



SIPNA BUSINESS INSIGHT

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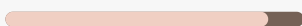
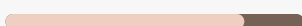
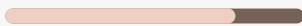
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View: Bank mergers and minor policy changes won't revive the economy **- Shamli Koche**

India's GDP growth slowed to 5% in the April-June quarter, the slowest since the scam-hit days of UPA-2. From 8.2% a year ago, growth has fallen sharply quarter after quarter. This is the combined effect of a cyclical global downswing and serious structural flaws that are pulling down long-term growth.

Exports, which revived in 2018 after five years, are falling again. Manufacturing growth has sunk to just 0.6%. Investment has slumped. The bad loans of banks are shrinking too slowly, and the current slowdown threatens to expand them again. The crisis in nonbanking financial corporations arising from the collapse of IL&FS is still not over. Meanwhile, budget follies have sent foreign portfolios fleeing from India, with the Sensex plummeting 3,000 points.

For years, the worst banks had been put under PCA (prompt corrective action) by the RBI, meaning they could collect deposits but do very little commercial lending, so bad was their lending record and so high were their nonperforming loans. To soak up past losses and recreate lending ability, the government has pledged to give Rs 70,000 crore for bank recapitalization, buttressing the bank mergers. This will be a short-term reprieve. But only structural change will prevent public sector banks from sliding downhill again.

Simply freezing lending by the worst banks was never a long-term solution. They could have been closed. Or, the bulk of dud loans of the whole banking system could have been transferred to a separate "bad bank", letting the system lend freely again. Instead, finance minister Sitharaman has merged the worst banks with the better-managed ones, hoping to improve the management quality and risk-taking skills. Will this really end the culture of giving dubious loans because of political pressures and lack of lending skills? Sitharaman wants banks to be professionalized, hiring risk managers at high commercial wages from the private sector. Alas, many efforts at professionalizing banks have failed because that is simply not compatible with the political and bureaucratic culture of the public sector.

Past mergers of weak banks with strong ones have not been encouraging. The merger of Punjab National Bank with the troubled New Bank in 1993 was messy and failed to create significant synergies. Early this year, the strong Bank of Baroda was merged with the weaker Vijaya Bank and Dena Bank, but post-merger performance shows little obvious improvement, and its share price has slumped from Rs 150 a year ago to Rs 92.

The danger of mergers is that instead of the strong banks lifting the weak, the weak ones may sink the strong. There is an old story about Nobel laureate George Bernard Shaw and a beautiful actress who was an admirer of his. The actress suggested they should get married, saying, "How fantastic it will be to have children with your brains and my looks!". Shaw retorted: "And what, madam, if they have your brains and my looks?"

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The government does not acknowledge the structural problem, let alone tackle it. Modi found that incremental reforms in his first term sufficed to produce 7% growth and win re-election. If he thinks the same approach will succeed in his second term,



Climate change: India pitches for financial support by developed nations - by Harsh Chopda

In the run up to two key UN summits on Climate Change, India has raised the pitch for finance and technology support to developing nations to achieve the Paris Agreement goals of keeping a global average temperature rise this century well below 2 degrees Celsius.

Union Minister for Environment, Forest and Climate Change Prakash Javadekar said India, under the leadership of Prime Minister Narendra Modi, was taking decisive steps in achieving Nationally Determined Contributions (NDCs), which is the heart of the 2015 Paris pact.

Javadekar spelt out the success stories of India on Paris NDCs to reduce national emissions and adapt to the impacts of climate change.

“In Chile, when we meet in the next COP (Conference of the Parties), we will be taking a stance that every country needs to follow their own commitments to reduce national emissions and advanced countries need to provide finance and technology support, that is most important to developing world, he told PTI here during his visit for a function on Friday.

The nations under the United Nations negotiated and adopted the Paris Agreement in which India made four commitments, including reducing greenhouse gas emission intensity of its GDP by 33-35 per cent below 2005 levels by 2030, under its NDC. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.

