba to suggest measures to mitigate financial stress in the telecom sector, which is looking at a payout of ₹1.33 trillion to clear statutory dues.

The Supreme Court (SC) had on October 24 agreed with the Department of Telecom's (DoT's) definition of adjusted gross revenue (AGR), asking the telcos to pay dues and interest within three months. The telcos had subsequently appealed to the government to reduce the amount and also extend the deadline or provide a moratorium.

The CoS will comprise representatives from the ministries of finance, law and telecom. Sources in the government said it will consider issues such as deferment of spectrum auction for two years and reduction in spectrum usage charges, and take a relook at the Universal Service Obligation Fund (USOF) charges.

For spectrum auction charges, telcos will have to fork out ₹49,040 crore in the next two years. While the Telecom Regulatory Authority of India (Trai) has suggested that USOF charges — paid to make telcos take their services to rural areas — be 3 per cent, and not 5 per cent.

Turn to Page 13 ▸

THINGS TO CONSIDER

What the telcos and the government have to decide

- **Input tax credit refund** of about ₹35,000 crore
- **Moratorium of 2 years on spectrum** payment
- **Effective reduction in what telcos have to pay** after SC judgment
- **Reduce USOF from** 5% to 3% of revenues
- **Reduction in spectrum** usage charges

Airtel delays Q2 results, seeks govt help

Bharti Airtel has deferred the release of its second quarter earnings report till November 14 as it sought clarity and "support" from the government on ₹42,000-crore statutory dues it owes to the exchequer following the Supreme Court judgment. It was scheduled to announce earnings for July-September quarter on Tuesday. 3▸

Tatas plan to downsize investment in GMR Airports

Group will reduce its stake by 5% to meet regulations

ARINDAM MAJUMDER
New Delhi, 29 October

The Tata group will restructure its proposed investment in GMR Airports to comply with a policy clause which prevents airline groups from exceeding a 10 per cent stake in Delhi International Airport (DIAL).

Tatas, which hold a majority in two airlines Vistara and Air Asia India, have now decided to reduce their holding in GMR Airports to 15 per cent from 20 per cent planned earlier to steer clear of any regulatory violation.

Singapore-based sovereign wealth fund GIC, which is part of the consortium investing ₹8,000 crore in GMR Airports, will pick up the stake being shed by the Tata Group. The other two entities in the consortium are Hong Kong-based SSG Capital Management and Valkyrie Investments — an affiliate of GIC.

"The partners making the investment in GMR Airports have agreed to a revised holding among them to bring the percentage stake of the Tata group in line with the contract signed by GMR with the AAI (Airports Authority of India) during the privatisation process of DIAL," said a person aware of the development.

The previous deal structure would have given the Tatas a 20 per cent in GMR Airports (GAL) and in turn 12.8 per cent holding in DIAL. GMR holds 64 per cent stake in DIAL, while the AAI and German company Fraport own 26 and 10 per cent, each.

Sources aware of the development said the restructuring was necessitated as Solicitor General of India Tushar Mehta took an adverse view of the investment model. The AAI had sought the SG's opinion on whether the legality of the transaction violated the DIAL contract.

"Aggregate shareholding of Scheduled Airlines and their respective Group Entities should not exceed ten (10) per cent of the total issued and paid up capital of DIAL," states the Operation, Management and Development Agreement of April, 2006 between the AAI and GMR.

The Tata group's effective shareholding will now be 15 per cent in GMR Airports, translating into a shareholding of approximately 10 per cent in DIAL, the person quoted above said. "The enabling provision is already provided in the current shareholders' agreement and there won't be any gap in the inflow of capital investment in the company," he pointed out.

The Tata group could not be reached immediately for a comment.

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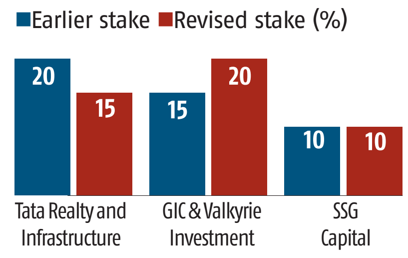
TAKING GUARD AGAIN

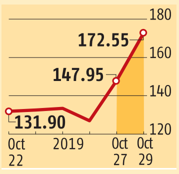
How the Tata group will restructure its stake in GMR Airports



Note: GMR is selling 45% stake in airport entity

STOCKS IN THE NEWS

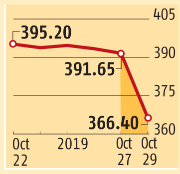
Tata Motors



Jaguar Land Rover Ebitda margin highest in the last 16 quarters at 13.8%

₹172.55 CLOSE
▲16.63% UP*

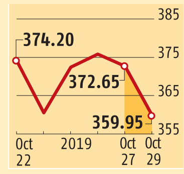
Marico



Q2FY20 sales lower than estimate at ₹1,829 crore

₹366.40 CLOSE
▼6.45% DOWN*

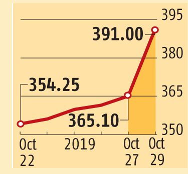
Bharti Airtel



Defers announcement of its second quarter results until Nov 14

₹359.95 CLOSE
▼3.41% DOWN*

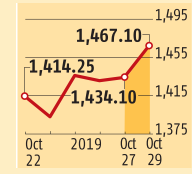
Tata Steel



Top gainer among S&P BSE Metal index stocks

₹391.00 CLOSE
▲7.09% UP*

Reliance Industries



Plans wholly-owned subsidiary for digital platform initiatives

₹1,467.10 CLOSE
▲2.30% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

Ola in talks with Microsoft for $200-million funding

Ride-hailing major Ola is in advanced talks with tech giant Microsoft to raise about $150-200 million (about ₹1,050-1,400 crore) in funding, according to sources. The discussions are at an advanced stage and likely to be closed in the next 10-15 days, the sources privy to the development said. Emails sent to Ola did not elicit any response, while Microsoft declined to comment. In 2017, Ola and Microsoft had joined hands to build a new connected vehicle platform for car makers globally. One of the sources said the two companies will continue to their deep technology partnership in areas like cloud, and will also collaborate on emerging mobility technology, especially connected vehicles. PTI

Akme Star Housing Finance raises $2 mn from Arkfin

Akme Star Housing Finance, an affordable housing finance firm, raised $2 million in equity from Arkfin Investments. The firm plans to enter Indore, Pune, Mumbai and Chennai markets and will soon roll out products for first time home buyers that qualify under the Pradhan Mantri Awas Yojana. BS REPORTER

Coffee Day affiliate bonds downgraded to 'D' by Brickwork

Brickwork Ratings has downgraded debentures of Tanglin Developments, a unit of Coffee Day Enterprises, to 'D (CE)' from 'BBB-' for defaulting on coupon payment due to its significantly deteriorated liquidity. Earlier, the rating agency had placed instrument on credit watch with negative implications. BS REPORTER

Wipro sets up centre in Virginia, to create 200 jobs

Wipro on Tuesday said it has set up an engineering and innovation centre in Virginia, US, a move that will create 200 additional jobs in the Richmond area by 2021. It employs over 500 professionals across Virginia. "New 10,000 square-foot facility will focus on full-stack engineering solutions, customer experience and accelerators across cyber-security, cloud, digital and DevOps," it said. PTI

Adani ties up with Digital Realty to build data centres

Adani Group on Tuesday said it is partnering with San Francisco-based Digital Realty to develop and operate data centre infrastructure across India. Under the agreement between Adani Enterprises and Digital Realty, the two parties will "jointly evaluate developing and operating data centres, data centre parks and cultivating undersea cable provider communities of interest across India," it said. PTI

Warehouse leasing by auto firms dips as sales slump: JLL

Leasing warehousing spaces by automobile firms has declined by more than half during the first nine months of this calendar year due to slowdown in the auto sector, property consultant JLL India's CEO and Country Head Ramesh Nair said on Tuesday. As automobile manufacturers prefer to go for government land, part suppliers and dealers which lease warehouses have become cautious in renting logistics space. PTI

Madhavan Menon resigns from board of Quess Corp

Thomas Cook India on Tuesday said its Chairman and Managing Director Madhavan Menon has resigned from the board of Quess Corp with immediate effect. Thomas Cook India owns 48.57 per cent stake in integrated business services provider. Menon was a non-executive director in the Quess Corp. PTI

Airbus bags $33-bn IndiGo order for 300 jets

ARINDAM MAJUMDER
New Delhi, 29 October

India's largest airline IndiGo has placed an order for 300 Airbus A320neo family planes worth at least $33 billion at recent list prices, handing the European planemaker one of its largest orders.

The order — a mix of A320 neo, A321 neo, and the new long range aircraft A321 XLR from the Airbus stable — makes India's position as one of the top three growing markets for air travel with more than 1,200 aircraft on order.

The latest deal takes IndiGo's A320neo family aircraft orders to 730, making it the world's biggest customer for these planes. The airline had ordered 50 ATR-72 in September, of which 21 have been delivered.

"This order is an important milestone, as it reiterates our mission of strengthening air connectivity in India, which will, in turn, boost economic growth and mobility. India is expected to continue with strong aviation growth, and we are well on our way to build the world's best air transportation system, to serve more customers and deliver on our promise of providing low fares and a courteous, hassle-free experience to them," said Ronojoy Dutta, chief executive officer of IndiGo.

The Airbus A321 XLR jet will also help IndiGo widen its international footprint.

Airbus' new A321 XLR — with a list price of $142 million — has extended the range of the A320neo family to 4,700 nautical miles. Buying it will allow IndiGo offer narrow-body flights between city pairs that can't support larger jets.

The XLR also overlaps with Boeing's long-planned New Midmarket Airplane or NMA. A decision on whether to move forward with that programme has been put on hold, as the US company focuses on the Max crisis.

IndiGo said it was also purchasing the baseline A320neo, priced at $110.6 million as of 2018, and the A321neo, without providing a breakdown between the variants.

The company will later select an engine for the planes. Its most recent turbine order saw a switch to the Leap model from GE and France's Safran, following a series of glitches with a rival unit developed by Pratt & Whitney. Indian regulators have warned that planes with Pratt's geared-turbofan design could be grounded if they're not updated within two weeks. The order also strengthens Airbus' position for single-aisle narrow-body jet in the Indian market. IndiGo's rival GoAir and Vistara have also opted Airbus' A320 family jets.

"We are delighted that IndiGo, one of our early launch customers for the A320neo, continues to build its future with Airbus, making the Indian airline the world's biggest customer for the A320neo family," said Guillaume Faury, Airbus chief executive officer.

"We are grateful for this strong vote of confidence as this order confirms the A320neo family the aircraft of choice in the most dynamic aviation growth markets."

LARGEST AIRCRAFT ORDER IN HISTORY

AMERICAN AIRLINES Manufacturer: Airbus & Boeing in 2011	460
INDIGO PARTNERS Manufacturer: Airbus in 2017	430
INDIGO Manufacturer: Airbus in 2019	300
INDIGO Manufacturer: Airbus in 2015	250

Banks baulk at ₹4K-cr fresh loan to Patanjali

Say there's no corporate guarantee offered by parent firm for the loan

RAGHU MOHAN & DEV CHATTERJEE
Mumbai, 29 October

Bankers are jittery over Patanjali Ayurved's repayment, funding capacity of a fresh ₹4,000-crore loan sought for Ruchi Soya acquisition after a rating firm downgraded Patanjali's debt saying there is no corporate guarantee offered by the parent firm for the loan.

Within days of the downgrade on October 17, CARE, the rating firm, withdrew the ratings after a request by the company and a no-objection certificate was issued by the banks.

According to a banking source, the downgrade has raised questions about the viability of repayment of the loan. "The existing bankers to Ruchi are again giving a loan for the acquisition by Patanjali. This fresh loan is being given after taking a haircut. Ideally, the fresh funding should come from a new lot of banks or overseas lenders. The matters may get complicated if the account were to again go bad," the source close to the development said.

According to Patanjali's plan, the banks would take a 65 per cent haircut on Ruchi Soya's ₹12,100-crore dues. Of the ₹4,350-crore offer, banks will get ₹4,240 crore of their dues and another ₹110 crore is to be invested in Ruchi Soya's expansion post-merger.

Despite sanctioning the loans, bankers are worried whether to disburse the loan because of absence of an investment grade rating. While placing the ratings of group flagship Patanjali Ayurved on 'credit watch with developing implications', Care said Ruchi Soya acquisition constituted 151 per cent of its net worth as of March 31, 2019.

Besides, Care said Patanjali Ayurved was not expected to provide a corporate guarantee or letter of comfort for the debt that was being raised to fund Ruchi Soya acquisition. "The funding pattern of raising ₹900 crore to be infused into the special purpose vehicle (SPV) by Patanjali for acquisition of Ruchi Soya remains to be seen. The SPV is in the process of obtaining final sanctions for raising debt from banks to fund the acquisition of Ruchi Soya," CARE said on October 17. This rating was withdrawn on October 24.

In July, the National Company Law Tribunal (NCLT) had cleared Patanjali's plan to acquire Ruchi Soya. But in October, both CARE Ratings and Brickwork Ratings downgraded Patanjali Ayurved's debt citing moderation in its interest coverage ratios and debt protection metrics owing to increased finance costs during FY19.

A Patanjali Ayurved spokesperson was not available for comment on Tuesday. Patanjali is planning to acquire Ruchi Soya via a new SPV called, Patanjali Consortium Adhigrahan (PCAPL) and will merge it with Ruchi Soya after the acquisition. The shareholders of PCAPL will get one share of Ruchi Soya for each that they hold in the former.

Patanjali will infuse ₹1,105 crore in PCAPL as promoter contribution towards acquisition of Ruchi Soya and also proposes to raise new borrowings of ₹3,233 crore in PCAPL. The funds infusion from Patanjali Ayurved in the SPV will be as NCDs and preference shares aggregating ₹900 crore. The group was to further infuse ₹205 crore as equity.

Patanjali has already paid ₹50 crore towards earnest money deposit and an additional ₹150 crore was paid towards performance deposit as part of the NCLT process as equity infusion. According to the rating firms, overall gearing of Patanjali will rise if it takes on more debt. It may affect the capital structure and debt coverage indicators and is critical for the credit profile of Patanjali Ayurved, the rating firm said.

PAYING FOR A PRIZED ASSET

May 1, 2019: Lenders clear Patanjali's offer for Ruchi Soya

July 26: NCLT Mumbai Bench approves Patanjali's ₹4,350-cr offer

Oct 17: CARE downgrades Patanjali Ayurved's debt

Oct 24: CARE withdraws ratings at company's request

PATANJALI AYURVED FINANCIALS*

Total operating income (₹ cr)	8,528
PAT (₹ cr)	349
Overall gearing (x)	0.81
Interest coverage (x)	3.57

*For 2018-19 Source: CARE Ratings

MakeMyTrip, Oyo to be probed over unfair biz practices

KARAN CHOUDHURY & NEHA ALAWADHI
Bengaluru/ New Delhi, 29 October

The Competition Commission of India (CCI) has launched an investigation against Oyo Hotel & Homes and MakeMyTrip (MMT-Go) on charges of predatory pricing, creating a monopoly and deep discounting.

A CCI order says there is enough substance to warrant a probe, on evidence that the two are charging excessive commissions from hotel partners and demanding deep discounts which have led to the destruction of competitive pricing in the market

The complaint in this regard came from the Federation of Hotel and Restaurant Associations of India (FHRAI). And, CCI has directed its director-general, investigations, to do a detailed investigation in the matter and give a report within 150 days.

"The there exists a prima facie case for investigation for alleged violation of the provisions of Section 3(4) of the Act. Further, a prima facie case for investigation under Section 4 is made out against MMT-Go, as elucidated in the earlier parts of this order. The DG is, thus, directed to carry out a detailed investigation," goes the CCI order.

Oyo Hotels & Homes claim an earlier CCI investigation has cleared it of all allegations on market dominance and predatory pricing. The company, recently in the news for its billion dollar fund raise rounds and expansion abroad, has lately been facing a tough time. Over the past few months, it has faced protests from hotel and asset owners at various places in the country — Bengaluru, Pune, Jaipur, Shimla, Manali, Ahmedabad, Bhopal, Bareilly, Vizag, Gangtok, and Delhi.

The Ritesh Aggarwal-led entity says CCI had acknowledged that Oyo and MakeMyTrip-Goibibo (MMT-Go) operate in different segments. And, that OYO as a budget hotel chain is in a vertical relationship with MMT, which is essentially a distribution platform for hotels.

"CCI has directed to investigate the complaint filed by FHRAI against MMT, Goibibo and Oyo as it pertains to alleged violation of the provisions of Section 3(4) of the Act only. The concern expressed is around whether OYO's contractual relationship with MMT, as part of an arrangement, may have an adverse effect on competition. Oyo stands ready to extend full support to the investigation and as a law-abiding corporate citizen, has full faith in the administrative and the judicial process," the company said.

MakeMyTrip spoke similarly, that it would cooperate with CCI and demonstrate that the allegations are unfounded.

FHRAI has alleged that chain hotels and hotel aggregators such as Treebo and Fab Hotels have been denied market access.

"They have been allegedly removed from the platform of MMT-Go as they did not agree to pay the exorbitant commission brokerage charged by the latter. Further, it has also been alleged that MMT and Oyo have entered into confidential commercial agreements, wherein MMT has agreed to give preferential treatment to Oyo on its platform, further leading to a denial of market access to Treebo and Fab Hotels in contravention of Section 3, as well as Section 4, of the Act," goes the CCI order.

CHARGES AGAINST OYO-MMT

- Market dominance
- Predatory pricing
- Charging exorbitant commissions
- Misrepresentation of information
- Levy of hotel service fee

Total offers ₹149.6 per share to Adani Gas shareholders

AMRITHA PILLAY
Mumbai, 29 October

French oil major Total has made a cash offer of ₹149.63 a share to Adani Gas' public shareholders, according to a letter shared on the stock exchanges. This is a sequel to Total's agreement to acquire 37.4 per cent of shares in the company.

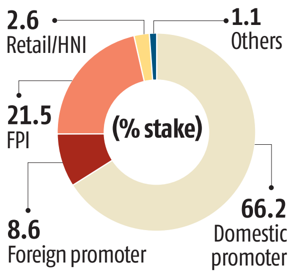
Adani Gas closed at ₹147.9 on Tuesday, 2 per cent less from its close on October 15, when the deal was announced. As the company continues to trade at a price higher than peers in the same business, analysts say it's an attractive offer.

"The stock is expensive compared to peers, which makes Total's offer an attractive one for those who wish to exit. For those who wish to continue holding it, it is a word of caution that the stock is already expensive," said one who did not wish to be identified.

Total aims to acquire up to 277.1 million fully paid equity shares of a ₹1 face value each from Adani Gas' public shareholders. It is to pay about Rs 5,700 crore for the 37.4 per cent stake. The agreement says Total will make an offer to the public shareholders to acquire up to 25.2 per cent and buy the residual shares from the Adani promoter family. "The deal is overpriced from the buyer's point of view. Adani Gas' peers have a higher margin business mix as compared to that of Adani Gas. As the company is trading higher to its peers, the cash offer is a good one for retail (small) investors," said a second oil and gas analyst who did not wish to be identified. Adding: "There is not much for institutional investors in this stock, as there is not enough free-float available for a true price discovery."

The share price of Indrapastha Gas and Mahanagar Gas has gained 4 per cent since October 15, to close on Tuesday at ₹381.6 and ₹985.8, respectively. "The Adani deal announcement has given a sentimental push to other stocks in the same segment," said the second analyst quoted earlier.

ADANI GAS' SHAREHOLDERS
(as of Sept 2019)



Compiled by *BS* Research Bureau
Source: Exchange

It's a 'slight slump', will reverse: Mukesh Ambani

DEV CHATTERJEE
Mumbai, 29 October

Two top leaders of India Inc — Reliance Industries Chairman Mukesh Ambani and auto major Mahindra & Mahindra Chairman Anand Mahindra (M&M) — have said the Indian economy is showing signs of a pick-up and recent sales indicators show the worst is now behind the nation.

