

THE MARKETS ON FRIDAY			Chg#
Sensex	36,076.7	▲	269.4
Nifty	10,859.9	▲	80.1
Nifty futures*	10,907.8	▲	47.9
Dollar	₹69.9		₹70.4**
Euro	₹80.2		₹80.3**
Brent crude (\$/bbl)**	51.6**		52.6**
Gold (10 gm)***	₹31,550.0	▲	₹25.0

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

AMTEK AUTO CoC WANTS LIBERTY HOUSE DEBARRED

The committee of creditors (CoC) of Amtek Auto has sought to bar Liberty House from bidding for any insolvent company. In its application seeking to invoke Section 74 of the Insolvency and Bankruptcy Act against Liberty House, to the National Company Law Tribunal, Chandigarh, the CoC said there was “lack of bona fide” intent on the part of the firm to follow the terms of the resolution plans approved by the adjudicating authority. Amtek Auto lenders wanted to invoke Section 60 (5) of the Code against Liberty House because the firm failed to make payments according to the resolution plan approved by the tribunal.

BACK PAGE P12

Trai gives a month to enforce tariff order

The broadcasting industry has been granted some breathing space to implement the new Telecom Regulatory Authority of India (Trai) tariff order. The regulator had earlier this week indicated it would release a migration plan to ensure smooth implementation of the new tariff regime.

Embassy-Blackstone Reit gets Sebi nod

Embassy Office Parks, a joint venture between Blackstone and the Embassy Group, has received clearance from capital markets regulator Sebi for the initial public offering (IPO) of its real estate investment trust (Reit). *Business Standard* has learnt. It is the country's first Reit and aims to raise ₹50 billion through the IPO.

WORLD P5

US govt shutdown will greet Democratic House

Republican leaders gave up hope on Thursday of reopening the government before the new year, leaving the border wall impasse to House Democrats as they assume the majority next week – and presenting Representative Nancy Pelosi with her first major challenge as Speaker.

BS ON SATURDAY

WEEKEND RUMINATIONS:

Person of the year

If there has to be an Indian person of the year for 2018, it is the little guy. The message of the recent state elections was about the farmer, writes **T N NINAN**

DINNER WITH BS: At the top of her game

HARRIET GREEN, chairman & CEO at IBM Asia Pacific, speaks to **Bibhu Ranjan Mishra** about how India is the disruption centre of the universe

SENSEX THIS WEEK

TOP THREE GAINERS & LOSERS				
Price in ₹	Dec 21, '18	Dec 28, '18	% chg	
GAINERS				
Mahindra & Mahindra	780.4	803.2	2.9	
Bharti Airtel	307.5	316.2	2.8	
Reliance Inds.	1,098.4	1,125.8	2.5	
LOSERS				
Hero MotoCorp	3,320.0	3,130.2	-5.7	
Coal India	251.7	242.4	-3.7	
Bajaj Auto	2,811.6	2,723.3	-3.1	

Compiled by BS Research Bureau Source: Bloomberg

SATURDAY, 29 DECEMBER 2018 • MUMBAI (CITY) ₹10.00

VOLUME VI NUMBER 22 • 20 pages in 2 sections



WEEKEND SEPARATE SECTION

WHAT WILL 2019 MEAN FOR INDIA POLITICALLY

COMPANIES P2

VISA WOES CONTINUE TO HAUNT INDIAN IT FIRMS IN THE US



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

www.business-standard.com

RBI flags dangers of softer capital norms

Says default rates high, bank provisions inadequate to cover losses

ABHIJIT LELE
Mumbai, 28 December

Rebuffing demands for easing regulatory norms for banks, the Reserve Bank of India on Friday warned that any haste in relaxing rules for capital adequacy and risk weights when defaults were high and provisions low was harmful for the economy.

In the first report “Trend and Progress of Banking in India 2017-18” under new Governor Shaktikanta Das, the RBI said the Basel III norms recommended risk weights for various credit exposures, based on cumulative default rates (CDR) and recovery rates observed internationally.

However, CDRs and loss-given default (LGD) rates seen in India are much higher than observed internationally, the RBI said in its first report.

Therefore, applying Basel-specific risk weights would understate the true riskiness of loan assets carried on the books of the Indian banks. Moreover, the current levels of the provisions maintained by banks may not be enough to cover the expected losses.

In particular, the adequacy of buffers becomes an important issue in order to absorb the expected losses that have not been provided for.

It is not that the RBI has been unresponsive to demands for tweaking norms. It gave one more year for implementing the last tranche of 0.625 per cent under the capital con-



UNFINISHED AGENDA

Trend and Progress of Banking 2017-18

- Implementation of P J Nayak Committee's recommendations
- Setting up a Bank Investment Company
- The Banks Board Bureau will appoint non-official directors
- Legislation to do away with RBI nominees in PSB boards
- Performance evaluation system for PSBs
- Review of compensation guidelines for whole-time directors of private banks

Shaktikanta Das, RBI governor

servation buffer (CCB) — up to March 31, 2020. The RBI, however, retained the capital adequacy requirement for banks at 9 per cent.

The RBI said it needed to be recognised that the Indian banking system had a high proportion of un-provided bad loans vis-à-vis the capital levels although after the Insolvency and Bankruptcy Code and revised framework for resolving assets, there were signs of improvement in defaults rates and recovery rates. Citing this, there have been calls for reducing the regulatory capital requirements.

Against the foregoing however, the

case for recalibration of risk weights or minimum capital requirements would need to be carefully assessed. Frontloading regulatory relaxations before the structural reforms fully set in and conclusive evidence on CDRs and LGDs is observed could be detrimental to the interests of the economy, the RBI asserted.

The government has infused capital in public sector banks intermittently. In the last three years (2015-18), however, more than 70 per cent of the infused capital was absorbed into losses incurred by them.

Turn to Page 6 ▶

Small firms struggle as bigger peers race ahead

KRISHNA KANT
Mumbai, 28 December

The recent recovery in corporate revenues and profits has bypassed firms at the bottom of India's corporate pyramid, and many of them are now struggling to stay afloat or going through a decline. The combined revenue of the lowest quartile (the bottom 25 per cent) of listed companies (in terms of revenues) was down 9.3 per cent year-on-year (YoY) during the July-September 2018 quarter against 23.1 per cent YoY growth in the combined net profit of all listed companies (excluding financial firms).

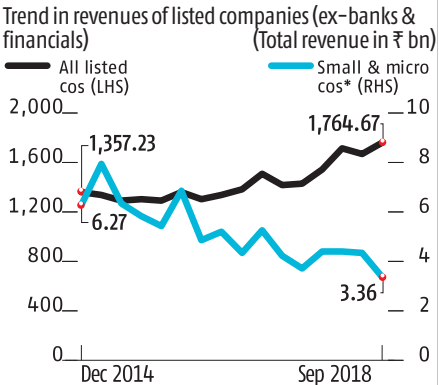
Cumulatively, the combined revenue of these smaller companies is down around 40 per cent in the last three years against 30 per cent growth in listed companies' top line during the period.

Smaller companies' combined net profit was down 4.7 per cent YoY in the second quarter against 23 per cent YoY growth in the overall corporate profits. Nearly a third of the 426 smaller firms in our sample reported a loss at net level during the quarter.

Experts attribute this to the inability of smaller firms to scale up their operations due to a combination of external and internal factors. “Smaller firms have always struggled compared to bigger firms but their financial and operational troubles increased after demonetisation and the roll-out of the goods and services tax (GST). Now they have been hit by liquidity crunch in the non-banking space,” said Madan Sabnavis, chief economist at CARE Ratings.

The analysis is based on the universe of 1,705

THAT SHRINKING FEELING



GROWTH TREND FOR BS1000 COMPANIES

Five-year CAGR (%)				
	Revenues	Operating profit	Net profit	Total debt
All BS1000 cos	6.0	8.7	9.3	6.9
Bottom 25%	2.2	0.6	-12.3	3.4

*Bottom 25% companies in terms of revenues during the July-September 2018 quarter Source: Capitaline

companies (excluding banks and financials), which reported quarterly results in the last 16 quarters and had revenues of ₹10 million or more during the July-September 2018 quarter.

Turn to Page 6 ▶

Cabinet clears listing of 7 PSUs

ARUP ROYCHOUDHURY
New Delhi, 28 December

The Cabinet Committee on Economic Affairs (CCEA) on Friday approved the listing of seven public sector undertakings (PSUs) on the stock exchanges. These companies are Telecommunications Consultants India (TCIL), RailTel Corporation India (RCIL), National Seeds Corporation (NSC), Tehri Hydro Development Corporation (THDCL), Water and Power Consultancy Services (WAPCOS), FCI Aravali Gypsum and Minerals (FAGM), and Kudre-

mukh Iron Ore Company (KIOC). TCIL, RCIL, NSC, THDCL, WAPCOS and FAGM will be taken public through an initial public offering (IPO), while KIOC will be made public through the follow-on public offer (FPO) route, Law and Information Technology Minister Ravi Shankar Prasad said on Friday. “The listing of these PSUs on the exchanges shall unlock their value and encourage investor participation,” he said.

Sources said these listings

would likely be part of the Centre's disinvestment plans for 2019-20. None of these is expected to happen during this fiscal year or contribute to the 2018-19 disinvestment target of ₹800 billion. The Department of Investment and Public Asset Management (Dipam) will issue a request for proposal to hire financial and legal advisors for each of these listings.

Turn to Page 6 ▶

BACK PAGE P12

▶ First manned space mission gets nod

INDIA BEATS MOST GLOBAL MARKETS IN 2018

India is set to end 2018 as the best-performing Asian market and the best-performing major global market after Brazil. The Sensex is up nearly 6 per cent this year. Domestic stocks have fared better than most global equities. The MSCI Emerging Market and MSCI World indices are down 16 per cent, amid declines in the US and China markets.

Economic uncertainty in the US and trade tensions with China have been a source of volatility for global markets. A sharp decline in oil prices and strong buying by domestic funds have helped Indian markets withstand global volatility since October. **SAMIE MODAK**

ASIA

YTD change (%)

BEST-PERFORMING

India 5.93

New Zealand 4.96

Indonesia -2.54

WORST-PERFORMING

China -24.6

South Korea -17.3

Taiwan -14.7

Japan -12.0

Singapore -10.3

WORLD

YTD change (%)

BEST-PERFORMING

Jamaica 25.30

Qatar 20.70

Tunisia 15.30

Brazil 11.90

Abu Dhabi 9.84

Saudi Arabia 7.17

Kazakhstan 7.14

India 5.93

WORST-PERFORMING

UAE -26.7

Greece -25.1

China -24.6

Ireland -22.3

Turkey -20.9

Luxembourg -20.6

Australia -20.0

Belgium -19.5

Note: YTD returns for the main index for each country
Source: Bloomberg; Note: India and New Zealand are the only two Asian markets to give positive returns

Luxury sees headwinds, but chugs along

PAVAN LALL
Mumbai, 28 December

With customers dwindling at stores, the luxury products business in India seems to have witnessed a sort of a slowdown. However, that has not deterred many international luxury brands of automobiles, watches, shoes, apparel and accessories from scouting for locations in the country and setting up stores, indicating that the prognosis is not so bad after all.

Consider the number of luxury brands that have set up shop in India recently. A few months back, Berluti, a luxury leather brand owned by LVMH, launched a store in New Delhi. Then high-end watch-makers Officine Panerai and Franck Muller opened new stores in Mumbai's Palladium Mall. Stefano Ricci, a super-premium men's clothing brand from Italy, has also set



ROLLS-ROYCE HAS LAUNCHED THE CULLINAN, ITS FIRST SUV, IN INDIA. IT IS PRICED AT ABOUT ₹70 MILLION



BERLUTI, A LUXURY LEATHER BRAND OWNED BY LVMH, RECENTLY LAUNCHED A STORE IN NEW DELHI

up its second store in the country at Oberoi Hotel in New Delhi.

Rolls-Royce, perhaps the most luxurious auto brand in the world, has



PRICES OF ARTWORKS HAVE JUMPED MANIFOLD OVER THE YEARS, WITH ARTISTS LIKE TYEB MEHTA DRIVING THE TREND

Tyeb Mehta (Prices of paintings sold by Sotheby's)

\$8,610 2002

\$2,935,723 2018

also launched the Cullinan, its first SUV, in India. Of course, its price tag of ₹70 million may discourage most buyers. Earlier this year, Reliance

Brands (RBL) became the largest luxury apparel brand operator in the country when it acquired Genesis Luxury and associated brands. In the world of art Tyeb Mehta's painting “Kali” sold for \$4 million, a record for the artist. And while art auction house Christie's may have exited the country, Sotheby's moved right in.

Yamini Mehta of Sotheby's says that though Tyeb Mehta commanded strong prices at their debut auction, art is only just starting here. “In the upper east side in New York, one will see \$200 million in art in homes worth \$10 million. In India, it's the opposite.” She adds that the positives are that the lower market (₹5 million and less) is growing fast and though the upper end at ₹50 million and more will always be rarefied, it's the middle segment, between ₹5 million and ₹50 million, that needs to grow to boost sales. Even so, prices have jumped over the years with a few blue-chip artists driving up prices with “wall-power”.

Turn to Page 6 ▶

IN BRIEF

Expedite process to set up JV, SAIL asks ArcelorMittal



SAIL has asked ArcelorMittal to expedite the process for signing a definitive agreement to set up a joint venture for high-end automotive steel plant, a senior official said on Friday. Steel Minister Chaudhary Birender Singh said the PSU would soon get an edge over others in quality steel production as it is on track to ink the pact. Last year, SAIL's board had approved a proposal to enter into a joint venture with ArcelorMittal for manufacturing high-end automotive steel. SAIL had said the agreement would be finalised in due course subject to financial viability. "There is no delay on the part of SAIL. I am keen and I wanted it by December 2018. Only yesterday, I wrote a letter to ArcelorMittal CEO Lakshmi N Mittal asking he should set his things right and we should start working on this very closely so that at least in next one month we are able to complete it...They want to go ahead, their stand is clear, our stand is clear," SAIL Chairman Anil Kumar Chaudhary said Friday.

OYO offers to buy shares from staff for up to ₹500 mn

Hospitality firm OYO on Friday said it launched an offer to around 250 of its existing and ex-employees to liquidate their stock options which would have a realisable value of around ₹400-500 million in January 2019. This is being executed through a secondary acquisition programme led by one of our existing investors, and our board members are very supportive of this initiative, OYO said. The company expects the total ESOP liquidity programme to be worth around ₹150-\$200 million over the next few years, it said. OYO is going to implement a strong multi-year staggered liquidity schedule for its ESOP holders by way of facilitating the secondary sale or through other liquidity schemes, it added.

PVR seeks approval from shareholders to raise ₹7.5 bn

Multiplex chain operator PVR on Friday said it was planning to raise up to ₹7.5 billion through issue of securities to qualified institutional buyers, for which it is seeking shareholders' nod. In a regulatory filing, PVR said its board had on December 21 approved issue of equity shares of the company with a face value of ₹10 each or other securities in one or more tranches qualified institutional buyers subject to nod of the shareholders. "The company intends to issue securities for an aggregate amount not exceeding ₹7.5 billion," PVR told shareholders.

Sanjay Sethi appointed JNPT chairman

Senior bureaucrat Sanjay Sethi has been appointed as the chairman of the Navi Mumbai-based Jawaharlal Nehru Port Trust (JNPT), according to a government order. The 1992-batch IAS officer of the Maharashtra cadre has been appointed to the post for a period of five years, the order issued by the Personnel Ministry said. In another order, the ministry said senior police officer Baljit Singh has been appointed as the security head of the Oil and Natural Gas Corporation Ltd (ONGC). Singh is a 1996-batch IPS officer of the Jharkhand cadre. He has been appointed as the executive director (security), ONGC, for five years.

