ECONOMY

GOLD	RUPEE	OIL	SILVER
₹32,470	₹69.43	$52.28	₹39,250

Indian basket as on December 31, 2018

SENSEX: 36,254.57 ▲ 186.24 **NIFTY:** 10,910.10 ▲ 47.55 **NIKKEI:** 20,014.77 ▼ 62.85 **HANG SENG:** 25,845.70 ▲ 341.50 **FTSE:** 6,728.13 ▼ 5.84 **DAX:** 10,558.96 ▲ 177.45

International market data till 1900 GMT

BAD LOANS SURGE FROM ₹597 CRORE TO ₹7,277 CRORE IN TWO YEARS

As sanctions increase, Mudra loan NPAs nearly double during 2017-18

SUNNY VERMA
NEW DELHI, JANUARY 1

PUBLIC SECTOR banks have seen a steady rise in the amount of Mudra loans turning into non performing assets (NPAs) over the last three years. The amount of Mudra loans given by state-owned banks that turned into NPAs rose to Rs 7,277.31 in 2017-18, nearly double of Rs 3,790.35 crore of NPAs recorded in 2016-17, according to finance ministry data.

During this period, the total amount of Mudra loans extended by PSBs rose around 22 per cent to Rs 92,492.69 crore in 2017-18 from Rs 71953.66 crore in 2016-17.

"As reported by Public Sector Banks (PSBs), total Non-Performing Assets (NPAs) for loans extended under Pradhan Mantri Mudra Yojana during the last three years were Rs 596.72 Crore (2015-16), Rs 3,790.35 Crore (2016-17) and Rs 7,277.31 Crore (2017-18) respectively. PMMY NPAs as on 31st March, 2018 for PSBs were 3.43% of the amount disbursed under the scheme," Shiv Pratap Shukla Minister of State in the finance ministry said in reply to a question in the Lok Sabha.

Since the launch of the PMMY on April 8, 2015, loans disbursed by banks and micro-finance institutions for non-corporate small borrowers, for income-generating activities in the non-farm segment are being termed as Mudra loans. A total of Rs 2.53 lakh crore worth of Mudra loans were disbursed in 2017-18, as compared to Rs 1.80 lakh crore in 2016-17.

Interest rate on these loans ranges from 8-12 per cent. Apart from PSBs, private banks, micro-finance institutions and other member lending institutions also grant Mudra loans.

"PMMY loans extended by PSBs were standard loans in terms of repayment as on 31st, March 2018, except for NPA (as indicated above). PSBs follow recovery procedures as approved by banks' boards and in compliance of extant Reserve Bank of India (RBI) guidelines. Non-Performing accounts are periodically monitored for recovery of overdue amount," Shukla said.

While Mudra loan NPAs ratio of public sector banks were 3.43 per cent, the overall loans in this category registered an NPA rate of 5.38 per cent as on March 31, 2018.

Such loans are extended by banks, regional rural banks and micro-finance institutions, and refinanced by Micro Units Development and Refinance Agency Ltd. Banks and MFIs can draw refinance under the scheme after becoming member-lending institutions (MLIs) of Mudra. Mudra has enrolled around 200 MLIs including 93 banks, 72 MFIs, 32 Non Banking Financial Companies and 6 small finance banks.

The amount of refinance provided by MUDRA more than doubled to Rs 7501.05 crore in 2017-18, up from Rs 3525.94 crore in 2016-17. Commercial banks accounted for the largest chunk of refinance at Rs 4405.73 crore in 2017-18, up from Rs 1886.73 crore in 2016-17. Loans under PMMY have been bracketed in three categories: Shishu loans are up to Rs 50,000; Kishor loans are between Rs 50,001 and Rs 5 lakh; and Tarun loans of Rs 5-10 lakh.

From the banks' point of view, automobile loans and electric-rickshaw loans are the best form of Mudra loans in terms of repayment record, as security gets created as soon as the loan is provided. For most other Mudra loans, there is no collateral for the bank to turn to in the case of non-repayment.