Both business leaders were speaking at the Future Investment Initiative summit in Riyadh. "India's slight economic slowdown will reverse in the coming quarters. What I see happening in the past 2-3 years is transformation," said Ambani.

"As a businessman and as an investor, I am all in, in terms of investing in this country," Ambani said.

"If you look at what happened, yes, there has been a slight slowdown but in my view it's temporary," said he. "All the reform measures that have been taken in the last few months will show the outcome. I am quite sure that in the coming quarters this will reverse," he said.

Ambani, who is in talks with Saudi Arabian oil giant Aramco to sell one-fifth of his oil-to-chemicals business in India for $15 billion, said the two countries have almost factors to drive growth — technology, young demography, and leadership.

"Above all, there is a leadership accelerator. Both the countries are blessed with leadership that is unique in the whole world, at least in today's time," he said, referring to Prime Minister Narendra Modi and Saudi King Salman bin Abdulaziz Al-Saud and his son Prince Mohammed bin Salman bin Abdulaziz.

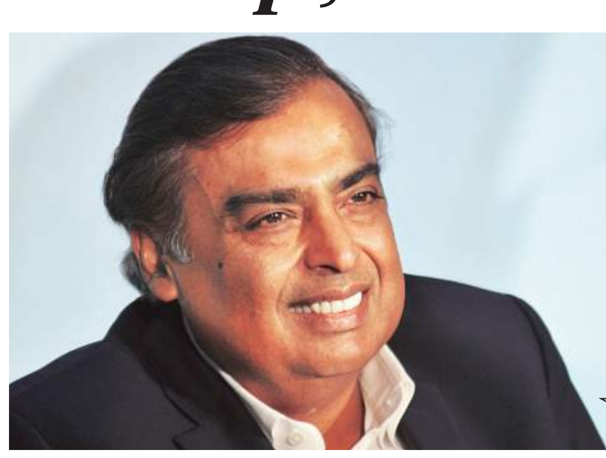
Saudi Arabia, he said, has seen tremendous transformation in the past 2-3 years. "For me, this is 1980 vintage China or India of the 1990s when India took on the world map."

Ambani had in August announced that Saudi Aramco has agreed to take a 20 per cent stake in Reliance Industries' refining and petrochemicals business, as the world's largest crude oil exporter deepens its ties with India, the fastest-growing energy consumer.

On the other hand, Mahindra said Diwali sales have been very good for the Mahindra Group and it has reported double-digit growth in sales over last year. Diwali, he told a TV channel, is like Christmas in India and it has shown a significant jump in consumption for the company. M&M has cut excess inventories and most car companies have sanitised their pipelines and are looking ahead to the festive season with hope, he said.

When asked about the trade war, Mahindra said the global trade tensions gave an opportunity to India to use its clout and negotiate bilateral trade deals. "The more tension there is outside, the more leverage India gets," Mahindra told *Bloomberg TV*. In the event of a Brexit, Mahindra said the United Kingdom would reach out to large economies like China and India for bilateral deals which would be beneficial for India.

(With inputs from agencies)



"AS A BUSINESSMAN AND AS AN INVESTOR, I AM ALL IN, IN TERMS OF INVESTING IN THIS COUNTRY... IF YOU LOOK AT WHAT HAPPENED, YES, THERE HAS BEEN A SLIGHT SLOWDOWN, BUT IT'S TEMPORARY"

MUKESH AMBANI, RIL Chairman

Amazon to invest ₹4,470 cr in India biz

The funding will help the US e-tailer take on Flipkart as well as competition from the yet-to-be-launched e-com business of RIL

PEERZADA ABRAR
Bengaluru, 29 October

AT A GLANCE

Fresh investments

- Amazon Seller Services Private Limited has raised **₹3,400 crore**
- Amazon Pay India Private Limited has got **₹900 crore**
- Amazon Retail India Private Limited has raised **₹172 crore**

Losses

- Amazon faced losses in many of its business entities in India for FY19
- The combined losses of the entities stand at over **₹7,000 crore**

As Amazon's India unit cuts losses further in its fight for supremacy in the country's growing online commerce market, the e-tailer is pumping in more funds in its India units to turbocharge the company in this festive season. According to regulatory filings, Amazon has decided to infuse about ₹4,472.5 crore in its various business entities in India, including seller services, digital payments, and retail.

The funding is expected to help Jeff Bezos-led firm take on Walmart-owned Flipkart, with which it is in a fierce battle for dominance in India's online retail market as well as competition from the yet to be launched e-commerce business of Mukesh Ambani-led Reliance Industries.

The company's online marketplace arm, Amazon Seller Services, has raised ₹3,400 crore by allotting 3.4-billion equity shares of ₹10 each to the existing shareholder on the right basis, according to the regulatory documents filed by Amazon, which were sourced from Paper.vc.

The resolution for this capital infusion was passed by the board of directors of Amazon Seller Services on October 14. The allottees were Amazon Corporate Holdings and Amazon.com,Incs.

The same allottees have invested ₹900 crore in Amazon Pay India, the digital payments arm of the online retail giant, in exchange for 900-million equity shares of ₹10 each to the existing shareholder on the right basis. The resolution for this capital infusion was passed by the board of directors of Amazon Pay India on October 17.

The same day a resolution was passed for Amazon Retail India to raise ₹172.50 crore by allotting 172.5 million equity shares of ₹10 each to the existing shareholder on the rights basis. The allottees again were Amazon Corporate Holdings and Amazon.com, Incs.

According to experts, players such as Amazon and Walmart have invested enough in India to be serious contenders and are unlikely to cut back growth-oriented investments.

"E-commerce is a deep pocket game, given cash burns and it takes time for businesses to turn profitable and for habit-forming (for consumers). As they (Amazon) are getting into newer segments like groceries and payments, they will need to deploy more growth capital," said Ankur Pahwa, partner and national leader, e-commerce and consumer internet at EY India.

"Because they are growing and expanding rapidly, while there will be efficiencies, the losses would continue to increase due to the growth driven spends." Interestingly, US Commerce Secretary Wilbur Ross at the recently concluded World Economic Forum's India Summit hinted that Amazon is cutting back on its spending in India, which was a third of what it spent in India last year, owing to uncertainties around the e-commerce policy.

"Certainly there is an issue due to the lack of clarity of the e-commerce policy and when it would be implemented and there is an obvious concern about it. But having said that both players (Amazon and Walmart) are here for the long haul," said Pahwa of EY. "While regulations would evolve and they work with the regulators to solve such problems, I don't think the commitment to India is any way reducing. India is such a very large market," he added. The e-commerce market in India is expected to touch $200 billion by 2028, from about $30 billion last year.

Amazon's fresh investment in its India entities come at a time when the Seattle-based firm has faced losses in several of its business entities in India, such as seller services, wholesale, transportation services and digital payments, for the 2018-19 financial year. The combined losses of these entities stand at over ₹7,000 crore, according to the data accessed by Tofler.

Airtel delays Q2 results, sees 28% surge in ARPU to ₹128

Bharti Airtel on Tuesday reported a 28 per cent jump in average revenue per user (ARPU) at ₹128, driven mainly by the expanded data customer base, for the quarter ended September 30.

The company had posted an ARPU of ₹100 in the corresponding period of the last financial year (2018-19).

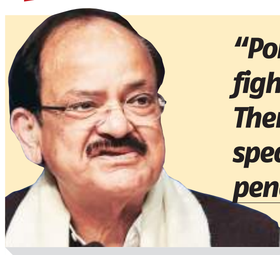
However, on a sequential basis, the company's ARPU remained flat against ₹129 in the June quarter.

The company has postponed announcing its financial results for the September quarter from October 29 to November 14 because it is awaiting clarity on the recent Supreme Court verdict on adjusted gross revenue. It is also approaching the Department of Telecom to seek clarity on the amount involved. Airtel's data customer base grew 27.2 per cent in the period year-on-year. Data usage per customer rose 42.2 per cent year-on-year.

The company's revenue from mobile services was ₹10,811.8 crore in the September quarter, up 7.4 per cent from ₹10,070.4 crore in the same period of the last financial year.

In the June quarter this year, Airtel's India mobile revenue stood at ₹10,724 crore.

MEGHA MANCHANDA



"Politicians having criminal cases fight elections years after years. There's need for a system, a special bench to expedite those pending cases"

M VENKAIAH NAIDU, Vice President

"It was the Congress which came to me after the election and persuaded us for formation of Congress-JD(S) government. Initially I did not agree but after prolonged persuasion by the Congress I accepted (the alliance)"

H D DEVE GOWDA, Janata Dal (Secular) president

"I appeal to the Punjab and Haryana governments with folded hands on behalf of the residents of Delhi to take strong steps and prevent Delhi from becoming a gas chamber. At our level, we are making all possible efforts and will continue to do so"

ARVIND KEJRIWAL, Delhi chief minister

IN BRIEF

Bandhan Bank fined ₹1 crore for not bringing down promoter stake

The Reserve Bank of India (RBI) has imposed a fine of ₹1 crore on Bandhan Bank for not bringing down the promoters' stake in the bank to 40 per cent in the stipulated time period. "This action is based on the deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank," the RBI said in a release. The private lender was supposed to bring down the shareholding of its non-operative financial holding company, Bandhan Financial Holdings, in the bank to 40 per cent within three years of commencement of business of the bank. **BS REPORTER**

PMC depositors protest outside RBI office, seek payback

Depositors of Punjab and Maharashtra Cooperative (PMC) Bank continued with protests by agitating outside an office of the Reserve Bank in Mumbai on Tuesday, to demand payback of their stuck money. **PTI**

FinMin seeks details of land parcel from CPSEs for monetisation

The finance ministry has written to all ministries asking them to seek details of land parcel from CPSEs under their administrative control for monetisation, according to sources. The exercise is part of the government's efforts to meet disinvestment target of ₹1.05 trillion for the current financial year. **PTI**

Railways introduces OTP-based refund on cancelled tickets

To bring in transparency in ticket bookings done through authorised railway agents, the Indian Railway Catering and Tourism Corp (IRCTC) has launched an OTP-based system that will allow passengers to cancel tickets and get refunds using the password provided by the railway subsidiary. An IRCTC statement said this system would be applicable only to the e-tickets booked through its authorised agents. **PTI**

DBS: Jobs confidence, not tax cuts, to push consumption spend

Amid speculation of an income tax cut, Singaporean bank DBS on Tuesday said confidence on jobs front was necessary to achieve long-term objective of pushing consumption spending. The government had last month announced a 10 percentage point cut in corporate taxes, to get Indian levies on par with others, to spur investments. **PTI**

Justice Sharad Bobde appointed 47th Chief Justice of India

Justice Sharad Arvind Bobde was on Tuesday appointed as the 47th Chief Justice of India, the Law Ministry said. Justice Bobde, 63, will take oath as the CJI on November 18, a day after incumbent Ranjan Gogoi demits office. He will have a tenure of 17 months and would demit office on April 23, 2021. **PTI**

Air quality drops to 'severe' category in many parts of Delhi

The skies over the national Capital were a smoky grey on Tuesday as the sun struggled to shine through the haze with the air quality deteriorating and slipping into the "severe" category in several places in the city. **PTI**

Process begins to appoint two whole-time Irdai members

The Centre has set in motion the process to appoint two full-time members for the actuarial and distribution positions in the Insurance Regulatory and Development Authority of India (Irdai).

Sujay Banarji is now the whole-time member for distribution in Irdai and Pournima Gupte was the actuarial member. The terms of both the members will end in January.

The posts that the government is looking to fill has a maximum five-year stint and comes with ₹4 lakh monthly compensation and does not include the facility of a house and a car. These two posts are crucial for vetting insurance product proposals filed with the regulator.

Besides the chairman, Irdai has five full-time members on its board. Three others are for life, non-life, and investment. K Ganesh is the member for life insurance, T L Alamelu is for non-life insurance, and Pravin Kutumbe for finance and investment. **BS REPORTERS**

NTPC may buy THDC, Neepco for ₹8,000 cr

Govt hopes non-tax revenue items, divestment can help it make up for some of tax shortfall in a slowing economy

ARUP ROYCHOUDHURY & SHREYA JAI
New Delhi, 29 October

Power major NTPC is likely to acquire the central government's stake in two unlisted state-owned power companies, THDC and Neepco, *Business Standard* has learnt.

While the Centre is in the process of appointing transaction and legal advisors and asset valuers for the 'strategic sale' of the two companies, internal calculations show that the deals could fetch the exchequer around ₹8,000 crore.

The Centre holds a 100 per cent stake in Neepco, which operates and maintains power stations in the Northeast region, and 75 per cent in THDC. The remaining stake in the company is held by the Uttar Pradesh government. Only the Centre's stake is being sold in THDC.

STRATEGIC SALE

- THDC, Neepco marked for PSU-to-PSU sale
- The Centre holds 100% in Neepco, which operates and maintains power stations in the Northeast region
- While the government has 75% stake in THDC, the remaining is held by Uttar Pradesh government. Only the Centre's stake is being sold in THDC
- Officials say acquisitions fit well with NTPC's long-term plans
- The firm looks to acquire other energy sources, including clean energy

The Department of Investment and Public Asset Management faces its highest divestment target of ₹1.05 trillion for 2019-20. With slowdown impacting tax revenues, the government hopes that non-tax revenue items like dividends and telecom revenues, and divestment can help it make up for some of the tax shortfall. In its request for proposals to hire advisors, the Centre has made it clear that both THDC and Neepco are meant for sale to another public sector undertaking (PSU) under the power ministry. That PSU will be NTPC, subject to approval by the Union Cabinet, confirmed a senior official. Work on the contours of the two acquisitions has begun and the deals are expected to be announced in the next few months.

"THDC and Neepco are the only two PSUs being earmarked for sale to another PSU this year. For all other strategic sale candidates like Bharat Petroleum, Air India, Shipping Corp, and Container Corp, it has been made clear in the topmost levels of the government that they will be sold to private investors. NTPC is the front runner to acquire the two companies," the official said.

NTPC's acquisition of THDC and Neepco fits well with its plan to blend all energy sources and sell at an optimum rate. By adding 1,457 megawatt (Mw) of Neepco, the company will expand its footprint in the Northeast. THDC, which operates 2,400 Mw of hydropower project, including Tehri dam, is in proximity to half a dozen thermal units of NTPC in the Northern region.

India's largest power generator, which has 50,000 Mw of coal-based power generation capacity, is looking at increasing its share of clean energy sources. It earlier tried to buy the Centre's stake in Sutluj Jal Vidyut Nigam, but Himachal Pradesh refused stake sale.

NTPC also plans 20,000 Mw of renewable power generation, for which it is setting up solar and wind power plants. To maintain grid balance, company executives said, NTPC was looking at hydro to balance coal and intermittent renewable energy. "As part of strategy, NTPC plans to blend energy sources at its own end and offer power at average rate, which will be cheaper for states that procure through long-term agreement," said a company executive.

At the same time, Plant Load Factor of coal power plants is falling, with a rising share of renewable energy. Executives said a shift towards clean energy sources would maintain steady revenue flow for NTPC.

Govt plans e-way bill on gold to check GST evasion

DILASHA SETH
New Delhi, 29 October

The government is thinking of introducing the e-way bill on the movement of gold to plug evasion and arrest declining goods and services tax (GST) collections.

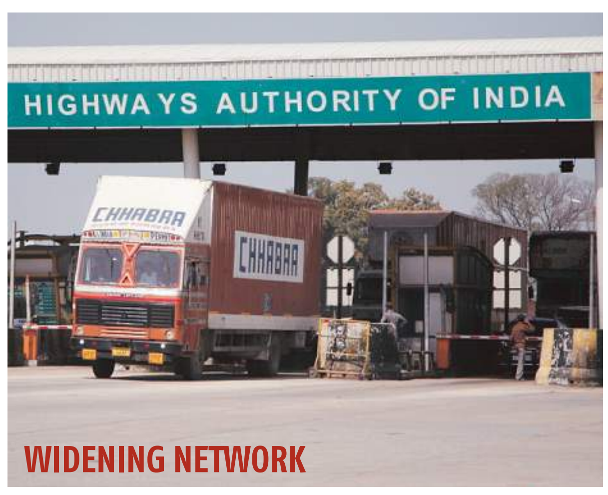
To ensure that movement of gold is not tracked by robbers or other anti-social elements, an encrypted version of e-way bill is being considered by a panel comprising central and states officials.

"The e-way bill on gold is being examined by the law committee as a measure to tighten enforcement amid reports of GST evasion. But at the same time, it will not be easy amid security concerns. To address that, an encrypted version is being discussed," said a government official.

Currently, the movement of gold is excluded from the e-way bill system.

Kerala has pitched for its inclusion in the e-way bill system. According to Kerala, in the pre-GST regime, the revenue collected from tax on gold was approximately ₹630 crore a year, at an effective tax rate of 1.25 per cent, as the state had composition scheme. However, at the existing 3 per cent GST on gold, the revenue earned was just ₹244 crore last year.

Kerala is of the view that it is very easy for dealers to carry gold in suitcases and make a sale on the customer's premises. The matter was also discussed in the GST Council meeting in June. Haryana has also pitched for implementation of an encrypted e-way bill within a fixed time.



WIDENING NETWORK

- E-way bill introduced on April 1, 2018, for inter-state movement of goods worth over ₹50,000
- The bill for movement of goods intra-state was introduced phase-wise. The roll-out was complete on June 3, 2018
- The bill is not introduced for movement of gold because of security reasons. Now, some states are pitching for its inclusion, fearing tax evasion
- The government is working on measures to plug tax evasion
- Law committee, comprising central and states officials, deliberating over the issue

"This might be a good way to address the security concern around movement of gold and help plug the tax leakage. However, given the nature of the commodity, administrating the e-way bill mechanism may not be easy, given that transportation may not require bigger vehicles. In this sector, incentivising the customers to purchase on payment of tax is also very important," said Pratik Jain, partner, PwC India.

According to the report on revenue neutrality by former chief economic advisor Arvind Subramanian, the expected revenue from gold at 5 per cent tax was ₹10,000 crore.

Abhishek Jain, tax partner at EY, said: "Where the security concerns are well addressed through technology, implementation of e-way bills should help check tax evasions on supply of gold."

The government had introduced the e-way bill system in 2018 for movement of goods worth over ₹50,000 inter-state and intra-state.

"The e-way bill has played a major role in curbing certain leakages in the GST chain. Going forward, encrypted e-way bills for high-value products, further linkages with invoices for assessment, and input tax credits should be expected," said M S Mani, partner at Deloitte India.

Some members of the law committee are, however, of the view that some other measures of enforcement must be arrived at other than an e-way bill, as it could lead to security breaches.

Besides, the threshold of ₹50,000 was too low for a precious metal like gold. At today's rate, ₹50,000 will mean only 12-15 gms of gold.

GST collection fell to a 19-month low in September this year at ₹91,916 crore, which was 2.67 per cent lower than in the corresponding month a year ago and 6.4 per cent lower than ₹98,202 crore in August. This prompted the government to constitute a committee of officers to discuss ways for revenue augmentation.

The 12-member panel, which has five members from the Centre and states each, is also looking into issues such as systemic changes in GST to prevent misuse, measures for expansion of the tax base, improved compliance monitoring, and anti-evasion measures using better data analytics and administrative coordination.

The government is also working on tax evasion plugging measures, including new return formats, an e-invoicing system, and mandatory e-ticketing for movie theatres, among others.

Panel discusses possibility of easing FDI policy

PRESS TRUST OF INDIA
New Delhi, 29 October

An inter-ministerial group on Tuesday held discussions on the possibility of further easing foreign direct investment (FDI) norms in different sectors with a view to attracting overseas investors, an official said.

The meeting was chaired by Department for Promotion of Industry and Internal Trade (DPIIT) Secretary Guruprasad Mohapatra.