Gujarat tax office moves NCLT against RP of Essar Steel

The Gujarat State Tax office has filed a petition against Resolution Professional (RP) of Essar Steel India at the Ahmedabad bench of National Company Law Tribunal (NCLT). Gujarat had requested the RP for verbatim provisions of the resolution plan in regards to payment of its dues amounting to over ₹5 billion. The hearing is slated on January 7. Despite reminders, the RP did not provide any information stating reasons of confidentiality. "Confidentiality cannot be a valid reason as Gujarat is asking for provisions of the plan relating to its own dues only," said the petition.

Sun Pharma wins trademark war for pain reliever Volini

Sun Pharmaceutical Industries has won a trademark battle against Delhi-based Akums Drugs and Pharmaceuticals for its pain reliever Volini. The Intellectual Property Appellate Board (IPAB) has removed the trademark Voliking, registered by Akums. Ranbaxy, the firm acquired by Sun Pharma some time back, had complained to the IPAB, alleging Voliking was a deceptively similar mark to the already registered trade mark Volini. Ranbaxy owns the Volini trade mark since 1993.

Piramal Enterprises to raise ₹5.9 bn via allotment of bonds

Piramal Enterprises on Friday said it would raise ₹5.9 billion via allotment of secured redeemable non-convertible bonds on a private placement basis. At the board meeting, the committee approved the allotment of 5,900 secured redeemable non-convertible bonds having the face value of ₹1 million only each, aggregating to ₹5.9 billion on private placement basis.

Correction

In response to the report, "China effect: Tough times for local handset makers" published on December 18, Jaina Group (and Karbonn) has clarified that payments and all other related financial obligations towards employees and other parties are being met as per the company's policies and norms without any delays. The error is regretted.

NEW RULES FOR ONLINE MARKETPLACE

E-commerce firms pad up to save private labels biz

Market majors fear they will suffer losses after new DIPP rules come into play

KARAN CHOUDHURY
New Delhi, 28 December

E-commerce majors such as Flipkart and Amazon are working overtime to figure out how to continue with the business of their private labels after a recent Department of Industrial Policy and Promotion (DIPP) diktat has cast a shadow on their future.

Between the two of them, Amazon India and Flipkart have 30 private labels covering 200 different categories. They have together spent \$1.5 billion in the country to expand their private labels, and have major expansion plans. Under the new guidelines, issued by the DIPP on Wednesday, online marketplaces will not be allowed to sell products of companies in which they have equity.

"If we go by the guidelines, we might have to shut down the private labels. We are on the verge of suffering huge losses as a lot of capital has been spent on infrastructure, staff, and marketing. We need to have a clear dialogue with the DIPP to see what can be done to prevent this," said a senior vice-president of an e-commerce major.

'Unfair deal'

E-commerce firms are being targeted as offline retailers have traditionally owned private labels, said industry experts.

"Physical retailers also have private labels — not only in India but all over the world. This is a legitimate business practice. These are not publicly held firms. So they have every right to run with their business plans. Let the Competition Commission of India (CCI) look into issues if there are any," said Arvind Singhal, chairman, Technopak Advisors.

FUTURE AT STAKE



Amazon
SYMBOL AND MYX: Fashion and apparels
SOLIMO: Small furniture and home appliances
TENOR: Smartphones
AMAZONBASICS: Amazon global in-house brands

Flipkart
FLIPKART SMART BUY: Mobile phone accessories, home furnishing, and sports goods
MARQ: Television, washing machines, microwave, and other electronics
PERFECT HOMES: Furniture
MISS & CHIEF: Toys and baby care products
BILLION: Mobile phones and white goods
SUPER MART: FMCG

Sources in the know said Amazon India and Flipkart are planning to approach the government together.

The companies believe if they have to shut down or cut the amount of business they do from their private labels it would have an impact on the number of direct and indirect jobs they provide. This might also make them rethink of their expansion plans in the country.

Big business

At present, private labels comprise almost 15 per cent of the total business of e-commerce firms. Over the past year, these companies have been expanding their operations in this space.

The Kalyan Krishnamurthy-run Flipkart has been bullish of the growth of its six private labels comprising 160 categories and is planning to concentrate more on sales of its

private label brands in 2019.

It claims to have seen a 550 per cent rise in the sales of its private labels in the festive season. "Seventeen private brand products sold every minute this festive sale," said Adarsh Menon, vice-president, PL and Electronics, Flipkart.

Flipkart has been planning a major expansion and plans to bring out more products in under the six brands next year.

The company has witnessed a major traction for its private labels in tier-II, tier-III and rest-of-India markets. With the products being almost 20 per cent cheaper than the competition and the company improving its after-sales services, Flipkart has managed to increase sales on the back of price-sensitive customers.

Amazon has also been expanding its various in-house brands, including AmazonBasics.

US-India industry body calls FDI guidelines for e-tailers 'regressive'

SUBHAYAN CHAKRABORTY
New Delhi, 28 December

Policy advocacy body US-India Strategic Partnership Forum (USISPF), which represents major US companies with investments and trade with India, has hit out against the foreign direct investment (FDI) regulations introduced by the government in the e-commerce sector.

Fearing a major dent to its e-commerce dreams in India, top executives at Walmart are planning to meet Commerce and Industry Minister Suresh Prabhu on the sidelines of the World Economic Forum in Davos, it is learnt.

Executives from both Amazon India and Walmart-Flipkart are planning to meet senior officials at the department of industrial policy and promotion (DIPP) Secretary Ramesh Abhishek in January first week to understand the reasons behind the sudden crackdown and find a middle ground.

The USISPF on Friday called the latest regulations "regressive" and "against consumers".

"The amendment to the FDI in e-commerce policy harms the consumer, who is ultimately the king in any retail environment. It is not the government's business to micro-manage businesses. This amendment bars Indian manufacturers and sellers from effectively competing in the global



The USISPF says American investments into e-commerce platforms have created enormous value and jobs

online marketplace," said USISPF President Mukesh Agni.

The body represents industry leaders such as plane manufacturer Boeing International and hotel conglomerate Marriott Group, apart from PepsiCo.

"In the end, amendment to the FDI in e-commerce policy will impact the price to the consumer, along with quality of service, in addition, to having a negative impact on growth of online retail in India and on the investor

sentiment," he added. Pointing towards the \$16-billion investment into Flipkart by US retail giant Walmart, the

USISPF said American investments into e-commerce platforms have created enormous value and jobs.

"The latest amendments came out without any consultation and are akin to changing rules in the middle of the game. This amendment highlights the lack of transparency in policy-making and demonstrates unpredictability," Agni said.

The USISPF's statement also hinted at the intensifying fight between brick-and-mortar retailers and online sellers. "Globally, online retail is growing six times faster than brick-and-mortar retail, leading to greater investments in the infrastructure sector and job creation in the services sector," Agni said.

Domestic players were, however, more diplomatic in their response to the latest developments.

"Government policy changes will have long-term implications for the evolution of the promising sector and whole ecosystem. It is important that a broad market-driven framework through right consultative process be put in place in order to drive the industry forward," Flipkart said.

"We have always operated in compliance with the laws of the land and are evaluating the new guidelines to engage as necessary with the Government to gain clarity so that we remain true to our commitment," rival Amazon India said in a statement.

Barely six months after the US retail giant Walmart bought 77 per cent stake in India's biggest e-commerce firm Flipkart for \$16 billion, the biggest stake sale till date in the sector, changes to the FDI in e-commerce norms have brought their plans to a standstill.



Any slowdown in growth of online sellers could result in an adjustment to the number of blue-collar workers

Policy tweak could hurt job creation

SAMREEN AHMAD
Bengaluru, 28 December

As the government looks at introducing a policy to bring price parity between online and offline retail in India, an unwanted by-product of these regulations could be a slowdown in the job creation machine that e-commerce marketplaces have become.

Government sources told *Business Standard* on Thursday the new draft e-commerce policy, which is expected in a few weeks, would put an end to practices such as deep discounting and predatory pricing. This is something both e-commerce leaders Flipkart and Amazon have relied on heavily to attract new customers onto their platforms.

Experts say any slowdown in growth of e-commerce companies could result in an adjustment to the number of blue-collar workers they engage. Flipkart and Amazon, for instance, employ tens of thousands of delivery workers each, apart from using third-party agencies for logistics, cataloguing and other functions.

"There are a lot of third parties, which could be impacted because of the regulation. If that happens, there would be some amount of readjustment that will be seen in the workforce," says Devangshu Dutta, chief executive officer at Third Eyesight. While Dutta says the full impact of the policy changes for the sector cannot be predicted just yet, the government seems to be serious about regulating e-commerce players after coming under fire from the offline retailers. Earlier this week, the government amended the FDI rules for e-commerce, introducing more detailed descriptions of what online marketplaces couldn't do.

The new rules state that online marketplace cannot sell products from a vendor in which they have a stake, and that they cannot mandate any seller to sell their products exclusively on their platform. Both Flipkart and Amazon have in-house sellers such as WS Retail and Cloutail, respectively, which are expected to be caught in the crossfire.

Amazon India, which has over 400,000 small and medium businesses listed on its marketplace, said it would remain committed to a long-term investment in its vision of how India buys and sells while generating significant direct and indirect employment.

"We have always operated in compliance with the laws of the land and are evaluating the new guidelines to engage as necessary with the Government to gain clarity so that we remain true to our commitment," it said in a statement.

Pinakiranjan Mishra, partner and national leader at Retail and Consumer Products at EY, said he did not see how the policy could directly affect contractual jobs at e-commerce firms, unless they caused a slowdown in the growth of these businesses. "As a consumer, you buy a product because you like the product and the price. Demand is not related to government policy. The only way it could go down is if the discounting changes and the price becomes higher," said Mishra.

Kris Lakshmikanth, founder and managing director of Head Hunters India, said the moment the revenues of e-commerce companies come down, the number of people required in managing logistics and supply chain will spiral down. However, it's too early to call if that could happen now.

While e-tailers have driven up demand by offering discounts, insiders say while this certainly attracts customers on to their platforms, their stickiness is driven by convenience. If this hypothesis is true, then they say the changes in policy wouldn't really affect growth, or job creation that the sector is driving so massively for at least the next few years.

Both Flipkart and Amazon claim they are growing sales in the higher-double digits, and don't expect to see growth slowing anytime soon.

While Amazon has almost exhausted its \$5-billion investment commitment in India, Flipkart with the backing of the world's largest retailer Walmart says it's just getting started here.

Visa woes continue to haunt Indian IT firms in the US

Infotech companies go all out to ramp up presence and hiring in the country

DEBASIS MOHAPATRA
Bengaluru, 28 December

The year 2018 is significant for Indian IT services companies on many counts as it is the period when the sector witnessed its growth bouncing back after initial hiccups. This was mainly on account of a huge push towards enhancing digital offerings.

It is also the period when most Indian IT majors, including Tata Consultancy Services (TCS), Infosys, Wipro and HCL Technologies, made huge inroads into the US, by far the largest market, for establishing a strong local employee base. This was to largely deal with immigration-related uncertainties under the Trump administration.

Indian IT services players not only improved their pace of local hirings in the US this year but also announced local innovations centres to attract and train talent while rebadging client employees to bolster their presence in the country.

Many of them also took the nearshoring route by establishing delivery centres in countries like Mexico

and Canada to service US clients in the same time zone.

The country's largest IT services firm, TCS, for example, said 20 per cent of its total hiring this year was done in the US alone.

Between 2011 and 2017, the company created 17,000 jobs in the US. Similarly, Infosys has already hired 7,000 in the US during the last 18 months with plans to add another 3,000 by early next year. The Bengaluru-headquartered firm also opened three innovation hubs in that country, including a massive training centre in Indianapolis. Its cross town peer, Wipro, which already has around 8,500 local employees in the US, is also giving an aggressive push to local hiring.

HCL Technologies has improved the ratio of locals in its US workforce to around 65 per cent, said to be the highest in the industry. The company has more than 17,000 staff members in US.

"A vast majority of the new recruitment has taken place outside India for client-facing works. If you see, hiring percentage for onsite (this year) is higher than that in India," said Sanjoy Sen,

doctoral research scholar at Aston Business School, the UK. "Also, there is a lot of more emphasis on robotics and automation initiatives that eliminate human intervention for doing repetitive jobs on client geographies."

Driven by the 'hire American' policy under the new political regime, the US government this year proposed sweeping changes to the H-1B visa regulations. Popular among Indian IT companies and professionals, the H1B visa allows US companies to employ foreign workers in speciality occupations that require theoretical or technical expertise, for a shorter term. According to US Citizenship and Immigration Services (USCIS), there are as many as 419,637 foreign nationals working in the US on H-1B visas as on October this year. Out of this, 309,986 are Indians with majority of them being software engineers.

"Indian IT firms are diverting actual investments in building delivery centres in smaller cities in the US which provides foundations for increasing US headcount," said Hansa Iyengar, senior



Company	Measures
Infosys	Set up innovation hubs in the US, hired 7,000 locals in 18 months
TCS	20% of total new hires this year from the US
Wipro	Established innovation centre for automotive in Michigan, working with local varsities for STEM training, 60% of work force now locals
HCL Tech	65% of the US workforce local, setting up digital innovation labs, women leadership centre

analyst at London-based Ovum Research.

With increased hiring in the US, Indian IT firms have also started reducing their dependency on H-1B

visas. According to a Kotak Institutional Equities report, H-1B applications by tier-I IT companies have reduced dramatically with Wipro's being the lowest at 400 this year. "None of the

companies are reliant on fresh H-1Bs for staffing projects in the US," the report said.

Apart from hiring locals, these companies are also opting for nearshoring route to serve clients in this country. Nearshoring is an outsourcing model wherein IT firms establish delivery presence in countries and locations closer to the client geography and depute employees working in those centres to service clients whenever there is a need.

This year, many mid-sized IT firms have gone on record saying that they would opt for the nearshoring route to service clients in the US.

For instance, Hexaware had said it would use its Mexico centre to service its US clients. Similarly, Tech Mahindra is setting up a centre of excellence in Canada with an investment of \$(Canadian)100 million to build technology solutions for clients in this region. This trend has been reflected in the numbers with India surpassing Philippines to send the highest number of immigrants to Canada in 2017.

Amtek Auto creditors want Liberty House to be barred from IBC process

AASHISH ARYAN
New Delhi, 28 December

The committee of creditors (CoC) of Amtek Auto have sought to bar Liberty House from bidding for any insolvent company. In their application, seeking to invoke Section 74 of the Insolvency and Bankruptcy Act (IBC) against Liberty House, to the National Company Law Tribunal (NCLT), Chandigarh, the CoC has said there is “lack of bonafide” intent on part of the company to follow the terms of the resolution plans approved by the adjudicating authority.

Amtek Auto lenders also wanted to invoke Section 60 (5) of the Act against Liberty House as it failed to make payments according to the resolution plan approved by the tribunal.

Section 74 (3) says officials of successful resolution applicants can be imprisoned for a minimum of one year, with a maximum tenure of five years,



The creditors also plan to file a civil suit before an appropriate court seeking damages from Liberty House

and fined a minimum of ₹100,000, with the maximum penalty of up to ₹10 million if they violate terms of the plan approved by the adjudicating authority under Section 31 of the IBC.