EXPLAINED E. Lenders struggle as loans mostly collateral-free

THE MUDRA scheme is aimed at improving credit flow to people engaged in non-farm income generating activities and intended to replace high cost borrowings such as loans from money lenders with formal funding channels that are cheaper.

While borrowers have been benefitting from availability of these funds, the scheme also poses a challenge for lenders as these are mostly collateral-free loans. Bankers say loans for purposes such as buying an auto or taxi are more secure as they come with an in-built collateral, while other forms of Mudra loans have a greater potential of turning into NPAs.

LOANS SANCTIONED AND NPAS (₹ CRORE)

Year	Loan Sanctioned by PSBs	NPAs
2015-16	59674.28	596.72
2016-17	71953.66	3,790.35
2017-18	92492.69	7,277.31

Source: Finance Ministry

RBI unveils loan recast scheme for small units

ENS ECONOMIC BUREAU
MUMBAI, JANUARY 1

This is the second major announcement after Shaktikanta Das took over as the RBI Governor. RBI had formed a committee headed by Bimal Jalan to look into the issue of its surplus reserves

THE RESERVE Bank of India (RBI) on Tuesday announced a one-time restructuring scheme for stressed loan accounts of micro, small and medium enterprises (MSMEs), one of the key demands of the government.

Unveiling the scheme on Tuesday, the RBI said the aggregate exposure, including non-fund based facilities of banks and non-bank entities, to a small borrower should not exceed Rs 25 crore as on January 1, 2019. The restructuring has to be implemented by March 31, 2020. "A provision of 5 per cent in addition to the provisions already held, should be made in respect of accounts restructured under this scheme," it said in a notification.

The issue of restructuring of MSME accounts was discussed in the meeting of the Central Board of RBI on November 19, 2018. The matter was also discussed during RBI's recent interactions with the banks and other stakeholders. The RBI was initially reluctant to sanction such a forbearance but relented in the wake of pressure from several board members who pushed for the bail-out small borrowers hit by demonetization and implementation of GST.

This is the second major announcement after Shaktikanta Das took over as the RBI Governor. The central bank had last week announced the formation of a committee headed by Bimal Jalan to look into the issue of surplus reserves of the RBI, another contentious issue between the government and the RBI.

As per the RBI, to be eligible for restructuring, the borrower's account should be in default but is a 'standard asset' as on January 1, 2019 and continues to be classified as a 'standard asset' till the date of implementation of the restructuring. "The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration," it said.

The central bank said banks and NBFCs desirous of adopting this scheme should put in place a Board-approved policy on restructuring of MSME advances within a month. The policy should include framework for viability assessment of the stressed accounts and regular monitoring of the restructured accounts, the RBI said.

The RBI said accounts classified as non-performing asset (NPA) can be restructured, but the extant asset classification norms governing restructuring of NPAs will continue to apply.

However, as a general rule, barring the above one-time exception, any MSME account which is restructured must be downgraded to NPA upon restructuring and will slip into progressively lower asset classification and higher provisioning requirements as per the current norms. "Such an account may be considered for upgradation to 'standard' only if it demonstrates satisfactory performance during the specified period," it said.

"Satisfactory performance means no payment (interest and/or principal) should remain overdue for a period of more than 30 days," the RBI said.

BRIEFLY

Bhargava gets charge of LIC Chairman

Mumbai: Hemant Bhargava, Managing Director, has taken additional charge as Chairman, LIC of India in place of V K Sharma who retired on Monday. Bhargava will retire in July 2019. The Bank Board Bureau has initiated the process selecting the next full-time Chairman of LIC. **ENS**

Jet fuel price cut by record 14.7%

New Delhi: Aviation Turbine Fuel or Jet fuel price Tuesday was cut by a record 14.7 per cent on the back of decline in international rates, making it cheaper than both petrol and diesel. **PTI**

NBFCs get relief but more fragile: Kotak

Mumbai: Uday Kotak Tuesday said even though non-bank lenders have received a breather since the crisis late last year, the sector is more "fragile" than it was last year. **PTI**

Disgorge unlawful gains: Sebi to entities

New Delhi: Sebi has directed 13 entities to disgorge over Rs 1.6 crore of unlawful gains made by them while trading in the shares of Sarang Chemicals. **PTI**

'Acquisition among reasons behind delay in highway projects'

The date of start and completion depends on how quickly these issues are resolved by concerned State. After start of work, projects are completed in about 2-3 years period.

