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Small State theory

Three years of Telangana show the idea can work, but there are performance concerns

When the State of Telangana was created in June 2014, it was thought to have no economic future. An exodus of capital was predicted in its wake, and indeed Hyderabad did initially go through a real estate slump amidst fears that businesspersons of coastal Andhra Pradesh origin in particular would pack their bags. It goes to the credit of the K Chandrashekhara Rao government that nothing of the sort has happened. Dispelling initial fears raised by its household survey — conducted soon after it assumed power in 2014 — that the government would ask 'outsiders' to leave, the KCR government went out of its way to ensure that there would be no capital flight. Today, both Telangana and Andhra Pradesh are vying with each other to get investment proposals; this despite the fact that the latter is distinctly better off in terms of per capita income, and agriculture and industrial activity. In 2016, Telangana shared the top rank with Andhra Pradesh in the ease of doing business rankings of the Centre. KCR has scored some pluses in terms of easing the power situation, which may ensure that industry stays interested. Hyderabad remains a draw, with Apple, Uber, Amazon, IKEA and DreamWorks lining up. Telangana has the potential to move up the socio-economic ladder. The State government's finances are better placed than the rest of the country. As much as 75 per cent of its revenue expenditure is financed from its own revenues in 2016-17, against the all-India average of 57 per cent (Andhra Pradesh's is 51 per cent). Its interest outgo in 2016-17 was 8 per cent of its revenue expenditure, against the all-India level of 12 per cent. This allows KCR to undertake ambitious development schemes such as rejuvenating its tank irrigation systems — which, however, need to be executed with an eye for hydrological detail. A region that is plagued by backward agriculture (2,300 farmers' suicides in three years) and undeveloped urban centres other than Hyderabad, could see a gradual transformation. The government's controversial move to create 21 new districts (there were 10 earlier) may actually lead to better last-mile delivery.

However, the KCR regime has some singularly disquieting aspects. It is modelled on the politics of patronage and populism, not empowerment — not dissimilar to Jayalalithaa's style. The State government has been reduced to a family concern. The overtly religious idiom of the chief minister — and his use of public funds to this end — has been a cause for concern. His intolerance of dissenting voices, including those who were at the forefront of the Telangana movement, is a bad sign.

Yet, Telangana lends credence to the argument that smaller States can be better run. The question, of course, is the basis and principles on which these smaller units are to be created and run. We have come a long way from the creation of States on linguistic lines. The accent now has to be on decentralised, inclusive governance.

Why are India's sovereign ratings poor?

Rating agencies are fixated with per capita income. Hence, India's ratings are lower than countries with higher deficits

NANDINI VIJAYARAGHAVAN

In *Economic Survey 2016-17*, Chief Economic Advisor Arvind Subramanian has highlighted what he terms the "poor standards" of the rating agencies. He feels that India's sovereign ratings don't reflect the country's fundamentals and prospects, and have been stagnant for too long.

Puzzling assessment

The sovereign credit ratings assigned by the three international rating agencies — Fitch, Moody's and Standard & Poor's (S&P) — are on a par at 'BBB-', the lowest investment grade rating. Fitch and S&P have assigned a stable outlook for India, while Moody's has assigned a more optimistic positive outlook. Moody's upgraded India to 'Baa3' in January 2004, while Fitch and S&P upgraded India's sovereign rating to 'BBB+' in August 2006 and January 2007 respectively.

India's stagnant sovereign ratings is a puzzle given its nominal GDP, the sixth largest in the world, grew by 36 per cent since 2010-11 to $2.26 trillion in 2016-17 with the general government deficit moderating to 6.7 per cent in 2016-17 from a seven-year peak of 8.3 per cent in 2011-12.

The current account deficit has also improved significantly to 1.4 per cent in 2016-17 from a seven-year peak of 7.8 per cent in 2012-13. Forex reserves, among the ten highest in the world, are adequate to meet 4.7 months of current account payments. The ratios of the non-financial sector and household debt to GDP are moderate.

The Government's reform initiatives including FDI liberalisation, bankruptcy code, monetary policy framework agreement, GST and the Aadhaar Bill are expected to spur investments, eliminate tax inefficiencies and improve government revenues and governance.