Meanwhile, Section 60 (5) deals with the jurisdiction of the NLCT. Amtek Auto was referred to the NCLT in July 2017, after the company defaulted on loans worth ₹123

billion. Liberty House was declared the successful resolution applicant for the company in July this year, with a winning bid of ₹42 billion. The company had, however, made no payments despite repeated requests from the resolution professional (RP), the lenders said.

Liberty House, the lenders have alleged, is seeking to “manipulate the statutory

What’s in the clause

Section 74 (3): Officials of successful resolution applicants can be imprisoned for a minimum of one year, a maximum of five years, and fined a minimum of ₹100,000, with the maximum penalty of up to ₹10 million if they violate terms of the plan approved by the adjudicating authority under Section 31 of the IBC

mandate of the code, and reintroduce the mischiefs into the insolvency regime of the country, which the code has sought to eradicate”. The CoC also plans to file a civil suit before an appropriate court seeking damages from Liberty House.

According to the terms of the plan, Sanjeev Gupta-led

Liberty House had to pay ₹33.10 billion up-front, along with fresh infusion of ₹3.5 billion by November 22. This was within 90 days of the approval of the plan. The London-based firm had to furnish a performance guarantee of ₹1 billion against the committed amount of ₹44.04 billion, and create an escrow account with 15 per cent of the up-front cash pay-out mentioned in the plan.

Though Liberty House had, on September 24, assured the RP of Amtek Auto it would set up an escrow account with ₹5 billion within “one-two weeks”, it has not taken any action on that, the lenders said. The company also wanted to set up an escrow account with Greensill Capital UK, and deposit the required amount in that, instead of the Citibank account suggested by the lenders. The request was, however, turned down by lenders since Greensill was not within the country’s jurisdiction, and would leave the CoC with no control over the amount.

Urea paucity may return to north India

About 1 mn tonne is stuck in ports, say experts; govt denies lack of transport facility

SANJEEB MUKHERJEE & SHINE JACOB
New Delhi, 28 December

A paucity of urea is worrying farmers for the past few days in several states in north India and the situation — temporarily normal in some places — could aggravate. About 1.6 million tonnes of imported fertilisers, of which 0.9-1 million tonnes is urea, is stuck in ports for want of transportation as of December 24, said sources.

This could go up, as more incoming consignments are on their way and the old stock is yet to be cleared. The affected states are Madhya Pradesh, Rajasthan, and Punjab.

According to industry estimates, about 4.5 million tonnes of urea is stuck with retailers as recorded by point-

of-sale devices. Some of this might be on account of delayed entry by the retailers after formal sale.

The railway ministry as well as the department of fertilisers and chemicals has, however, denied there was any shortage of rakes. The government claims there is no problem for transporting fertilisers.

Data accessed by *Business Standard* shows there has been 472 more rakes of fertilisers was transported during 2018, compared to last year. The period under consideration is part of rabi of 2017-18, kharif in 2018, and two months of rabi in 2018-19.

A railway ministry official said the railways has ensured there was no shortage in the number of rakes for coal or fertiliser sectors in the past two

months. “The railways is not at fault. It has already delivered the products. The issue is distribution at the local level in these states. Fertilisers being an essential commodity requires timely movement (because of the short duration of peak consumption months) for this. Railways has been proactive in timely dispatches and arrivals,” said a railway ministry official.

On an annual basis, India imports about 6 million tonnes of urea, while the domestic production is about 24 million tonnes.

According to sources close to the development, there has been a 2.4 per cent increase in the cumulative handling of fertiliser by the national transporter from 33.6 million tonnes in April-November 2017 to 34.42 million tonnes in the same period this year.

Rake availability to coal sector has touched an all-time high of 461 rakes a day last week.

Railway ministry sources

said the additional loading has been helpful in addressing the field demand across the country.

“According to the department of fertiliser, there has not been a single instance of fertiliser shortage during this period anywhere in the country. The crucial factor has been timely and adequate availability of railway rakes,” a senior railway official said. The fertiliser seasons in the country are broadly divided into kharif (April-September) and rabi (October-November).

According to the assessed demands, the department of fertilisers issues a monthly supply plan to various fertiliser companies to cater to the demand of all the states. The companies place indents with the railways and the latter allots rakes to move the fertilisers from plants and ports.



FERTILISER AUDIT				(QUANTITY IN TONNES)
Stock position at various ports as on December 24				
UREA	DAP	NPK	MOP	
901,000	375,000	115,000	262,000	
DAP: Diammonium phosphate, NPK: Compound Fertiliser (Nitrogen (N), Phosphorus (P), and Potassium (K), MOP: Muriate of Potash Source: Industry				

With no votes, US govt shutdown will greet Democratic House

NICHOLAS FANDOS & CATIE EDMONDSON
Washington, 28 December

Republican leaders gave up hope on Thursday of reopening the government before the new year, leaving the border wall impasse to House Democrats as they assume the majority next week — and presenting Representative Nancy Pelosi with her first major challenge as speaker.

House Democrats, who take control on Wednesday, are weighing three approaches to getting funds flowing, none of which would include additional money for President Trump’s proposed wall along the southwestern border. Whichever path they choose, party leaders said they would vote promptly on January 3, hoping to project the image of Democrats as a steady-



The shutdown has left 800,000 workers furloughed or working without pay PHOTO: REUTERS

ing hand in Washington even as Republicans try to blame Pelosi and her party for the shutdown and lax border control.

“We will vote swiftly to reopen government and show that Democrats will govern responsibly in stark contrast to this chaotic White House,”

Pelosi said in a statement. Pelosi is determined to prevent the shutdown brinkmanship from interfering with the Democrats’ assumption of power and her ceremony-soaked return to the speakership. But it appeared almost certain that the careful rollout of Democrats’

legislative agenda — including a sweeping anticorruption and voting rights bill — would be at least partly eclipsed by the funding crisis.

The shutdown has affected about a quarter of the government, left 800,000 federal workers furloughed or working without pay, and on Thursday entered its sixth day.

Trump and his allies showed no signs of letting up. Though the president said on national television that he would proudly shut down the government to secure wall funding, Republicans are no longer embracing the mounting crisis.

“The only rational conclusion is that the Democrat Party is openly choosing to keep our government closed to protect illegal immigrants rather than the American people,” Sarah Huckabee Sanders, the White House press secretary, wrote in

a statement Thursday afternoon.

“The president does not want the government to remain shut down, but he will not sign a proposal that does not first prioritise our county’s safety and security.”

The planning for next week’s Democratic takeover was almost all that went on in a desolate Capitol on Thursday. The Senate reconvened for the first time since before Christmas, but with negotiations between the White House and Senate Democrats going nowhere, the session lasted four minutes.

“We just have to get through this,” said Senator Pat Roberts, Republican of Kansas, who presided over the session. He added, “They say a house divided against itself cannot stand. That’s about where we are.”

©2018 The New York Times Service

Citi slashes Q1 iPhone production estimates on weak demand

Citi Research slashed its first-quarter production estimates for Apple’s iPhones and nearly halved expectations on the costliest iPhone XS Max, joining other brokerages in lowering forecast amid reports of weak demand.

“The material cut in our forecasts is driven by our view that 2018 iPhone is entering a destocking phase, which does not bode well for the supply chain,” analyst William Yang wrote in a client note. Citi said it expects the company to make 45 million iPhones for the quarter, down from 50 million it forecast earlier.

REUTERS

Tesla adds Larry Ellison, Walgreens executive to board

Tesla added Larry Ellison and Kathleen Wilson-Thompson to its board on Friday, fulfilling the terms of the settlement reached with Us securities regulators over its CEO’s problematic posts about taking the company private.

Ellison, the co-founder of Oracle Corp, and Wilson-Thompson, the global chief human resources officer of Walgreens Boots Alliance Inc, join a board the Securities and Exchange Commission ordered to step up its governance and oversight measures after Elon Musk claimed in August to have had the funding and investor support for a buy-out. The chief executive officer relinquished the role of

chairman in November, and both he and the company agreed to pay \$20 million penalties.

The new additions to the board put a bookend on a months-long distraction that at one point looked like it may cost Musk his future with the company. While reigning him in may prove challenging, they’ll help steer a carmaker that’s made significant strides in profitably making and delivering electric vehicles.

Tesla’s shares rose as much as 6 percent to \$335.00 as of 8.40 am Friday in New York, before the start of regular trading. The stock was up 1.5 per cent this year through the close Thursday.

BLOOMBERG

AMENDMENT TO SECTION 29A OF IBC

Few MSME promoters bid for own company



LIQUIDATION PAIN

	Till Dec27	Till Sep 30	Till June 30
Public announcement for CIRP	1,374	1,198	977
Public announcement for liquidation	288	212	137
Public announcement for voluntary liquidation	297	269	214
Public announcement for resolution	75 approx	52	341

SOURCE: IBBI WEBSITE

NAMRATA ACHARYA
Kolkata, 28 December

Even after the government relaxed the norms for the micro, small and medium enterprise (MSME) promoters to bid for their own firms under the Insolvency and Bankruptcy Code (IBC), only a few have been able to bid successfully for their own companies.

A number of companies, closed for three to nine years, are under liquidation process at the National Company Law Tribunal (NCLT). With the assets almost turning into scrap, bankers are getting 15-25 per cent of the principal value, which they say is better than what resolution plans of the existing promoters offer.

Even for firms that defaulted on their payments recently and went to the NCLT, the resolution plan was not viable enough for bankers.

In June, in view of the large number of liquidations of MSMEs, the government had relaxed Section 29A of the IBC,

allowing promoters to take part in biddings. Data from the Insolvency and Bankruptcy Board of India (IBBI) till mid-December shows about 288 companies saw liquidation, while another 297 went for voluntary liquidation.

Till June 30, the number of firms under liquidation was about 137. Hence, even after the relaxation, between July and December, about 145 more companies saw liquidation. Resolution was reached in 34 cases under CIRP, which stood at around 75 by mid-December. Hence, the number of firms going for liquidation remains higher than those with a resolution plan, despite relaxation.

"All the cases of liquidation are of old companies lying idle for 3-9 years. From firms that are shut for long, bankers are getting close to 15-25 per cent of principle value, as the machinery has become scrap," said Kamlesh Sighania, a Kolkata-based resolution professional.

"In case of some MSMEs, if we are getting resolution plan

by promoters with more than 80-90 per cent haircut, it is not viable for a bank. Instead liquidation is a better option. We are at 15-20 per cent value from land instead," said an executive of a public sector bank.

"Often banks are wary of inducting same promoters, who had once defaulted for bidding under the resolution. In many cases, several of them have turned into wilful defaulter amid the resolution process," Mohit Chawla, a resolution professional said. If the promoter of an MSME is labelled as a wilful defaulter, he or she is not eligible to bid.

According to Mamta Binani, another resolution professional, the number of liquidations is high as many of the companies where liquidation has been announced in the recent past, have been under the Board of Industrial and Financial Reconstruction for long.

Notably, apart from 282 firms under liquidation, another 297 have gone for voluntary liquidation.

UBI seeks monitoring mechanism for RPs

NAMRATA ACHARYA
Kolkata, 28 December

In view of delays in resolution of stressed assets under the Insolvency and Banking Code (IBC), Kolkata-based United Bank of India is planning to write to the Insolvency and Bankruptcy Board of India (IBBI) to have monitoring mechanism for the resolution professionals (RP).

"In a large number of cases, due to inaction by RPs, there have been long delays in the resolution process. We are planning to write to the IBBI that there should be some mechanism to monitor the performance of RPs. We will make a strong representation to the IBBI in this matter," said Ashok Kumar Pradhan, managing director and chief executive officer of United Bank of India.

According to data from the IBBI, as on December 20 for about 1,374 cases, a public announcement for the Corporate Insolvency Resolution Process (CIRP) has been



done. Of this, only about 75 accounts have seen resolution. "Bankers expected that the IBC will be highly efficient and quick in resolving the issue of stressed assets. The system is still adjusting to the new mechanism. At present, there is some concern regarding the role of RPs. Since all professional bodies in general are under one or more kinds of supervisory bodies, it will be a good proposal to have some regulatory body for the RPs also," said Mrutyunjay Mahapatra, MD and CEO, Syndicate Bank.

The data available with the IBBI upto September 30, of the

1,198 admitted for CIRP, about 238 cases have breached the extended 270-day deadline within which resolutions were to be completed.

The process from admission of a company under NCLT upto the resolution requires time-bound and speedy action by RPs. Once a company has been admitted under NCLT, the CIRP has to be completed within 180 days of the admission. An interim resolution professional (IRP) is appointed within 14 days of the acceptance of the application. The IRP is required to form a committee of creditors (CoC), within 30 days of NCLT order.

INFRASTRUCTURE: STILL A WORK IN PROGRESS



In 2018, a couple of long-pending infrastructure projects such as the Mumbai Coastal Road and Versova-Bandra Sea link were finally awarded. The focus of the Centre was largely on the road segment. Rating agencies expect National Highway Authority of India to end FY19 with its highest-ever execution record in the last decade. The execution, however, is still expected to miss the expected target of 6,000 km. For the ports sector, capacity addition remained a work in progress. Recent Ministry of Shipping data indicates that of the initial 700 projects identified, about 577, valued at about ₹8,000 billion, are at various stages of execution. However, only about 61 projects have been completed to date, and another 162 are being implemented. On port connectivity, there has been gradual progress on both road and rail connectivity projects, said Icra.

AMRITHA PILLAY & ADITI DIVEKAR

Key developments

Key projects awarded in 2018

MUMBAI COASTAL ROAD

VERSOVA-BANDRA SEA LINK

MUMBAI-NAGPUR EXPRESSWAY

Key projects completed in 2018

BOGIBEEL BRIDGE

DELHI EASTERN PERIPHERAL EXPRESSWAY

DELHI WESTERN PERIPHERAL EXPRESSWAY

Maiden award for TOT projects

Mar 2018-Joint venture of Macquarie, Ashoka Buildcon won the first round at ₹ 96.8 billion

Dec 2018-Cube Highways won the second round for ₹ 53.62 billion

Road construction in fast lane

Execution under National Highways Authority of India

Year	Kms
FY15	1,500
FY16	2,017
FY17	2,562
FY18	3,071
FY19*	3,800-4,000

*ICRA estimates
Source: ICRA Ratings

Project awards expected to take a hit

NHAI projects awarded in KMS

Year	Kms
FY15	5,000
FY16	6,397
FY17	4,335
FY18	7,400
FY19*	892
FY19**	6,500

*Upto August
** Crisil estimates
Source: IBEF Report

Port capacity addition remains steady

Cargo capacity at major ports

Year	Mn tonnes
FY15	872
FY16	965
FY17	1,065
FY18	1,451

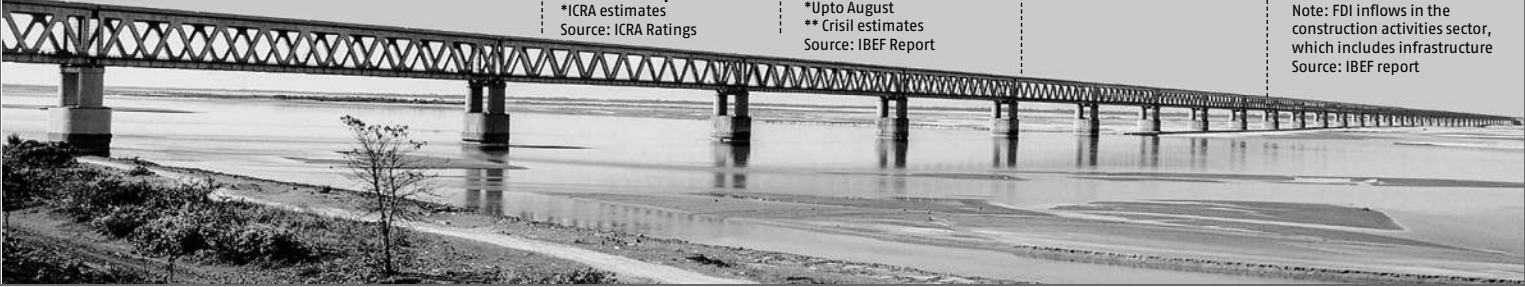
Source: IBEF Report

Foreign fund interest in infrastructure continues

FDI inflows in Infrastructure

Year	\$ billion
FY15	3.40
FY16	7.96
FY17	9.82
FY18	12.55
FY19 *	13.11

*Upto June 2018
Note: FDI inflows in the construction activities sector, which includes infrastructure
Source: IBEF report



RBI TREND & PROGRESS REPORT

IBC improved recovery for banks, says report

ANUP ROY

Mumbai, 28 December

The Insolvency and Bankruptcy Code (IBC) has been much more effective for Indian banks than other modes of recovery, the Reserve Bank's trend and progress report showed.

