SUNIL JAIN NPA levels falling, but will rise again unless policy is fixed in areas like power & telecom

ECONOMY, P3 **ECONOMIC PARTNERS**

China seeks talks with India to push Asia trade pact

out China actions

NATION, P15

REASSURING STEP Trump signs law to step up India ties, call



HYDERABAD, WEDNESDAY, JANUARY 2, 2019

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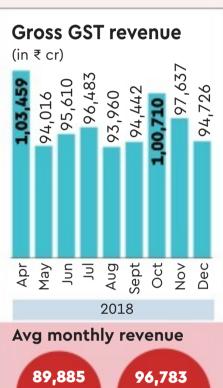
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TAX COLLECTION

GST revenue in Dec drops to ₹94,726 cr



Jul-Mar

2017-18

Full report on Page 2

PM ON RAM TEMPLE

Let judicial process end first, govt ready for all efforts

Modi reveals Urjit Patel had written to him about wanting to resign, citing personal reasons, months before stepping down

EXPRESS NEWS SERVICE New Delhi, January 1

THREE DAYS BEFORE the Supreme Court fixes a date for hearing of appeals challenging the Allahabad High Court order in the Ram Janmabhoomi-Babri Masjid title suit, Prime Minister Narendra Modi, responding to a question on bringing an ordinance for the construction of a Ram temple at the disputed site, said Tuesday that "after the judicial process is over, wherever our responsibility as a government begins, we are ready to make all

In an interview to news agency ANI, the PM suggested that the judicial process was being slowed down by Congress lawyers who were creating hurdles in the Supreme Court.

"Nobody can deny that those



On demonetisation, the PM said no one could deny there was a parallel economy in the country earlier and there was a need for the formal economy

in governments in the 70 years since Independence tried their best to stall a solution to this (Ayodhya) issue... Don't weigh it in political terms... I especially beseech colleagues in the Congress, for the sake of peace, security and amity, to stop their lawyers from creating hurdles in court... Let the judicial process take its own course...All lawyers

should try for an early verdict," he said.

Patel resignation

Former Reserve Bank of India governor Urjit Patel had personally written to the Prime Minister about wanting to resign, citing personal reasons, several months before stepping down from the office in Decem-

ber, Modi said.

"The governor himself requested (to resign) because of personal reasons. I am revealing for the first time, he was telling me about this for the past 6-7 months before his resignation. He gave it even in writing. He wrote to me personally."

Continued on Page 2

TIMELY SUPPORT

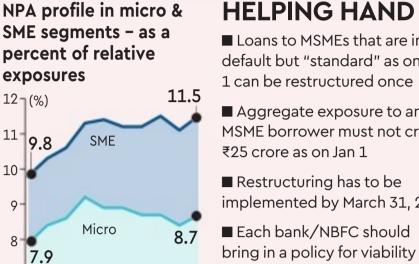
RBI allows one-time recast of standard MSME accounts

The move signals a thaw in the relations between the government and the central bank under new governor

FE BUREAU Mumbai, January 1

THE RESERVE BANK of India (RBI) on Tuesday offered a new year gift to micro, small and medium enterprises (MSMEs) by allowing a one-time restructuring of existing loans that are in default but "standard" as on January 1. The facility could provide a timely support to scores of MSMEs hit by the double whammy of note ban and GST.

To be eligible for the scheme, the aggregate exposure, including non-fund based facilities of banks and NBFCs, to a borrower should not exceed ₹25 crore as of Tuesday, the central bank said in a statement. The restructuring has to be implemented by March 31, 2020. "A provision of 5% in addition to the provisions already held, shall be made in respect of accounts restructured under this



scheme," the RBI said.

Source: TransUnion CIBIL

The move signals a thaw in the relations between the government and the central bank under new governor Shaktikanta Das. Facilitating greater and

smoother credit to MSMEs was one of the contentious issues between the government and the RBI under former governor Urjit Patel. "MSMEs form an impor-

tant component of the Indian economy and contribute significantly to the country's GDP, exports, industrial output, employment generation," the central bank said. "Considering the importance of

Research by

SAURABH KUMAR

monitoring of restructured MSMEs in the Indian economy, it is considered necessary

sector," the RBI said. The issue of restructuring of MSME accounts was discussed in the meeting of the central board of the RBI on November 19, 2018. The matter was also discussed during RBI's recent interactions with the banks and other

The Narendra Modi gov-

Continued on Page 2

Special Features

Apr-Dec

2018-19

Digital delight awaits life insurance customers in 2019



What the life insurance industry will see going ahead is the holy trinity of life insurance protection power, consultative selling stars and digital delight ■ Personal Finance, P13

Panasonic leads computing ruggedised market in India Known for its Toughbook



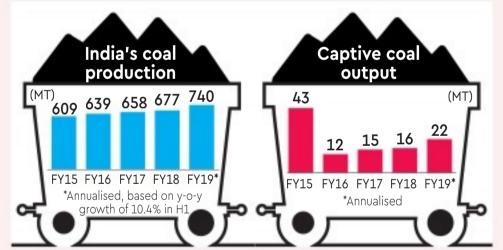
QuickPicks

laptops and tablets, Panasonic is now foraying into the hand-held devices market, targeting logistics, retail and intelligent warehousing segments **■ eFE**, P13

Finmin questions

CAPTIVE COAL MINES

plan to sweeten bidding norms



ANUPAM CHATTERJEE New Delhi, January 1

THE FINANCE MINISTRY has questioned the key proposals in a cabinet note moved by the coal ministry that seek to promote investor interest in captive coal mines, the latest round of auction for which have come a cropper. In a draft cabinet note prepared in this connection, the coal ministry had proposed allowing the bidders for captive coal mines to sell up to 25% of the production in the open market, without any premium chargeable on such sales.