A number of National Highways projects have not been started as per the stipulated schedule. The start of these projects are delayed for want of fulfillment of condition precedent i.e. acquisition of land, shifting of utilities (like electrical lines, Water supply lines etc.) coming in the Right of Way of the Highway, time taken in obtaining statutory clearances

(such as forest, tree-felling, wildlife clearances etc.) problems encountered in availability of soil/ aggregate etc. Most of these challenges relate to the states, which are being sorted out through regular monitoring and reviews with the State Authorities.

STATE-WISE DETAILS OF THE NUMBER OF NATIONAL HIGHWAYS PROJECTS WHICH HAVE NOT BEEN STARTED

State	UTs Nos of Project	State	UTs Nos of Project
Andhra Pradesh	6	Maharashtra	19
Arunachal Pradesh	3	Manipur	1
Assam	1	Nagaland	14
Bihar	12	Odisha	10
Chhattisgarh	1	Punjab	2
Delhi	2	Rajasthan	5
Gujarat	10	Sikkim	2
Haryana	3	Tamil Nadu	8
Himachal Pradesh	1	Telangana	4
Jammu & Kashmir	2	Uttar Pradesh	20
Jharkhand	5	Uttarakhand	1
Karnataka	11	West Bengal	14
Kerala	2	A&N Islands	1
Madhya Pradesh	2	Total	162

(Source: Ministry of Road Transport and Highways)

India cut tax on crude, refined palm oil imports

REUTERS
MUMBAI, JANUARY 1

The duty on crude palm oil was lowered to 40 per cent and refined was cut to 50 per cent. In March 2018, India raised import tax on crude palm oil to 44 per cent from 30 per cent and lifted the tax on refined oil to 54 per cent from 40 per cent

INDIA HAS cut import taxes on crude and refined palm oil from Southeast Asian (ASEAN) countries after a request from suppliers, a government notification said.

The reduction will lead to higher imports of palm oil by the world's biggest edible oil buyer in coming months as it would narrow the difference between the tropical vegetable oil and competitors such as soyoil and sunflower oil.

The duty on crude palm oil was lowered to 40 per cent from 44 per cent, while a tax on the refined variety was cut to 50 per cent from 54 per cent, according to the notification issued late on Monday. The cuts took effect on Tuesday.

Malaysian shipments of refined palm oil will be taxed at 45 per cent compared with 54 per cent earlier, the government said in a separate notice.

In March 2018, India raised the import tax on crude palm oil to 44 per cent from 30 per cent and lifted the tax on refined palm oil to 54 per cent from 40 per cent.

Palm oil has being more competitive due to the duty reduction and this will lead to higher imports from January onwards, said Sandeep Bajoria, chief executive of the Sunvin Group, a Mumbai-based vegetable oil importer.

India primarily imports palm oil from Indonesia and Malaysia and soyoil from Argentina and Brazil. It also buys small volumes of sunflower oil from Ukraine and canola oil from Canada.

Its palm oil imports dropped 6.4 per cent from a year ago to 8.7 million tonnes in the 2017/18 marketing year ended in October, according to Solvent Extractors' Association (SEA), a Mumbai-based trade body.

Indonesia and Malaysia, the top two palm oil producers, were seeking a reduction in the import tax by New Delhi as inventories were rising in both countries due to higher output.

India's palm oil imports could have fallen in December but will jump this month as some importers had delayed shipments in anticipation of tax cuts, said B.V. Mehta, executive director of the SEA.

The effective duty difference between crude and refined palm oil has narrowed to 5.5 per cent from 11 per cent for shipments from Malaysia, which could lead to higher imports of refined palm oil, Mehta said.

"This is a death knell for the domestic refining industry and will halt expansion of palm plantations in the country," he said.