Of the 701 cases admitted by the National Company Law Tribunals (NCLTs), the realisation has been ₹4.93 trillion, that too, from just 21 companies. Now, with Lok Adalats, 3,317,897 cases yielded just ₹18 billion, and in case of debt recovery tribunal, for 29,551 cases referred in 2017-18, the recovery has been ₹72 billion. These match observations made by senior bankers at *Business Standard* annual banking forum that the IBC had more than doubled recovery rate.

"Apart from vigorous efforts by banks for speedier recovery, amending the Sarfaesi Act to bring in a provision of three months' imprisonment in case the borrower does not provide asset details and for the lender to get possession of mortgaged property within 30 days, may have contributed to better recovery," the report said.

In Sarfaesi, cases referred have been 91,330, of which recovery done was to the tune of ₹265 billion.

The non-performing asset (NPA) pile up happened because of a credit boom between 2006 and 2011. "The deterioration in asset quality of Indian banks, especially public sector banks (PSBs), can be

TRENDS IN NPAs

Bank group-wise (2017-18)

	Public sector	Private sector	Foreign banks	All scheduled commercial banks
GROSS NPAs (in ₹ bn)				
Opening balance for 2017-18	6,192	932	136	7,265
Addition	4,882	1,077	70	6,043
Recovery	823	408	47	1,283
Write-off	1,295	308	21	1,627
Closing balance for 2017-18	8,956	1,293	138	10,397
GROSS NPA PERCENTAGE				
2016-17	11.7	4.1	4	9.3
2017-18	14.6	4.7	3.8	11.2
NET NPA PERCENTAGE				
2016-17	6.9	2.2	0.6	5.3
2017-18	8.0	2.4	0.4	6.0

Source: RBI Trend and Progress Report

traced to the credit boom of 2006-2011 when bank lending grew at an average rate of over 20 per cent. Other factors that contributed to the deterioration in asset quality were lax credit appraisal and post sanction monitoring standards; project delays and cost overruns; and absence of a strong bankruptcy regime until May 2016," the report said.

In 2017-18, gross NPA ratio of all scheduled commercial banks reached 11.2 per cent of the gross advances, up from 9.3 per cent a year ago. PSBs, which account for nearly 70 per cent of the advances, saw gross NPA ratios rising to 14.6 per cent "due to restructured advances slipping into NPAs and better NPA recognition".

For private sector banks, NPA ratios were at little

higher than 4 per cent, and for foreign banks, the gross NPA ratio was at less than 4 per cent. The resolution of large NPA accounts under IBC helped improve the NPA ratios in the year, the report said.

"In terms of the net NPA ratio, PSBs experienced significant deterioration during 2017-18. During the year, the share of doubtful advances in total GNPA increased sizably, driven up by PSBs. The share of sub-standard and loss assets in GNPA of private banks declined."

Efforts on the part of private banks to clean up their balance sheets through higher write-offs and better recoveries contributed to low GNPA ratios in these banks, the report said. Slippages, or good loans turning bad, increased in

public sector banks largely "attributable to restructured advances slipping into NPAs and a decline in standard advances". However, slippages in private banks moderated.

During 2017-18, the GNPA ratio of PSBs increased to 23.1 per cent from 18.1 per cent in the previous year. Private banks witnessed a similar trend, especially after the implementation of the revised framework of resolution of stressed assets from February 12.

Asset quality in the industrial sector deteriorated mainly with better recognition. The agricultural sector posted rise in bad debt mainly because of farm debt waivers, it said.

One-fourth of loans to large industries turned into NPAs by the end of March 2018.

Medium sized industries underwent improvement in loan quality during 2017-18, but showed pressure on asset quality in the first half of 2018-19.

The gems and jewellery sector faced a significant increase in GNPA during 2017-18 with the unearthing of frauds, but the cement sector NPAs moderated significantly, with resolution of some stressed accounts and an uptick in financial performance.

Basic metals and metal products remained highly leveraged, but the proportion of bad loans declined in the first half of the current fiscal due to resolutions in the steel sector.

RBI to set up portal to track cybersecurity compliance

NIKHAT HETAVKAR

Mumbai, 28 December

The Reserve Bank of India (RBI) is planning to set up an online portal to supervise cybersecurity measures of payment system providers (PSPs). The portal, integrated compliance and tracking system, will be expanded to cover other regulated entities as well, said the RBI.

"The PSPs are required to establish mechanisms for monitoring, handling and follow-up of cybersecurity incidents and breaches," said the central bank in its report on trend and progress in banking released on Friday. Formulation of comprehensive cyber risk and resilience policies and diligent implementation along with providing effective governance is also crucial, the RBI said.

The RBI said an integrated approach to ensure survivability of PSPs is necessary due to the increasing role of technology in provision of financial services, rapid growth in digital payment ecosystem, high degree of interdependence and interconnectedness between operators in financial markets and increasing diversity of attackers.

NBFCs saw strong growth in H1FY19

SUBRATA PANDA

Mumbai, 28 December

Buoyed by strong credit growth, the balance sheets of the Non-Banking Financial Companies (NBFCs) have seen an expansion in 2017-18 (FY18) and in the first half of 2018 (H1FY19).

"The financial performance of the NBFCs, including profitability, asset quality and capital adequacy, improved during 2017-18 as they weathered the transient effects of demonetisation and goods and services (GST) implementation", Reserve Bank of India (RBI) said in a report on trend and progress of banking in India.

Moreover, backed by an increase in fund-based income, the NBFCs saw an improvement in their profitability in FY18 and in the H1 of FY 19.

▶ FROM PAGE 1

Small firms struggle as bigger peers race ahead

The sample is restricted to companies that constitute the bottom 25 per cent of the universe in terms of revenues during the second quarter. A typical firm here had median revenue of ₹69 million and net profit of 1.4 million during the second quarter. The corresponding numbers for the entire universe is ₹935 million and ₹27.3 million, respectively.

A similar underperformance is visible in the fourth quartile of the BS1000 companies -- a listing of India's top 1,000 non-financial firms in terms of their annual revenues. A typical small company here reported revenues of ₹5,480 million and net profits of ₹164 million in FY18.

The combined revenue of BS1000 companies in the lowest quartile was up 3.4 per cent YoY in FY18 against 10.7 per cent top line growth reported by all companies. The combined net profit of these small-sized firms was down 21.9 per cent YoY last fiscal. In comparison, the combined net profit of all BS1000 companies was up 10.9 per cent in the last fiscal year.

The numbers for BS1000 companies suggest that small firms have consistently lost out to the bigger peers. In the last five years, the combined revenue of firms in the first quartile has grown at a compounded annual growth rate (CAGR) of 2.2 per cent. In comparison, BS1000 companies' combined revenue grew at an annualised rate of 6 per cent.

In the same period, the smaller firms' combined net profit halved, as against 56 per cent cumulative growth in the combined earnings of all BS1000 companies. Experts say the biggest challenge for smaller firms is to raise working capital to tide over their short-term cash flows woes. "Many micro, small and medium enterprises (MSMEs) are forced to forgo businesses due to lack of working capital to fund

operations till such time that their end customers pay up," said G Chohkkalingam, founder and managing director, Equinomics Research & Advisory.

Raising working capital has become more challenging and expensive after the financial troubles of public sector banks, which have historically been the main lenders to the MSME sector. "Public sector banks are now reluctant to lend to smaller firms due to worries over bad loans while non-bank lenders now face a liquidity crisis. This is a double whammy for smaller firms," added Sabnavis.

Cabinet clears listing of 7 PSUs

It will conduct roadshows with domestic and foreign institutional investors. It will also decide the timeline of the listings, depending on the market and sectoral conditions. An Alternative Mechanism, comprising Finance Minister Arun Jaitley, Minister of Road Transport & Highways Nitin Gadkari and minister of the concerned administrative ministry has been empowered to decide on the extent, mode of disinvestment, pricing, and the time of the listings.

The government has several other IPOs lined up for which Cabinet approval has been granted. These include Indian Railway Finance Corporation, Rail Vikas Nigam, Mazagon Dockyards, MSTC and several other defence and rail companies. All of these are expected to be completed before March 31.

As reported earlier, Dipam is confident that the disinvestment target for 2018-19 could be exceeded, and might go up to ₹850 billion. For the rest of the year, the Centre plans to have another FPO for its Bharat 22 exchange traded fund, which could rake in around ₹100 billion. It plans to complete the strategic sale of Pawan Hans, Central Electronics, Air

India's ground handling subsidiary and Scooters India before March 31. There are also state-owned firms buying back shares, which could garner the exchequer ₹120-150 billion. There could also be the offer-for-sale of general insurance companies GIC and New India Assurance.

RBI flags dangers of softer capital norms

This suggests only if the recapitalisation amount was large enough relative to the capital base, it can make a perceptible impact on credit growth, it added.

As for prompt corrective action (PCA), it said the RBI's PCA framework was on the lines of the US-PCA framework. But, the threshold of the latter is based only on capital whereas in India, in addition, asset quality and profitability indicators are also tracked.

The additional parameters are essential in the Indian context because banks here have maintained low provision coverage ratios and have large expected losses which are not provided for. As a result, the current level of capital does not capture the additional capital requirement on account of expected future loan losses.

Elaborating the unfinished reforms in banking, the RBI said the growing size and complexity of the Indian financial system would warrant strengthening corporate governance systems in banks.

The yet to be implemented recommendations of the P J Nayak committee on banks' governance include incorporating PSBs in the Companies Act. Their ownership has to be transferred from the central government to a Bank Investment Company (BIC). The Bank Boards Bureau (BBB) is yet to be entrusted with the responsibility of appointment of non-official directors, the RBI added.

Luxury sees headwinds, but chugs along



Despite a few notable high points, the market for luxury products remains weighed down by several factors, especially heavy import duties. Take automobiles, for example. Says Yohan Poonawalla, president of Poonawalla Engineering Group, and someone who owns several Rolls-Royces, "Recent government policies have been penny-wise and pound-foolish because duties have been jacked up to the point where sales have come to a grinding halt."

Poonawalla has a point. Duties on luxury automobiles have shot up to over 200 per cent for CBU (completed built up, fully imported) vehicles. In oth-

er words, a car that costs ₹30 million sells for almost ₹100 million with all the taxes factored in. Forex fluctuations have worked against their sales too. According to sources, only four Rolls-Royces were sold in India in the last one year as compared to 13 in 2017. Similarly, Volkswagen's Bentley sold 21 units in 2018, down from 28 last year.

Darshan Mehta, president and CEO, Reliance Brands Limited, says though sales were strong over 2016-17, business became sluggish some months after demonetisation. However, Mehta insists that sales have picked up over the last few months of 2018 and as a result, RBL saw 9 per cent growth in its top line as compared to 1 per cent last year.

Analysts say the branded apparel and shoe-ware segments are valued at approximately ₹10 billion in annual sales. RBL runs luxury brands Paul & Shark, Bottega Veneta, Ermenegildo Zegna and others. With the acquisition of rival luxury operator Genesis Brands, it now runs brands like Canali, Burberry and Jimmy Choo as well. RBL is prepping to set up two new malls in Mumbai's Bandra Kurla Complex next year — Jio World Center for luxury brands and the Maker Maxity Mall for premium labels.

Mehta says the game is now all about locating new customers and keeping tabs on them. "The luxury customer universe is about customers in the hundreds and thousands, not lakhs and millions," he says. Which means that it will always be more and more about less and less, with sales and marketing channels getting more savvy in order to reach out to their customers.

That philosophy is best exemplified by HYT watches which visited India recently to set up shop here. Sales and trade marketing manager Robert Bailey reveals that the luxury watchmaker retails 450 timepieces a year that start from 40,000 euros. "If we can find customers in India for even 10 per cent of our output, we will be delighted," he says.

Getting even with robocalls

JAMES R HAGERTY

When he gets a robocall, Robert B Eckhardt doesn't necessarily hang up. If he isn't too busy, Eckhardt, a professor of developmental genetics at Pennsylvania State University, stays on the line and asks random questions, such as, "Do your parents know what you're doing?" If he can string the caller along for 10 minutes, Eckhardt considers it a minor victory in the war against telephone spam. Most people get annoyed by calls from telemarketers or scam artists. Some try to get even. One tactic is to play dumb. Another is to ask callers to spell their names and drag out the process, trapping them in a futile conversation for as long as possible. ("Is that L as in Lima, Peru? Or L as in Lima, Ohio?") James Haefele, a management consultant in Oxford, Conn, subjects suspected scam callers to a blast from his air horn or puts his wisecracking teenagers on the line. When it comes to unwanted calls, he sees two choices: "I'm either going to be mad about this or have some fun with it."

Despite Do Not Call lists, the shrieking of obscenities and other defenses, rogue calls have only been growing. YouMail Inc., a provider of voice mail and call-blocking services, estimates that robocalls in the US increased to 5.1 billion in November from 2.8 billion in December 2017. That's nearly 16 calls last month for every single person in the country.

They have become even more annoying with the rise of software that can make a fake number show up on caller ID, in an attempt to fool the target to pick up.

Just as technology has made it easier for telemarketers and scammers to make calls, so has it given everyone else resources and ideas to fight back. People share tips on the fine art of baiting callers on social media and can turn to apps for help. The topic has even become its own genre of entertainment on YouTube.

"My goal is to fight fire with fire," said Steven Murray, who runs a jewelry and gadget repair shop in Goldsboro, NC. He uses an app called RoboKiller from TelTech Systems.

The app, which costs \$3.99 a month, forwards suspect calls to an "answer bot" that serves up a recording. The recordings are designed to seem like live people, with pauses between statements to allow the caller time to talk. Users can choose pre-recorded messages or create their own — as Murray did.

Rogue callers hear a recording of him speaking in the voice of a deranged woman who feigns interest in the call but keeps interrupting to talk about spaghetti.

Bryan May of Taunton, Mass, a service technician for a household-alarm company, has found inspiration in online videos. Told by one phone scammer that he was being pursued by the Internal Revenue Service for back taxes, May asked if he could use gift cards from Target and Walmart to settle up. His caller agreed and asked May to read out the serial numbers.

May began making up numbers. When the caller said the numbers were invalid, May apologised and explained he had just come home from a bar, where he "had a few." He then offered more make-believe numbers, stretching the conversation to more than 15 minutes, until the caller lost patience.

David Mizrahi, who owns a pita restaurant in Lakewood, N.J, said he has kept telemarketers on the line for as long as an hour. His favorite stalling lines include: "Can you hold on a second?" "So, what were you saying, what are you calling about?" "Can you tell me more about that?"