Referring to the government's ambitious Clean India mission, its efforts towards eliminating single-use plastic, harnessing solar and wind energy, and, creating more tree cover for the protection of the environment, Javadekar said these will be highlighted in various UN Climate forums.

A climate action summit being hosted by UN Secretary-General Antonio Guterres will be held this month and the United Nations summit hosted by Chile in December. He also said the Prime Ministers' ambitious renewable energy program to create 175 GW by 2022 is a huge success and India has already reduced energy intensity by 22 percent.

His remarks are in line with the statement of the BASIC group of nations- Brazil, South Africa, India, and China- in which they urged developed countries to undertake ambitious actions to reduce greenhouse gas (GHG) emissions and meet their financial commitments, including by mobilizing USD 100 billion annually by 2020. Replying to a Calling Attention Notice on Climate Change in Parliament in June this year, Javadekar blamed the developed countries for not keeping up with their commitment to providing USD 100 billion and technology transfer collectively to developing countries like India for dealing with climate change. “It is true that the developed world is responsible for most of the climate change situation today. Over 70 percent of the greenhouse gases emission were due to the developed countries while India's contribution is just three percent. There was overconsumption by the people in the developed world, he had

Said Climate change mitigation measures by 2020.

The developed nations had assured in the Paris conference about jointly mobilizing 100 billion Dollars a year by 2020 from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.

Javadekar, who is also the Information and Broadcasting Minister, spoke about the government's decision to curb the use of single-use plastic in the country. He said there is a people's movement to ensure that segregation of waste happens and to collect maximum waste.

To meet the challenge of processing the waste collected, the government has already notified six waste management rules related to solid waste, plastic waste, hazardous waste, bio medical waste and construction, and demolition waste management, the Minister said.



Tech Mahindra sees digital business growing to 50% of revenue: CP Gurnani

- by Pooja Balani

IT services company Tech Mahindra saw a muted first quarter, with tepid revenue growth and narrowing margins. It is now hoping some of its bets in areas including 5G technology and cyber security will pay off.

Tech Mahindra CEO CP Gurnani said 5G, blockchain, cyber security, AI and engineering services, will help the company speed up growth over the next few quarters. “At this stage, these are key priority areas,” he told ET in an interview.

You didn't have a very well last quarter. What is impacting the business environment? What are the challenges and opportunities?

How much do you see digital businesses contributing?

Digital continues to be our constant focus area, contributing 36% of the total revenue currently. Our aim is to take it all the way up to 50% of the overall revenue.

What will be Tech Mahindra's strategy?

Tech Mahindra is bullish on 5G. We are betting on new-age technologies like engineering services, cyber security, blockchain, and processes-a-service.

So far as 5G is concerned, it's just a question of time. 5G is ultimately a 2020 play-2019 will be more of a warm-up and that's why the 5G labs we have set up with our partner network and on our own will play a critical part in our readiness to offer 5G solutions and services as demand ramps up.

Next year is almost upon us. Do you see a multiplier effect of the bets you are taking?

We see a big opportunity in 'SG for enterprise' – we are doing road shows in Europe and the US along with our partners. 5G can unleash new business possibilities and experiences like never before.

SG pilots will continue in 2020, but in my opinion major players in the US, for instance, AT&T, Verizon, T-Mobile, and Sprint, would have rolled out 5G in phases, if not completely.

What exactly is Tech Mahindra delivering in 5G?

All businesses are around network services sharing. There are two approaches to it one is the traditional hardware, which is what some players (like Huawei, Ericsson) have opted for. Our focus is on a software-defined networks approach along with our partners. For us, the three clear business imperatives are- 'SG for enterprise', which Means we work with the local telecom providers and develop a 5G-powered Smart factory or smart healthcare or a smart city.

The second part is 5G for telcos wherein we are enabling telecom providers to roll out 5G, which is where the traditional network services also come in. The other important part is to be more of a system integrator for portions of that network. Tech Mahindra will have an anchor role to play in all three.