The impediment to the rating agencies upgrading India's sovereign ratings lies in their methodologies. The sovereign rating methodology factors economic strength, institutional strength, fiscal performance, and susceptibility to event risk to assign ratings. The rating agencies categorise countries into buckets based on their size (GDP), growth, volatility of growth and per capita income, among other factors. The emphasis on per capita income is because countries with higher per capita incomes are better equipped to withstand cyclical volatility and are endowed with higher debt servicing ability. India's low per capita income has resulted in its sovereign rating being lower than countries with higher deficits and indebtedness and lower growth prospects.

But does India's low per capita income contribute to socio-economic and political instability? The answer is clearly, no. The Gini index/co-efficient, a number ranging from 0 to 100, measures a country's income distribution. Zero represents perfect equality and 100, perfect inequality. India's Gini co-efficient at 33.6 compares favourably with those of China (46.9), Spain (35.9), and Indonesia (36.8). Italy's Gini co-efficient is better than India's at 31.9.

On a comparative scale

The *Survey* benchmarked India's growth rate and credit to GDP ratio with those of China's and made a case for higher ratings. Table 2 benchmarks India's ratings and macroeconomic performance with those of four other countries — China, Indonesia, Italy and Spain.

The GDPs of Italy and Spain are projected to grow at much lower rates than India's and Indonesia's. The level of government, corporate and household indebtedness is significantly higher than India's and Indonesia's. Italy and Spain share India's problem of a high level of bank non-performing loans (NPLs). The one metric in which the two countries outperform India and Indonesia is GDP per capita.

Yet Fitch and S&P rate Spain two notches higher than India and Indonesia, while Moody's has assigned a rating that is one notch higher.

Further, S&P has assigned a positive outlook on Spain's rating but a stable outlook on India's rating. Similarly, Fitch and Moody's have assigned ratings to Italy that are a notch higher than India's sovereign rating, while S&P rates India and Italy on a par. This is despite Italy's ratio of bank NPLs to total gross loans being more than twice India's NPL ratio!

The ratios of China's non-financial sector debt and household debt to GDP are among the highest in the world. Yet Moody's Credit Opinion dated January 26, 2017 lists "a relatively moderate level of government debt, which is financed at low cost" as a credit strength. The agency narrowly focusing on government debt and ignoring the systemic risks stemming from high levels of non-financial sector and household debt is baffling.

True rating

The International Monetary Fund's Article IV consultation report dated August 2016 estimates China's 2016 "augmented fiscal balance" as a percentage of GDP, to be 10.1 per cent. China includes net land sales proceeds as a government revenue, whereas IMF treats net land sales proceeds as a financing cash inflow. IMF's Article IV India consultation report dated February 2017 estimates India's 2016-17 general government balance as a percentage of GDP at -6.7 per cent; which is equal to India's official estimates. If this higher deficit is juxtaposed with China's non-financial sector and household debt, what would its "true" rating be?

In conclusion, a 'BBB-' sovereign credit rating for India does seem low in the context of its significance to the global economy, strong macroeconomic performance, improving governance and regulation, and robust growth prospects. A five to six notch differential between India's and China's sovereign ratings is excessive.

Whether China's sovereign credit rating is representative of its macroeconomic profile and debt servicing ability is a question rating agencies ought to address expeditiously. The differentials between India's, Italy's and Spain's sovereign ratings are farcical. It is high time rating agencies rid their portfolios of such inconsistencies to enable investors assess and price sovereign risks accurately.

The writer is a corporate finance professional and co-author of 'The Singapore Blue Chips'