Matching wits with telemarketers is a time-honored pastime. In one episode of the 1990s television sitcom "Seinfeld," the Jerry character asks a spam caller for his home number so he can call back later. The caller demurs and admits that he doesn't like being called at home. "Well, now you know how I feel," Jerry says.

These days, friends Ashton Bingham and Art Kulik in Los Angeles have a YouTube channel called Trilogy Media, with some 72,000 subscribers, featuring their attempts to enrage callers. In one video, Bingham, a 28-year-old aspiring filmmaker, pretended to be remorseful in a call with someone telling him the IRS had filed a lawsuit against him. "I told my CPA...I honestly don't really agree with the whole tax thing," Bingham said on the call. "I told him that they may take our lives but they'll never take our freedom." That line—paraphrased from the movie "Braveheart"—was one of 29 film quotes Bingham slipped into the call. He tried coaching another telemarketer to sing "Jingle Bells." The caller finally erupted: "What kind of joke are you joking with me?"

Troy Hunt, a computer-security consultant in Gold Coast, Australia, engages with suspected phone scammers partly to learn more about how they trick people. Sometimes he can't resist pranking them. In one call he recorded and posted online, scam technicians promised to fix his supposedly virus-infected computer if he gave them online access to it. While pretending to cooperate with their efforts to patch into his computer, he periodically switched on loud recordings of cockatoos, dingoes or kookaburras. "We're just in the backyard at the moment," he explained. "Go on." "Can you stop the background noise?" his caller asked. "Well, they're birds," Hunt said. "I can ask them, but they don't always do it." Hunt put on a cheery Crocodile Dundee act and pretended to shoo away a pack of dingoes. The call stretched to 39 minutes. He finally offered: "If you can send a bloke over with, I don't know, some screwdrivers or something, can we get someone over to fix it?" A sigh was audible at the other end of the line, the sound of someone realising he has been had. "All right, sir," the caller said quietly. "I'll send a guy with a screwdriver, OK. He will fix it." Then he hung up.

Source: The Wall Street Journal

Trapped miners not Conrad's problem!

How can a chief minister simply shrug off his responsibility not just for the illegality taking place under his nose but also for the lives that are likely lost?



PLAIN POLITICS

ADITI PHADNIS

Chief Minister of Meghalaya, Conrad Sangma, has said that he has always been aware that illegal mining has been going on in his state and while everything was being done to extricate miners trapped in one of the many 'rat-hole' mines in the state, it wasn't anyone's fault: The situation was just too difficult.

This is fit to take your breath away. How can a chief minister simply shrug off his

responsibility: Not just for the illegality taking place under his nose that he admits to knowing about but also for the lives that are likely lost?

But then Meghalaya, the tiny state, makes for high stake politics. Research by the Delhi-based Association for Democratic Reforms reveals that of a total 370 candidates who contested the 2018 Meghalaya Assembly elections, only 4 per cent filed income tax returns. Forty one per cent of the candidates reported they had assets of ₹10 million and above. And just by way of illustration, Ngaitlang Dhar contested as a Congress candidate in 2013 and reported movable assets amounting ₹250 million. In 2018, he contested from the National People's Party (NPP) and his movable assets amounted to ₹720 million.

Presumably illegal mining on which no taxes are paid, no permissions are necessary and everyone is involved, is one source of income. This is probably why politics, a major source of influence, is such a lucrative profession in the state.

But what is the politics of Meghalaya about, apart from income? The principal rivalry is between the Khasi and Garo tribes, with those from the Lushai Hills coming in the way. The

first is represented by the now retired DD Lapang, the second by the Sangma clan and the third by gentleman politician PR Kyndiah till he died in 2015.

The tension between these three regions constitutes the politics in the state. The most famous Meghalaya politician would have to be Purno Sangma, former Speaker of the Lok Sabha, who was with the Congress until Sharad Pawar of the Nationalist Congress Party (NCP) plucked him out from there. In 2012, friends and some enemies egged on Purno Sangma to contest the post of President of India. (His daughter Agatha contested the Lok Sabha seat he had vacated in 2004 and won it. She was quickly sworn in as Minister of state for rural development in the Manmohan Singh government.) When Sangma decided to contest against the Congress candidate, Agatha had to resign — the NCP was part of the UPA and committed to backing Pranab Mukherjee, the man who finally became President of India. Sangma himself quit the NCP to float his own National People's Party (NPP).

Before he died in 2016, Sangma had launched his two sons Conrad and James — 40 and 42 — in politics. In 2008, as dynasties go,

DINNER WITH BS ► HARRIET GREEN | CHAIRMAN & CEO | IBM ASIA PACIFIC

At the top of her game

Green tells Bibhu Ranjan Mishra how India became the disruption centre of the universe and why man and machine are better together

From what I have read about her, Harriet Green, chairman and CEO of IBM Asia Pacific, seems absolutely driven. She has had a very successful stint in the electronic components industry rising to the top slot in at least two firms she has worked for. Later, as chief executive, she was instrumental in bailing out then-struggling travel company Thomas Cook. In 2016, she won the Women in Technology Institute award and was inducted into the Women in Technology Hall of Fame. Despite her schedule she doesn't miss even a single session of *hatha* yoga. And she manages all that with just four hours of sleep.

I am scheduled to meet Green for dinner at The Market, a multi-cuisine restaurant at Ritz-Carlton on Residency Road, Bengaluru. It is centrally located, and she is also staying there. Since taking over as chief executive of the Asia Pacific business managing 14 countries for Big Blue in January, Green has made many trips to India, but this one is special: The company is celebrating 25 years in the country.

I am told that Green has already returned to the hotel after a day-long event at the IBM India office at Manyata Tech Park on Outer Ring Road, and I wonder why she hasn't turned up for our meeting yet. Just then she appears and offers a long explanation for the delay: She had been wearing a saree all day and needed to change to something more matter-of-fact because she has to catch a flight to Singapore, her next stopover, after our meeting. Green adds this is not the first time she has worn a saree, but this one, a cotton silk from Fabindia, is "the best" *sari* she has ever worn. The only problem was the amount of time it took to drape, she says with a broad grin. Her favourite office

wear, however, is a leopard-print coat, which is kind of timeless and goes with every kind of attire.

As we settle down, Green orders a lime soda and I a cappuccino. We decide to order the food right away as she has a flight to catch. Green orders a *bhindi masala, dal fry* and butter paneer with *roti*. I decide to go along with her choice and add a green salad.

"I was not always a vegetarian, but haven't eaten meat for quite some time now," says Green. I ask her how she developed interest in *hatha* yoga, which traces its origins to Hinduism. She says she started practicing it around 9/11 when she was living in Manhattan managing the contract manufacturing business of Arrow Electronics, a Colorado headquartered company that specialises in electronics and computing products. Interestingly, she learnt the yoga form from an African American instructor. "I am not a big sleeper. So yoga helps me energise and reactivate the brain's photoenzymes." Now yoga has become part of her life.

I didn't realise when the waiter came and placed the food on the table. But I can see Green really likes her *bhindi*.

She starts talking about how IBM India is contributing to the innovation agenda of the company at the group level. In 2017 alone, the Armonk, New York-headquartered company received a record 9,043 patents globally, the most prolific in this respect in the US, 25 years in a row. IBM India contributed 9 per cent to that number. With over 800 patents received by its inventors in India, the country was the second largest contributor — after the US region — to the company. One reason, Green knows, she has to work really hard to keep employee morale in India high. This is where the bulk of IBM's software developers

are located.

What about developing new skills sets, especially at a time when machines are presumably on their way to replace humans? She brushes aside the fear that emergence of new technologies will eliminate jobs. "Augmented intelligence is affecting many jobs but not eradicating them. Man and machine are better together."

I try to steer the discussion to India and the market potential here. The company has been strong in the telecom and BFSI (banking, financial services and insurance) space, serving customers such as Bharti Airtel, Vodafone, and State Bank of India. Of late, telecommunication companies are going through a rough patch with data taking precedence over voice, the traditional revenue stream. There is also some consolidation in that space.

In the financial services segment too, while newer opportunities are emerging in the fintech and payments space, the regulatory uncertainty, especially around data privacy and localisation, has made global companies jittery. Green says while India's concerns are genuine, there is a fear that too much focus on data localisation may throttle innovation. "It's of prime importance for India to enable free flow of data while ensuring security, by bringing in artificial intelligence (AI) to data management."

A couple of months ago, Sundar Pichai, the Indian-origin CEO of the US tech giant Google, had also expressed similar concerns. "Free flow of data across borders — with a focus on user privacy and security — will encourage startups to innovate and expand globally and encourage global companies to contribute to India's digital economy," Pichai had

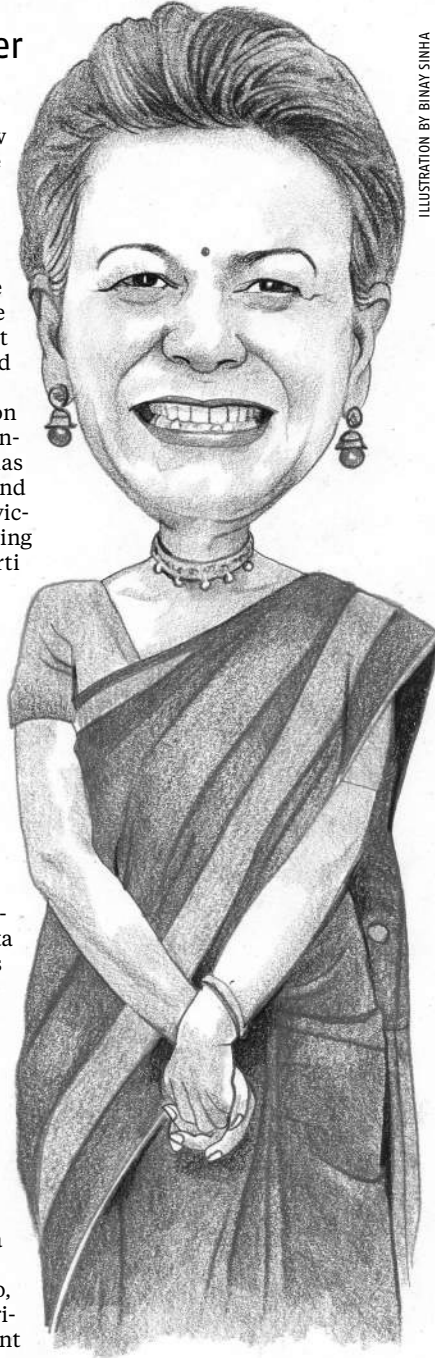


ILLUSTRATION BY BINAY SINHA

clear in their approach to customers' data," Green adds.

Things appear to have shaped up much better at IBM India than they appeared some decades ago. Indeed, the company's early experience in India was far from happy. It was one of the handful of global companies that had to leave the country in 1978. It re-entered in 1992 and hasn't looked back. IBM is now one of the few global technology companies helping the government in various citizen-centric programmes, whether it is the Atal Innovation Mission or the Atal Tinkering Labs. IBM is also associated with policy think tank NITI Aayog. It is using available data around agriculture and marrying those with AI to provide insights to farmers and predict crop yield. The project, initially started with 10 districts, has now been extended to 50.

One of things that make India so attractive to operate in is the pace of change in the country, she says. To begin with, clients in the country do not require extensive sales pitches because they already know how digitalisation can transform their businesses. "India is the disruption centre of the universe. The sectors, technologies and markets here are changing at such a pace that it creates a disruptive force difficult to find anywhere else."

I notice that Green is almost done with her dinner and I am amused by the fact that she is taking special interest in a piece of *masala papad* that was served a while ago. I realise I have not progressed much with my meal and try to hurry up as my guest has a hectic schedule ahead.

I ask her how she landed up in the technology space after studying medieval history and business psychology in college. "In Britain, you are encouraged to study any subject you like. But after passing out, I realised that after studying history, you can teach or work with BBC, but I like solving problems more."

As she prepares to depart, Green says the best thing she likes about India is the "appetite, interest and hunger of the people to learn". She plans to give more time to IBM India, a "microcosm of the larger IBM company", she says.

The dancing monk of Majuli



PEOPLE LIKE THEM

GEETANJALI KRISHNA

In the inevitable annual reckoning as the year draws to a close, it seems as if we haven't seen too many of those promised *acche din* in 2018. The economy is struggling. Political parties are forming and re-forming alliances with the single purpose of defeating the incumbent government in the 2019 elections. Civil society is perhaps at its lowest ebb right now and mob lynchings, murders of whistleblowers and intolerance seem to be definitely on the upswing. However, when I look back at 2018, strangely enough it is not these things that are top-most on my mind. Instead, I recall the serene face of the dancing monk of Majuli,

and the life lesson that he taught me.

The first thing that struck me about 41-year-old Dr Bhabananda Barbayan's demeanour was the aura of tranquility surrounding him, even thought we'd met in a chaotic green room of a Delhi auditorium just before he was due to perform. The foremost practitioner of Sattriya, the Assamese dance form which was recognised as a classical dance by Sangeet Natak Akademi in 2000, he is also a member of the monastic order of *Uttar Kamalabari Sattra* — the seventh generation in his family to become a monk. Today, with a PhD in music, he is studying the effects of dance on the nervous system even as he's taught Sattriya to over 800 students across the world.

"I became a monk in Majuli, a remote island in Assam, at the age of three and a half," he said. "So you can say I've been far removed from the life and stresses of regular folk." However, even though he now lives in Delhi where he runs a Sattriya Academy, Barbayan's serene face bears testimony to the fact that he's far removed from the hurly burly of everyday existence. His mind is preoccupied with the eternal dance of devotion rather than by politics, the economy and indeed, all worldly things that give the rest of us so

much stress and heartburn every day.

"I'm Krishna's servant," he told me when I commented on his detachment. "But he tells us that it's also important to be concerned about the world around us." How could one do that, I asked.

His answer moved me profoundly. "In my sect, we don't believe there's a heavenly other world waiting for us after death," he says. "Our paradise, our bliss must be created right here, in this world..." Every man and woman, Barbayan said, could create their own paradise by the strength of their good actions. "My bliss lies in dancing for my Lord," he said. "But everyone can create their own route to bliss..."

Later, I watched online videos of his performances across the world. With a drum around his neck and ecstasy on his face, he seemed to carry his own heaven within him wherever he went.

So, dear reader, as the year ends and many of us wonder what 2019 has in store, I wish you and I are also able to discover, to some extent, paths to our own bliss just like the dancing monk of Majuli. Perhaps that's what is needed for the advent of *acche din* in our lives — and not the outcome of the coming elections or the rise and fall of the stock exchange.

My new resolution



PEOPLE LIKE US

KISHORE SINGH

It is a year since my resolution (enforced on the occasion by my family) that I would not tell stories that in any way lowered the dignity of our domestic institution. So, in January, I did not report that my wife purloined an abundant supply of toilet paper from the house-keeping cart in the corridor outside our hotel room by sending the cleaning staff off on a needless errand. She has been asking to return to the same hotel since, having failed to realise that *buying* bathroom necessities may be less expensive than springing for a five-star vacation. (But, oh, everyone loves freebies.)

In February my daughter went for a

bridal shower to Turkey, and in June to Spain, and in September to someplace else I can't remember because my children have been busy travelling around the world, using the house as nothing more than a forwarding post for emails, excess baggage, and a place with a paternal ATM from where their (overdue) bills are paid with the help of a few choice phrases ("please", "love you", but never "owe you").