With 5G, will the contribution from the telecom business go up? For us 'SG for enterprise' and 'SG for telcos' are going to be equally important from a business point of view. Ultimately, whether telecom is actually going to become a horizontal or a vertical is an interesting landscape to watch.

What about big data, Artificial Intelligence (AI), etc? How will these play Out?

You cannot take out AI, Cloud, and data from anything that you do. 5G is a physical usage of an application, AI is the oxygen that is required if you want your business to stay alive. Data is the blood flow without which it is impossible to survive. AI and data sciences work in tandem in today's digital world and are embedded in everything.

So, what I am saying is that new-age technologies are interdependent. People talk about the cloud or Artificial Intelligence (AI), 5G, and Blockchain, which are necessities now. The amount of data that 5G will produce will have to be understood, analyzed, and put to use. Also, cyber security and blockchain will be critical. AI is now becoming mainstream.



Uttar Pradesh govt invites bids to buy 700 electric buses.

- by Kshitij Jaiswal

In the biggest order for electric vehicles (EVS) in the country so far, Uttar Pradesh has put out bids to buy 700 electric buses in one go at a cost of Rs 1,065 crore to run them in 15 cities, including Varanasi, Agra, and Lucknow.

ME the Centre's FAME (Faster Adoption and Manufacturing of Hybrid and Electric Vehicles in India) scheme, under which 5,595 air-conditioned electric buses are to be bought across the country.

FAME scheme the order is part of the second phase of Uttar Pradesh has added chief minister Yogi Adityanath's hometown Gorakhpur and religious spots Mathura-Vrindavan and Shahjahanpur to its list of cities for electric buses, though they did not feature in the Centre's list.

The new electric buses will run to the Taj Mahal in Agra, near the ghats in Varanasi, and to Gorakhnath Temple, the new All India Institute of Medical Sciences, and the airport in Gorakhpur, as per the routes decided by the UP government. Agra, Kanpur, and Lucknow will have 100 of these buses each while Mathura-Vrindavan, Prayagraj, Varanasi, Ghaziabad, and Meerut will have 50 apiece and Aligarh, Bareilly, Jhansi, Moradabad, Gorakhpur, and Shahjahanpur will have 25 each.

"In order to kick-start green mobility, the Directorate of Urban Transport, Government of Uttar Pradesh is inviting proposals from interested parties for procurement, supply, operation, and maintenance of electric buses and providing bus services in the identified urban areas of the state along with planning, designing, installation, operation and maintenance of charging. Infrastructure," says the UP government's proposal.

The FAME-II scheme proposes to give a push to EVS in public transport and to encourage their adoption by way of market creation and demand aggregation.

ME Ten of the 15 cities in UP's list were designated 'model electric mobility cities' in the first such policy notified by the Yogi Adityanath government last month for the manufacture and promotion of EVs with an aim to attract an investment of Rs 40,000 crore by 2024.

Under the policy, 200,000 electric charging stations will be set up across UP by 2024 and a million EVs, including 1,000 buses, will be on the road by then. Varanasi, Lucknow, Gorakhpur, Agra, Prayagraj, Kanpur, Mathura, Ghaziabad, Meerut and Noida have been designated model electric mobility cities with an aim to convert 70% of the public transport here to EVs by 2030, with Noida Rates acting as the pilot city for this project in 2020. The policy envisages half of cabs, school buses, ambulances and government vehicles in these ten cities to AM be EVs by 2024.

ME UP has nearly 15,000 EVs under the first phase of FAME scheme and is the biggest consumer market in the country for automobiles. EV charging stations will be set up every 50 km on all major expressways in the state. UP is promising 100% waiver of registration and road tax cost for the first 100,000 buyers of EVs in the state.





States may support GST relief on hotel tariffs

- by Shivani Jatale

India's apex decision body for goods and services tax (GST) could consider relief for the hotel sector, a proposal that is likely to be backed by states that remain divided over a reduction in the rate on automobiles and biscuits.