The strange ways of rating agencies

How India fares vis-à-vis the rest

	India	China	Indonesia	Italy	Spain
Sovereign ratings & outlook					
Fitch	BBB-/Stable	A+/Stable	BBB-/Positive	BBB/Stable	BBB+/Stable
Moody's	Baa3/Positive	Aa3/Negative	Baa3/Positive	Baa2/Negative	Baa2/Stable
S&P	BBB-/Stable	AA-/Negative	BB+/Positive	BBB-/Stable	BBB+/Positive
Macroeconomic indicators					
2016-17 Nominal GDP ($ billion)	2,259	11,125	927	1,851	1,233
GDP per capita, PPP ($)	6,105	14,451	11,058	37,217	34,727
2017-18 Projected Real GDP growth (%)	7.30	6.40	5.20	0.90	2.50
Inflation (%)	2.99	1.20	4.17	1.90	2.60
General government revenues/GDP (%)	21.40	27.80	14.00	47.10	38.10
General government balance/GDP (%)	-6.70	-3.00	-2.70	-2.40	-3.30
Current account balance/GDP (%)	-1.40	1.60	-2.60	2.60	2.00
Net FDI/GDP (%)	1.00	0.30	1.30	0.30	-1.90
Usable reserves/Current account payments*	4.7	17.8	6.4	2.7	1.4
Government Debt/GDP (%)	68.90	40.30	27.40	130.50	97.60
Non financial sector Debt / GDP (%)	128.20	255.60	68.20	273.10	282.90
Household debt/GDP (%)	10.50	43.20	16.70	41.70	65.20
Bank NPLs/Total gross loans (%)	7.57	1.75	2.98	17.97	6.09
Ease of doing business - Rank	130	78	91	50	32
Quality of infrastructure - Logistics performance index ranking	35	27	63	21	23
Corruption index rank	79	79	90	60	41

*months

Sources: IMF, BIS Statistical Bulletin March 2017, Fitch, Moody's, and S&P

Breathe easier with better treatment

Lung diseases are the second biggest killer in India. But a new study holds out hope of a better treatment protocol

RAJA DHAR

Chronic Obstructive Pulmonary Disease is an under-diagnosed and under-treated disorder. Although it is a relief to see some policy attention on the condition with its inclusion in the National Health Policy 2017, there needs to be a sharp focus on accurate diagnosis and use of superior evidence-based treatment for disease management. This need is highlighted by the global trend of most non-communicable disease burdens gradually plateauing, while COPD incidence is witnessing a rapid rise. Currently, COPD is the third largest killer affecting an estimated 210 million people. Almost 90 per cent of COPD deaths occur in low and middle-income countries. In India, it is the second largest killer Responsible for 22 million deaths, COPD destroys quality of life.

India badly affected

The National Commission on Macroeconomics and Health (NCMH) has identified India as one of the countries most affected by COPD. According to NCMH, in 2011, COPD contributed ₹35,000 crore to the economic burden of India and was estimated to reach ₹48,000 crore by 2016-17.COPD has direct healthcare costs, accounting for nearly two-thirds of total revenue, related to the detection, treatment, prevention, and rehabilitation of the disease. There is a direct relationship between the severity of COPD and the overall cost of care at the patient level. Hospital stay accounts for roughly 45-50 per cent of the total direct cost generated by COPD patients across all three stages.

The indirect cost emanates from morbidity and mortality, such as days off from work, poor exercise tolerance and disturbed sleep patterns. Half of all COPD patients say that the disease hinders their ability to work. However, the alarming fact is that 25-50 per cent of people with clinically significant COPD are ignorant about the disease; there is rampant misdiagnosis too. There are significant gaps in the clinical approach to the management of COPD and other airway diseases. Lack of awareness leads to underestimating disease prevalence resulting in disease progression and poor disease management.

Good tidings On the COPD front

GRECHKO VLADA/SHUTTERSTOCK.COM

Most primary healthcare units are ill-equipped and hence primary care physicians are unable to diagnose the disease in the early stages. They are also not comfortable with the use of inhalational drugs and prefer using much less efficacious oral medications, which also have greater side effects. Often due to symptomatic similarities between asthma and COPD, (wheezing, shortness of breath and chest tightness, pain or pressure), patients are put on asthma treatment protocol. Since patients respond to the treatment, physicians don't feel the need to diagnose and distinguish between asthma and COPD. However, according to the Global Initiative for Chronic Obstructive Lung Disease (GOLD), the disease classification comprising moderate, severe and very severe disease, need different treatment strategies.

A marked improvement

All previous research studies on COPD looked at improvement of lung function as the primary criterion. However, in time it has become clear that the main killer in COPD is exacerbation. The recently published study in the *New England Journal of Medicine* called 'FLAME', the last of 11 studies in the IGNITE Phase III clinical trial programme for the treatment of COPD, compared the efficacy of two drug combinations in the treatment of COPD. Bronchodilators have proven to be the best treatment. The FLAME results are likely to impact the management and treatment of COPD and bring about an important change in the quality of care. GOLD recently announced a revised guideline in which pharmacologic treatment algorithms have been tailored to patient's needs. Bronchodilator treatment is now thought to be the most important facet of management of COPD across all 'GOLD Grades' with inhaled steroids being used in a select few.