In March, I paid everyone's insurances (life, car, medical) as the head of a clan that recognises this ambiguous honour whenever premiums are due. Also, property taxes, sundry cesses and processing fees. Several IOUs signed at the time remain unrealised. It was around the same time that I was urged to begin work on the construction of a cottage that was to serve as a family retreat. Having got a construction team on board on the express condition that everyone would have to supervise it, I learned, in April, that my wife is "allergic" to soil, cement, maybe bricks, wood and all the paraphernalia that goes into making a building. In May, my son said he could not bring himself to address the construction workers because they speak "vernacular". My daughter found no time from her travels to devote to the cause, though she did find the opportunity to criticise the swimming pool ("too small"),

the rooms ("too small"), the garden ("too small"), the vegetable patch ("too small" — oh, wait, that was her mother), though the furniture was mostly fine because she'd ordered it online. This was in October.

But in July, I was having the house we live in painted ("since you've already got a finger in the construction business", said my wife); in August, I began renovating the bathrooms in our apartment ("since you've already got a finger in the construction business", said my tenants); and, in September, I began redoing the boundary walls of our ancestral home in Bikaner ("since you've already got a finger in the construction business", said my mother). I ceased only when friends and neighbours began to demand help with their home renovations ("since you've already got a finger in the construction business", they said).

In November, I helped my daughter pack away her summer clothes and air her winter wardrobe. Ditto my son. Ditto my wife. Ditto linens and furnishings. But my wife said there was no need for me to take out "more than a few" of my own winter clothes for lack of space in the cupboards ("besides, who looks at what you're wearing", she added). Which is why, my new resolution is to break with my old resolution. Happy new year.

WEEKEND RUMINATIONS

T N NINAN

Person of the Year

If there has to be an Indian person of the year for 2018, it is the little guy. The message of the recent state elections was about the farmer. The second message was about the lack of jobs, most critically for the educated unemployed. Those two facts have brought a sharper focus to the longer-term story of how inequality has grown over the years, with the benefits of economic growth going predominantly to the upper strata. At enterprise level too, the issue is how small business has borne the impact of both the 2016 demonetisation and the goods and services tax (GST). The result now is states rushing to announce the write-off of loans to farmers, continuing GST modifications, and active debate on the introduction of a basic minimum income for all, however costly and even unviable it may be. Even before that, the big government initiative of the year, Ayushman Bharat, was about the little guy — since benefits are designed to go solely to the bottom 40 per cent.

About time, one should say. The story since 1991 has been mostly about the middle class, whose size has grown from tiny proportions to more than 30 per cent of all households (roughly, those with monthly income averaging ₹33,000 or more for a five-member family — more in a town or city, less in a village). This is the equivalent of the international norm to define the middle class, as those with daily income per head of more than \$10 per day, calculated using purchasing power parity. Those who today are above this level in India have a car or two-wheeler, a smart phone, cable/satellite TV and with luck perhaps even a personal computer.

That's the top 30 per cent; what of the remaining 70 per cent? Most of that category too has benefited, as the shrinking numbers of the absolute poor testify. But it is hard to deny that the scales are tilted against them. The focus during the 2014 election campaign was the neo-middle class, or the second 30 per cent slab of the population. This was one notch above the two UPA governments' target group (through the employment guarantee scheme, the right to food, the right to education, etc). Narendra Modi in his initial avatar mocked the employment scheme as a symbol of Congress failure. Then he changed tack, even as he introduced a slew of programmes aimed at the little guy: Jan Dhan bank accounts, the Ujjwala scheme for subsidised cooking gas, and Swachh Bharat's programme of toilets for everyone. There is no more talk of the neo-middle class, which Arun Jaitley mentioned in his first Budget speech and then forgot about.

At one level, the problem today is that much of the neo-middle class and small business also feels done in. The deeper problem is that, no matter how many government schemes there are for the poor, the system in its orientation works more for the privileged, less for the little guy. Road space goes overwhelmingly to powered vehicles, not for cycle tracks or sidewalks for pedestrians. Access is similarly skewed or limited when it comes to education, public transport, the courts, medical care and the law and order machinery — all basic functions of the modern nation-state. The scales are also tilted against governments of the poorest states, like Bihar and Odisha, whose ability to spend per resident is a fraction of what it is in the better-off states. So how is convergence to come about between rich and poor states?

It doesn't help that those who get to run representative governments come from the top 1 per cent of the top 1 per cent: The average wealth of ministers in the new Rajasthan government is ₹150 million, in Chhattisgarh ₹450 million. Some super-wealthy individuals skew the averages, but all 44 ministers in the two governments are crorepatis. Their rhetoric is about the little guy, but who do they really represent? Should it surprise that the system automatically starts limiting the life-chances of children in the lower strata when they have barely started to walk?

ILLUSTRATION BY BINAY SINHA



To deal with Trump, look to Voltaire

Advice from the Enlightenment: In the face of crude bullying and humourless lies, try wit and a passion for justice

We are living through a climate change in politics. Bigotry, bullying, mendacity, vulgarity — everything emitted by the tweets of President Trump and amplified by his followers has damaged the atmosphere of public life. The protective layer of civility, which makes political discourse possible, is disappearing like the ozone around Earth.

How can we restore a healthy climate? There is no easy answer, but some historical figures offer edifying examples. The one I propose may seem unlikely, but he transformed the climate of opinion in his era: Voltaire, the French philosopher who mobilised the power of Enlightenment principles in 18th-century Europe.

OK, I know that only an academic like myself would come up with such a proposition. Who in the United States has any interest in Voltaire? College students sometimes read his "Candide" as a novella, and audiences have enjoyed it as an operetta by Leonard Bernstein. But the book ends with a refrain that sounds like quietism: "Let us cultivate our garden."

Actually, I think that last line, which is among the most famous in all literature, should be understood as a call to engagement. "Cultivation" means commitment to culture, to civility, to civilisation itself. That is the argument I want to make.

To those encountering him for the first time,

Voltaire can look like a historical curiosity. His archaic wig and libertine wit seem to belong to a forgotten corner of the past. Moreover, he can be considered a conservative. He curried favour with the high and mighty, especially Louis XV. He was so deeply committed to the cultural system developed under France's previous ruler, Louis XIV, that he would fail any test of political correctness today. And



ROBERT DARNTON

Voltaire opposed education for the masses because, he said, someone had to tend the fields.

So, forget the wig. But reconsider the wit. Nothing works better than ridicule in cutting bigots down to size. "I have never made but one prayer to God," Voltaire wrote, "a very short one: 'O Lord, make my enemies ridiculous.'" And God granted it. The first of the two most powerful weapons in his arsenal was laughter: "We must get the laughter on our side," he instructed

his auxiliary troops in the salons of Paris.

Ridicule works outside salons. We in America have Stephen Colbert on television. We had H L Mencken in the newspapers and Mark Twain in books. Yet wit can sound elitist, and Voltaire cultivated the elite, especially in his youth, when he celebrated wealth, pleasure and the good things of life. His poem "Le Mondain", written in 1736, is an apology for worldly luxury — "the superfluous, a very necessary thing," he wrote, in opposition to Christian asceticism.

The best bookshelf of 2018



AL FRESCO

SUNIL SETHI

In a long-held tradition the last column of the year is dedicated to some of the best reading of the year across genres. If fiction, in Albert Camus's words, is the lie by which writers tell the truth, then three novels by accomplished Indian practitioners stood out for the intricacy and innovation of the form.

Amitabha Bagchi's earlier works, *Above Average* and *The Householder*, are deft explorations of middle-class life but his latest, *Half the Night Is Gone* (Juggernaut; ₹599), is altogether more ambitious. Part epistolary novel, part family chronicle spanning the 20th century, its fiction-within-fiction layering is an exhumation of a Hindi writer battling personal demons as he spins out his narrative.

True to its title, award-winning novelist Anuradha Roy's *All the Lives We Never Lived* (Hachette; ₹599) pools imagined and real-life characters across time and space. A man's quest for the story of his mother, who eloped with a German in the late 1930s, turns out, in fact, to be Walter Spies, the famous gay artist and composer who put Bali on the world map. Figures such as Tagore, Begum Akhtar and Beryl de Zoete appear in nuanced reflections on the disruptive forces of nationalism, war and the feminist impulse.

Mahesh Rao's *Polite Society* (Penguin; ₹599), stretching Camus's dictum to its satiric possibility, is a retake of Jane Austen's *Emma* set in Delhi here and now. Like Zadie Smith's reinvention of E M Forster or P D James reimagining *Pride and Prejudice* as a sequential crime thriller, Mr Rao has huge fun. He expands Austen's small canvas to romp through Delhi's mansions, nearby rural estates and hill stations. Paris catwalks and Italian retreats. Believable characters talk fast and loose as they negotiate

Austen's thorny paths of class, money and romantic attachment. It's delicious — and not just for diehard Jane-ites.

2018 was a commendable year for offerings in history and biography. I have often wondered why no brave amateur will cock a snook at academic historians with an accurate yet alluring study of a historic figure, in the mode, say, of Nancy Mitford or Harold Nicolson. *Jahangir: An Intimate Portrait of a Great Mughal* by Parvati Sharma (Juggernaut; ₹599) admirably bridges the gap. Long the subject of pop mythology and Bollywood fantasy, the fourth emperor, sandwiched between Akbar and Shah Jahan, has suffered unfairly. Historian Ebba Koch in Ms Sharma's substantial source notes calls Jahangir "something of a Cinderella...[of] Mughal studies". Rebel, aesthete, passionate romantic and obsessive sybarite, Parvati Sharma's gripping biography brings Jahangir's world alive as no movie or stage drama can.

Destined for as long a shelf life is journalist and music aficionado Namita Devidayal's account of a life closer to our time in her fascinating account of the sitar maes-

tro, *The Sixth String of Vilayat Khan* (Context; ₹699). Ms Devidayal's original account of her transformative experience — a privileged Mumbai ingénue's sudden immersion into the world of classical music — in *The Music Room* (2009) made her book a bestseller. Now, her story of a complex, competitive, colourful genius takes her musical odyssey forward through wide research and travel. It's a must-have for music lovers. Two widely reviewed works by well-known writers illuminate new facets of enigmatic subjects. Australian writer John Zubrzycki's *Jadoowallahs, Jugglers and Jims: A Magical History of India* (Picador; ₹699) is an expansive conjuring of the dark arts — both as enlightenment and entertainment — from ancient times. And psychoanalyst Sudhir Kakar sheds new light on the early life in Punjab of arch imperialist and writer of all-time classics Rudyard Kipling in *The Kipling File* (Penguin; ₹499).

For an extended foray into the harsher realities of Indian life nothing can better than *A Stranger Truth: Lessons in Love, Leadership and Courage from India's Sex Workers* (Juggernaut; ₹699) by Ashok Alexander. Mr Alexander gave up a comfortable position at

McKinsey's to join the Gates Foundation at the height of the HIV/AIDS crisis in 2003. During his extensive travels then, and later, when he set up his own NGO, he took copious notes of his encounters with women in the sex trade. Yet his gruelling journeys are not entirely a chronicle of despair and abject hopelessness. They are shot through with hope, and even humour, making it a deeply moving and uplifting account.

Fans of Hindi film music will rejoice at the appearance of *S D Burman: The Prince-Musician* by Anirudha Bhattacharjee and Balaji Vittal (Tranquebar; ₹799). Despite its wealth of material, however, this long overdue tribute to a trailblazing talent is bulky, disorganised and in need of a skilled edit. For my money *Jiya Jale, The Stories of Songs: Gulzar in conversation with Nasreen Munni Kabir* (Speaking Tiger; ₹499) is how the well-springs of a much-loved poet and popular song writer should be recorded.

Finally, as a palliative to the poisoned politics and polluted air of the capital, lawyer and Urdu scholar Saif Mahmood's *Beloved City: A Mughal City and Her Greatest Poets* (Speaking Tiger; ₹599) is an exhilarating, heart-rending and elegant escape. Happy New Year!

people walk away in disgust—or worse, laughing.

And so, after two and a half years of embarrassing fawning over Mr Modi, followed by six months of discontented rumbling, 2018 has been all about a tidal wave of public scorn. Never has India seen as strong-arming, weak-minded, and small-hearted a government as this, and people are calling it out. Three major electoral defeats in three heartland states say that what the BJP thought it could take for granted it cannot—just as what the UPA thought it could take for granted it could not. Governments are not elected to step on us, but to serve us. And so the worm turns.

So there might be some excitement to look forward to in 2019, best summed up by that WhatsApp forward of a software screen showing 'Uninstalling Narendra Modi', with the caption, 'Please be patient, your country will be restored soon.' Nobody can possibly know how next year's election will pan out, but that's the thing about the Sisyphean boulder—even if the government falls, we'll have to start watching the next one like a hawk all over again. Happy 2019, I think.

Mourinho era dispelled

EYE CULTURE

SUHIT K SEN

Uppermost on the minds of many Manchester United fans will be the thought that, whew, aren't we glad it's over. They will be thinking, of course, of the Jose Mourinho era, a dire passage for a very big football club.

In his two and a half seasons at Old Trafford, Mourinho managed to create an atmosphere so toxic, for the most part, that all news issuing from the red side of Manchester seemed ill tidings. That might sound unfair but isn't. All that the soi-disant 'Special One' could harvest were three titles, by his reckoning, that is.

The high point of the 2016-17 campaign was the blushes-saving Europa League win, which unlocked the gates to the 2017-18 UEFA Champions League. To it was added the League Cup, now called the Carabao Cup, and the season-opening Community Shield, played between the Premiership and FA Cup winners of the previous season. Most people do not count the last as a serious title, though.

The post-Alex Ferguson Premiership drought and the inability to challenge for the Champion's League were not what bothered United fans and the football-watching public as much as Mourinho's lack of ambition, which seemed to be signalling, worryingly, that United was content to no more be counted as one of the members of the European elite. After all, the principal reason for bringing Mourinho to Old Trafford had been precisely his ambition and ability to deliver silverware. No one but the most fondly optimistic was hoping that he would bring back to red Manchester the swagger with which United had played in Ferguson's glory days.

Mourinho's track record spoke for itself. Ever since winning his first European title, the Champion's League with unfancied Porto in the 2003-04, he had made a habit of effortlessly winning titles. He moved to Chelsea, and the big league, in 2004, winning the Premiership in his debut season. The following season saw him winning the double with Chelsea. Since then he has won a treble with Inter Milan, a La Liga with Real Madrid, and another Premiership with Chelsea, to which he returned in the 2013-14 season.

Manchester United Executive Vice-Chairman Ed Woodward, under pressure after three barren seasons, was probably counting on Mourinho to deliver something big and something soon: Like the Premiership. He was surely not counting on the kind of expansive, attacking and attractive football so badly wanted by the fans, who would, however, be content, he must have reckoned, with serious silverware.

Not unexpectedly, Mourinho persevered with his park-the-bus style of football in which attacking verve was to be sacrificed for results. Unfortunately, the results

failed to materialise. A Europa Cup and a League Cup, allied to a second-placed finish 19 points behind champions, and rivals unto death, Manchester City, was never going to cut it.

Then came the current season. Mourinho's sour pre-season tantrums were a kind of augury. He wanted another central defender really badly, despite having already bought Eric Bailly and Victor Lindelöf in previous seasons. His shopping list included Leicester City's Harry Maguire, Tottenham Hotspur's Toby Alderweireld and Bayern Munich's Jerome Boateng. Woodward quite correctly refused to stump up for these overpriced and unreliable replacements.