India relies on imports for 70 per cent of its edible oil consumption, up from 44 per cent in 2001/02.

"Traditionally, Indonesia corners the bulk of India's palm oil market. The duty reduction will now allow Malaysia to raise its share," said a Mumbai-based dealer with a global trading firm.

Re payments for Iran oil exempted from taxes

ENS ECONOMIC BUREAU
NEW DELHI, JANUARY 1

IN ORDER to enable rupee payment for import of Iranian crude oil, the government has exempted the National Iranian Oil Company (NIOC) from any withholding tax on payments it gets from Indian refiners, according to a Gazette notification issued by the finance ministry on December 28, 2018.

Exempting payments received by NIOC for crude oil it sells to Indian refiners, the notification said the Iranian firm "shall not engage in any activity in India, other than the receipt of income under the aforesaid arrangement".

It said, "the notification shall be deemed to have come into force from the 5th day of November 2018". This will help in clearing payments that Indian refiners are holding for oil they bought from Iran during November and October.

In an explanatory memorandum to the notification, the finance ministry also said: "It is certified that no person is being adversely affected by giving retrospective effect to this notification." India had on November 2, 2018, signed an agreement with Iran to pay for crude oil it imports from the Persian Gulf nation in rupees. The rupee deal was signed after following the US letting India to keep buying Iranian oil despite sanctions were reimposed on the Iran on November 5, 2018. The deal enabled India to source oil from its key supplier without making payments in dollars.

Despite better compliance, Dec GST collections slide to ₹94,726-cr

ENS ECONOMIC BUREAU
NEW DELHI, JANUARY 1

GOODS AND Services Tax (GST) collections continued to slide downwards for the second straight month, falling to Rs 94,726 crore in December (for November), data released by Finance Ministry on Tuesday showed. The compliance rate, however, improved with 72.44 lakh businesses filing the summary GSTR-3B returns in December as against 69.6 lakh businesses filing GST returns in the previous month.

Cumulatively, the government has collected Rs 8,71,043 crore as GST revenue in April-December, the first nine months of this financial year. With Rs 8.71 lakh crore collected so far and only a quarter remaining in this financial year, the government is still short of the overall target by Rs 4.77 lakh crore, giving rise to concerns about meeting Budget targets. Government finances are already under strain, with government's fiscal deficit for April-November period rising to Rs 7.17 lakh crore or 114.8 per cent of the full-year target of Rs 6.24 lakh crore.

In the Budget for 2018-19, GST collections, including compensation cess, have been pegged at Rs 7.44 lakh crore, out of which the Centre aims to collect Central GST (CGST) of Rs 6.04 lakh crore and Integrated GST (IGST) of Rs 50,000 crore. In theory, IGST is supposed to be equally divided between Centre and the states. Adding State GST (SGST) collections equivalent to CGST would mean the total GST collections have been pegged at Rs 13.48 lakh crore, implying a monthly target of Rs 1.12 lakh crore. GST collections are expected to slip further after the recent round of rate cuts on 23 goods and services announced in the 31st GST Council meeting held on December 22 and became effective from January 1. The revenue cost of the latest rate cuts is estimated to be Rs 5,500 crore a year and Rs 1,375 crore in the January-March quarter. Out of the total Rs 94,726 crore collected, central GST (CGST) collection is Rs 16,442 crore, state GST (SGST) is Rs 22,459 crore, integrated GST (IGST) is Rs 47,936 crore (including Rs 23,635 crore collected on imports) and cess is Rs 7,888 crore (including Rs 838 crore collected on imports).

Tax experts said this dip in collections will make the Council rethink on the rate cut for cement and auto parts. Abhishek Jain, Tax Partner, EY, said, "The slight dip in GST revenue collections as compared to the last two months is a bit discouraging. This may deter the government from rationalising the rate of goods left in the 28 per cent category like cement, auto parts, etc in the short term".

Also, the Centre has waived late fees for non-filers of summary and final sales returns for the July 2017-September 2018 period by businesses registered under GST.