This is clearly good news. To sum it up, today, there is greater need to adopt a multi-pronged framework approach involving the reduction of risk factors, improving availability of health personnel and other infrastructure such as drugs and devices and effective surveillance systems.

The writer is a consultant pulmonologist at Fortis Hospital, Kolkata and one of the investigators of the FLAME study

FROM THE VIEWSROOM

Missed opportunity

The current form of GST is only a half-baked reform

Even as the nation prepares for the biggest indirect tax reform in the country with the implementation of the goods and services tax (GST), politics has trumped simplicity. As a result, the nation needs to contend with five tax rates for goods and services — from nil to 28 per cent — as well as distortions in the tax structure created to appease different interest groups, including industry.

The implementing of GST was a golden opportunity, though a tough act, to clean up distortions in the tax structure. An ideal GST structure should have had two-rate structure — a standard rate for most items and a concessional rate for select items of mass consumption. Only a handful of items should have remained exempt. Had the Centre chosen to go down that path, as many tax experts and economists advised, there was a real risk of GST not being implemented in the current fiscal. Many more meetings could have ended fruitlessly as States bargained to keep items in the concessional rate basket.

Therefore, the Centre agreed to more or a less a status quo taxation structure — where revenues of the Centre and States are protected and impact on inflation is minimal. This was achieved by taking the weighted average rate of Central and State taxes on various goods and fitting them into one of the five rates.

Consumers cannot complain much as prices of most items will see little change. But, they will have to live with a situation where shampoos and razors will be taxed at a higher rate than instant foods, pastas, cakes and pastries. Thankfully, taxation policies do not stay static and GST can be refined over the next few years. That is the task before the GST Council once the transition to the new tax regime is completed. Only then will the objective of 'One nation, one tax, one market' be truly achieved.

Tina Edwin Senior Deputy Editor

LETTERS TO THE EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Not much to cheer

The plans to organise the Making of Developed India (MODI) fest to commemorate the three years of the BJP government is nothing but a self-certification ('On turning 3, Centre plans mega ad blitz, Modi branding', May 23).

The prices of essential commodities continue to rise, the tension on the border is escalating. In spite of having completed three years, the Government has not been able to improve our relations with our neighbours.

We don't know to what extent the PM's travels haveyielded any positive results in terms of investment. The demonetisation exercise was a misadventure.

On the positive side, the Government has been able to keep corruption at bay. Unless the Government tightens its belt, the people's disillusionment will only increase.

V Subramanian
Chennai

Right perspective

This refers to 'Three cheers for a spunky woman' by Rasheeda Bhagat (May 23). The article has made an attempt to view the incident in a proper perspective justifying the publicity. The sexual abuse of women has assumed impermissible proportions. It is necessary that a strong message goes not only to the perpetrators of such crimes but even to law-enforcing authorities.

TR Anandan
Coimbatore

We have ceased to be a civilised society when it comes to the treatment of women — their woes start from child abuse, continue as stalking and sexual harassment, and culminate in domestic violence and dowry tortures.

When society turns indifferent to assaults on a woman's honour, the culprits are viewed with compassion and the judiciary takes 3-4 years to punish even the most brutal rapists in an open and shut case such as that of Nirbhaya. What is the alternative except to teach the culprit a lesson in a manner he can never forget? It is time this woman is recognised as a trail-blazer instead of condemned as guilty of primitive punishment.

YG Chouksey
Pune

The incident is not surprising; there have been many such incidents of so-called religious gurus remorselessly exploiting women. What is appalling here is that the victim's mother was aware of what was happening but chose to remain silent. We need to wake up and not only think a hundred times before bowing before such gurus but also shed inhibitions and bring all such incidents out in the open.

Bal Govind
Noida, Uttar Pradesh

The China example

This refers to 'Where will global demand come from?' by CP Chandrasekhar and Jayati Ghosh (May 23). The slack in domestic production in the US triggers production in other nations, especially China and Germany. To offset the setback in its export-led growth, China recently unveiled its OBOR project. It can revive the global demand apart from leading to wage growth. As far as international trade is concerned, all nations should embrace the comparative-advantage approach.

S Lakshminarayanan
Cuddalore, Tamil Nadu

NPA conundrum

It is interesting to see how the RBI is going to resolve the huge NPAs with the special powers entrusted to it to deal with the banks. It has already formulated oversight committees to deal with individual bank boards to solve the problem. But the strategies remain to be seen. The same formula cannot be applied to deal with all NPAs .