Mourinho, predictably, went into a sulk, buying only three players, among them Shakhtar Donetsk midfielder Fred for the not inconsiderable sum of £52 million. His gargantuan sulk, unfortunately, continued into the season. He hardly played Fred or Diogo Dalot, another addition to the squad. But what engaged maximal attention was Mourinho's war with Paul Pogba, brought to Old Trafford by Mourinho himself against a record transfer fee of around £89 million as the new talisman for the club.

Fans could have been forgiven for expecting that the underperforming Pogba, who had just delivered a stupendous performance for France in the World Cup, would finally come good. Instead, there was the very public and very unseemly falling-out between the manager and the talisman. In its wake, came a poison-gas attack mostly instigated by Mourinho, which destroyed the dressing room. The inevitable result was that Mourinho lost the loyalty of practically all the players and the sense of disenchantment, despondency and demoralisation that enveloped the squad showed in the results. United are 'enjoying' their worst start to a season since 1990 and, currently, sit at sixth place, already 19 points behind Premiership leaders Liverpool and 6 behind a Champions League spot.

So, who's responsible for the mess? Mourinho himself and Woodward without a doubt. Mourinho poisoned the atmosphere by criticising his own players in public, complaining all the time and transforming a successful defensive line-up into a shambles. Woodward is to blame for being completely detached from footballing affairs, directing his energies exclusively to making money and making all the wrong calls. As the executive head of the club he knew that Mourinho would not deliver what the club wanted: Attacking and attractive football.

The solution is the appointment of a footballing director. But for the present, it is devoutly to be hoped that the interim manager, one of Old Trafford's much-loved alumni, Ole Gunnar Solskjær, will bring back to the club some purposeful football.

©2018 The New York Times News Service

Shekhar Gupta's column National Interest will be back next week

2018: The year the worm turned



INTER ALIA

MITALI SARAN

Well, compatriots, it's the last weekend of the year. I recently had lunch with friends who were full of irritating optimism about New Year-iness, which they described as 'a reset button'. I would love to partake in this kind of twaddle, but I'm too busy having my usual Monday morning feeling. Post-November, it is true, feels like an effortless slither down the last bit of the mountain of the year, but that joyride finishes—usually face first—in the narrow ditch we know as the night of December

When I wake up on the first

day of January, I see not a shiny, happy new year, but the first step of a very long uphill trek over the next mountain. It's less Usain Bolt at the starting blocks, more Sisypheus eyeing the boulder.

I may be a grinch, but one thing does makes me sort of happy: 2018 was the year the worm turned. The big worms, the humble worms, the ratty worms, and the low worms. It's what happens when you step on living things—the meekest, most powerless of them will turn, if only in self-preservation. And there is nobody that the BJP hasn't stepped on.

It promised actions of scale and grandeur that would impact the life of every Indian, and came up only with policies that hammer every Indian into the dust. From the catastrophic one-man decision that was demonetisation, to the blow-in-the-wind regulations of the GST, to the unholly mess that is Aadhaar, to the recently announced intention of empowering various security and finance agencies to snoop on India's computers and phones, it has only encroached on the liber-

ty and rights of every single member of the public. Those members of the public who have to holler to be heard—farmers, for example, or students, or women, or minorities—are ignored or trash-talked, or intimidated.

The BJP has wasted its term equating might with right and empowering the oligarchy. It equates support and respect with blind compliance (comma removed) and criticism with 'negativity' at best and treason at worst. 'Support' and 'respect' have only been tatty veils hiding a host of misdemeanours from the wasteful (think Statue of Unity) to the criminal (think riots and vandalism encouraged over cows, as in Bulandshahr, or over movies like *Pudmaavati*, and on college campuses). Under cover of ardent support for the armed forces, Narendra Modi wangled a defence deal for Anil Ambani, an act so left-field that it took even cabinet ministers by surprise and necessitated a comet tail of ludicrous behaviour including evasion by the defence minister, and risible 'typos' submitted by the government in court.

THE COMPASS
HUL stock set to benefit from growth in margins
Lower raw material costs, premium products to improve profitability

SHREEPAD S AUTE
Hindustan Unilever (HUL) delivered a strong 33 per cent return in 2018, outpacing a 11 per cent rise in the BSE Fast Moving Consumer Goods (FMCG) index and about 6 per cent in the Sensx.

While the company is riding high on steady volume growth, the Street will keenly watch out for the upside from the current levels, given its pricey valuation of 53.5 times its FY20 estimated earnings.

Among the triggers for the stock are prices of key inputs such as palm oil, which has dropped in the December 2018 quarter (Q3) on a sequential basis. Further, the recent sharp correction in crude oil prices and the rupee-dollar rate is expected to have a favourable impact on packaging costs.

Besides, faster growth of premium products is likely to add to its profitability score. Two products, Ayush and Indulekha, for instance, have received good market acceptance.

The management has also indicated strong growth for premium products in its key segments — personal care and home care — during the September 2018 quarter (Q2) and its increasing focus on premiumisation. These two segments together account for 80-86 per cent in terms of revenue and operating profit.

During April-September 2018, operating margin of



these two segments expanded 160-320 basis points year-on-year.

Also, the acquisition of GSK Consumer has only brightened HUL's premium portfolio with products such as Horlicks, which has strong brand equity.

Growth of the newly acquired products is expected to improve further with HUL's already-established strong distribution network. Analysts expect HUL to launch more premium products.

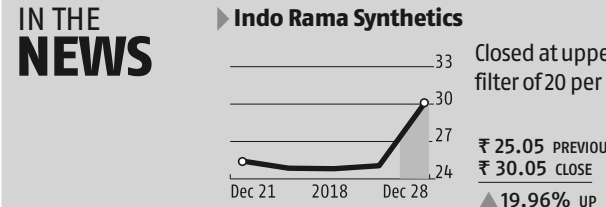
"HUL's focus on premiumisation should help it in terms of margins and the top line. This, along with correction in input prices, improves HUL's earnings potential. Valuation (price-to-earnings ratio), though expensive, is likely to remain high in the medium term, says Nitin Gupta, analyst at SBICAP Securities.

HUL's earnings before interest, tax, depreciation and amortisation (Ebitda) margin is estimated to improve to 24-25 per cent in FY21, from 21 per cent by FY18, driving its overall earnings.

Sebi's new OFS norms come into play
BS REPORTER
New Delhi, 28 December

The new norms regarding offer for sale (OFS) of shares has come into effect. Markets regulator Securities and Exchange Board of India (SEBI) on Friday issued a detailed circular regarding new OFS norms. Under the new framework, companies with market capitalisation of more than ₹10 billion can use the OFS mechanism to offload shares. Earlier only top 200 companies were to sell stakes through OFS route, now with the new norms, more than 700 companies will be able to sell shares through the OFS route. Further, as per the new rules the selling company has to cancel the offer if it fails to get sufficient demand from non-retail investors at or above the floor price on the transaction day.

STOCKS



NIFTY 50

Company	Close (₹)	% Chg	WT (%)	Con	Std	Company	Close (₹)	% Chg	WT (%)	Con	Std	PE
Adani Ports	287.4	0.9	0.7	24.9	35.3	IOC	138.2	3.2	1.3	5.3	5.8	
Asian Paints	1366.0	-0.5	1.3	61.6	64.1	ITC	282.3	0.5	7.5	30.1	29.3	
Axis Bank	625.1	1.2	2.6	35.2	4.1	JSW Steel	298.1	1.8	0.9	3.6	3.5	
Bajaj Auto	7717.5	-0.7	0.9	17.5	18.3	Kotak Mah Bank	1241.4	0.1	3.9	35.2	94.5	
Bajaj Finsrv	2634.8	1.8	1.5	56.9	47.0	L&T	1439.4	1.0	4.4	23.3	31.9	
Bharti Airtel	6602.9	1.5	0.9	29.9	24.3	Mah & Mah	803.6	1.0	1.7	12.6	19.4	
BHIL	316.6	0.0	0.9	74.1	-	Maruti Suzuki	7505.6	0.1	2.2	28.8	28.7	
BKSP	263.0	-1.4	0.5	20.0	18.9	NTPC	1469.9	1.0	1.0	11.8	12.0	
BPL	361.9	-0.7	0.8	8.0	26.2	ONGC	150.5	0.5	1.4	7.4	7.6	
Cipla	522.0	0.8	0.6	30.5	26.2	Power Grid	197.1	0.3	1.0	12.6	12.0	
Coal India	242.2	-3.2	0.7	13.5	15.3	Rail India	1125.6	0.5	4.8	18.8	20.5	
Dr Reddy's	2621.9	1.3	0.7	27.7	35.9	SBI	294.8	0.9	2.4	-	-	
Eicher Motor	2121.4	0.6	0.7	29.9	34.9	Sun Pharma	405.2	3.4	1.0	34.8	-	
GAIL	356.3	0.0	0.8	16.7	14.6	Tata Motors	170.9	1.5	0.7	95.3	50.3	
Grasim Ind	824.6	1.3	0.7	34.2	77.0	Tech Mahindra	512.9	1.3	0.8	2.8	7.3	
HCL Techno	958.4	1.0	1.2	14.4	16.8	Tata Steel	512.9	1.3	0.8	2.8	7.3	
HDFC	1980.0	1.6	7.4	21.0	25.8	TCS	1896.1	-0.7	4.3	24.8	25.8	
HDFC Bank	2122.9	0.8	5.9	31.2	38.3	Titan Company	922.7	3.9	0.8	74.3	65.3	
Hero MotoCorp	3122.6	-0.2	0.9	16.8	25.8	UltraTech	4005.6	0.9	0.9	57.6	57.9	
Hindalco	223.5	1.3	0.7	8.3	34.0	UPL	758.4	1.2	0.6	18.4	74.4	
HPCL	255.9	1.3	0.9	5.4	5.0	Vedanta	199.4	1.8	0.8	6.1	10.7	
HUL	1822.1	0.4	2.8	75.5	68.8	Wipro	330.1	0.8	0.9	19.4	21.1	
ICICI Bank	360.8	1.4	5.1	30.1	67.2	Yes Bank	181.5	1.9	0.7	9.9	9.4	
IndusInd Bank	583.3	1.2	1.8	-	24.8	Zee Enter	474.5	2.2	0.6	36.0	26.3	
Infosys	157.0	0.0	5.5	17.4	17.3	Nifty50	10859.9	▲0.7	100.0	19.8	21.8	

S&P BSE SENSEX STOCKS

Company	Close (₹)	% Chg	WT (%)	Con	Std	Company	Close (₹)	% Chg	WT (%)	Con	Std	PE
Asian Paints	1365.4	-0.1	1.6	61.6	64.1	L&T	1439.1	1.1	5.2	23.3	31.9	
Axis Bank	625.3	1.3	3.1	35.2	5.5	Mah & Mah	803.2	1.0	2.0	12.5	19.4	
Bajaj Auto	7723.3	-0.5	1.0	17.6	18.3	Maruti Suzuki	7510.7	0.1	2.6	28.8	28.7	
Bajaj Finsrv	2631.7	1.9	1.8	56.9	46.9	NTPC	1484.9	0.9	1.2	11.7	12.0	
Bharti Airtel	316.2	0.0	1.1	74.0	-	ONGC	150.5	0.5	1.6	7.4	7.6	
Coal India	242.4	-2.9	0.8	13.5	15.3	Power Grid	197.8	0.7	1.2	12.6	12.0	
HCL Techno	956.6	0.9	1.4	14.4	16.8	Reliance Ind	1125.5	0.5	9.9	18.8	20.5	
HDFC Bank	2190.1	1.7	8.8	21.0	25.8	SBI	294.5	0.9	2.9	-	-	
HDFC Techno	952.9	0.8	11.7	31.2	30.3	Sun Pharma	424.6	3.0	1.2	34.8	-	
Hero MotoCorp	3130.2	0.1	1.1	16.8	17.1	Tata Mot-DVR	92.0	0.9	0.1	-	-	
HUL	1820.1	0.5	3.3	75.4	68.7	Tata Motors	170.9	1.5	0.8	95.3	50.3	
ICICI Bank	361.1	1.6	6.0	30.2	67.2	Tata Steel	513.7	1.2	1.0	2.8	7.3	
IndusInd Bank	582.7	1.0	2.1	-	24.8	TCS	1895.8	-0.7	5.1	24.8	25.8	
Infosys	157.5	0.0	6.5	17.4	17.4	Vedanta	199.4	1.8	1.0	6.1	10.7	
Kotak Mah Bank	1244.7	0.4	4.3	35.2	54.7	YES BANK	181.5	1.9	0.7	9.9	9.4	

WORLD INDICES

Indices	Close	% Chg	Indices	Close	% Chg
Americas (Dec 28, 18)			Asia/Pacific (Dec 28, 18)		
S&P 500 Composite	14165.2	2.8	Stock Exchange of Hong Kong	1563.9	1.0
Dow Jones	23138.8	1.1	Taiwan TSE	9727.4	0.9
Nasdaq Composite	6579.5	0.4	Kospi	2041.0	0.6
Europe/Africa (Dec 27, 18)			Shanghai Sc Comp	2493.9	0.4
DAX	10564.9	1.8	Strait Times	3653.4	0.3
FTSE 100	6697.9	1.7	Kuala Lumpur Comp	1692.1	0.1
CAC 40	4676.5	1.7	Jakarta Composite	6194.5	0.1
IBEX 35	8486.3	1.5	Volatility (Dec 28, 18)		
Asia/Pacific (Dec 28, 18)			COBE Dow Jones	28.1	-0.1
Hang Seng	25504.2	0.1	COBE S&P 500	29.4	-1.7
Nikkei 225	20014.8	-0.3			

MAJOR INDICES

Indices	Previous Close	Open	High	Low	Close	Change	% chng
S&P BSE Sensex	35,807.3	35,912.0	36,194.8	35,912.0	36,076.7	269.4	0.8
S&P BSE Sensex 50	11,271.2	11,305.1	11,398.5	11,305.1	11,363.7	92.5	0.8
S&P BSE 100	11,059.2	11,092.6	11,185.1	11,092.6	11,152.4	93.2	0.8
S&P BSE 200	4,690.0	4,622.2	4,661.1	4,622.2	4,648.5	39.5	0.9
S&P BSE 500	14,399.1	14,427.9	14,550.1	14,427.9	14,516.0	125.9	0.9
S&P BSE IPO	4,254.7	4,278.5	4,316.6	4,271.5	4,298.4	43.6	1.0
S&P Dolex-30	4,184.6	4,087.1	4,087.1	4,087.1	4,231.0	46.4	1.1
Nifty 50	10,779.8	10,812.0	10,893.6	10,812.0	10,899.9	80.1	0.7
Nifty next50	27,781.0	27,863.4	28,123.7	27,860.9	28,063.2	282.3	1.0
Nifty 500	9,078.8	9,112.0	9,173.6	9,105.7	9,152.6	73.8	0.8
Nifty 500	16.1	16.1	16.1	15.1	16.3	-0.8	-5.0
Nifty CSE	2,040.3	2,053.7	2,077.4	2,039.8	2,072.1	22.8	1.1
INDIA VIX	21,120.0	21,114.8	21,272.2	21,114.8	21,272.2	152.1	0.7

Commodity ETFs set for derivatives

Fund houses' participation a shot in the arm; MCX seeks nod for gold funds to buy futures instead of physical metal

RAJESH BHAYANI
Mumbai, 28 December

As the route opens up for mutual funds to participate in commodity derivatives, the stage will be set for extending the process to commodity exchange-traded funds (ETFs).

The Multi-Commodity Exchange (MCX) has proposed to the Securities and Exchange Board of India (Sebi) to allow exchange-traded funds in commodity derivatives.