Officials from different ministries, including defence, home affairs, information and broadcasting, electronics and IT, and finance, attended the meeting, the official said.

The department is looking at relaxing the norms in those sectors where currently 100 per cent FDI is not permitted through automatic route.

Foreign investment is allowed through automatic route in most of the sectors, but in certain areas such as defence, telecom, media, pharmaceuticals and insurance, government approval is required. In some sectors like telecom, insurance, banking, and media, there is a cap on FDI.

"Basic target is those sectors, where there is a government approval route and 100 per cent FDI is not there," the official said.

Under the government route, foreign investor has to take prior approval of respective ministry/department. Through automatic approval, the investor has to inform the RBI after the investment is made. There are nine sectors where FDI is prohibited — lottery, gambling and betting, chit funds, nidhi company, realty, and manufacturing of cigars, cheroots, cigarillos, and cigarettes using tobacco.

FURTHER RELAXATION

- Inter-ministerial panel is looking at relaxing norms in the sectors where currently 100% FDI is not permitted through automatic route
- Foreign investment is allowed through automatic route in most of the sectors, but in certain areas such as defence, telecom, media, pharmaceuticals and insurance, government approval is required
- In some sectors like telecom, insurance, banking, and media, there is a cap on FDI

Recently, the government relaxed FDI norms in several sectors like single-brand retail trading, contract manufacturing and coal mining.

Finance Minister Nirmala Sitharaman in her Budget speech in July had proposed relaxation in the FDI norms for sectors such as aviation, AVGC (animation, visual effects, gaming and comics), insurance, and single brand retail.

Limited spectrum may hamstring merged state-run telco

SUBHOMOY BHATTACHARJEE
New Delhi, 29 October

There is a hitch in the government's plan to allot additional 4G spectrum or airwaves to BSNL and MTNL.

There simply isn't that much spectrum available to be allotted to them unless there is policy support for an unconventional decision.

The government release on Wednesday noted it would provide an "administrative allotment of spectrum for 4G services to BSNL and MTNL so as to enable these PSUs to provide broadband and other data services".

A NEW CALL

Given the type of mobiles in the market and the technology available off the shelf for these two state-run companies, this would mean making the best use of the 2100 ecosystem.

This is the best and the only feasible spectrum for the merged company to offer 4G services.

Incidentally, 4G service in telecom parlance means making the available data at speeds that are up to 10 times faster than what 3G can provide.

Given the huge demand for video-based services, a 4G-based ecosystem today is regarded essential to keep them satisfied.

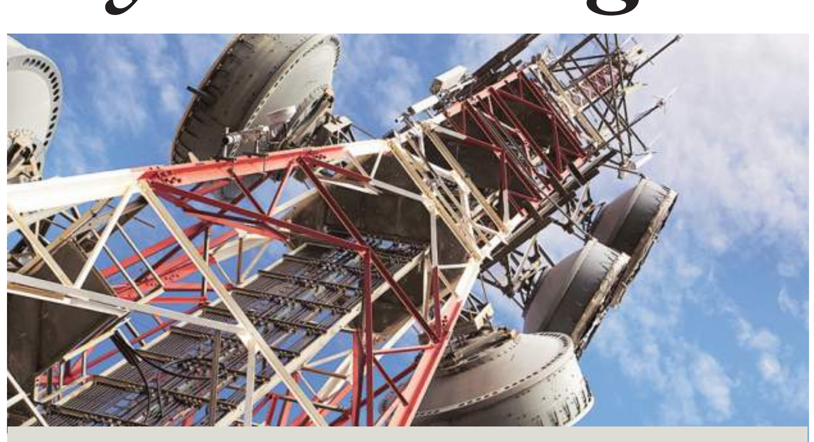
Telecom waves travel at the speed of light. The higher the frequency range or band, the shorter is the wavelength. While sound or voice travels best at levels like the 800, 900 and 1800 bands, telecom companies have learnt to use lower and higher frequencies to provide data services.

BSNL, as the chart shows, has been saddled with the responsibility to provide primarily voice services and has its maximum airwave holdings in the 800, 900 and 1800 bands. To offer data service to customers, the company needs to be present in the 2100 or the 700 MHz bands, but those pieces of real estate have already been gobbled up by competitors.

BSNL has a nice piece of real estate in the 2500 band, but doesn't have the engineering capacity to farm it. Also there are hardly any mobiles that can make use of it, which means the allotment is useless.

In the 2100 band, the company has just about 5 MHz in each telecom circle or region of India (*see table*). To provide a seamless data service in this band, one needs at least 10 MHz, according to all telecom textbooks. But even if the government were to try to provide the additional 5 MHz band free, it will not help because of two constraints.

First, the available pan-Indian free inventory of this band is only 275 MHz. The availability per circle is not more than 20 MHz at best and usually less at 15 or 10. To prise out 5 MHz in each circle — the minimum required to make BSNL data services — implies there will be no possible auction of any airwaves from this band in future.



SPECTRUM PLAY

Band	Holdings of Mhz by BSNL\MTNL
800	1.25 to 2.5
900	0.76 to 6.2
1,800	0.76 to 3.8
2,100	5 to 9.86
2,500	9.85 to 10

Source: DoT, others

Circle\Mhz	1944-49	1949-54	1954-59	1959-64	1964-69	1969-74
Andhra Pradesh	Airtel	Free	BSNL	Voda	Aircel	—
Karnataka	Airtel	Free	Vodafone	Free	BSNL	Vodafone
Delhi	Airtel	Free	Vodafone	MTNL	Free	Jio
Mumbai	Vodafone	Free	Jio	MTNL	Free	Airtel
Western UP	Vodafone	Airtel	BSNL	Free	Aircel	—
Tamil Nadu	Vodafone	Airtel	BSNL	Free	Aircel	—
Gujarat	Airtel	Free	BSNL	Vodafone	—	—

Secondly, even if it were done, BSNL will not get contiguous bands. For instance, in congested circles like Delhi, Mumbai, and Western Uttar Pradesh, each of the companies — Airtel, Vodafone, or BSNL (MTNL) — is standing virtually on each other's feet, so intense is the demand for airwaves. As the table shows, the promised additional blocks of 5 MHz in each of the circles will be spread in different reaches of the band. It will be like driving in one lane in one city and then hopping across to another lane in another city. Thanks to mergers and acquisitions within the telecom sector, the others have mostly solved this problem. Still despite the harmonisations, Indian consumers still perceive their data quality to be poor. BSNL has not even begun to walk this route.

A third option is to provide the public-sector company a space in the 700 MHz band. But this is a new playground for emerging technologies. The government expects to make massive gains from auctions in this band, which will be considerably reduced if BSNL has to be accommodated here. Also the state-owned company will have to struggle with a far higher level of capital expenditure to claim any success here. Surprisingly without considering these constraints, in the past couple of years, Anupam Shrivastava, as chairman, had signed ambitious MoUs with Ericsson, Nokia, and Cisco to offer support to their 5G-enabled device-manufacturing plans in India. So even with the additional spectrum, BSNL's 4G service will not take off, despite a higher capital expenditure, which will come from the government books.

While Telecom Department Secretary Anshu Prakash has said the spectrum to make 4G services viable will be allocated through administrative routes to both BSNL and MTNL within a month, it might be worth considering an alternative. But it would need the telecom department to strike out on novel path.

After a massive analysis of the available spectrum, industry analyst Parag Kar has suggested in his blog a switch of spectrum holdings between Vodafone and BSNL in the 2500 and 2100 bands. He shows that while 2100 is crowded, the 2500 band is fragmented and broken into two parts spaced out by a gap of 80 MHz. BSNL does not have the ability to use 2500 but Vodafone can. So there can be a switch, which "will be beneficial for BSNL, as they will get 4G spectrum in 2100 MHz spectrum in lieu of this band (2500), which they are not using and some of which they had already returned in the past, thereby greatly enhancing the utilisation of spectrum".

Series concludes

No respite from tough decisions for Tata Steel's Europe subsidiary

Europe ops did improve some quarters earlier, but overall their contribution has been dismal

ADITI DIVEKAR
Mumbai, 29 October

Tata Steel has no option but to continue taking tough decisions for its Europe operations to keep its overall business growing, according to brokerages and rating agencies.

Dutch media outlet *NH Nieuws* recently reported that Tata Steel Europe, subsidiary of Tata Steel India, had decided to cut 2,500 jobs, which would be a fourth if its work force, to save $930 million in costs. The final plan on this would be ready by November, it said.

"Performance of the Europe operations is going nowhere and it continues to need a lot of support from India operations. In such a scenario, it makes sense to cut fixed costs (such as head count) to curtail cash loss," said a senior analyst with a rating agency.

Europe operations did improve some quarters earlier but, overall, its contribution to the consolidated figures has been dismal. "As a management, we are not keen on missing out opportunities in India because we have to keep sending cash to Europe. We have told the (Europe) team that the best way for them to control their future is to be cash-positive," T V Narendran, chief executive at Tata Steel, had earlier said.

In June 2018, Tata Steel decided to merge its European operations with ThyssenKrupp, giving the latter ultimately 45 per cent stake in the merged entity. However, this did not go well with the labour unions of ThyssenKrupp, who feared job losses. Besides, investor groups, which held 18 per cent stake in the German company, also did not approve and its share price lost half the value in the past year. Then, in May this year, the merger plan collapsed after objections from the anti-trust authorities of the European Commission.

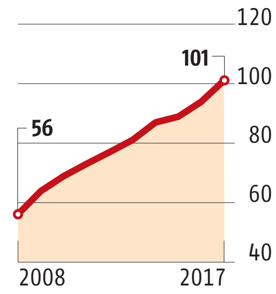
"There is no other major player in the region for any JV (joint venture) with Tata Steel. Also, they (Tata Steel) do not have any Plan B to make operations profitable. In such a situation, the company has no choice but to keep downsizing operations gradually," said a Mumbai-based brokerage analyst, on condition of anonymity.

FINANCIAL PERFORMANCE (₹ crore)

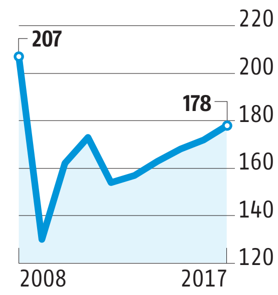
Quarter Ended	Net sales: Tata Steel standalone	Net sales: Tata Steel BSL	Net sales: Tata Steel Europe	Ebitda: Tata Steel standalone	Ebitda: Tata Steel BSL	Ebitda: Tata Steel Europe
Mar '18	16,281	NA	16,208	4,823	NA	1,137
Jun '18	16,405	2,108	16,429	5,118	66	1,664
Sep '18	17,902	5,862	15,929	6,113	1,177	1,111
Dec '18	17,174	4,889	15,850	4,560	1,009	949
Mar '19	19,130	5,517	16,568	4,953	786	1,696
Jun '19	16,091	4,333	14,495	4,098	785	62

Tata Steel BSL: Bhushan Steel; Source: Analyst presentations

India crude steel consumption (million tonne)



European Union crude steel consumption (million tonne)



Source: World Steel Association

Tata Steel has responded to these reports with this statement: "Like all European steelmakers, Tata Steel Europe continues to experience challenging market conditions, made worse by the use of Europe as a dumping ground for the world's excess capacity."

Its spokesperson was quoted as saying: "We launched a transformation programme in Tata Steel Europe in June. We are aiming to develop a simpler and leaner organisation, capable of sustainably financing high levels of investment, essential to our long-term success."

The programme to urgently improve is gathering pace, says the company. Proposals are being developed to improve the supply chain, manufacturing performance and raw material usage, as well as efficiency gains through digitisation. "We expect these to include a reduction in our employment costs, which would be subject to the full consultation process with employee representatives."

Tata Steel entered the Europe market in 2007, when consumption was on a declining trend in the region. At the same time, JFE Holdings, the world's fifth-biggest steelmaker, and Nippon Steel entered the India market, where consumption has been continuously rising.

By World Steel Association data, consumption of crude steel in the European Union region was 178 million tonnes (mt) in 2017, from 207 mt in 2008. In this period, the consumption pattern has been erratic, not displaying any clear growing demand trend. In the same period, crude steel consumption in India nearly doubled, to 101 mt in 2017, from 56 mt in 2008.

In the latest CARE Ratings report, the domestic operations of Tata Steel continue to remain strong, with PBILDT (profit before interest, lease, depreciation and tax) of ₹23,833 crore in 2018-19, or ₹14,679 per tonne. The comparative per-tonne figure for the European operations was only ₹5,634. The European operation faces lack of captive raw material sources, intense competition, high employee cost and overheads, says CARE.

Replace PW engines in 15 days: DGCA to GoAir

PRESS TRUST OF INDIA
New Delhi, 29 October

Civil aviation regulator Directorate General of Civil Aviation (DGCA) on Tuesday asked GoAir to replace 13 A320neo aircraft's Pratt & Whitney (PW) engines, which have been used for over 3,000 hours, within the next 15 days or face grounding of the airplanes, an official said.

The 13 aircraft have to be fitted with at least one modified PW low-pressure turbine engine within the next 15 days, the DGCA official.

The official said there are 13 aircraft in the airline's fleet in which both the PW engines have been used for more than 3,000 hours.

In response to a query from *PTI*, the airline's spokesperson said, "GoAir has not received any communication/directive from DGCA in this respect. Whenever we receive any communication, at that point in time, we will evaluate and respond accordingly. We will continue to work on all directives/policies as stipulated by the DGCA." The PW engine-powered A320neo planes in the fleets of the two airlines — IndiGo and GoAir — have been facing glitches both mid-air and on-ground since their induction way back in 2016, which has also led to grounding of some planes.

On Monday, the regulator asked IndiGo to replace 16 A320neo aircraft's PW engines, which have been used for more than 3,000 hours.

An official said there are 13 aircraft in the airline's fleet, in which both the PW engines have been used for more than 3,000 hours

A PW spokesperson said in a statement on Tuesday, "PW is working in coordination with our airline customers to incorporate upgrades improving the durability of the low-pressure turbine in the PW1100G-JM fleet to address a known issue. We certified hardware improvements which are incorporated into all new production engines and during planned maintenance visits. We are committed to supporting our customers to ensure minimal disruption during the fleet retrofit," the spokesperson added.

Boeing CEO grilled at US hearing: 'Made mistakes, we're improving'

REUTERS
Washington, 29 October

Boeing Chief Executive Dennis Muilenburg was pressed by US lawmakers at a hearing on Tuesday over what the company knew about its MCAS stall-prevention system linked to two deadly crashes, and about delays in turning over internal 2016 messages that described erratic behaviour of the software in a simulator.

Muilenburg acknowledged errors in failing to give pilots more information on MCAS before the crashes, as well as for taking months to disclose that it had made optional an alarm that alerts pilots to a mismatch of flight data on the 737 MAX. "We've made mistakes and we got some things wrong. We're improving and we're learning," he said. The hearing, the highest-profile congressional scrutiny of commercial aviation safety in years, heaps pressure on a newly rejigged Boeing senior management team fighting to repair trust with airline customers and passengers shaken by an eight-month safety ban on its 737 MAX following the crashes, which killed 346 people.

Boeing CEO Dennis Muilenburg (*centre*) sits in front of family members of Boeing 737 MAX crash victims ahead of the testimony before a Senate Committee PHOTO: REUTERS

Liberty plans to bring mining & steelmaking biz under one fold

Executive Chairman Sanjeev Gupta says the merged entity will be the eighth largest outside China

PRESS TRUST OF INDIA
New Delhi, 29 October

"THIS IN AN EXCITING AND IMPORTANT MILESTONE IN GFG'S JOURNEY. WE ARE EXTREMELY PROUD TO WELCOME THOUSANDS OF SKILLED AND COMMITTED STAFF INTO THE GFG FAMILY AND LOOK FORWARD TO WORKING TOGETHER TO CREATE A BRIGHT AND SUSTAINABLE FUTURE FOR OUR GROUP AND OUR INDUSTRY,"

SANJEEV GUPTA
Executive chairman
Liberty House Group

British Indian steel tycoon Sanjeev Gupta plans to consolidate his steelmaking and mining interests into a single company, which he says will emerge as the eighth largest in the world outside China.

Liberty Steel Group will be created as a single entity comprising interests accumulated worldwide by his Gupta Family Group (GFG) Alliance entity.

"Producing a single set of accounts and single board will make us transparent to customers, suppliers, employers and the financial markets. We will be like a normal listed company for governance — except we are privately owned," Executive Chairman Sanjeev Gupta explained.

In July, Liberty Steel announced the completion of its acquisition of seven major steelworks and five service centres across seven European countries from Lakshmi N Mittal led ArcelorMittal.

Liberty said the €740-million deal makes it one of the top 10 producers globally, excluding China, with a total rolling capacity in excess of 18 million tonnes covering a wide range of finished products.

"This is an exciting and important milestone in GFG's journey. We are extremely proud to welcome thousands of skilled and committed staff into the GFG family and look forward to working together to create a bright and sustainable future for our group and our industry," said Gupta.

"These businesses will form a key part of our global steel strategy, of building a sustainable steel business, with a fully integrated value chain, from raw materials to high-value finished products that are distributed in high quality markets," he said.

It came in the wake of a series of acquisitions of assets from around the world as part of the company's wider GreenSteel sustainable strategy.

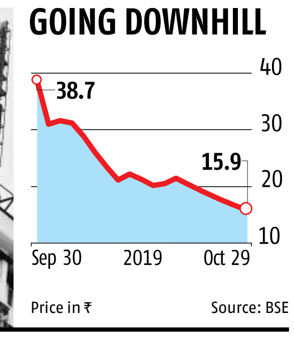
Under the plans, Liberty Steel plans to be carbon neutral by 2030, through a combination of using renewable power for arc furnaces recycling steel, new technology such as hydrogen power in primary steel making, and environmental plans such as reforestation.

Liberty Steel, as part of the GFG Alliance, is a global group of energy, mining, metals, engineering, logistics, and financial services businesses, headquartered in London, with additional hubs and a presence in around 30 countries worldwide. The latest consolidation plans are expected to eventually lead to a market flotation.

Gupta has so far declined to comment on reports that his company was interested in bidding for Britain's second-largest steelmaker British Steel, which went into liquidation back in May.

Centre to order SFIO probe against DHFL

PRESS TRUST OF INDIA
New Delhi, 29 October



The Central government will soon order a Serious Fraud Investigation Office (SFIO) probe into the alleged financial irregularities at debt-ridden mortgage firm Dewan Housing Finance Corporation (DHFL) after a report by the Registrar of Companies (RoC) indicated fund diversion, a source said.

The Mumbai office of the RoC, earlier this year, had initiated a detailed examination into the alleged financial irregularities, including fund diversion, by DHFL promoters. The RoC submitted its report on DHFL to the Ministry of Corporate Affairs (MCA) a couple of days ago, an official said.

There is a good enough reason to consult the SFIO, the official said, adding that the report indicates diversion and siphoning of funds. The matter will be referred to the agency under the MCA in the next few days, the official added.

DHFL came in the eye of storm after a report suggested that the company, through layers of shell companies, allegedly siphoned off ₹31,000 crore out of total bank loans of ₹97,000 crore.

Following the allegations, the Mumbai office of the RoC started looking into the matter and found that certain offices that were reported as shell companies were not found at their given addresses.

Under the Companies law, the MCA has powers to take various actions against in case of suspected violations, including inspection of the books of accounts.

A forensic audit, separately done by KPMG, has also reportedly found massive fund diversion by the promoters, a development which may make lenders averse for revival of the company.

The mortgage lender had sought a ₹15,000-crore lifeline from the lenders as they finalise the resolution plan, which may also include picking up 51 per cent equity in the company by converting their debt into equity.

KPMG has submitted a draft report to the lenders, which has reportedly found that DHFL promoters had diverted nearly ₹20,000 crore of bank loans to related entities.