The GST Council will also discuss two Mnotes circulated by the Fifteenth Finance Commission—one on rate E rationalization and the other on revenue projection for both the Centre and the states for five years. Finance Commission Chairman NK Singh will also meet state finance ministers amid demands from the states for extending the GST compensation period, ending in 2022, by another three years to 2025. If the suggestion is accepted by the commission and subsequently by the government, it could mean an extension of the compensation cess for three more years.

States are amenable for GST cut on hotel tariffs of ₹7,500 and more to 18% from 28% or to raise the threshold for the higher tax rate, a government official said. Goa and Rajasthan, which generate substantial revenue from tourism, have been pushing for relief on this front. The council will consider proposals for GST rate rationalization for auto and other sectors as well, but there doesn't seem to be a consensus among stakeholders. The auto industry has demanded that GST on passenger vehicles be cut to 18% from the 28% to help turn around a sales drop amid a broader economic slump. Biscuit makers want GST on biscuits priced below ₹100 kg to be cut to 5% from 18% now.

The decision now rests with the GST Council but the Centre would want the states to share the burden if rates are lowered. "Taxes alone are not the reason behind slowdown in automobile sales.... Personally, I don't feel rate reduction can be taken up at the current juncture," said Sushil Modi, Bihar deputy chief minister and finance minister. Kerala has also opposed any reduction in the GST rate for autos.

West Bengal and Punjab may back a reduction in GST for the automobile sector due to the economic slowdown.

Amit Mitra, West Bengal finance minister, had previously written to finance OME minister Nirmala Sitharaman backing a move to cut GST on hybrid and vehicles that conform to Bharat State VI emission norms.

In an earlier letter to the Centre, Punjab finance minister Manpreet Badal sought a comprehensive review of tax rates for automobiles, textiles, micro, small and medium enterprises (MSMEs) and real estate to provide a boost to the slowing economy.

As in the past, states want the Centre to shoulder the entire burden of the REAM revenue loss on account of any tax cuts. But the Centre itself may not be keen OME on cuts if it has to compensate states for the losses. The Centre is already witnessing pressure on this front, having promised a 14% compounded annual growth rate over FY16 revenue collections.





Google to log into Job search market in India with Kormo

- by Govind Purohit

Google will venture into India's entry-level job search market with 4. Kormo. It has been undertaking pilots in India since early this year through its next billion users (NBU) unit, said people familiar with the matter. These involved ground research on how entry-level hirings were made in various sectors.

The app will be launched on Friday at the annual Google for India event in New Delhi, the company told ET.

Kormo helps users look for jobs rarely posted online and for which there is no structured, searchable repository. It was initially developed by Area 120 Labs, AX the company's in-house incubator and "workshop for experimental projects." VE ON Kormo is now part of Google's NBU unit.

The app debuted in its home market of Bangladesh, specifically Dhaka, in September last year, before it was launched in other key NBU markets. The Indonesia debut took place earlier this year. Kormo means work in Bengali. In Bangladesh and Indonesia, Kormo focuses on three sectors including retail, hospitality and logistics, according to its website. However, it is worth noting that Google is an investor in Bengaluru-based personal concierge services company Dunzo, which also functions in the logistics space. "Since we launched Kormo in Bangladesh in 2018 and in Indonesia this year, we've connected over 50,000 job seekers to jobs from hundreds of employers who use Kormo for their hiring needs, specifically entry-level jobs," Bickey TAX Russell, project lead, Next Billion Users, said in an email. "Because finding employment is a real need across different markets, we're looking to bring the same service to countries like India."

Data is scarce on entry level jobs. About 4.48 million graduate each year, according to the government's All India Survey on Higher Education for 2017 18. This excludes degrees in engineering and medical sciences, where the LEMENT number stands at nearly 1 million. According to the Indian Staffing Federation, 83.8% of the country's total workforce is deemed as informal.

India's unemployment rate hit a three-year high of 8.4% in August 2019, according to data released by the Centre for Monitoring Indian Economy earlier this month.