Sebi is finalising changes to Mutual Funds Regulations, allowing them formally in commodity derivatives.

ETFs are run by mutual fund management companies and hence while allowing MFs, the regulator should also allow ETFs. At present, only gold ETFs deal in physical gold. Other ETFs have stocks or indices as underlying assets.

The MCX has proposed that when MFs are allowed in commodity derivatives, ETFs run by the same asset management companies should automatically be allowed in commodities and offer such funds in many other commodities.

In the past ETFs for silver and crude oil were also proposed but not permitted by the regulators.

A fortnight ago the Sebi board decided to amend the Custodian of Securities Regulations to allow custodial services in goods underlying commodity derivative contracts in order to enable the participation of institutional investors in the commodity derivatives market.

With this change, a way has been opened for Alternative Investment Funds (AIF) or hedge funds and mutual funds to enter commodity derivatives.



At present only gold ETFs deal in physical gold. All other ETFs hold stocks or indices as underlying assets

While AIF regulations have been amended earlier, the regulator's next board meeting is expected to clear changes in regulations for mutual funds.

The proposal of the MCX goes like this: A commodity ETF sells units to investors. As in the case of gold, it has to

simultaneously buy physical gold of an equivalent amount and keep that in the vault.

If other commodity ETFs come in, even they will have to buy physical commodities as an underlying. This is provided for ensuring retail investors invest in commodities through ETFs.

The MCX said instead of physical assets, they should be allowed to buy commodity futures. Since investments in ETFs are usually for longer terms, ETFs have to keep rolling over futures with each contract expiring.

A senior MCX official said the annual cost of a roll-over on the exchange was around 6 per cent and the capital required for buying is 5-6 per cent of the exposure.

ETFs, after buying futures, can invest the rest of the amount in safe securities. The returns are around 7 per cent. This will leave the fund with some distributable surplus to offset the roll-over cost. Currently investors have to bear the burden of management fees on gold ETF investment.

However, gold ETFs were allowed in 2007 by a special

notification issued by the finance ministry. The reason was such funds were allowed to invest through stock exchanges and not on commodities exchanges. Hence a legal clarity for stock exchange investors to deal with commodity was required.

However, now commodity derivatives and equities are under Sebi and hence ETFs in commodities can be expected. The MCX official quoted earlier said, "ETFs should be allowed to buy futures instead of physical commodities and the notification that allowed ETFs in gold shall be rescinded or amended as it is not relevant after a powerful regulator like Sebi started regulating commodities."

This will pave the way for gold ETFs to buy only gold derivatives and not physical gold as they are required at present.

Brokers saw a bleak year in 2018

Equities went through a rough ride this year as volatility dented sentiment

ASHLEY COUTINHO
Mumbai, 28 December

Domestic brokerages, riding high after a euphoric 2017, were hit by incessant market volatility in 2018, which impacted volumes and retail interest in direct equities.

The country's equities went through bouts of volatility, especially between January and March, as well as August and October.

The crash in mid- and small-caps, in particular, hit investor confidence.

Wealthy investors, who had put money into portfolio management schemes, were in for a shock as returns turned negative.

"Volumes have dipped, margins have shrunk and distribution of products has become more difficult. With the volatility likely continue, we expect a tough year for brokerages in 2019," said Prasanth Prabhakaran, chief executive officer of YES Securities.

Most of the retail money in shares after 2015 has come through the mutual fund

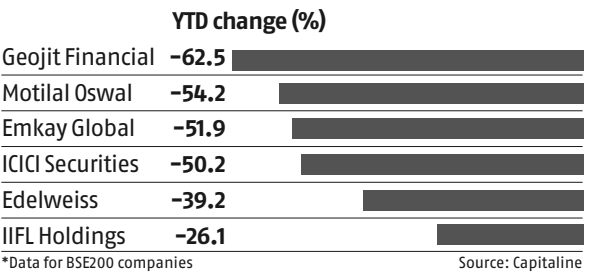
(MF) route. This trend has only accelerated this year. The assets under management (AUM) of equity MFs stood at ₹8.3 trillion as of November 2018, compared to ₹7.3 trillion a year ago.

"Retail participation is expected to moderate with investors recouping the losses arising from market corrections. The broking yields are expected to contract further, given the competitive pressures and the increase in low-yielding derivatives as well as the non-delivery segment. This, in turn, is expected to result in moderation of profitability from core broking operations in the current fiscal after a year of supernormal profits," said a note put out by ICRA.

The proliferation of discount brokerages has been instrumental in driving down costs and impacting margins. Discount brokers typically charge a flat fee of ₹20 per trade.

In the full-service segment, brokerage varies between 10 paise and 30 paise for delivery-based trades and

GOING GETS TOUGH
Shares of broking firms have come off sharply this year



*Data for BSE200 companies Source: Capitaline

below 4 paise for intra-day trades in the cash segment. Charges in the options segment are ₹20-50 per lot.

Overall, the industry may post growth of 5-10 per cent in FY19 with an estimated revenue projected at ₹195-200 billion, according to ICRA.

Services like margin funding and distribution of financial services could help support the income profile of full-service brokerages. Distribution margins, however, will be impacted with the Securities and Exchange Board of India (Sebi) disallowing payment of upfront commission to distributors this year. Upfront fees are paid immediately on sale of a particular scheme.

Sebi clarifies on use of segregated portfolio by mutual fund industry

JASH KRIPLANI
Mumbai, 28 December

The Securities and Exchange Board of India (Sebi) on Friday issued a detailed circular on segregated portfolio, which can be used by fund houses if debt assets are downgraded to below investment grade.

The mutual fund (MF) industry had raised a demand for such a mechanism as instruments below investment grade are highly illiquid.

However, Sebi indicated it doesn't want the mechanism to become a norm. It said trustees need to put in place a mechanism that negatively impacts the performance incentives of fund managers and chief investment officers involved in the investment process of the segregated assets. The mechanism could even involve clawing back of such amounts to the segregated portfolio of the scheme.

Sebi stated that the option of segregated portfolio should not encourage fund houses to take undue credit risks; any mis-use could warrant stringent action by the regulator.

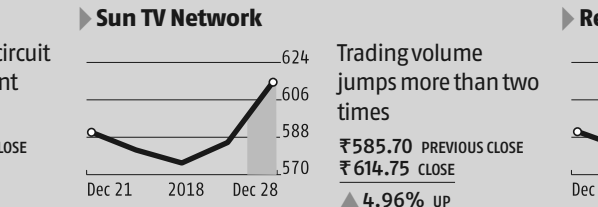
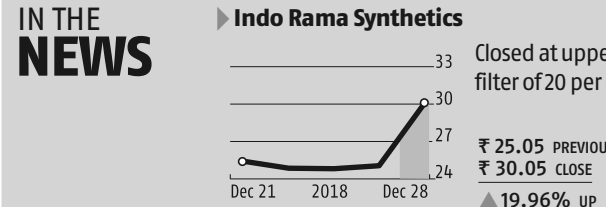
The circular said,

"Segregated portfolio may be created in case of downgrade of a debt or money market instrument to 'below investment grade', or subsequent downgrades of the said instruments from 'below investment grade', or similar such downgrades of a loan rating."

In case of a difference in the rating by multiple agencies, the most conservative one would be considered.

Also, schemes would only be allowed to create such portfolios if the scheme information document (SID) explicitly states the provisions with adequate disclosures. Sebi also laid down the procedure that would need to be followed by the fund houses.

They need to decide on the creation of a segregated portfolio on the day of a credit event. Once a firm decides to create such a portfolio, it needs approval of the trustees. It also needs to communicate to investors, informing them about its intent to create such a portfolio and how it could impact them.



ADVANCES/DECLINE

Index	Advances	Declines
BSE	1,612	1,215
NSE	1,053	795
BSE MIDCAP	74	20
BSE SMALLCAP	569	145

F&O SNAPSHOT

Index	Advances	Declines
BSE	1,612	1,215
NSE	1,053	795
BSE MIDCAP	74	20
BSE SMALLCAP	569	145

MARKET OVERVIEW

Index	Advances	Declines
BSE	1,612	1,215
NSE	1,053	795
BSE MIDCAP	74	20
BSE SMALLCAP	569	145

ACTIVE CALLS

Index	Advances	Declines
BSE	1,612	1,215
NSE	1,053	795
BSE MIDCAP	74	20
BSE SMALLCAP	569	145

ACTIVE PUTS

Index	Advances	Declines
BSE	1,612	1,215
NSE	1,053	795
BSE MIDCAP	74	20
BSE SMALLCAP	569	145

DAY'S TOP LOSERS						
chgr	3mth high	52 wk high	Company	Day's low	Close	% chgr [*] 3mth low 52 wk low
6.3	292.8	626.3	Coal India	239.9	242.4	-2.9 228.5 228.5
6.2	71.3	101.4	ICI/CI Lombard	828.0	850.6	-1.6 703.4 683.0
5.5	1696.2	1696.2	Bharti Infratel	262.0	263.7	-1.2 241.8 241.8
4.9	683.8	1097.1	Bairam Chini	99.5	99.8	-1.1 66.0 58.8
4.9	69.0	128.2	KPIIT Technology	217.2	218.1	-1.0 170.0 172.7
4.6	34000.0	36336.0	Federal Bank	92.9	93.2	-1.0 67.1 67.1
4.5	127.5	165.3	V Guard ins	229.3	231.5	-0.9 159.1 159.1
4.2	108.5	129.4	Pitdite Ind	1098.0	1102.0	-0.9 898.0 890.0
3.9	39.7	84.0	Kajaria Cer	485.1	485.6	-0.9 316.2 316.2
3.9	961.0	1006.0	Castrol	151.8	152.2	-0.9 134.9 134.9
3.2	119.0	166.3	Adaptive Power	50.9	50.9	-0.9 21.1 21.1
3.4	462.0	993.0	Bandhan Bank	531.3	536.1	-0.8 369.2 369.2
3.4	860.0	99.5	NHPC	25.8	26.0	-0.8 22.2 22.2
3.3	106.1	600.7	TCS	1893.8	1895.8	-0.7 1784.0 1307.5

^{*} Ranked on the basis of percentage gain/loss on previous close

TOP M-CAP			TRENDS			
Rank	Company	Mcap (₹ cr)	52w low	% change	Company	% change
1*	Reliance Ind	7136.0	BS200		ABES Infra	19.4
2*	TCS	1133.8	UP 2 days		DOWN 7 DAYS	
3*	HDFC Bank	5773.2	UP 7 DAYS		Non Infracom	-23.5
4*	HUL	3933.8	UP 2 days		Samrat Phar	-20.5
5		3453.0				

First manned space mission gets nod

India’s human spaceflight project estimated to cost ₹100 billion

T E NARASIMHAN
Chennai, 28 December

The Union Cabinet on Friday approved the first indigenous human spaceflight programme, which will take three Indians to space for a minimum of seven days, at a cost of ₹100 billion.

Union Law Minister Ravi Shankar Prasad said the programme would be completed in 40 months. “This (the programme) will enhance India’s space power,” he said.

The space mission, also called Gaganyaan, will be executed by Isro in association with academia and industry, he said. Isro will work with the Institute

GAGANYAAN JOURNEY

- The rocket carrying the crew will take off from Sriharikota space port near Chennai
- As the vehicle accelerates, the crew will start feeling air pressure
- 16 minutes after take-off, they will reach low earth orbit and the crew will have a floating sensation. From here, they can look at earth
- Once they reach the orbit, they will do research. They will be travelling at around 7.5 km per second
- The spacecraft will be monitored 24/7 from the Isro Telemetry Tracking and Command Centre in Peenya

of Aerospace Medicine in Bengaluru to train the crew and the Indian Air Force, which will select the crew.

The aim is to take the astronauts to a height of 350-400 km above Earth and have them orbit the planet using an indigenous Geosynchronous Satellite Launch Vehicle Mark III (GSLV-III). Isro is expected to complete two unmanned mis-

sions before embarking on this programme and took a step towards it by successfully testing the next variant of GSLV Mk III two months back. Isro Chairman K Sivan said the space agency wanted to make the mission “more and more” indigenous by utilising the facilities available in India. Sivan estimates the mission will generate about 15,000 jobs.

MoD announces ‘Drone Olympics’ to check out market

AJAI SHUKLA
New Delhi, 28 December

The ministry of defence (MoD) has had little success in buying weaponry through conventional processes, laid down in its defence procurement procedures and manuals. Now, it is thinking way out of the box. In a bid to sample the market in unmanned aerial vehicles (UAVs), the Centre is organising Aero India 2019, which is scheduled to be held in Bengaluru from February 21 to 24. The event will feature a unique and unprecedented contest: the “Drone Olympics”, which will be held on the open-

ing day.

Defence Minister Nirmala Sitharaman on Friday inaugurated the Drone Olympics website, which stated: “The Government of India is organising a ‘Drone Olympics’ under which various drone competitions shall be held and winners will be honoured with medals and cash prizes. Come forward and participate in the competition.” From battlefield surveillance, photography, mapping terrain and delivering products to remotely fired missile strikes on high-value targets, drones are today one of the most sought-after gadgets in the field of defence.

PM to launch infra projects for Andaman islands

Prime Minister Narendra Modi will launch several of infrastructure projects in Andaman and Nicobar Islands on Sunday. He will reach Port Blair on Saturday evening and will visit the Tsunami Memorial at Car Nicobar the following day. The PM will lay a wreath at the memorial and light a candle at the Wall of Lost Souls, a statement from his office said.

He will inaugurate an industrial training institute at Arong and lay the foundation for some infrastructure projects.

PTI

OTHER CABINET RECOMMENDATIONS

- Cabinet approves draft National Commission for Homeopathy Bill, 2018, which seeks to replace the existing regulator Central Council of Homeopathy with a new body to ensure transparency and accountability
- New rules approved to govern India’s coastlines in which Cabinet has given impetus to promotion of tourism facilities such as shacks on beaches and stipulated No Development Zone of 20 metres for all islands
- Cabinet approves amendments to the POCSO Act and introduces strict steps to check circulation of child pornography and administration of hormones to children to attain early sexual maturity

Trai gives a mth to enforce tariff order

URVI MALWANIA
Mumbai, 28 December

The broadcasting industry has been granted some breathing space to implement the new Telecom Regulatory Authority of India (Trai) tariff order. The regulator had, earlier this week, indicated it would release a migration plan to ensure smooth implementation of the new tariff regime.

In order to help the service providers migrate their subscribers to the new framework without causing any inconvenience, Trai has issued a schedule of activities. All existing packs/plans/bouquets to the subscribers are to be continued uninterrupted till January 31.

Also, no service provider will be required to disconnect any signal/feed to any multisystem-operator/local cable operator or subscriber on that date. Distribution platforms have been asked to devise their own mechanisms to reach out to all the subscribers, and seek their options.

Lastly, all distribution platforms are required to move all their subscribers to new the framework by February 1.

The Trai circular also mentioned, “All the provisions of the Interconnection Regulations 2017, the QoS Regulations 2017 and the Tariff Order 2017 are in force, and the regulatory provisions contained therein may be strictly complied with, while implementing the prescribed schedule of activities. Accordingly, DPOs shall declare the distributor retail price and network capacity fee according to the timelines given in the Trai press release dated July 3, 2018, i.e. by December 29, 2018.”

The new tariff order, as mandated by Trai, comes into effect on December 29, which makes it compulsory for all broadcasters and distributors to make every channel available on an a-la-carte basis. While channels may be bundled at the broadcaster or cable/DTH-level, the choice will ultimately lie with the consumer.