Under the draft resolution plan, the lenders would pick up 51 per cent in the third largest mortgage lender by converting a part of their debt into equity.

Srei may see asset portfolio growth slowing to 5% against 20% last year

"WE ARE PREPARED EITHER FOR AN IPO OR OTHER FORMS OF CAPITAL RAISING BUT DON'T NEED CAPITAL AT THIS JUNCTURE. ONLY AFTER THINGS STABILISE WILL WE GO TO THE MARKET FOR FUNDRAISING"

HEMANT KANORIA
Chairman, Srei group

JYOTI MUKUL
New Delhi, 29 October

Kolkata-based Srei group, which has moved away from infrastructure finance, is likely to see growth in asset portfolio slowing to 5-7 per cent this year, in contrast to the annual 20-30 per cent growth it recorded prior to the IL&FS crisis.

Currently, 75 per cent of its asset holding is for equipment finance, the rest coming from infrastructure financing. The latter share is expected to further come down to 10-15 per cent over the coming years, Hemant Kanoria, group chairman, told Business Standard.

In fact, the consolidated AUM fell slightly to ₹47,070 crore in 2018-19, from ₹47,480 crore a year earlier, primarily because of SIFL's lower numbers. "We could have done better but the IL&FS incident happened. It has not impacted from a liquidity or business angle but growth has been impacted because of loss of confidence," said Kanoria.

He said there was a need for serious relook at the official non-bank finance company (NBFC) guidelines. "A distinction needs to be made between mistakes and fraudulent decisions, since any action has a ripple effect in the sector," said Kanoria.

Srei had started reducing its exposure to infrastructure financing about four years earlier. In its equipment financing business, that for construction and mining has slowed; agriculture and technology equipment financing is still going strong.

Kanoria said banks were wary of extending loans to NBFCs, which were therefore relying on external commercial borrowing for fund raising. Last year, the group had shelved its plan for an Initial Public Offer (IPO) of shares for Srei Equipment, following the NBFC crisis. "We are prepared either for an IPO or other forms of capital raising but don't need capital at this juncture. Only after things stabilise will we go to the market for fund raising," he said.

Kanoria expected infrastructure investment to pick up after the country's general election but finds sentiment weak even in the roads sector, which was earlier doing well.

In which connection, he said any starting of insolvency proceedings leads to value erosion in stressed assets. "IBC (Insolvency and Bankruptcy Code) is like a funeral march. It is better if mediation (between creditors and a stressed company) can be done earlier."

The infra sector, he said, needs clarity in regulations. Besides, there should be a dispute resolution mechanism.

On whether his company would turn into a bank at some stage, he said it would depend on Reserve Bank of India policy.

Scoot, Skip, Jump, Lime and Spin

Time to revisit transportation planning in cities and countries to choose the most environment-friendly, comfortable and safe options

VANDANA GOMBAR

Four companies — Scoot, Jump, Lime and Spin — received permits to offer shared electric-scooters in San Francisco earlier this month, in a fairly neat evaluation process with clearly assigned weightings for sustainability, among other things. The process can serve as a useful benchmark for other cities looking at rolling out new mobility services.

There are four aspects of the San Francisco exercise which stood out:

Scoring smartly: The San Francisco Municipal Transportation Agency issued permits to four operators from the 11 applications it received, based on their total score on eight criteria.

The highest score was for responses "that include robust, unique or innovative approaches demonstrating the highest level of commitment and ability to solving known challenges and concerns and substantially exceeding the minimum requirements."

Scoot scored the highest, followed by Spin (a Ford company), Jump (an Uber subsidiary) and Lime.

Staggered growth: Scoot is permitted to operate 1,000 e-scooters while the other three start with permission for 500 each, increasing to 750 in December and 1,000 by February if each company meets the terms and conditions laid out.

Each operator is to pay a fixed charge ($75) per scooter to finance the installation of new bike racks.

Smooth transition from pilot programme: The scooters started life as dockless micro-mobility vehicles, faced some resistance from the public, and have emerged in a more refined format, all in a matter of a couple of years. San Francisco's transport authority reviewed 12 applications and more than 800 pages of proposals before deciding to permit Scoot and Skip (Toyota is an investor in the latter company) to offer services beginning October 15, 2018 for one year under a pilot programme. A mid-pilot evaluation showed that "powered scooter share systems can serve the public interest when properly regulated." The pilot was thus converted to a formal Powered Scooter Share Permit Program, under which the four licensees got the right to operate from October 15, 2019.

Tracking complaints: Operators of the e-scooter shared service are required to track all complaints, and their resolution. They would also need to share the details of complaints and their resolution with the transportation authority on a regular basis.

In India, sales of electric two-wheelers have slowed down recently, though the vehicle of choice for last-mile connectivity in many cities seems to be the electric rickshaw. In and around the capital city of Delhi, their number has reportedly crossed 1 million. Much of this growth is unplanned and unregulated, leading to further chaos in areas where they ply their trade, since there are no designated parking spots, or passenger pick-up or drop points for the e-rickshaws.

The transition to shared and electric mobility, and the availability of different options under the micro-mobility banner, provides an opportunity to revisit transportation planning in cities and countries, so that the most environment friendly, comfortable and safe options are picked. According to BloombergNEF estimates, investors poured over $84 billion into mobility-service providers in ride hailing, car sharing, bike sharing, scooter sharing and ride sharing between Q1 2014 and the end of Q2 2019.

The author is the Editor – Global Policy for BloombergNEF. She can be reached at vgombar@bloomberg.net

EVALUATING E-SCOOTERS

	Weighting (%)
Plan for safe scooter riding and parking	20
Experience and qualifications	20
Community engagement plan	15
Pricing	10
Hiring and labour plan	10
Recharging, maintenance, cleaning and sustainability plan	10
Operations plan	10
Device standards and safety	5

Source: San Francisco Municipal Transportation Authority

CHINESE WHISPERS

Maya's blame game

Still smarting from the rout in the Uttar Pradesh by-elections, Bahujan Samaj Party (BSP) President Mayawati (*pictured*) is taking recourse to lame excuses to shift the blame for the defeat. While the Samajwadi Party (SP) won three of the 11 seats that went to the polls last week, the BSP drew a blank and lost the lone constituency it held to the former. Coming on the heels of the snapping of the SP-BSP alliance after the 2019 Lok Sabha elections, Mayawati has accused the ruling Bharatiya Janata Party (BJP) of helping the SP. Alleging the BJP had conspired to demoralise BSP workers ahead of the big fight in 2022 by letting the SP win a few seats, the Dalit czarina asserted her party would disrupt the saffron party's designs.

Naidu's 15-point charter

Expressing concern over the functioning of legislatures in the country and erosion of public trust in them, Vice-President and Rajya Sabha Chairman M Venkaiah Naidu (*pictured*) on Tuesday unveiled a 15-point reform charter for their effectiveness. Delivering the first "Arun Jaitley memorial lecture on strengthening of parliamentary institutions in the country" at Delhi University on Tuesday, Naidu urged political parties to ensure, through a roster system, that legislators attend at least 50 per cent of the proceedings of the legislature. He also called for a review of the "whip" to enable a reasonable degree of dissent without affecting the stability of the government. Other suggestions included reviewing the anti-defection law and reform of the parliamentary committee system. He also expressed reservations on proportional representation, arguing that it would deepen "social and political cleavages".

Eye on the oil sector

In the backdrop of the government planning to disinvest in some oil companies, the department-related parliamentary standing committee on petroleum and natural gas has decided to study "disinvestment, mergers and acquisitions in the petroleum sector" as part of the 15 subjects it will scrutinise for 2019-20. Some of the other subjects it has taken up and will be filing its reports on are allotting retail outlets and LPG distributorship; pricing, marketing and supply of petroleum products; litigation involving oil public-sector undertakings (PSUs); contract management; and transparency in procurement procedures in oil PSUs.

FMCG majors dig deep in the hinterlands

Manufacturers are expanding direct reach in the slowing rural market to spur demand

ARNAB DATTA

Recently, when Suresh Narayanan, chairman and managing director of Nestle India, was discussing macro-trends affecting the fast moving consumer goods (FMCG) sector, he did not hold back from expressing his concerns about rural distress. Faltering sales of fast moving consumer goods manufacturers in the rural market could be the biggest concern for most, he said.

Some days later, Sanjiv Mehta, chief executive of the country's largest non-cigarette FMCG firm Hindustan Unilever (HUL), voiced similar concerns. Mehta's HUL, which managed to maintain its July-September volume growth at five per cent, asserted that the sharp deceleration was led by a slowdown in rural areas.

Retail offtake numbers from market research firm Nielsen endorse these views (*see: The Big Dippers*). It also throws light on a peculiar trend: The slowdown in the northern part of the country is significantly higher than other regions. In the last quarter, volume growth in the largest of the four regional markets, plunged to meagre one per cent — the lowest in the country — from 17 per cent last year.

The FMCG market in the rural North shrank two per cent by volume. Although large companies like Nestle, Dabur or HUL have been impacted by this slowdown in demand, it was the small, local players that have been hit harder. Small players, who account for a third of sales for the region, grew only three per cent by value, compared to 35 per cent in the corresponding period last year. Medium players, accounting for 24 per cent of sales, saw their business shrink by four per cent in the September quarter.

This has resulted in a churn that is now leading to a large number of players exiting the market. During the quarter, Nielsen data shows, 2,000 new players entered the market but close to 2,300 existing players left it — a net loss of 300-odd players. In July-September, 2018, nearly 1,100 FMCG firms had entered these markets.

The markets in the west, and east saw a significant fall in volume uptake as well.

Overall, while rural volume growth slumped to two per cent across the country, in urban areas, it fell to five per cent. Consequently, the rural market, which accounts for 36 per cent of India's FMCG market by sales, contributed 60 per cent to the slowdown. The growth in rural market has been slowing for the past few quarters, but it slipped below urban market growth in the April-June quarter.

Now, the larger companies with the resources to fight back have started working to arrest this slide. Nestle, HUL, ITC, Dabur and Britannia have not only shifted their focus to rural markets but have started long-term projects to boost demand.

Principal among them is to expand the reach into rural hinterlands. Nestle India, for instance, has begun expanding its direct distribution reach aggressively by adding more regions under its distributors' territories. According to Narayanan, this project may enable Nestle to triple its direct reach in the next few years. The exercise has already helped it reach over 50,000 villages directly and the aim is to double that number by 2022. Nestle now aims to generate up to 35 per cent of its sales from the hinterlands in the next three years — a significant deviation from its long-standing "urban focus" strategy.

Market analyst firm Elara Capital noted in a recent report that the continued rural push by the country's largest food company may help it post over 10 per cent volume growth in the September quarter.

Nestle India is also preparing a new range of products and/or SKUs (stock keeping units) targeting rural consumers. "The route to (the rural) market will have to be different (than the urban). We are actively pursuing different options" said Narayanan. Based on localised feedbacks from its 15-odd clusters, the company is planning to come up with customised products for each region. The clusters, each with its own marketing and product strategy team, is now helping Nestle focus on individual geographies separately.

Analysts at Elara added that FMCG firms like HUL and Heritage Foods, apart from Nestle, have better chances of posting strong growth in its core product categories as they are expanding their respective distribution reach. Moreover, Britannia saw a recovery, especially in north and east India due to better rural market sales, led by an increase in lending by banks to its trade partners during the quarter.

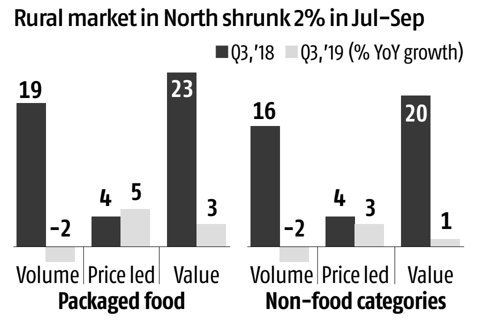
Edelweiss Securities further said, HUL's deepening direct reach and product innovation initiatives may help it outgrow the overall market. The company, for example, has increased the pace of product innovation in one of its top-selling brands — Lakme. According to Sandeep Kohli, executive director, personal care, HUL, if earlier HUL was doing 5-10 innovations a year, now it has increased the number to 30-50 on Lakme.

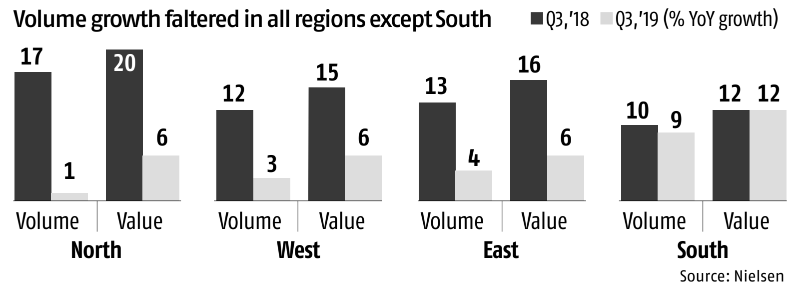
Dabur India,which gets over 40 per cent of its sales from the rural areas, has been actively developing and expanding its distribution and storage infrastructure in the rural market. The firm hired over 700 people to monitor and further develop its business and has brought 4,000-odd villages under its direct fold in early-2019.

The new wave of expansion in rural market is not without a rationale. A larger direct distribution reach helps companies monitor the market better with lower response times. It helps them address any potential slide in sales through customised promotional schemes and market activities.

According to market experts, between 2007 and 2013, the phenomenal rise in rural sales growth was a direct result of the distribution drive by multinationals. Its effects have now tapered off. "Now the companies need to go further, if they want to repeat the high double-digit growth performance in the rural India", said a senior analyst.

THE BIG DIPPERS





Source: Nielsen

INNOCOLUMN

Building startups and companies that last

R GOPALAKRISHNAN

In a previous column (BS, September 25), I had described a progressive and happy society as one where enterprise, education and eudaemonia (well-being) co-exist. Companies, which are designed to last, promote enterprise on the foundation of trust between the ecosystem and the business community.

Business ecosystem: Elisabeth Kübler-Ross was a psychiatrist journalist, who identified a pattern in the reactions of very sick patients when they became aware of their illness: Denial—Anger—Negotiation—Depression—Action. I call it the DANDA cycle. Many human systems tend to follow this cycle, losing a year or so between the D and the last A.

To understand DANDA, consider the factual narrative about Indian economic growth and jobs. First, the system denied any economic slowdown; it deployed addlepated economists to question the bases and comparability of GDP. Second, the system disapproved the Liberals and Khan Market types for being anti-national. Third, to be responsive, the ministry retracted some illogical impositions in the Budget for FY 2019-20. Then officials reduced corporate taxes, which had effectively been increased over five years, even if inadvertently. After that mendacious acts followed like merging unhealthy public sector banks in the hope of creating a healthy bank and merging unhealthy government telecom companies in the hope of creating a healthy telecom company. Then some influential people attacked India-born Nobel Prize winners for their perceived leanings and marital status.

Now we are approaching the fourth stage when reality has started to bite: There is an increasing realisation that jobs and growth do matter to voters. Article 370 and Pak-bashing don't fill stomachs. Finally, we can expect some systemic action as demanded by the last A in DANDA.

The tendency to announce near-victory is a pervasive disease. This is exemplified by the reports on ease of doing business. Spokesmen become laudatory if India moves up in the World Bank index of ease of doing business. The improvement is great, thank you, but let us not ignore the fact that the index is based on just Mumbai and Delhi. Further, the World Bank places India at positions below number 150, at the bottom of the pile, when it comes to enforcing contracts and registering property. Ease of business cannot be viewed quixotically as enthusiastic officials seem to do by relying on narrow "mathiness". They must test the broader "truthiness". I have battled a criminal charge with a NBW of arrest on a charge (flawed) of serving more than 10 boards after an amendment to the Companies Act. Come out into the real world and hear real voices, dear administrators.

What can business do? A lot.

Business community: Business folks should reflect and act on how to build honest startups and companies that will last. The euphoria around unicorns and startup valuations has reached rather ridiculous flights of fantasy. The legendary Masa (Masayoshi Son) seems to be rethinking his strategy of funding losses, based on recent sobering experiences with Uber and WeWork. Since "God" is revising his gospel, the local Indian VC industry will also shortly rethink because a new gospel will soon emerge from the valley. Watch for changes in the approaches of Walmart-Flipkart and Amazon.

In July 2019, Harvard Business Review carried a persuasive piece entitled, "Building startups that will last" by Hemant Taneja and Ken Chenault. It is a subject that I am obsessed with because I am researching an allied subject. I summarise the lessons of the authors as I remember them.

- Articulate and practice principles for society-first, not just financial achievement.
- Be adaptive and perpetually a learner
- Demonstrate the ability to execute and execute, time and again.
- Move beyond founder-leadership to scalable leadership.

Hang on, these are the same lessons learnt by centurion companies like Unilever, Tata, Nestle, Dabur and Godrej; these same lessons are mentioned in books on long-life Japanese, American and European companies. Do they apply to startups? Are not startups different?

Startups are not a different genetic species, one which you must rapidly fatten and cull in a short time. The avaricious capital of high net worth individuals has converted the startup economy into a sort of Las Vegas for over three decades. We should never forget that yesterday's startups have become today's grownups. Today's startups need to grow up, not bask in permanent infancy.

It is noteworthy that the Prime Minister has emphasised the value of wealth-creators to our economy, time and time again. I feel that the last A of the DANDA cycle should prompt the ecosystem and business folks to think and act differently for the future.

The author is a corporate advisor and distinguished professor of IIT Kharagpur. During his career, he was director of Tata Sons and vice-chairman of Hindustan Unilever. Email: rgopal@themindworks.me

LETTERS

Like a phoenix

This refers to "Amitabh's changing role" (October 29). Angry young man, sadi ka mahanayak, youth icon and what not, superlatives fall short for Amitabh Bachchan. From being rejected by All India Radio for his baritone to becoming a superstar, a politician, an owner of a bankrupt company and now a popular TV show host. He has rewritten the definition of reinvention.

Today roles are being written for him and he keeps giving the younger breed of actors a run for their money. Some might call it overexposure of a brand icon but when you are there in almost every third or fourth advertisement then a company is bound to use your mass appeal. If any budding artist wants to know how to connect with his or her fans and use social media in the best possible manner then he or she must not look beyond Bachchan. From being on death bed and bankrupt in a failed venture, he has risen like a phoenix time and again and that is why people trust what he says.

Bal Govind Faridabad

More than promise

Eyebrows are raised at the visit of a "select" team of European Union law makers to the Kashmir Valley. The group photo of Prime Minister Narendra Modi with the EU MPs as part of the red carpet extended to them said it all. While supporters of the Modi government's Kashmir policy hail it as a "truth tour" and an "excellent diplomatic strike", critics denounce it as a "guided tour" and a "face-saving exercise". Touted or decried, it is obvious that it has been arranged to validate the government's claim of normalcy in Kashmir.

The clear signal is that the government is badly in need of a certificate of normalcy from the EU MPs to corroborate its version of the situation in the Valley even at the cost of further internationalising the Kashmir issue. The government has not agreed to an all-party delegation of Indian parliamentarians to Kashmir, but it has given foreign parliamentarians access, exemplifying its skewed and self-serving nationalism in the process.

EU MPs hired, hosted and detailed to demolish the lockdown claim of Lutyen's lobby represent ultra-right wing with Islamophobia and neo-fascist sympathies and they cannot be expected to make an objective assessment of the situation on the ground by interacting with a representative cross-section of society ranging from apple growers and traders, houseboat men, hoteliers, weavers, shopkeepers and schoolchildren. The high-profile panel stands to lose credibility when it meets army officers and does not meet the leaders under detention.

A lot more than the promise of development is needed to address the sense of being occupied and subjugated. Something more than enumerating the "advantages" accruing from the revocation of special status is needed to wean the people away from their voluntary and peaceful civil disobedience. The humanitarian crisis in Kashmir is of the government's own making. The government can and must win the hearts and minds of the people of Kashmir by rescinding its decision to abrogate Article 370 and taking steps to fulfil their legitimate political aspirations.