"Ever increasing cost of hire on account of demand of labour not matching supply of labour is the biggest roadblock on human capital for employers," said Rituparna Chakraborty, cofounder and executive vice-president at Teamlease Services Ltd. "If technology by any means eases this challenge for candidates, employers and job market aggregators, it shall improve matching efficiencies -quicker, better, cheaper and at scale exponentially.

Kormo is likely to run into competition from well-established online classified advertising companies such as Quikr and OLX, which have acquired blue collar job listing sites Babajob and Aasaanjobs, respectively, in recent years. Besides these, there are other large, deep-pocketed companies such as Qness Corp, which has a people's services vertical, and Tech Mahindra's Saral LOGY Rozgar.



Last-minute travelers help railways earn more than Rs 25,000 crore in the last 4 yrs: RTI is in for a rude shock. - by Siddharth Melmatti

Last-minute travelers have helped railways earn a whopping Rs 25,392 crore in the last four years, an RTI has found. The national transporter earned Rs 21,530 crore from Tatkal quota tickets and an additional Rs 3,862 crore from Tatkal Premium tickets between 2016 and 2019, with a massive 62 percent increase in revenue from the latter during this period.

Tatkal ticket charges have been fixed as a percentage of fare at the rate of 10 percent of basic fare for the second class and 30 percent of basic fare for all other classes subject to minimum and maximum.

Under the premium version, which was introduced in 2014 in select trains, 50 Percent of tatkal quota tickets are sold using the dynamic fare system.

In 2016-2017, the revenue from such tickets touched Rs 6,672 crore, going up to Rs 6,915 crore the following year. In 2017-2018 railways' earnings from the Tatkal quota rose to Rs 6,952 crore, According to an RTI filed by Madhya Pradesh-based RTI activist Chandrashekar Gaur.

However, it is in the Tatkal Premium quota tickets that railways saw a 62 percent jump in its earnings from 2016-2017 to 2018-2019 to Rs 1608 crores OME In 2016-2017, the amount was Rs 1,263 crore and in 2017-2018, the amount was Rs 991 crore. The tatkal scheme currently covers around 2,677 trains. According to railway figures, around 1.71 lakh seats, of the 11.57 lakh available, are up for booking under the tatkal scheme.



8 of top-10 firms add Rs 77,222 crore in m-cap; HDFC twins lead - Sanskriti Wagholar

Eight of the 10 most valued domestic companies together added Rs 77,222.53 crore in market valuation last week, propelled by sharp gains in HDFC twins and ITC.

While Tata Consultancy Services (TCS), HDFC Bank, HUL, HDFC, Infosys, ITC, ICICI Bank, and SBI were on the gainer's side, RIL and Kotak Mahindra Bank suffered losses in their market capitalization (m-cap) for the week ended Friday.

HDFC's m-cap zoomed Rs 21,657.69 crore to R 3,73,860.41 crore, while that of HDFC Bank jumped Rs 17,950.48 crore to Rs 6,09,441.46 crore. The valuation of ITC climbed Rs 11,917.17 crore to Rs 3,01,657.76 crore.

ICICI Bank added Rs 9,490.11 crore to its m-cap to reach Rs 2,64,975.02 crore, while Infosys' valuation advanced Rs 5,454.71 crore to Rs 3,49,874.16 crore.

The market cap of Hindustan Unilever Limited (HUL) rose from Rs 4,491.96 crore to Rs 4,07,004.24 crore and that of TCS went up by Rs 3,940.01 crore to Rs 8,47,307.23 crore. SBI's valuation spurted Rs 2,320.4 crore to Rs 2,44,266.62 crore.

In contrast, the m-cap of Reliance Industries Ltd (RIL) tumbled from Rs 17,491.6 crore to Rs 7,91,344.45 crore and that of Kotak Mahindra Bank tanked from Rs 7,79107 crore to Rs 2,73,394.07 crore. In the ranking of top-10 firms, TCS held on to its numero uno position. Followed by **RIL, HDFC Bank, HUL, HDFC, Infosys, ITC, Kotak Mahindra Bank, ICICI Bank, and SBI.**

Over the last week, the Sensex advanced 631.63 points or 1.72 percent.