However, it must be ensured that the write-off should not be on the principal but only on the interest; portion that too penal interest charged may be waived in order to see that banks don't suffer losses. Further, these proposals have be be acceptable to the respective boards and borrowers. Then again, what about future accrual of NPAs? .

TSN Rao
Bheemavaram, Andhra Pradesh

Erratum

With reference to the story titled 'HCC joint venture bags ₹673-crore contract for dam project in Rajasthan', HSEPL stands for Hoisto Structurals & Equipment Pvt Ltd, Bhopal, and not HPCL Shapoorji Energy Pvt Ltd as mentioned in the story. The error is regretted.

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GST's tariff troubles

Thanks to egregious classification errors

MOHAN R LAVI

One of the main areas of litigation under the Central Excise Act is classification of goods under the detailed but over-exhaustive Central Excise Tariff. Among other things, tax tribunals and courts in India have debated at length whether parts of an air-conditioner are air-conditioners and whether a saree should be classified as a saree or a ready-made garment.

The devil was always in the details in winning these classification battles. A question that was popping up now and then was whether it was necessary to go down to the minutest detail in classifying tariff items.

Those many tariffs

Some months ago, the GST Council came to an agreement on four rates of GST; namely, 5 per cent, 12 per cent, 18 per cent and 28 per cent. The transition to GST provided an excellent opportunity to lawmakers to substantially shorten the Central Excise Tariff and fit the shortened tariff into these four rates. An easy way to do so would have been to fix GST rates on the Chapter Headings instead of going into the detailed contents of each Chapter.

Like in most other things in the GST law, the lawmakers have decided to use existing laws as the foundation on which to frame GST instead of thinking afresh. In fact, they have made it even more exhaustive by adding a classification list of more than 800 services classified into about 100 groups.

The new tax rates have generally pleased most people since essential items such as sugar, edible oil, normal tea and coffee attract a GST rate of 5 per cent while items such as cereals and jaggery have been exempted. Hair oil, toothpaste and soaps will be taxed at 18 per cent, much lower than the present 28 per cent. The council was unable to come to an agreement on the rates of taxes for two highly sensitive sectors: gold and textiles.

While there was a general expectation that the tax rate on services would be 18 per cent, the council has allocated services among the four main rates of taxes. The other aspects of the service tax law such as exemptions and reverse charge have been carried over to the GST regime.

List of concerns

Wood features in all categories of taxes. Firewood, fuelwood and wood charcoal come in at 0 per cent; wood in chips or particles, sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms are taxed at 5 per cent; hoopwood, split poles, piles, pickets and stakes of wood (pointed but not sawn lengthwise), wooden sticks roughly trimmed but not turned, bent or otherwise worked, are at 12 per cent. Wood in the rough, wood sawn or chipped fall in the 18 per cent bracket and particle board, Oriented Strand Board and similar board (for example, wafer board) of wood or other ligneous materials fall in the 28-per cent bracket. The question is how many tax officers can identify with wooden sticks that are roughly trimmed but not turned or stakes of wood that are pointed but not sawn lengthwise?

Hair-splitting on such intricacies can lead to some unique situations; the *prasadam* given in temples is not taxed but the vessel in which the *prasadam* is given is taxed at 18 per cent. This has also resulted in errors: Tender coconut water put up in unit container and bearing a registered brand name appears in both the Nil and 5-per cent categories.

There was a school of thought that litigation under GST was a couple of years away. With the GST tariff in its present form, it is certain that litigation will commence from the very start itself.

The writer is a chartered accountant

2019 general elections and the BJP

Unless the party spreads its Hindi heartland clout to other States, it may actually face difficulties in 2019

ESWARAN SRIDHARAN

INDIA IN TRANSITION

Results of the five recently concluded elections to State assemblies — Uttar Pradesh, Uttarakhand, Punjab, Goa, and Manipur — this March, by-elections to 10 Assembly constituencies across States, and the municipal elections in Delhi in April, in which the ruling BJP has done well, have important implications.

In addition to the elections, changes in political finance passed in the Finance Bill. The amount parties can accept in cash has been lowered to ₹2,000 while the floor for declaring the identities of donors and the amounts donated remains ₹20,000. The cap on company donations to parties of 7.5 per cent of the net profit average of the prior three years has been lifted and companies will also no longer have to declare political donations in their profit and loss accounts.