G David Milton Maruthancode

Time to act soon

This refers to "Infy assures clients in whistle-blower case" (October 29). Infosys is by now too familiar with whistle-blowers and has had a disproportionate share of adverse corporate publicity compared to its peers and suffered sharp attrition of stock value. In this unsettled IT scenario, a Sikka déjà vu could end up in a major set-back for Infosys. In that episode, internal and external inquiries unanimously cleared Vishal Sikka of misconduct. Previously, the law firm Gibson, Dunn & Crutcher had concluded that there was no incriminating evidence to suggest that Sikka or any other employee of Infosys had profited from the said acquisition of Panaya. The role of the founders was unfortunate as they lost faith in the systems of their own creation and worse they chose to intervene beyond their remit. Salil Parekh then took over after Sikka and just two years later, a whistle beeps. This too may well turn out as unfounded but then the damage is already wrought in the market. The founders must quickly provide the reassurance unlike earlier. Surely, Infosys deserves it.

R Narayanan Navi Mumbai

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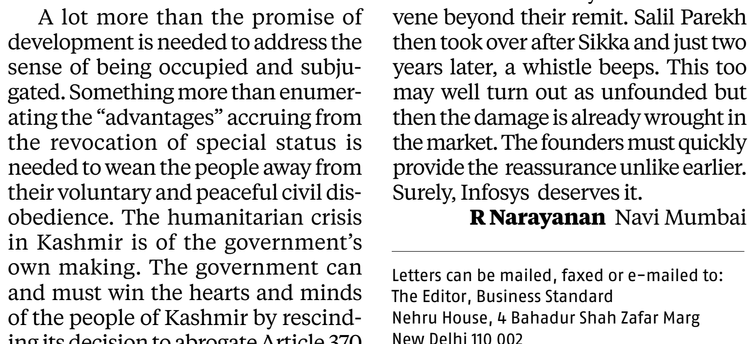
HAMBONE



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Save the bankruptcy code

Govt must step in to make necessary changes

One of the few high-profile successes of the Insolvency and Bankruptcy Code (IBC) has been the sale of Bhushan Power & Steel Ltd (BPSL) to JSW Steel. Yet even this has had a spanner thrown in the works by the recent attachment of BPSL assets by the Enforcement Directorate (ED), the investigative agency that reports to the Union Ministry of Finance. It is concerned that BPSL might have violated the Prevention of Money Laundering Act (PMLA). It cannot be anyone's contention that due investigation should be stopped. Certainly, if criminal acts have been committed, then those responsible should be brought to justice. But the attachment of property in the course of an investigation cannot be indiscriminate. In this case, given that BPSL was in the final stages of its sale to JSW, the attachment has effectively derailed the IBC process, which also carries the force of law. It is unsurprising, therefore, that the National Company Law Appellate Tribunal has asked the finance and corporate affairs ministries — the latter being the ministry responsible for the bankruptcy process — to sort out their differences.

Such differences should never have been allowed to arise. It is inexplicable that an agency under the finance ministry is unaware of the importance to the broader economy of the successful functioning of the IBC process. For both restoring banks to health and reviving broader investment in the economy as well as unlocking stalled capital, the IBC process is the only game in town. But it is unfortunate that the ED may once again have attached processes without applying its mind. Such behaviour has had systemic effects before, notably after the attachment of bank properties following the revelation of fraud at Punjab National Bank. Last month the PMLA Tribunal accused the ED of "inadequate investigation" of that case and that it attached the property of a consortium of banks involved in a "mechanical" manner. The tribunal also pointed out that such attachment stalled the recovery process for banks. Even so the ED seems to have learned no lessons.

The government has responded swiftly and with efficiency in the past to preserve the integrity of the IBC process. Whenever necessary, swift amendments or even ordinances have been used to keep the system moving. Such action may be required again. The finance ministry, which is surely aware of the importance of IBC, may take the lead. Essentially, no bidders will be found for companies through the IBC process if even after the NCLT approves of the takeover a further legal liability can stall the process. It will also put banks in a tight spot because they will not be able recover loans if the promoters or the management is investigated for a fraud. Once the company changes hand after going through the bankruptcy process, it should be able make a fresh start. In the case of a fraud, promoters and management can be prosecuted separately.

If the two ministries and their agencies cannot get their act together in terms of implementation — in spite of sharing the same Cabinet minister — then the laws will have to be amended in such a way that the IBC is given priority once the NCLT has ruled or the process has gone beyond a certain stage. If necessary, the Prime Minister's Office should enforce co-ordination and speedy action.

Job crisis signal

Young people opting for MGNREGA work is worrying

The Indian economy is in the midst of a severe slowdown and the data suggests that a sharp recovery in the near term is unlikely. Apart from the lead indicators such as vehicle sales, which tend to grab headlines, developments on the ground are also not encouraging. An increase in the number of young workers lining up for work under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a case in point. As a recent report in *The Indian Express* showed, the number of workers employed in the age group of 18-30 under the MGNREGA reached 7.07 million in 2018-19 compared to 5.8 million in 2017-18. The number had declined significantly after 2013-14. More people are seeking work under the Act in the current year as well.

While reasons for this shift are worth investigating, a higher enrolment of people in the 18-30 age bracket in the subsistence-level job guarantee programme prima facie means severe lack of employment opportunities. The gross domestic product data for the April-June quarter, for instance, showed that growth in the construction sector declined to 5.7 per cent, while expansion in the manufacturing sector collapsed to 0.6 per cent. Subdued activity in these sectors and their inability to absorb labour could have pushed workers to seek employment under the MGNREGA. It is also likely that distress in agriculture could have affected the demand for labour in rural areas.

However, there is another important aspect that needs policy attention. A 2017 discussion paper by the NITI Aayog showed that about two-thirds of income in rural India is now generated through non-agricultural activities. About half the construction and manufacturing sector output comes from rural areas. It also contributes significantly to the services sector output. It would be interesting to see if manufacturing units in rural areas are losing out because of size and greater formalisation of the economy after the implementation of the goods and services tax. Although manufacturing units in rural areas are more capital-intensive, pressure on output could have had an impact on employment.

At a broader level, the inability of the Indian economy to create enough jobs can have longer-term consequences. As the latest Economic Survey noted, India is witnessing a demographic transition with a significant increase in the proportion of the working-age population. The working-age population in absolute terms is likely to grow by about 9.7 million per year between 2021 and 2031. Growth will slow in the subsequent years. India cannot afford to lose this opportunity. It will not be able to take advantage of a rising workforce without creating enough employment opportunities. Clearly, as the evidence suggests, this is not happening at the moment. A trend reversal will require more investment, which will help generate jobs. In this context, the government has done well to reduce the corporate tax rate and, over the last few years, India has moved up significantly in the World Bank's Ease of Doing Business ranking. However, as World Bank President David Malpass has rightly noted, India needs to do a lot more, particularly in areas such as land registration and contract enforcement, to attract investment. Therefore, the pace of reforms must be accelerated. Only higher investment and rapid growth can create sufficient employment opportunities. The situation forcing young workers to enrol for the MGNREGA work needs to be reversed.

ILLUSTRATION: BINAY SINHA

A Brexit nervous breakdown

The fabric of Britain's unwritten constitution has been dangerously damaged by partisan passions over Brexit

During the last five months I have been in London watching with growing astonishment as the world's oldest democracy (based on an unwritten but well-honed constitution) goes through a nervous breakdown. With Theresa May's withdrawal bill agreed with the EU being defeated thrice by massive Parliamentary majorities for making the UK, in effect, a colony of the EU for the indefinite future, Ms May reneged on her oft-repeated slogan "No deal is better than a bad deal", by not letting the UK leave the EU on WTO terms at the end of March. Instead she asked for an extension of the withdrawal date from the EU to the end of October.

DEEPAK LAL

In the following interregnum, she was ousted from the premiership of the Tory party, which elected Boris Johnson as the leader and thence prime minister (PM) at the end of June with the pledge that the UK would leave the EU on October 31 (Halloween) with or without a deal (on WTO terms). He was faced by a hostile Parliamentary majority of those who had supported Remain in the 2016 referendum, even though in the snap election of 2017 nearly all stood on manifestos to implement the referendum verdict of leaving the EU by the end of March 2019.

Surprisingly, Mr Johnson succeeded in negotiating a new deal with the EU, which removed the more objectionable clauses of Ms May's withdrawal agreement, including the notorious Irish backstop, which would have tied the UK as a permanent vassal of the EU, subject to its laws as enforced by the European Court of Justice. But, instead of supporting and lauding this deal, the Remainers have sought to thwart it by using various Parliamentary procedures (unlawful under the conventions of the unwritten constitution) to legislate delays in the withdrawal date. They have also refused to allow a fresh election despite the Tories losing their Parliamentary majority. So, the polity now is in limbo. How has this extraordinary constitutional impasse been allowed to develop?

The proximate cause was the Shakespearean denouement after David Cameron —who had called the 2016 referendum—resigned as PM after his Remain side lost. In the following election for the Tory leadership and thence PM, Mr Johnson, the leader of the Leave campaign, was fatally stabbed on the morning he was to announce his candidacy by his campaign manager Michael Gove, who chose to stand himself. The other Leave candidate Mrs Leadson committed electoral suicide by making foolish remarks about the childlessness of the other candidate (the Remainer) Ms May who won the leadership election and became PM by default. Uncharismatic but stubborn, with little political nous nor intellectual depth, she foolishly called a snap election which destroyed the Tory majority David Cameron had won and was forced into an electoral pact with the Northern Irish DUP for a Parliamentary majority.

She then conducted the most disastrous negotiations with the EU as a supplicant rather than as the proud leader of a major economy and military power wishing to reassert UK sovereignty and the primacy of its distinctive non-European Common Law. By agreeing to the EU's sequencing of negotiations, leaving the all-important post withdrawal economic relationship with the EU to the last, she gave an inherent advantage to the EU which Michel Barnier and his team exploited brilliantly to tie the UK indefinitely in the EU without any say.

Having escaped this trap, Mr Johnson is now faced by another problem created by Mr Cameron. When negotiating a coalition government with the Liberal Democrats, Mr Cameron — seeking to ensure a five-year term to carry out his legislative agenda — agreed to a LIBDEM proposal for a fixed-term parliament. This went against one of the important rules of Britain's unwritten constitution, which allowed the prime minister to call an election whenever he deemed it desirable for national or party political reasons. Under this new constitutional law a super parliamentary majority is required for an election to be called before the five-year parliamentary term ends. Mr Johnson has failed thrice to get this majority for an election to clear a parliament dominated by Remainers from thwarting the executive's will.

In the past, as part of the unwritten constitution, the judges could be expected to find a way through this constitutional impasse. Here again past unwise constitutional change have led to another trap. In the past the Law lords in the House of Lords along with the Lord Chancellor (from the ruling party) dealt with this legal process. But Tony Blair in his desire to ape the European Court of Justice decided to set up a Supreme Court in which the Law Lords became virtually independent agents.

The dangers of this became apparent when this new court, against precedent and previous laws, deemed Mr Johnson's prorogation of parliament illegal. It turns out that Lady Hale (known as Spiderwoman for the brooch of a spider she wore during the legal proceedings) was a Remainer. No impartiality could be expected from this court if the Fixed Term Act was legally challenged.

Then there is the Speaker of the House of Commons, John Bercow, an avowed Remainer who used what is meant to be an impartial position to allow an unprecedented and, according to the unwritten constitution (as pointed out clearly by Jacob Rees Mogg the leader of the House), an illegal ruling allowing parliament to take over the business of the House instead of the executive. This allowed various delaying tactics to be enacted into law. Fortunately, he is retiring at the end of October and this trap may be removed in the future.

But, there may be some light appearing at the end of the tunnel. Forced by a Parliamentary Act passed through the unconventional takeover of legislative business by the Remainer parliament permitted by Mr Bercow, Mr Johnson was forced to ask the EU for an extension to the UK's current departure date from the EU of October 31 to January 31, 2020. This has just been granted as a "flextension", to end early if Mr Johnson's withdrawal deal is ratified by the UK and European parliaments by end November, or after a UK general election in December. Otherwise there would be a "no deal" exit on January 31.

With parliament due to vote (as I write) on a December election based on a proposal by the LIB Dems and the SNP — both want an early election for their own special reasons — for a parliamentary vote, which only requires a simple majority, the current Brexit impasse could end. If Mr Johnson wins the election as expected, he hopefully will have the fixed term Act repealed, the Supreme Court abolished and replaced by the old final Appeal Court of the Law Lords supervised by a political Lord Chancellor, and convert the conventions about the Speaker's discretionary powers into laws. This would restore the fabric of Britain's unwritten constitution, which has been so dangerously damaged by the partisan passions of Brexit.

PM's Diwali gift to the economy

This festive season has been marred by dismal economic news all around. India is slipping pathetically from its high growth trajectory. Exports continue to decline. Major financial institutions and donors have downgraded the country's growth prospects in the coming year. But the recent World Bank's Doing Business rankings provided the spark the economy badly needed. India made impressive improvements in the 2019 rankings of Ease of Doing Business — a jump from 100 in 2017 to 63, and similar one for Trading across Borders from 146 in 2017 to 68. These results are a big achievement on the part of the government to improve the overall business climate and reduce the massive trade transaction costs that had been plaguing the Indian economy. For this, the credit squarely belongs to Prime Minister Narendra Modi who vigorously pushed for it since he took office as a part of his Make in India vision.

JAYANTA ROY

These improvements, if they continue, will soon create a conducive environment for the right kind of export-promoting or outward-looking foreign direct investment (FDI) to flow in. Most FDI in India so far has been inward-looking to tap the large domestic market with high tariffs and transaction costs.

Another measure of trade transaction costs is the Logistics Performance Index (LPI) of the World Bank that captures behind the border transaction costs. These are largely dependent on a country's logistics capacity. Logistics reforms that impact transaction costs behind the border include: Transport infrastructure such as road, rail, ports, and airports; reliable communications and technology infrastructure, and quality logistics services such as transport operators. India's ranking in LPI has also improved over the years, and stands at 44 at present.

However, we cannot afford to be complacent since we still do not compare favourably with Southeast economies as the table shows.

Future reforms in trade and logistics facilitation are recommended in the October 2018 Logistics Development Report of the Prime Minister's Economic Advisory Council. A slightly modified version of my recommendations are here:

Behind the border logistics

- Rail tariff rationalisation and expediting commissioning of dedicated freight corridors (DFCs)
- Fast track elimination of container freight stations and inland container depots by pushing direct port delivery (DPD) and direct port export (DPE)
- Nudge shipping lines to institute a transparent tariff structure
- Seamless and efficient road transport experience — introduce One Nation, One Permit, One Tax System
- Uniform business processes. Standardise gate-in /gate-out approvals and documentation processes
- 24 x 7 shipping line services to trade

Border trade facilitation

- Fully facilitated trust-based clearance processes through modern risk management system
- Fully-automated paperless trade environment with minimum face to face interactions
- Single-window digital portal integrating all stakeholders
- Monitoring of key outputs across major gateways
- Physical inspection of goods to be an exception
- Training of officers to operate/manage the new system, implement audit-based controls with the use of IT
- Popularise advance bills of entry, authorised economic operators, DPD and DPE in the private sector
- Target cargo dwell time to reach levels comparable to the successful Southeast Asian countries

Institutional framework

- Establish a National Council of Logistics and Trade Facilitation outside the line ministries reporting to the prime minister
- It must consist of Cabinet ministers of the ministries and departments related to logistics and trade facilitation, and chief ministers of concerned states
- Private sector and trade stakeholders should be represented
- The logistics wing under the commerce ministry be made a dedicated secretariat
- Development of robust performance outcomes for logistics and trade facilitation
- Monitor performance through an online dashboard and fix responsibilities for time-bound corrective action
- Facilitate policy development and multi-stakeholder coordination
- Regular publication and dissemination of data on key sectoral outputs

PECKING ORDER

	Doing business rank 2019	LPI rank 2018
S Korea	5	25
Malaysia	12	41
Taiwan	15	27
Thailand	21	32
China	31	26
India	63	44
Vietnam	70	39

India should quickly implement these reforms to revive the lost export momentum and spur high, inclusive growth to create jobs. The prime minister should now with the same zeal bring down our average tariff levels to make our industry internationally competitive. These reforms, along with his recent overruling of all opposition from some of his ministers, industry, and an important part of his party, to be in the Regional Comprehensive Economic Partnership, will be his biggest personal contribution to the long overdue trade reforms.

The writer is a former economic advisor in the Union commerce ministry

The charmed life of a royal relation

BOOK REVIEW

T C A SRINIVASA RAGHAVAN

Lord Louis Mountbatten was a member of the British royal family. That got him many jobs which he didn't perhaps deserve fully. In the end it also got him blown up when a bomb went off on his boat in 1979. He didn't deserve that either.

But he lived a good life. The royal connection also got him many good jobs, including that of Supreme Commander of Allied Forces in the East during World War II. He was just 43.

Churchill wasn't keen but eventually went along. He may have wanted to send him very far away. In any case, the Americans were calling the shots by then. Dickie couldn't do much harm.

Another job that he wasn't quite suited for was that of the last Viceroy of India. He made a monumental mess. According to one historian, he hurried up the independence of India because he wanted to get back to London quickly so that he would be in the running for heading all British forces. That haste is what led to the partition mess.

Mr Lownie is very sympathetic to his subject. There is negligible detail. So the reader comes away thinking of old Dickie as what they call good man the *lalten* in Punjab.

This book, whose major strength is its enormous bibliography, tells many stories. Many of them are well known but a few are not. Thus not many people know that Mountbatten was in charge of the disastrous Anglo-Canadian raid on the port of Dieppe in German occupied France.

It wasn't a great idea to start with, and Mountbatten knew that it wouldn't work. It was more of a political statement rather than a military one.

Given the various hurdles that Mr Lownie lists, it shouldn't have happened. But "Mountbatten, naturally impatient and over-confident took the decision to proceed with the operation...".

But Mountbatten, says Mr Lownie, had a crack PR team, with no less than Daryl F Zanuck on it, and managed not to get associated with it in the public mind. This despite the fact that people always tend to associate failure with specific people.

So the confusion over who screwed up still continues. But the fact remains: He was in charge and should have stopped it after realising that it wasn't going to succeed. This was Dickie all over.

It's also, as we know, very similar to the way Indians think of him as not being responsible for partition. In the hierarchy of those who get blamed, he comes last.

His own report on it is a masterpiece of the technique of how to distance yourself. Indeed had it not been for the official record available in the Transfer of Power volumes, it might well have become the only record.

What Mountbatten's contribution in Asia was is still unclear. Mr Lownie attributes many things to him like energy, coordination, teamwork etc, but specifically? Nothing or not much.

Mercifully this book is not entirely about all that, at least not much. It's also about his — and his wife's — personal life. Both were very colourful. In his preface the author quotes Mountbatten as saying, "Edwina and I spent all our married lives getting into other people's beds." Right.

Very early on in their marriage they agreed not to insist on marital fidelity. After that it was all smooth sailing. But even there the details are absent. Who had greater success, for example? The men usually draw the short straw so it would have been interesting to know who manages to get into more beds.

Edwina's affair, if it was fully that, seemed to hurt. Mr Lownie says at one point she may even have considered divorce but she didn't really want it. Life was very nice with Mountbatten and anyway by the mid-1950s the ardour has cooled considerably. They weren't writing as often and after 1955 or so the annual visits also tapered off. But while it lasted it was very intense, even if Nehru wasn't very loyal.

Mr Lownie says on page 268 that "Nehru was deeply attractive to women and had many lovers". He lists four of them.