MONTHLY GST COLLECTION (₹ CR)

Average (2017-18)	89,885
April	1,03,459
May	94,016
June	95,610
July	96,483
August	93,960
September	94,442
October	1,00,710
November	97,637
December	94,726

Source: Ministry of Finance

Weak buyer sentiment continues to hurt car sales

ENS ECONOMIC BUREAU
NEW DELHI, JANUARY 1

The weak sales in December follow a bad sales growth in November when MSIL announced a 0.5 per cent growth in PV sales and Hyundai announced a decline in sales

WEAK BUYER sentiment continued to hurt car sales in the month of December with major car manufactures announcing either low single digit growth or decline in sales growth in December over the same month last year.

The two biggest passenger vehicle manufacturers in India Maruti Suzuki India (MSIL) and Hyundai Motors India (HMIL) posted a low 1 per cent and 4.8 per cent growth respectively in domestic sales during the month. Even Mahindra & Mahindra reported a marginal 1 per cent increase in total vehicle sales at 39,755 units in December 2018.

There were others who either witnessed a weak sales growth or a decline in sales. While Honda Cars India announced a 4 per cent growth in sales in December to 13,139 units, Tata Motors reported 8 per cent decline in domestic sales at 50,440 units in December as compared with 54,627 unit sales in the December 2017. Toyota Kirloskar Motor India that reported over 15 per cent decline in sales in November announced a 10 per cent increase in car sales in December to 11,830 units.

For MSIL, the mini segment that includes Alto and Wagon R saw a 14 per cent decline in sales while the compact segment that includes Swift, Celerio, Baleno, Ignis and Dzire witnessed a 3.8 per cent decline in growth in December 2018 over the same month last year. The growth were seen for sales of Ciaz that jumped by 98.7 per cent to 4,734 units and Vans segment that expanded by 38.8 per cent to 15,850 units.

The weak sales in December follow a bad sales growth in November when MSIL announced a 0.5 per cent growth in PV sales and Hyundai announced a decline in sales. On the other hand, M&M and Honda Cars had reported doubt digit sales growth in November at 15 per cent and 10 per cent respectively.

Maruti Suzuki sold 1,19,804 passenger vehicle units in the domestic market while Hyundai sold 42,093 units in December.

Buyer sentiment turned weak over the last few moths following high fuel prices, tight liquidity situation of Non-Banking Financial Companies and high interest rates in the economy.

"We're happy to close the year with a series of positive milestones despite the dampening effect on consumer sentiment owing to hike in fuel prices, higher interest rates, and increase in insurance premium," said Toyota India's deputy MD N Raja. Over all the calendar year sales growth have been on the lower side in 2018. While MSIL posted a 7.2 per cent growth in 9 month period between April and December 2018, Hyundai announced a 4.3 per cent growth in domestic car sales in 2019. Toyota's annual domestic sales in 2018 grew 9% to 1,51,474 units.

The tractor sales witnessed a mixed sales growth. While market leader M&M announced a 6 per cent decline in its total tractor sales in December to 17,404 units, Escorts tractor sales rose 27 per cent to 4,598 units during the month.

NCLT allows govt to reopen IL&FS books

PRESS TRUST OF INDIA
MUMBAI, JANUARY 1

THE NATIONAL Company Law Tribunal Tuesday allowed the corporate affairs ministry to reopen the books of the crippled IL&FS Group and its subsidiaries for the past five years under Section 130 of the Companies Act, to ascertain financial mismanagement.

For the first time, the government on December 21, 2018, had invoked the powers under Section 130 of the new Companies Act of 2013 to reopen the books of a company.

The government wants to check the balance-sheets of the crippled group and its two listed subsidiaries-—ITNL and IL&FS Financial Services for the past five years (FY13-FY18) and the move comes after the Serious Fraud Investigation Office (SFIO) and ICAI reports indicated that the accounts were prepared a fraudulently and negligently in the last five years by the previous management. The statutory bodies including, the Reserve Bank, the markets watchdog Sebi and the Income Tax Department gave their no objection for restating the accounts.