Further, time-limited electoral bonds can now be purchased by prospective donors to parties from scheduled banks and can be given to any party without identifying the party (the party can also cash the bond without identifying the donor).

Four implications

There are four important implications to consider leading up to the 2019 general election: fund flow to political parties; the presidential election in mid-2017; the composition of the Rajya Sabha by 2019; and, most importantly, the prospects for the BJP in the 2019 general election.

On political finance — the essential lubricant of elections — the net effects of the recent changes in the rules could be an increased flow of funds to political parties by digital or check payments but without disclosure of donor identities. Indeed, as the Finance Minister said, part of the objective was to protect donor anonymity; the banks will know who bought electoral bonds but not to which party they were given. This is a far cry from transparency and disclosure of donor identities and amounts — standard in most developed democracies — but will boost (opaque) fund flow to parties, something about which both parties and donors feel comfortable. We can expect an arms race in fund-raising over the next two years with the ruling party having an edge.

The victories in the State Assembly elections, particularly in UP, have greatly strengthened the BJP's, and NDA's, position in the run-up to the mid-2017 presidential elections. The NDA is now only about 20,000 votes short of a simple majority but can potentially get their choice (or a compromise choice) of President elected with the support of potentially friendly parties such as the AIADMK, the Biju Janata Dal, or the Telangana Rashtra Samithi. This will strengthen the NDA's position in the event of a hung parliament in 2019.

Big shift

Given recent developments (particularly the BJP's big win in UP), the composition of the Rajya Sabha will change in favour of the BJP and NDA, although not immediately, and not giving the NDA a simple majority by 2019. A simple majority in the Rajya Sabha is needed to pass bills other than money bills.

In 2018, there will be 10 vacancies in the Rajya Sabha from UP, from which the BJP should be able to add seven to its list. Adding up vacancies across States in 2018 and 2019, and assuming the BJP fares well in the intervening State Assembly elections, the NDA tally should rise to a possible 95 (including a seat each in Goa and Manipur, grabbed from the Congress) and the UPA tally should fall to a possible 66 by the 2019 general elections. This will still be short of a majority in the Rajya Sabha. The NDA will be dependent on regional parties to pass legislation and will not be able to think of constitutional amendments without broad cooperation with the opposition.

The lotus line up Get the mix right across States REUTERS

That said, the recent State Assembly elections — particularly the sweeping 80 per cent majority for the NDA in UP and Uttarakhand and the formation of BJP-led governments in Goa and Manipur despite trailing the Congress in seats — have given the BJP a huge psychological boost and left the Congress in a state of despondency over leadership issues despite a handsome victory in Punjab. Does this mean that a BJP majority or even a larger majority is inevitable in 2019?

While this is possible, the situation is much more complex when it comes to the parliamentary election due to the nature of the BJP victory in 2014.

If we break down the BJP victory geographically, it is clear that it was based on a regionally concentrated sweep of northern, central, and western India — the nine Hindi-speaking States and two Union Territories, plus Gujarat, Maharashtra, Goa, and two Union Territories in the west.

In this region, the BJP won 193 out of 226 seats in the Hindi belt (nine States plus two Union Territories of Delhi and Chandigarh) or 85 per cent of the seats, and 53 out of 78 seats in the western region (Gujarat, Maharashtra, Goa, and two Union territories of Dadra and Nagar Haveli and Daman and Diu), or 68 per cent and still more if one counts its NDA allies, particularly in Maharashtra and Bihar.

This accounts for 246 out of 304 seats or 81 per cent in the Hindi belt and western India, not counting allies, a feat that will be difficult to replicate. It won all 26 seats in Gujarat, all 25 in Rajasthan, all four seats in Himachal Pradesh, all five seats in Uttarakhand, 27 out of 29 in Madhya Pradesh, 10 out of 11 in Chhattisgarh, 12 out of 14 in Jharkhand, and 71 out of 80 in UP. In terms of vote share, it enjoyed a simple majority in Gujarat, Madhya Pradesh, Himachal Pradesh, Rajasthan, and Uttarakhand.