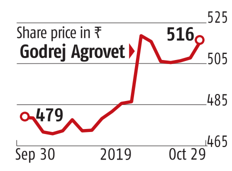
But he is careful not to sound judgemental. But by every token it was inexcusable behaviour for a prime minister. No gloss is possible.

One last nugget. Mr Lownie says when Jinnah was given some letters from Edwina to Nehru, he returned them saying he "had no wish to capitalise on them".

THE MOUNTBATTENS: Their Lives And Loves
Andrew Lownie
Harper Collins,
490 pages, ₹699

Business Standard
MUMBAI | WEDNESDAY, 30 OCTOBER 2019
The Smart Investor

QUICK TAKE: STREET POSITIVE ON GODREJ AGROVET



Shares of Godrej Agrovet are up 10% this month ahead of its earnings. Analysts say the headwinds facing the animal feed and palm oil businesses have receded. They expect the company to post strong margin and profit growth, and see another 10% rise in the stock on attractive valuations

"11-year returns of mid-caps (Nifty MidCap 100 TRI) as of today, if invested at peak of Jan,'08, are 6% and at lows of May '09 are 15.8%. This should be the range of our expectations for the future, depending on when we invest/exit"

KALPEN PAREKH
President, DSP Mutual Fund

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Sebi brass likely to see changes in six months

Terms of several senior officials with the regulator drawing to a close

SACHIN P MAMPATTA
Mumbai, 29 October

The Securities and Exchange Board of India (Sebi) may look very different by the start of the next financial year. A number of individuals at the top are looking at terms expiring by then, while some would have already moved on.

The regulator is already looking to fill some key positions. Interviews for executive directors have been ongoing, informed a source. In addition to the executive directors, the terms of the chairman and a whole-time member are due to end in the next six months. Madhabi Puri Buch joined as whole-time member on April 5, 2017, with a three-year tenure set to be complete in less than six months. Ajay Tyagi became chairman on March 1, 2017. His term has also been for three years.

The regulator had called for applications for the position of executive director in July. It has been looking to fill the posts for one executive director in the legal department as well as another under the general category. Both posts are for a period of three years. The package offered is around ₹70 lakh per annum, according to the July 25 notice inviting applications.

"Internal candidates (from Sebi's pool of serving chief general managers fulfilling specified eligibility criteria) will also be considered for the above positions, strictly on the basis of suitability and merit," it had said.

The pool of available candidates has not been very large, according to a person familiar with the matter. But a decision should be taken soon.

"They have very limited choice," said the person, who declined to be named, citing the sensitivity of the matter.

CHURN AT THE TOP?

- The regulator is already looking to fill some key positions
- Process for hiring two new executive directors has started
- Interviews are happening
- Also, a whole-time member's term expires in April
- Chairman's term ends in March

The stock market regulator's last annual report had noted seven executive directors in charge of various departments. This included P K Nagpal, whose key responsibilities included foreign portfolio investors and custodians; S Ravindran ,who was in charge of departments, including the integrated surveillance department; S V Murali Dhar Rao, who looked at collective investment schemes; Nagendraa Parakh of the office of investor assistance and education and commodity derivatives market regulation department; Amarjeet Singh, who handled corporate finance; Sujit Prasad of the market regulation department; and Anand Rajeshwar Baiwar of the investigation department.

The appointment of an executive director in the legal department is likely to be closely watched. Among recent key developments, the regulator has moved the Supreme Court (SC) after a ruling against its decision to act on auditors Price Waterhouse in relation to the Satyam scandal. It raised questions about the jurisdiction over auditors in such situations where accounts had been falsified. That said, the majority of appeals against the regulator at the Securities Appellate Tribunal has gone in favour of Sebi. There were 138 appeals which went in favour of the regulator. Only 25 rulings went against Sebi. There are 379 pending appeals. There are also 156 pending cases in the SC, compared to 165 in the previous year.

An email sent to the regulator did not elicit a reply.

FIIs, MFs join Street party

SUNDAR SETHURAMAN
Mumbai, 29 October

The Indian markets are staring at fresh all-time highs, even as foreign and domestic investors have joined forces, following the surprise rate-cut announcement by the government last month. The benchmark Sensex and Nifty had gained more than 10 per cent since September 19, 2019, when they had ended at seven-month lows.

During this period, foreign institutional investors (FIIs) have pumped in nearly ₹17,000 crore, while mutual funds (MFs) have been net buyers to the tune of ₹9,000 crore. Currently, the Sensex is only 1 per cent away from its record high of 40,268 made in early June. Another 2 per cent gain in the Nifty could see the 50-share index surpass its previous record of 12,089 logged on June 3. While buying by MFs has more or less been a permanent feature in the past few years, it is fairly uncommon for the institutional investors to remain net buyers in a single calendar month — as witnessed during September and October. Market players say overseas investors turning positive are a big sentiment booster, even though the extent of buying hasn't been robust.

Andrew Holland, chief executive officer (CEO), Avendus Capital Alternate Strategies, said the government's decision to cut corporate taxes has helped revive foreign institutional investment flows. Also, expectations of further easing of taxes, coupled with improvement in the global risk sentiment, has helped, he added.

"Risky assets have been doing well amid progress in the US-China trade talks and Brexit. The conditions for global risk on trade have turned favourable," said Holland.

Jyotivardhan Jaipuria, founder and managing director, Valentis Advisors, said, "The valuations were reasonable. With corporate tax cuts, the government has sent a clear message it was listening to the grievances of investors."

The equity markets went through turbulence in July and August amid sharp pullback by overseas investors. The combined selling during the two months was nearly ₹30,000 crore. The selling was attributed to disappointment from the Union Budget and pessimism triggered by slowing economic growth — both domestically and globally.

In the past two months, a little over a third of the FII outflows have been reversed. Many believe a sustained revival in overseas flows will require the easing of global and domestic headwinds. "Apart from the global environment turning positive, some macro indicators like auto sales volumes need to bottom out," said Rajat Rajgarhia, CEO-Institutional Equities, Motilal Oswal. "Moreover, hopes of further reforms in India have kept investors excited," he added.

Analysts say a rate in the dividend distribution tax and buyback tax could fuel further buying by FIIs.

BETTER TOGETHER

Buying by both FIIs and MFs since September has boosted markets

	Net investment (₹ cr)	
	FII	MF
Jan '19	-505	7,161
Feb '19	15,328	2,173
Mar '19	33,116	-7,396
Apr '19	20,281	-4,600
May '19	9,826	5,162
Jun '19	1,033	6,232
Jul '19	-13,316	15,083
Aug '19	-15,552	17,407
Sep '19	6,674	11,030
Oct '19	3,961	4,682

Sources: Sebi, NSDL
Note: October data as on 24th
Compiled by *BS* Research Bureau

NPS bulks up on AAA-rated papers

ASHLEY COUTINHO
Mumbai, 29 October

The National Pension System's (NPS') debt assets in AAA-rated papers has increased by 1.83 percentage point to 37.87 per cent, in the one-year period ended September 30, 2019. Over a three-year period, AAA-rated assets have surged 4.8 percentage points.

Conversely, assets in AA- and below-rated papers have reduced 87 basis points (bps) in the past year and shrunk by 3.5 percentage points in the past three years.

According to experts, the increase in AAA-rated papers signifies risk aversion in the aftermath of the IL&FS crisis. "We are concerned about the ratings and the quality of papers that we invest in, and are willing to sacrifice returns to ensure that principal is protected," said a senior NPS official. Total NPS debt assets stood at ₹14,246 crore as on September 30, 2019.

While NPS' tier-I equity schemes have delivered low-to-mid-single-digit returns over the past year, debt schemes have given far higher returns, aiding the overall NPS portfolio. Government bond plans have returned 17-18 per cent in the year up till September 30, 2019, while corporate debt plans have returned an average of 14.1 per cent over the same period. Bond funds have benefitted from policy rate cuts. Mutual funds have retreated from AA- and below-rated papers. As a percentage of overall debt assets, investments in AAA-rated and sovereign papers have surged 10.3 percentage points in the past year to 38 per cent, while those in AA- and below-rated papers have reduced 9.6 percentage points to 62 per cent.

DEBT ASSETS

Rating	(%) Assets as on… 30-09-2018	30-09-2019	Difference (%)
AAA	36.04	37.87	1.83
Below-AAA	4.60	3.74	-0.87

Source: Value Research

THE COMPASS

Sagging volumes place Marico on slippery slope

Stock tanks over 6% on flat top line in Q2; benign copra prices save the day

SHREEPAD S AUTE

In an otherwise bullish market environment, the stock of Marico fell by 6.7 per cent to ₹365.50 on Tuesday. Disappointing volumes in the July-September 2019 quarter (second quarter, or Q2) weighed on the company's top line. Higher advertising spending confined earnings growth — hurting investor sentiment. After the dismal Q2 results, nine out of 24 analysts polled by *Bloomberg* have downgraded the stock so far.

Analysts at Phillip Capital, for instance, downgraded the stock from 'buy' to 'neutral' due to growth challenges in core categories and likely higher copra prices — a key raw material — as observed in September.

Marico announced its Q2 results on Friday after trading hours and the markets were shut on Monday due to Diwali and Hindu New Year.

The maker of popular hair care and edible oil brands like Parachute and Saffola clocked 16 per cent rise in profit before tax, while the consolidated net profit grew 17 per cent year-on-year (YoY) to ₹253 crore in Q2, a tad better than analysts' expectations of ₹251 crore. However, the top line at ₹1,829 crore was almost flat at the year-ago-level and below estimates of ₹1,945 crore.

After a robust 6 per cent volume growth in the June quarter, Marico's domestic volumes grew just 1 per cent in Q2. Weak consumer demand and liquidity crunch impacting traditional trade channels marred volume growth across the portfolio.

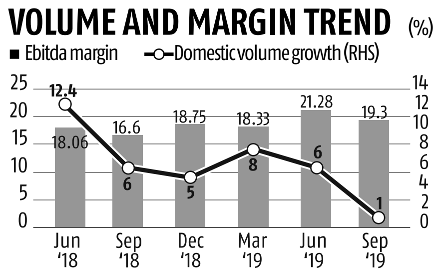
Offtake of Marico's flagship product, Parachute Rigids (oil packs in blue bottles), was down 1 per cent YoY, largely due to customer preference shifting to cheaper, unbranded hair oils. This becomes more worrying, given Parachute Rigids' one-third share in Marico's overall business. Unlike unbranded players, Marico did not change price points sharply, but increased advertising spending during Q2 (up 12 per cent, or by 119 basis points [bps] YoY) to push new launches.

While volumes disappointed, benign key input cost (mainly copra) aided Marico's operating profitability and earnings. With a sharp 561-bps YoY expansion in gross profit margin in Q2, Marico's operating profit margin improved by 270 bps YoY to 19.3 per cent.

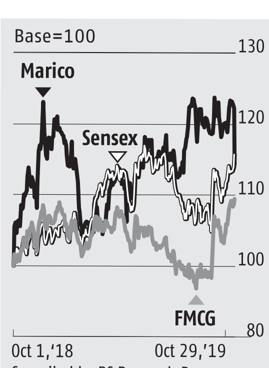
With strategic sourcing and lower average copra prices, input costs are likely to remain supportive. But further margin gains could be limited, as benefits from lower costs are invested to drive growth.

While analysts believe Marico's medium-term growth levers will remain intact and the stock currently trades at 37x its 2020-21 estimated earnings — near its long-term historical average valuation — investors should await signs of pick-up in growth.

VOLUME AND MARGIN TREND (%)



Ebitda: Earnings before interest, tax, depreciation, and amortisation
Sources: Company, *BS* Research Bureau



Compiled by BS Research Bureau

IDFC First Bank progressing on its promises

Valuation of 1.1x its FY21 book makes it an attractive bet

HAMSINI KARTHIK

After a prolonged period of underperformance operationally and on the bourses, things seem to be getting better for IDFC First Bank. The September quarter (Q2FY20) results highlight the same, especially three metrics — improved mix of retail assets, sharp rise in deposits, and an increase in profitability.

The share of wholesale loans fell from 87 per cent last year to 55 per cent in Q2, with the segment's exposure down by about ₹10,000 crore.

The share of retail loans, which came from the merger with Capital First, rose to 45 per cent in Q2, from 10 per cent a year ago, which was prior to the merger. While the loan book at ₹1 trillion may have shrunk following the bank's move to rationalise its wholesale loans, retail loans grew 7.7 per cent sequentially (in line with the industry trend). This suggests the composition of assets is moving in favour of retail loans.

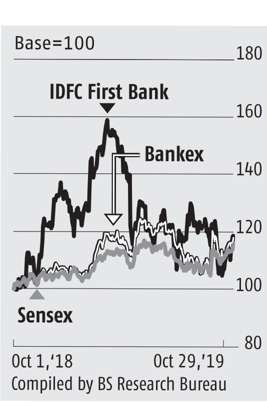
A similar impact was felt on liabilities as well, with the share of low-cost current account savings account (CASA) deposits increasing to 18.7 per cent in Q2, from 8 per cent last year.

While the bank has to go a long way to reach the 30 per cent-mark that many private banks maintain, the Q2 numbers show it is in the right direction. The 34 per cent increase in share of retail deposits (CASA plus retail term deposits) to overall liabilities in Q2, is also a positive.

Given that retail banking is now a significant component, profitability also improved sharply from 1.6 per cent a year ago to 3.4 per cent in Q2. At these levels, the net interest margin (NIM) of IDFC First Bank matches the average of the top private banks. Asset quality was stable, but one needs to keep a tab on the ₹5,400-crore exposure, including non-funded exposure (5 per cent of gross loans), which the bank has to the telecom sector. As this was the first quarter in which the bank recorded profit before tax, it instils some confidence that the merger is yielding results. Whether the bank can touch the 13-15 per cent projected return on equity by 2023-24 needs to be seen.

Analysts at Prabhudas Lilladher say the continued retailisation of loans, traction in liabilities, an upward NIM trajectory, and steady asset quality provide comfort in the medium-to-long term.

Valuations at 1.1 times its 2020-21 estimated book, which is also the lowest among private banks, makes for an attractive bet.



Compiled by BS Research Bureau

Uncertainty over demand may limit upside for Tata Motors

A sharp rise in the stock price factors in JLR turnaround

RAM PRASAD SAHU
Mumbai, 29 October

The Tata Motors stock gained about 17 per cent on Tuesday on the back of brokerage upgrades owing to a better-than-expected September quarter performance at its British unit, Jaguar Land Rover (JLR).

Plans to reduce debt and rack up gains through cost cutting also perked up the Tata Motors stock.

The stock has, over the last two trading sessions, gained 36 per cent. While analysts have pointed out multiple triggers for this, what has led to the upgrades is the operational turnaround at JLR.

Volumes for the maker of JLR cars are showing signs of bottoming out after five quarters of muted growth, especially in key markets.

Volumes at the unit in China improved by 24 per cent year-on-year. JLR reported an overall volume growth rate of 3 per cent.

Analysts at Motilal Oswal Financial Services (MOFSL) say JLR is likely to improve on volumes and realisations, because three key models have transited to a new model year: The Evoque (August 2019), Jaguar XE (December 2019), and the Discovery Sport.

While analysts expect volume growth in 2019-20 (FY20) to be flat, they expect it to be at 4 per cent each in the next two years. This will be led by a recovery in markets such as China and plans to launch 16 models/variants, including two new ones.

Analysts at CLSA have highlighted the improvement in margins, which have started recovering after four consecutive quarters of contraction.

JLR reported a 66 per cent jump in operating profit for the quarter, on account of a product mix (higher sales of Range Rover vehicles), better-than-expected gross margins, and lower other expenses.

Margins were up 470 basis points to 13.8 per cent, the highest in four years. What aided profitability were also savings in cost due to the ongoing Project Charge programme and a favourable forex movement.

With operations in China stabilising and further cost-control benefits taking effect, the management has reiterated its earnings before interest and tax (Ebit) margin guidance for FY20 at 3-4 per cent. Analysts at MOFSL say the company has several levers, cyclical and structural, including operating leverage, cost savings on the modular platform, and the low-cost Slovaka plant, which will drive a recovery in the Ebit margin and leave scope for positive surprises on profitability.

The ₹6,500-crore equity capital infusion by promoter Tata Sons through a preferential allotment is another positive because it will be used to retire auto debt, pegged at ₹50,000 crore. Promoter shareholding and voting rights are expected to move up by 8 percentage points after the infusion. Credit Suisse says the preferential allotment is positive because it reduces group debt, shores up cash flow, and reinforces confidence in the promoter backing for the company.

While the Street is positive on the company and has sharply upgraded the target prices, investors should be mindful of the risks. A demand slump in domestic operations meant that the standalone operations reported a loss in operating profit. Analysts expect standalone margins to remain under pressure due to weakness in demand, lack of clarity around pre-buying, and higher discounting trends in the commercial vehicle segment. Uncertainties around Brexit, technology changes, and global auto demand could push back the nascent recovery at JLR.

The China JV, which accounts for over half the the volumes in China, continues to lag and this has to improve for an uptick in margins. Investors should await a sustained demand and margin trend both at JLR and standalone level before considering the stock.

SHARP RERATING

Brokerage	Target price (₹)	Upside in % over Reco price	Upside in % over CMP
JM Financial	230	81.10	33.29
Credit Suisse	210	65.42	21.70
Kotak Institutional	200	57.48	15.91
CLSA	190	–	10.11
Motilal Oswal	185	45.67	7.22
Emkay	180	21.62	4.32
ICICI Direct	175	1.40	1.42
JPMorgan	150	18.11	-13.07
Prabhudas Lilladher	138	8.66	-20.02
Phillip Capital	135	6.30	-21.76
Edelweiss	135	6.30	-21.76

CMP: Current market price; reco price: Price on the date of report
Source: Brokerage reports

Standard Life to further divest stake in HDFC Life

SUBRATA KUMAR PANDA & BLOOMBERG
Mumbai, 29 October

UK's Standard Life is planning to divest up to 4.5 per cent stake in HDFC Life Insurance. According to terms of a detail obtained by *Bloomberg*, the shares will be offered in the range between ₹562 and ₹575.

Shares of HDFC Life closed 1.6 per cent lower at ₹610.4 on the BSE, even as the Sensex rose 1.5 per cent.

The share sale is worth $600 million with an option to sell an additional $200 million. Standard Life could raise between ₹4,200 crore and ₹5,600 crore through the share sale. Bank of America Merrill Lynch is managing the share sale.

At the end of the June quarter, Standard Life (Mauritius Holdings) 2006 held 23.02 per cent stake in HDFC Life, shareholding data on the BSE shows. Housing Development Finance Corporation (HDFC) and Standard Life are the joint venture partner in HDFC Life Insurance, with the former holding 24.69 per cent stake.

Standard Life could raise between ₹4,200 crore and ₹5,600 crore through the share sale

In August, Standard Life had sold 3.2 per cent in HDFC Life via a block deal. Prior to that, Standard Life had sold 1.78 per cent stake for approximately ₹1,400 crore. In March, it had divested 4.93 per cent stake in the life insurer to raise about ₹3,600 crore.

From October lows of ₹575, shares of HDFC Life had gained as much as 8 per cent amid strong buying in shares of private insurers.

HDFC Life posted 7.5 per cent rise in standalone net profit to ₹308.69 crore for the second quarter ended September 30. The company's net profit in the year-ago period stood at ₹286.98 crore.

Total income of the insurance firm rose to ₹8,661.56 crore, from ₹7,902.10 in the same quarter a year ago, HDFC Life said. The assets under management of the insurance firm rose to ₹1.3 trillion.

Forget zero fee and robots. One broker doubles down on humans

As the global brokerage industry shifts to zero fees for trading and robots to give advice, one company in Singapore is deciding to buck the trend.

UOB-Kay Hian Holdings has taken on a large group of securities trading representatives, known as remisiers, from a brokerage arm of the country's largest bank. It's essentially a bet customers will still pay extra to be hand-held in their trades.

"There is a lot of digitisation, but the human touch is still very important," Esmond Choo, senior executive director at UOB-Kay Hian, said in an interview. People will be willing to pay "a few basis points" for the service, he said.

About 100 remisiers, who are paid on commission and aren't full-time staff, have moved from DBS Vickers Securities (Singapore) Pte, according to Choo. That means UOB-Kay Hian, whose commission income fell 30 per cent in the six months ended June from a year earlier, now has 820 of the representatives in Singapore as well as a large network in other Asian markets, he said. "DBS' decision offered a good opportunity to scale up," Choo said. "It takes a lot of time to build a base of 100 remisiers."

UOB-Kay Hian's expansion comes as firms such as Charles Schwab Corp. and Fidelity Investments have eliminated fees on a range of offerings, and as robo-advisers are increasingly used to help clients to construct portfolios at a fraction of the cost of human advisers.

BLOOMBERG

Start saving from your first job onwards

Remove a portion of earnings at the start of the month from the salary account to an investment account to reduce chances of misspending

SANJAY KUMAR SINGH

Sandeep Ganesh, who graduated from the Indian School of Business and now works for a leading management consultancy in Mumbai, admits that despite earning a handsome salary, he manages to save less than he would like to.

About 30 per cent of his net salary goes on account of his education loan, 30 per cent is spent on paying rent, and regular expenses take care of 10 per cent. Of the remaining 30 per cent, 20 per cent or more is spent on what he terms "lifestyle expenses". So, in any given month, he saves 10 per cent or less.

Ganesh says two things are responsible for his generation's inability to save adequately.

"Our parents are financially independent, so we do not have to support them. Also, lifestyle inflation has taken a toll on savings," he says. Areas where expenses have escalated include travelling by cab; eating out or ordering food online; holidaying abroad; splurging on gadgets; and buying clothes round the year.

Experts concur with this.

Says Nitin Vyakaranam, founder and chief executive officer, ArthaYantra: "Our data shows that the savings rate has gone down primarily because the spending rate has gone up."

Today (October 30), which is World Savings Day, youngsters especially need to think of strategies to save and invest more. With careers becoming more volatile and truncated, a high savings rate has become imperative.

Before you save, you need to pay off debts. Earning single-digit returns from fixed-income instruments while paying double-digit interest rates on personal and credit card loans does not make sense.

Not prepaying a loan and instead deploying the money in equities is also not advisable. "That you will have to repay part of your loan over the next year is certain, while equity returns over the next year are by no means certain, so you cannot compare the two. And it is not possible for any liquid, low-risk investment to generate higher post-tax returns than the cost of a loan," says Avinash Luthria, an investment adviser registered with the Securities and Exchange Board of India, and founder, Fiduciaries.

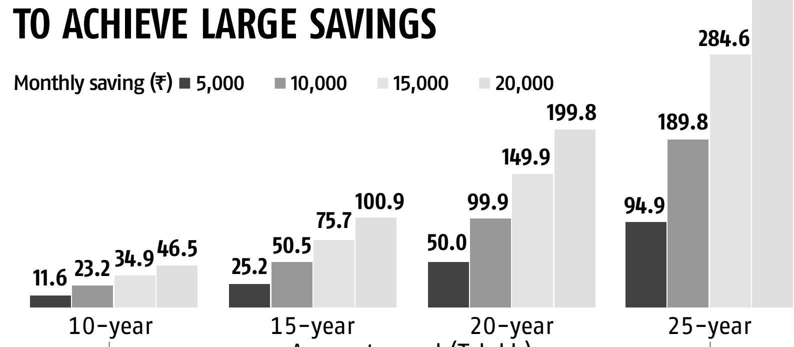
He suggests the following steps before you begin to save and invest. One, put a month's expense in the deposit of a quality commercial bank to meet medical emergencies. Two, pay off all high-cost loans. Three, set up an emergency fund equal to 6-18 months (depending on risk appetite) of expenses to handle eventualities like a job loss. Four, repay education loans and then secured loans like a car and home loan.

As for how much you should save, suggestions are in the range of 30-50 per cent of take-home salary. Luthria says: "Use half your post-tax salary to meet expenses and the other half to pay off education and other loans. Once you have done so, save and invest this half." He admits the young will find it challenging to achieve this level, so he suggests they should not increase their expenses until they hit this mark.

Don't wait till the month's end to invest what is left. Instead, transfer a portion of your salary right at the start from your salary account to a designated investment account. Compartmentalising reduces the chances of misspending. Automate processes. If you rely on doing things manually, there is the risk of missing out.

Besides mutual fund SIPs, you may use the Voluntary Provident Fund (VPF) to save over and above the 12 per cent of the basic salary you contribute to the Employees Provident Fund to increase enforced saving.

TRUST THE POWER OF COMPOUNDING TO ACHIEVE LARGE SAVINGS



Assumed rate of return is 12% annually
Source: Upwardly.in SIP calculator

COMMODITIES

PRICE CARD

As on Oct 29	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,727.0	-2.7	1,919.8	-7.1
Copper	5,888.5	-1.0	6,112.4	-6.0
Nickel	16,680.0	19.2	17,363.1	20.5
Zinc	2,577.0	4.2	2,696.2	-2.5
Gold ($/ounce)	1,489.2*	4.4	1,675.8	6.6
Silver ($/ounce)	17.7*	7.5	20.1	9.4
ENERGY				
Crude Oil ($/bbl)	60.5*	-4.7	61.8	-1.4
Natural Gas ($/mmBtu)	2.6*	20.6	2.6	23.8
AGRI COMMODITIES ($/tonne)				
Wheat	179.4	-1.2	303.6	0.8
Sugar	340.1*	5.6	496.5	4.4
Palm oil	572.5	10.6	917.6	11.6
Rubber	1,374.0*	-34.4	1,736.3	-20.4
Cotton	1,437.6	2.3	1,615.1	-9.8

* As on Oct 29, 19 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 70.8 & 1 Ounce = 31.1032316 grams.

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

Source: Bloomberg
Compiled by *BS* Research Bureau

Tea Board stirs blockchain tech to preserve quality, protect identity

AVISHEK RAKSHIT
Kolkata, 29 October

To boost consumption in this country, the Tea Board of India has decided to implement complete traceability, from the plantation stage till the time it is sold to the final buyer, preferably via blockchain technology.

It says this will help eliminate adulteration, improve consumer satisfaction, and preserve the identity of Indian tea, all in turn boosting consumption.

It has issued invitations for an expression of interest, for design, development, and commissioning of end-to-end technology to ensure traceability of the entire value chain in the trade. The consultancy firm to be selected via the tender will study available technologies and propose a combination of the latest and emerging technologies, preferably blockchain, and mobile applications for integrating the existing systems.

The aim is to capture the entire supply chain detail, from procurement of raw material by manufacturers to disposal of made teas to primary buyers through auction. This will also bring the industry into the digital economy. And, help in quick resolution on quality of tea and other issues when highlighted by consumers, through digitised applications.

Vivek Goenka, chairman at the Indian Tea Association, says: "It is good for the industry if traceability can actually be implemented. Not only will consumers know the origin of the tea, like from which garden and region, but adulteration, if any, can also be tracked."

Since blockchain technology will capture the data at each stage of production, it will be easy to make out at what stage of the production process the tea was adulterated or underwent a fall in quality. At times, the board says, tea offered in the auctions or sold privately contains extraneous colours, to impart glossiness and hide defects. Black teas are usually treated with Plumbago, used in lead pencils. Prussian Blue, a toxic substance, is also used to colour tea in some cases. Other substances are also used.

Sources among planters say around 1.5 million kg (mkg) of tea from Nepal enters India annually and is passed on to consumers as Darjeeling tea, for which buyers are willing to pay a premium.

According to the Darjeeling Tea Association, Nepal tea is actually much cheaper, with no quality certification. On the other hand, Darjeeling is not only one of the costliest of all teas in the world but has various quality certifications and is protected with a Geographical Indication tag.

Bijoy Gopal Chakraborty, president of the Confederation of Indian Small Tea Growers Association, said: "Traceability will also make it clear from where sub-standard teas are being manufactured or procured. And, it will help stop haemorrhaging prices."

NOT YOUR CUP OF TEA?

- Tea Board floats EoI to select a consultancy firm to track complete traceability, preferably using blockchain
- The consultancy firm will also put in place a fenced electronic system to integrate existing and new technologies
- The need arose primarily because of widespread adulteration of tea and unscrupulous imports
- Consumers will be able to know the exact origin of their cuppa
- Traceability will help detect and eliminate adulteration

Shifting consumer preferences cheer polyester makers

DILIP KUMAR JHA
Mumbai, 29 October

The marked improvement in the profitability of polyester-makers has come at the cost of thousands of spinning mills, many of which fear closure due to the sustained decline in cotton yarn and a significant change in consumer preferences.

The Cotton Textile Export Promotion Council (Texprocil), the apex industrial body of the sector, showed a 38.8 per cent decline in the value of India's cotton yarn exports, at $1.28 billion for the period between July and September 2019, from $2.09 billion in the corresponding period last year. Cotton yarn exports have been steadily declining month after month this year, even by volume, from 90 million kg (mkg) in April to 67 mkg in September.

Problems for spinning mills were aggravated with lukewarm domestic demand. The ongoing economic slowdown and rural distress have worsened demand of textile and other products in the value chain. "Exports of cotton yarn have registered a negative growth since April this year, which is a matter of deep concern. Many of the spinning mills are on the verge of closure, which may cause unemployment," said K V Srinivasan, chairman, Texprocil.

By contrast, the demand of polyester yarn and fabric has increased as these products are much cheaper than cotton. Industry sources estimate polyester to be 40-50 per cent cheaper than cotton across all variants. With crude oil prices moving in a narrow range, polyester makers plan their business for long term and invest in plant and machinery in anticipation on a rapidly-changing consumer preference for polyester blended fabric.

"The profitability of Indian polyester yarn manufacturers has been growing steadily. This is primarily on account of the rise in consumption of synthetic yarns across the world, as compared to natural fibres. Moreover, cost competitiveness of Indian manufacturers has been better than that of north-east Asia manufacturers, which has resulted in better operating margins and profitability," said Madhusudan Bhagaria, chairman and managing director, Filatex India (FIL), one of India's largest makers of polyester yarn. FIL has seen improvement in its financial performance over the past three years, led by better volume growth and operational efficiency measures. FIL reported a CAGR of 48.42 in its net profit to ₹85 crore in 2018-19, from ₹26 crore in 2015-16. Bhilosa Industries, second largest polyester yarn manufacturing firm, saw its Ebitda and profit after tax rise by 13 per cent and 21 per cent, respectively, during the period.

ISL 6 raises the pitch for brands, viewers

Celebrities, loud campaigns get viewership numbers up for early games. Is it enough to kick the ball forward in 2019-20?

Actors Tiger Shroff and Disha Patani performed at the opening

STARS ON THE FIELD

Actors, cricketers, and industrialists own many of the teams in the league

Sourav Ganguly
ATK (previously known as Atlético de Kolkata)

Abhishek Bachchan
Chennaiyin FC

Rana Daggubatti
Hyderabad FC

Virat Kohli
Goa FC

John Abraham
North-East United FC (NEUFC)

BRAND LIST

- **Hero** (Title sponsor)
- **Maruti Suzuki, DHL** (Associate sponsors)
- **Apollo, Dream 11, Bisleri, Nivia** (Official partners)

T E NARASIMHAN
Chennai, 29 October

The sixth season of the Hero Indian Super League (ISL) kicked off last week. With flashing lights on a flashy stage, a celebrity song-and-dance routine and a strong pitch by the league's organisers at Kochi's Jawaharlal Nehru Stadium, one could see the strong influence of the Indian Premier League. But that is where any comparison between the leagues skids to a stop — even as the cricketing carnival has grown from strength to strength in terms of brand associations and viewership (on-the ground and on screens), football has struggled to get the league off the starting block. Can this season, backed by Football Sports Development that has Nita Ambani as its founder-chairperson, turn the story around?

The initial numbers are promising. According to Broadcast Audience Research Council (BARC) viewership has almost doubled across viewing platforms, the league reported. Around 34 million viewers tuned in for the opening match between Kerala Blasters FC and ATK on Star TV and Hotstar.

Nita Ambani, delivering a keynote speech at the Leaders Week 2019 in London said that ISL is the third-most-watched league in India. Viewership for 2018-19 on TV alone was 168 million, and digital viewership was over 12 million.

ISL6 has 10 teams with a combined market value estimated at ₹400-500 crore. Two-time champions ATK is valued at ₹57 crore, up 2.1 per cent from last year. Not all teams have benefited though, Pune FC had to change hands and names (Hyderabad FC) to get around the poor state of its finances.

According to a recent report (*Sporting nation in the making*) by ESP, the world's most popular team sport has not really picked up pace in India. Brand Football dipped by ₹30 crore in 2018, a drop of 17 per cent over the previous year. However the report recommends caution in reading the numbers; the sharp drop could be because India had hosted the Under-17 FIFA World Cup in 2017 and ground sponsorship amount was alone around ₹40 crore. "This gap was difficult to bridge," it said.

In 2019, the organisers are looking to kick the ball higher. Its campaigns have taken the emotional track, focusing on the passion for the game that has been steadily rising in the country. Several international footballers have also been roped in to promote the league.

Focusing on football is a strategic move and the way forward for the league, believe game enthusiasts and the broadcasters. Sony Pictures Sports Network, which has the broadcasting rights for international football championships in the country says it has seen a sharp rise in viewer and brand interest in its programming, despite the late-night telecast of international matches. It has been promoting the 2019/20 season of UEFA Champions League with the tagline 'S*ona Mana Hai*' (Do not sleep), urging viewers to brave the red eye for the 'beautiful game'.

"The viewership response for FIFA World Cup and UEFA Champions League last year was more than encouraging," said Rajesh Kaul, Chief Revenue Officer, Distribution and Head (Sports Business), Sony Pictures Networks India. For the UEFA Champions League, he expects viewership numbers to go up by 10-15 per cent. "As India moves towards becoming a multi-sport viewing nation, their appetite from premier international properties, specifically in football, has been increasing," added Kaul.

FROM PAGE 1

Boost inflows...

Financial equity will contain all kind of shares. Non-equity will have such as debt funds as bonds, debentures and so on. The third section will have remaining asset classes. "The idea is to bring uniformity across the asset classes and it should not have any differential treatment for any class of financial investors," a source said. The task force on direct tax legislation had also recommended rationalisation of the LTCG tax in the direct tax code report submitted to the ministry in mid-August.

At present, there are six assets class and all of them have different periods of holding to classify as short term and long term that draw different tax rates. However, the government is weighing whether it is possible to have a uniform tax rates for all the asset classes. The LTCG tax was reintroduced on listed shares in 2018-19 after a gap of 14 years. It is levied at the rate of 10 per cent on the gain of more than ₹1 lakh realised from share sales. Long term means shares sold after one year of holding.

India to spend...

Saudi Arabia is India's second-largest supplier of crude oil and New Delhi is keen to expand this partnership beyond the buyer-seller relationship into a strategic one with cross investments. Modi highlighted the recent opening of the fuel retailing sector for non-oil companies to lure investment in the world's fastest-growing consumption centre.

Markets surge...

"Following the surprise move to cut corporation taxes last month, speculation is high that a reduction in personal income taxes is on the cards next. With the all-in corporation tax rate at 25 per cent, it is likely that personal income tax rates, which are at 30 per cent-plus levels, will also be lowered, surcharges notwithstanding," wrote Radhika Rao, economist, DBS, in a note.

"A proposed review of key taxes such as the LTCG, the STT and the DTT before the Budget have given impetus to investor sentiment," added Sandeep Nayak, chief executive officer, Centrum Broking.

Telecom stress...

Sources said though the CoS is not mandated to look into it, the panel might consider the issues of the stress arising out of the SC judgment.

The total debt of telcos at present is ₹4 trillion. In 2018-19 (FY19), they made a loss of ₹36,033 crore (this does not include public sector company Bharat Sanchar Nigam).

Analysts have pointed out that with the dues arising out of the SC judgment there could soon be only two private telcos in the country, and not three — Reliance Jio, Bharti Airtel and Vodafone Idea — as now.

Telecom firms have welcomed the panel and asked for two-pronged relief. Rajan Matthew, director general, Cellular Operators Association of India, said: "Time is of essence because of the SC judgment. So, the panel can give an immediate relief package to ensure financial viability of operators. They can also prove longer-term relief to ensure financial viability of the sector."

Telecom operators have already approached the DoT, seeking relief.

On Monday, Bharti Airtel Chairman Sunil Mittal met Telecom Minister Ravi Shankar Prasad and Telecom Secretary Anshu Prakash. Vodafone Idea Chairman Kumar Mangalam Birla is also expected to do so.

Telcos have suggested that both sides — the government and telcos — enter a bipartite agreement about the amount to be paid and a plan on how it can be paid, and seek the SC's for permission for this.

The alternative is for telcos to pay the dues upfront but with a staggered payment schedule which is more than three months. In return the DoT would provide relief in the future by reducing the license fee currently at 8 per cent of the AGR . Matthew said, "The SC has entitled the government that these dues have to be paid within three months. However, what we are seeking is that the telcos and the DoT could come to an agreement, under which the latter would reduce the amount so that we pay only the disputed dues without the high penalty and interest. It could also provide us with more time to pay. We can then go to the SC that we have reached an agreement and seek permission."

He added that the other possibility was the government reduces the licence fee so that telcos get relief in the future. However even here, the need was for an extension of the three months to pay.

Telcos are also closely looking at the option of a "review petition". But sources said they feel they have little chance to get relief through this method.

GMR Airports

The deal announced in March 2019 has faced delays due to various regulatory approvals. As a result, GMR had to raise additional bonds to meet the debt obligations. The deal is crucial for the GMR group to deleverage its balance sheet. The company's net consolidated debt is as high as ·20,000 crore. In Q1 FY20, the company's interest outflow of ·812 crore was higher than its earnings before interest, taxes, depreciation and amortization of ·599 crore.

With the airports business faring better than the others—roads and power—over the years, the group's decision to demerge and eventually monetise it, was the only recourse to lower the mounting debt.

"The investment process is on track and is expected to close in a few weeks," the source said. AAI had sought SG's view despite the Competition Commission of India (CCI) giving an all clear to the deal earlier this month. The ministry of civil aviation carried out a stakeholders' consultation over the process which included seeking views from other airlines.

"Some concerns have been raised by other airlines that the Tata Group holding such a large stake in GMR can distort the level playing field and give unfair advantage to Vistara and Air Asia India," according to a government official. Delhi Airport is the base of two other airlines--IndiGo and SpiceJet. "There cannot be any conflict over ownership respect." Regulatory authorities across the globe are mostly wary of airlines taking too large a share, for fear of them distorting competitiveness in airport access--primarily linked to allocation of slots. For instance, Australian rules prescribe a five per cent limit on airport-operator companies for airline ownership.

But CCI took a view that slot allocation at congested airports like Delhi is done by a coordination committee which has representation from the government and all airlines.

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Easy: ★★

Solution tomorrow

HOW TO PLAY

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Trump impeachment: New witness rocks White House

Lt Col Alexander Vindman told that he twice reported concerns about efforts to get Kiev to open investigations designed to help Trump politically

AFP/PTI
Washington, 29 October

A new witness in the impeachment investigation of US President Donald Trump rocked the White House on Tuesday with testimony that he personally witnessed officials pressuring Ukraine to help Trump politically.

National Security Council Ukraine expert Lieutenant Colonel Alexander Vindman was to tell the House inquiry that he twice reported concerns about improper White House efforts to get Kiev to open investigations designed to help Trump politically.

In an explosively prepared testimony, Vindman said he personally listened to Trump pressure Ukraine President Volodymyr Zelensky in a July 25 phone call.

His testimony, released late Monday, offers some of the strongest evidence yet for accusations that Trump abused his presidential powers and broke election laws to gain Kiev's support for his re-election effort next year.