However, this sweep allowed for a narrow majority of 282 seats (halfway mark 272) based on a 31 per cent vote share, the lowest vote share in Indian parliamentary elections to convert into a seat majority at 1.67 perc ent seats for every 1 per cent vote (the highest such ratio to date). Outside this region, in the south and east States, with the exception of strong bases in Karnataka and Assam, the BJP starts from a low vote share and would require a huge jump in votes to convert into seats.

While the greatly-strengthened BJP might see a further swing in its favor in 2019, what is crucial for its winning a majority on its own again is not just the magnitude of such a possible swing but how it is geographically distributed. If such a swing is limited to its stronghold region, it might result in not winning additional seats, but simply winning already held seats by larger margins, while not picking up many seats in the south and east to compensate for possible losses in its stronghold region where it already holds an overwhelming majority.

This would not be easy to replicate, particularly if the opposition forms a grand coalition. It is likely why the BJP is making efforts to expand its base in the southern and eastern States, most actively in West Bengal, to build a vote share that would make it a credible contender for a large number of seats from these new areas in 2019. Going forward, we should expect to see intensified efforts in this direction.

The writer is Academic Director and Chief Executive of the University of Pennsylvania Institute for the Advanced Study of India. This article is by special arrangement with the Center for the Advanced Study of India, University of Pennsylvania

5 THINGS to WATCH OUT for TODAY

- **A special** CBI court is likely to hear today the 1992 Babri Masjid demolition case. On May 20, the court began day-to-day hearing in the politically sensitive case and granted bail to the five VHP leaders named as accused in it. Former BJP leaders LK Advani, Murli Manohar Joshi and Uma Bharati are yet to appear before the court in the case.

- **Congress** President Sonia Gandhi has invited leaders of Opposition parties to meet in Delhi today to put up a common candidate for President. Earlier, Gandhi had a meeting with TMC supremo Mamata Banerjee where the two leaders discussed the possibility of arriving at a consensus Presidential candidate.

- **The trial run** of the first electric taxi in the country will start from today in Nagpur. The project is being undertaken by the Nagpur Municipal Corporation. E-taxis are expected to form part of the government's plan to reduce pollution.

- **Volkswagen** is to launch its mid-sized SUV, the Tiguan, today. The Tiguan was first unveiled at the 2016 Auto Expo and entered local assembly in March this year. The Tiguan will be followed by the all-new Passat, which is also expected to be locally assembled in the country.

- **Asus** is to launch another member to its Zenfone series today with the launch of a new smartphone in India. Recently, the company launched Zenfone Go 5.5 (ZB552KL) smartphone priced at ₹8,499, which is available exclusively on etailer Amazon India.

A THOUSAND WORDS

Here was a dam The Theewaterskloof Dam, a key source of water supply to Cape Town, South Africa, on April 16. The city, a major international tourist attraction, is instructing people to severely restrict water use because of the area's worst drought in more than a century HALDEN KROG/AP

BusinessLine TWENTY YEARS AGO TODAY

MAY 24, 1997

Banks, MFs stuck with 'junk' CRB Caps

A number of banks and mutual funds are stuck with what securities market circles would call as 'junk' shares of CRB Capital Markets that they bought as allotees in the company's private placement efforts. As these banks and other institutional investors are increasingly regretting to note, CRB Caps has left an interesting trail of private placements and firm allotments behind it. Beginning with 1994-95, the company made a private placement of nearly 55 lakh equity shares, each at a huge premium of Rs. 128, to raise Rs. 75.65 crores from various banks and mutual funds.

Tisco net drops 17%, to pay 45%

Tata Iron & Steel Company Ltd. (Tisco) has reported a 17 per cent drop in its net profit for the year ended March 31, 1997, at Rs. 469.21 crores against Rs. 565.79 crores in the previous year. The Tisco Board has recommended a dividend of 45 per cent for the year. The effective cost of-the dividend to the company will be 49.5 per cent and the outgo on this account will be Rs. 182.23 crores, amounting to 38.44 per cent of the profit after tax.

ICICI Banking Corpn. IPO in Aug.-Sept.

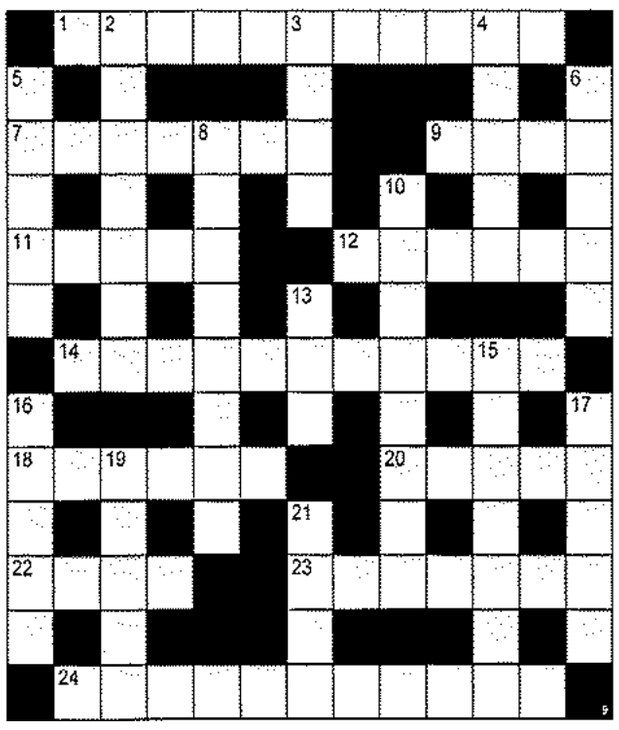
The ICICI Banking Corporation, a wholly owned subsidiary of ICICI Ltd., plans to enter the capital market between August and September with an initial public offering of Rs. 41 crores at a premium of Rs. 25 per share. The bank has filed the draft prospectus of its IPO with the Securities and Exchange Board of India (SEBI). Official sources said the ICICI bank was awaiting the RBI's permission for diluting only 25 per cent of the promoters' holding before filing the prospectus with SEBI. The bank expects to receive SEBI clearance early next month. The issue will be lead-managed by Kotak Mahindra Ltd.

BL TWO-WAY CROSSWORD 856

EASY

ACROSS
01. Outraged, shocked (11)
07. Not specific; common (7)
09. Get larger (4)
11. Round journeys (5)
12. Object pawned (6)
14. Ruin (11)
18. Princely residence (6)
20. Precise (5)
22. Not at home (4)
23. Perception (7)
24. Wife of marquis (11)

DOWN
02. To eat (7)
03. In a skilled manner (4)
04. Went off-course (5)
05. Stone, form of chalcedony (5)
06. Sugared (5)
08. Systematic investigation (8)
10. Conspirators (8)
13. Dined (3)
15. Citrus fruit (7)
16. Spreading flower-shoot (5)
17. Condition (5)
19. S American transport animal (5)
21. The South of France (4)



NOT SO EASY

ACROSS
01. A less candid form in which to be shocked (11)
07. Is not restricted to a man skilled in tactics (7)
09. Cultivate gladioli initially on the line (4)
11. Round trips made to towers across the Channel (5)
12. Something given as security is quietly put on the shelf (6)
14. Ruin for Dave, somehow, going to Waterloo (11)
18. Find a job for somebody around a sumptuous dwelling (6)
20. Make one pay for a former piece of legislation (5)
22. Is off, if not playing on one's home ground (4)
23. Enlightment that may be within one's view (7)
24. Lady with charms one is somehow taken in by (11)

DOWN
02. Eat an icecream that's got the whole lot in it (7)
03. In such a skilled manner would it not be worthy of remark? (4)
04. Was wrong to sound hesitant when embarrassed (5)
05. At entering an epoch, find a stone (5)
06. You and I get in a collection for afters (5)
08. Deep study may make one look again (8)
10. They mark charts made by about fifty men at the wheel (8)
13. Half the team, after a start, did 2 (3)
15. Find the fruit in so upsetting enclosed kitchen fireplace (7)
16. Apply drops to a spreading arrangement of flowers (5)
17. Condition of the beast a terrier held (5)
19. The guanaco is completely given over to mother (5)
21. Situated between one and the South of France (4)

SOLUTION: BL Two-way Crossword 855

ACROSS 1. Conform 5. Fines 8. Proceed 9. Robed 10. Reluctant 12. Yet 13. Aggro 17. End 19. Trainable 21. Inner 22. Outrage 24. Greed 25. Tatters
DOWN 1. Capers 2. Noodles 3. Ore 4. Media 5. First-born 6. Nobly 7. Sedate 11. Chattered 14. Embrace 15. Seeing 16. Recess 18. Dunce 20. Aloft 23. Tut