The first White House official to appear before the inquiry, the decorated Iraq war veteran arrived on Capitol Hill Tuesday morning in full military dress uniform, as Trump blasted him on Twitter as a "Never Trumper" — his label for Republicans who fundamentally oppose the president.

"How many more Never Trumpers will be allowed to testify about a perfectly appropriate phone call," he asked.

"Supposedly, according to the corrupt media, the Ukraine call 'concerned' today's Never Trumper witness. Was he on the same call that I was? Can't be possible!"


Lt. Col. Alexander Vindman arrives to testify as part of the US House of Representatives impeachment inquiry PHOTO: REUTERS

Republicans mobilized to undercut Vindman's credibility, questioning his loyalty by noting he immigrated to the United States from the Soviet Union at the age of three, and suggesting he is part of an effort by the US national security bureaucracy to undermine Trump.

"Donald Trump is innocent. The deep state is guilty," said Republican lawmaker Matt Gaetz, one of the president's most strident defenders in Congress.

In an explosively prepared testimony, National Security Council Ukraine expert Lieutenant Colonel Alexander Vindman said he personally listened to Trump pressure Ukraine President Volodymyr Zelensky in a July 25 phone call

Appearing against White House orders to not comply with a congressional subpoena, Vindman is the first witness to have personally listened in on the July 25 phone call at the core of the impeachment inquiry.

Republicans have argued that nine previous witnesses only knew of the call's contents second-hand, although a heavily edited official "transcript" of the call appears to match testimony that Trump pressured Zelensky for political reasons.

Vindman says in the prepared testimony that a senior US diplomat close to Trump, ambassador to the European Union Gordon Sondland, was the first person he witnessed pressing Ukraine for the investigations, in a July 10 meeting with Ukraine national security official Oleksandr Danylyuk.

"Following this meeting, there was a scheduled debriefing during which Amb. Sondland emphasised the importance that Ukraine deliver the investigations into the 2016 election, the Bidens and Burisma," he says, referring to a Ukraine energy company on whose board Biden's son Hunter sat while his father was vice president.

"I stated to Amb. Sondland that his statements were inappropriate, that the request to investigate Biden and his son had nothing to do with national security," he says.

He says the same of the Trump-Zelensky call.

"I did not think it was proper to demand that a foreign government investigate a US citizen, and I was worried about the implications for the US government's support of Ukraine," he says.

"I realized that if Ukraine pursued an investigation into the Bidens and Burisma, it would likely be interpreted as a partisan play," he says.

Vindman reported both his concerns about the July 10 meeting and the July 25 call to the chief attorney of the NSC.

While Trump continued to insist the call was "perfect," Democrats made plans to step up the impeachment effort with a House vote formalizing procedures Thursday.

"Everybody has read your words on the call," Democratic House Speaker Nancy Pelosi wrote in a tweet directed at Trump Tuesday.

"The Ukrainian President asks for military aid to fend off the Russian attack, you say 'I want you to do us a favor though,' and then you spend the rest of the call asking for bogus investigations to smear your political opponents."

Britain set for December election

Opposition Labour Party leader Jeremy Corbyn backs an early UK election

REUTERS
London, 29 October

Britain was heading towards a December election on Tuesday after Prime Minister Boris Johnson's bet on breaking the Brexit deadlock with an early vote gained support from opposition parties.

As the European Union finalises a third delay to the divorce that was originally supposed to take place on March 29, the United Kingdom (UK), its parliament and its voters remain divided on how or indeed whether to go ahead with Brexit.

Johnson, who had promised to deliver Brexit on October 31 "do or die", has repeatedly demanded an election to end what he casts as a nightmare paralysis that is sapping public trust by preventing any Brexit outcome at all. After parliament refused Johnson his third demand for an election on Monday, he will try to force a bill through parliament on Tuesday that calls for a December 12 election. It needs a simple majority in parliament. In a move that raises the chances of a rare parliamentary success for Johnson, the opposition Labour Party's leader Jeremy Corbyn said its condition of ruling out a no-deal Brexit had been met so it would support an election.

"Labour will back a general election," said Corbyn, a veteran socialist campaigner. "The Labour Party loves a debate but they also love the end of the debate, and this is the end of the debate: We are going out there to win." Lawmakers could bring significant changes to Johnson's bill.


Britain's PM Boris Johnson at the election debate in the House of Commons PHOTO: AP/PTI

Opposition parties are squabbling over which day in early December is best for an election and whether to allow settled European Union citizens a vote.

Meanwhile, the legislation enacting Johnson's Brexit deal has been put on hold, pending an election, Jacob Rees-Mogg, who oversees the government's legislative agenda in the House of Commons, said.

The first Christmas election in Britain since 1923 would be highly unpredictable: Brexit has variously fatigued and enraged swathes of voters while eroding traditional loyalties to the two major parties, Conservative and Labour.

Ultimately, voters would have a choice between an emboldened Johnson pushing for his Brexit deal or a socialist government under Corbyn renegotiating the deal before a referendum.

If no party wins conclusively, the Brexit deadlock will continue.

"I think weâ€™ve just got to bring this to some sort of resolution. Weâ€™ve had many votes in the last 12 months in parliament and I think a general election might be a way to sort it all out," one commuter, Matt Finch, 36, told Reuters outside London's Charing Cross rail station.

Christmas Election

While almost all British politicians agree that an election is needed, Johnson's opponents want to inflict maximum political damage by preventing his last-minute deal from being ratified before the poll.

Johnson, in turn, is trying to shift the blame for failing to deliver Brexit by October 31 on to the parliament.

"We will not allow this paralysis to continue and, one way or another, we must proceed straight to an election," Johnson told parliament on Monday. "This House cannot any longer keep this country hostage."

Such is the lack of trust in parliament, lawmakers are squabbling about almost everything from the sequencing of Brexit to the election date.

Behind the bickering, though, Johnson is closer to an election than he has ever been in his tumultuous 3-month premiership.

"We have now heard from the EU that the extension of Article 50 to 31st January has been confirmed, so for the next three months, our condition of taking no deal off the table has now been met," Corbyn said.

Two opposition parties, the Liberal Democrats and Scottish National Party, want an election on Dec. 9.

"We won't accept any jiggery-pokery from the prime minister," Ian Blackford, the Scottish National Party's Westminster leader, said. "Our vote certainly can't be taken for granted."

Johnson's Conservatives are ahead of Labour by an average of about 10 percentage points in polls this month, though pollsters underestimated the support for Brexit in 2016 and admit that the models they use are wilting beside the Brexit furnace.

When Johnson's predecessor, Theresa May, bet on a snap election in 2017, she lost her slender majority - a failure that ultimately prevented her from ratifying her Brexit deal and sank her political career.

Lebanon PM Hariri to submit resignation

AFP/PTI
29 October

Lebanon's embattled Prime Minister Saad Hariri said on Tuesday he will submit his cabinet's resignation, bowing to pressure from a mass protest movement that has crippled the country for nearly two weeks.

"I am going to Baabda Palace to submit the government's resignation to the president," Michel Aoun, he said in a televised speech.

Hariri said his decision was "in response to the will of many Lebanese who have taken to the streets to demand change" in what he called "historic" protests. "Posts come and go, what matters is the dignity and safety of the people,""Hariri said. It is unusual for a prime minister to announce his cabinet's resignation before holding talks at the presidential palace in Baabda.

The sudden resignation — the third by Hariri in his career — will restart the complicated task of parliament forming a new government if it is accepted by the president.

It would also mark the most significant win by demonstrators who have thronged the streets of the country since October 17 demanding political change.

Al-Baghdadi raid was a victory built on factors trump derides

DAVID E. SANGER
Washington, 29 October

The death of the Islamic State's leader in a daring nighttime raid vindicated the value of three traditional American strengths: robust alliances, faith in intelligence agencies and the projection of military power around the world.

But President Trump has regularly derided the first two. And even as he claimed a significant national security victory on Sunday, the outcome of the raid did little to quell doubts about the wisdom of his push to reduce the United States military presence in Syria at a time when terrorist threats continue to develop in the region.

Trump has long viewed the United States intelligence agencies with suspicion and appears to see its employees as members of the "deep state." He also has a distinctly skeptical view of alliances — in this case, close cooperation with the Kurds, whom he has effectively abandoned.

"The irony of the successful operation against al-Baghdadi is that it could not have happened without US forces on the ground that have been pulled out, help from Syrian Kurds who have been betrayed, and support of a US intelligence community that has so often been disparaged," Richard N. Haass, the president of the Council on Foreign Relations, said on Sunday.

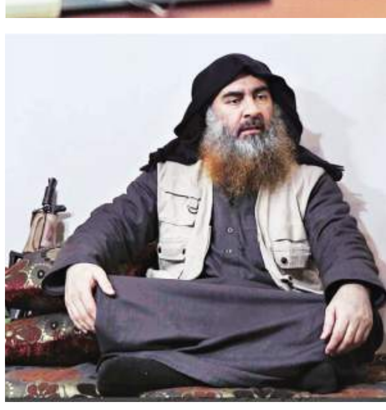
"While the raid was obviously a welcome success, the conditions that made the operation possible may not exist in the future," he said.

To Trump, the death of the Islamic State leader Abu Bakr al-Baghdadi was proof of the wisdom of his strategy of defending America at home without committing United States forces to "endless wars" abroad.

To the president and his supporters, the arguments from critics amount to sour grapes, an effort by an impeachment-crazed opposition to play down the success of a focused, successful clandestine operation that echoed the killing of Osama bin Laden.

That, of course, was the 2011 moment that Democrats celebrated as proof that a progressive president with little national security experience could take out the world's most wanted terrorist. And while it had faded a bit in memory by the time President Barack Obama was up for re-election the following year, it was a talking point for his campaign.

Trump seemed to be laying the predicate for his own campaign talking points on Sunday, when he recounted telling his own forces that "I want al-Baghdadi," rather than a string of deceased terrorist leaders who were "names I never heard of." And clearly he is hoping that the success of the raid has a wider resonance: He sees the al-Baghdadi raid, as a counterweight to the impeachment inquiry, which is based in part on an argument that he has shaped foreign policy for his political benefit.


President Donald Trump in the Situation Room of the White House in Washington monitoring developments as in the US Special Operations forces raid that took out Islamic State leader Abu Bakr al-Baghdadi (*Left*) on October 28, 2019 PHOTO: AP/PTI

It is too early to know whether any political boost will be lasting. But navigating the complex morass of the Middle East is no less complex for the death of al-Baghdadi. It is not clear if the president's decision to pull back American forces in northern Syria in recent weeks complicated the planning and execution of the mission.

And while the raid achieved its goal, it did little to resolve the question of whether Trump's instinct for disengagement will create room for new strains of violent radicalism that he and his successors will be forced to clean up.

For Trump, the aftermath of the Bin Laden killing eight years ago should also sound a warning.

Even without its leader, Al Qaeda evolved and spread. The Islamic State began its killing spree in the vacuum of the Middle East by early 2014, in both Iraq and Syria. Trump himself, in the heat of the 2016 campaign, accused Obama of creating the conditions for a new iteration of Islamic terrorism to prosper.

"He was the founder," Trump said in August 2016, talking about Obama and ISIS. "The way he got out of Iraq, that was the founding of ISIS."

The history of the Middle East is rife with the rise of extremist movements, and there is no reason to believe ISIS will be the last. Long after the cinematic details of the daring raid — from its patient beginnings in Iraq last summer to the tense flight into Syria and the chase down a sealed tunnel where al-Baghdadi met his end — the enduring question will be whether the Trump administration capitalizes on the moment to address the region's deep sectarian and political fissures and the underlying causes of terrorism.

Clint Watts of the Foreign Policy Research Institute wrote on Sunday that "al-Baghdadi's death will dash the dreams of an Islamic State centered in the Levant, but its years of operations recruited, trained and dispatched foreign fighters from dozens of countries that will lead the next generation of jihad to other frontiers."

Obama and his administration grappled with that challenge endlessly, and their memoirs are filled with Situation Room meetings searching for an approach beyond drone strikes. But they never solved the problem.

Trump's team, in contrast, rarely discusses it. And that is in part because of the president's very different philosophy of how to secure the country, one that was on display in his sometimes rambling news conference after the announcement of al-Baghdadi's death.

Trump's approach to the region has never been consistent, but he has struck consistent themes. The first is that the United States does not need to keep forces in the region to reach out and kill its enemies. The high price of occupation, rebuilding and vacuum-filling, he suggests, can be paid by allies, or by Russians, Turks and even the Syrian government of Bashar al-Assad.

"That's why I say they should start doing a lot of the fighting now, and they'll be able to," Trump told reporters on Sunday. "I really believe they'll be able to."

All the terrorists need to know, he said, is that the United States will hunt them down, if necessary, even from afar.

But the story of al-Baghdadi's demise is more complex. He was living in territory that was essentially ungoverned space, dominated by two different Qaeda groups — al-Baghdadi's rivals — and now an emerging territory for ISIS fighters on the run. The Syrians and the Russians control the airspace.

It is exactly the kind of area that American military and intelligence leaders — and the Republican leadership in Congress — have urged Trump to keep an eye on by keeping a small force in the country.

David H. Petraeus, the former general and C.I.A. director, often says that ungoverned space inevitably becomes extremist space. "Las Vegas rules do not obtain in these locations," he said this year. "What happens there doesn't stay there."

Trump does not subscribe to that theory. In his view, American surveillance can keep track of the terrorists from above, while the National Security Agency can bore into their networks.

To Trump, a United States military presence on the ground becomes an excuse for others not to act; it does not bother him, he says, that Russia now occupies an area that was essentially an American protectorate before.

"I'll tell you who loves us being there: Russia and China," he said. "Because while they build their military, we're depleting our military there."

Trump acknowledged the help of some of those governments on Sunday, thanking the Russians first for allowing in the American helicopters, saying that the Kurds "gave us some information," that Turkey was "not a problem." (He did not give a similar heads-up to the congressional leadership that has been pressing for his impeachment, saying, "Washington is a leaking machine.") While he declined to say where the operation began and ended, it was from Iraqi territory.

But it is far from clear that, in the absence of American engagement, that access is assured.

The one exception to Trump's disengagement philosophy may come over oil.

Trump said he would not ask American taxpayers to "pay for the next 50 years" of containing mayhem. But in recent days he has indicated he is willing to keep troops around Syria's oil fields, a consistent exception to the Trump no-troops rule. When the Iraq invasion happened, he noted Sunday, he argued for America to "keep the oil."

Now he is making a similar case about the oil in Syria. Oil money fueled ISIS, he notes, and more recently it helps feed the Kurds — not mentioning that their access to it is being jeopardized by his sudden decision three weeks ago to abandon the American posts along the Turkey-Syria border.

But in recent days his defense secretary, Mark T. Esper, has indicated Trump was willing to commit forces to secure the fields, and the president went further on Sunday, saying he intends to "make a deal with an Exxon-Mobil or one of our great companies to go in" and exploit the field properly.

"We should be able to take some also," he said. The risk, of course, is that America looks like a force of exploitation, willing to enter hostile foreign lands for two reasons only: killing terrorists and extracting resources. The mission of the American Century — helping other nations to develop their economies and build democratic institutions — is missing from the strategy.

Number one replacement of Baghdadi terminated by US troops: Donald Trump

President Donald Trump on Tuesday said the US had "terminated" the "number one replacement" to ISIS leader Abu Bakr al-Baghdadi, who was killed in an American raid in Syria.

"Just confirmed that Abu Bakr al-Baghdadi's number one replacement has been terminated by American troops. Most likely would have taken the top spot - Now he is also Dead!" Trump tweeted.

Baghdadi had not officially named his successor, but several names were being speculated after his death.

Trump told reporters on Sunday that the US knew the potential successors of Baghdadi and was after them.

Trump, however, did not specify who the individual was, nor did he give any details on the mission that led to his death.

Multiple media reports from the region have identified him as Abu Hassan al-Muhajir.

According to *The New York Times*, he was being smuggled across northern Syria in the back of an oil tanker truck when it was hit by what witnesses said they believed to be an American airstrike.

"Little is known about him, including his real name and nationality, complicating efforts to confirm that he was the one killed in Sunday's strike. But terrorism experts considered him a possible successor to al-Baghdadi," the report said.

Under Baghdadi, ISIS spread over wide segments of Iraq and Syria beginning in 2013, eventually claiming the formation of a "caliphate" in the region as it plotted and carried out gruesome attacks that reached far beyond its main territorial bastion. PTI

Sena cancels BJP meet after Fadnavis' CM talk

ARCHIS MOHAN
New Delhi, 29 October

A breakthrough in negotiations eluded the Bharatiya Janata Party (BJP) and ally Shiv Sena on Tuesday with Maharashtra Chief Minister (CM) Devendra Fadnavis stating that the Sena had proposed a formula of rotational chief minister for 2.5 years each before the Lok Sabha polls, but no decision was taken in front of him.

Comments by Fadnavis, including that he will be the CM for the next five years and only BJP chief Amit Shah and Sena's Uddhav Thackeray can decide on the '50-50 formula', were met by biting retorts from the Sena's Sanjay Raut.

Raut said Sena chief Uddhav Thackeray cancelled the discussions between the two parties scheduled for 4 pm after Fadnavis' comments. "If the CM himself is saying that the '50-50 formula' was not discussed then what will we even talk about? On what basis should we talk to them? So Uddhav *ji* has cancelled today's meeting," Raut, a Rajya Sabha MP, said.

"If the CM himself is saying that the '50-50 formula' was not discussed then what will we even talk about? On what basis should we talk to them? So, Uddhav *ji* has cancelled the meeting"
SANJAY RAUT
Shiv Sena leader

Independent Rajya Sabha member Sanjay Kakade, a realtor elected to the Rajya Sabha with the BJP support, said that 45 of the newly elected Sena legislators were in touch with Fadnavis and wanted a BJP-Sena alliance government. "I think some of these 45 MLAs will convince Uddhav Thackeray to form the government with Devendra Fadnavis as the chief minister. I don't think there is any other option," he said.

Congress leader Prithviraj Chavan said if the Sena came to his party with a proposal for government formation, it will be put up before the Congress high command and allies (the Nationalist Congress Party and others). He said the Sena is yet to make any such proposal. However, Nationalist Congress Party's (NCP) Sharad Pawar as well as Congress state unit chief Balasaheb Thorat have said in the last couple of days that they do not want to form the government.

Maharashtra BJP chief Chandrakant Patil said Shah and Thackeray will talk to each other on rotational chief minister to bring clarity on the issue. The BJP has suffered a loss of 17-seats from its 2014 tally, and is 40-seats short of the majority mark of 145 in the 288-member assembly.

The Sena would want some of the key ministerial portfolios in the new council of ministers, apart from at least deputy chief ministership for Aaditya Thackeray.

Raut further said that his party chief and BJP chief Amit Shah discussed the '50-50 formula'. "If he is saying that the '50-50 formula' was never discussed, then I think we need to change the definition of truth. What was discussed, regarding the issue the CM is talking about, is known by all. The media was there," Raut said.

Maharashtra BJP chief Chandrakant Patil said Shah and Thackeray will talk to each other on rotational chief minister to bring clarity on the issue.

The BJP has suffered a loss of 17-seats from its 2014 tally, and is 40-seats short of the majority mark of 145 in the 288-member assembly. The Sena would want some of the key ministerial portfolios in the new council of ministers, apart from at least deputy chief ministership for Aaditya Thackeray.

Clashes greet EU delegation in J&K

A delegation of 23 EU MPs arrived in Srinagar on Tuesday for a first-hand assessment of the situation in J&K to a complete shutdown and clashes between people and security forces in several parts of the city and the Valley. A convoy of security vehicles escorted the MPs, who were travelling in bullet-proof jeeps, from the airport to their hotel where a traditional Kashmiri welcome awaited them. The team was briefed by senior security officials on the situation in the Valley and other parts of J&K and also met delegations of the general public.
PTI