In an office memorandum reviewed by *FE*, the finance ministry, however, pointed out a series of omissions in the coal ministry's note and stated it (finance ministry) hasn't "understood" why a successful bidder would need to resort to

producing coal beyond what is required to meet his specified end-use. It, however, went on to suggest, rather at odds with this basic objection, that "it is desirable to put an additional premium on the proposed open-market sales" to safeguard the government's revenue interest and establish an audit trail for such open market sales. "Otherwise, in times of scarcity, these (companies) may earn super-normal profits without any share being passed on to the government," the finance ministry wrote. It also argued that the coal ministry's proposal would lead to multiple prices for the same grades of coal, leading to market distortion, inefficiencies and cartel formation, thereby adversely affecting the spot market and Coal India.

Continued on Page 2

Fuel prices

It's cheaper to fly than drive

ATF, the fuel for aeroplanes, has been cheaper than auto fuels for most part of this fiscal; thanks to a 3-pps excise reduction in October and a 14% price cut effective January 1, the difference has now widened. Also, even non-PDS kerosene

could soon become at

par with ATF.

100 | Fuel prices in Mumbai (₹/litre) — Petrol — Diesel — Non-PDS kerosene 74.30 content*

Off the field

Australia's Prime Minister Scott Morrison and his wife Jenny meet Indian cricket captain Virat Kohli and his wife Anushka Sharma in Sydney on Tuesday

stakeholders. crisis in the MSME sector.

DEBT RECOVERY

Banks mull Guj genco over GVK

MITALI SALIAN

BANKERS ARE CURRENTLY

The bankers said the genco's offer includes a payment of 50% of outstanding amount. At the end of March, 2016, the outstanding loans were ₹1,188.90 crore, accord-

ing to Capitaline. They added the GVK Group's offer to settle their debt through a one-time settlement appeared to be unattractive.

One banker said, "the onetime settlement offer involves getting a sanction from every lender in the consortium before they approach the discom to take over the debt, most certainly at a discount. Irrespective of the repayment involved, even the third-party taking on debt will have their own due diligence process, which means longish timelines, which does not appeal to us at this moment."

Continued on Page 2

2013 to reopen the books of a company. **PAGE 6**

NCLT allows ministry of corp

affairs to reopen IL&FS books

THE NATIONAL COMPANY LAW Tribunal on

its subsidiaries for the past five years under

Section 130 of the Companies Act to ascertain whether there

was any financial mismanagement or not, reports **PTI**. For the

first time, the government on December 21, 2018, invoked

the powers under Section 130 of the new Companies Act of

Tuesday allowed the corporate affairs ministry to

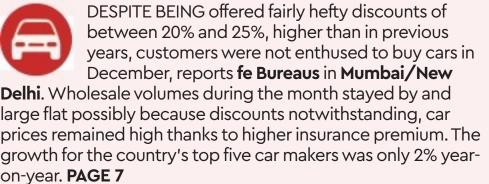
reopen the books of the crippled IL&FS group and

Value of UPI transactions exceeds ₹1-lakh crore mark

The value of monthly transactions made using the Unified Payments Interface (UPI) crossed the ₹1 lakh crore-mark for the first time in December 2018, reports **FE Bureau** in **Mumbai**. According National Payments Corporation of India data, the UPI channel recorded 620 million transactions worth ₹1.02 lakh crore in December, up from 525 million transactions worth ₹82,232 crore in November and 145 million transactions

Domestic passenger vehicle sales in slow lane in December

worth ₹13,144 crore in December 2017. **PAGE 10**



BAD LOANS RBI plays catch-up on NPA forecasts, gets it wrong consistently

SHRITAMA BOSE Mumbai, January 1 THE ACTUAL GROSS nonperforming asset (GNPA) ratio of the banking system overshot the quarter-ahead projec-

tions made by the Reserve Bank of India (RBI) for scenarios of severe stress five out of six times since FY16, shows an analysis of the past editions of the central bank's Financial Stability Report (FSR).

Between June 2015 and December 2017, the actual

GNPA ratio of scheduled commercial banks (SCBs) came in below the RBI's severe-stress projection for the quarter ahead only in March 2017. GNPAs as a share of bank loans stood at 9.6% at the end of March 2017, well below the RBI's baseline projection of 9.8% in the December 2016 edition of the FSR.

The June 2018 edition of the report contained no projections with respect to asset quality by the end of September 2018. Under the baseline scenario, it

Poor forecasting RBI forecast vs actuals, NPA as % of loans Sept '18 Mar '16 Sept '15 **5.1** N/A June 2018 Projection made on ■ Baseline ■ Medium stress ■ Medium stress Source: RBI

estimated the GNPA ratio at the end of March 2019 at 12.2%, up from 11.6% at the end of March 2018. The December 2018 edition, released on Monday, revised the number downwards to 10.3% for March 2019 under the baseline scenario and 10.8% in a scenario of severe stress — at par with the September 2018 GNPA ratio. The widest divergence dur-

ing the period under review was for the quarter ended March 2016, when at 7.6%, the actual GNPA ratio came in a full 250

the central bank's projection for a scenario of severe stress. The December 2015-March 2016 period coincided with the RBI's asset quality review (AQR), a system-wide exercise that led to improved recognition of bad loans and a massive spurt in slippages at banks. According to the latest edi-

basis points (bps) higher than

tion of the RBI's half-yearly report, the baseline scenario assumes specific rates in future.

Continued on Page 2

HELPING HAND ■ Loans to MSMEs that are in default but "standard" as on Jan 1 can be restructured once ■ Aggregate exposure to an MSME borrower must not cross ₹25 crore as on Jan 1 ■ Restructuring has to be implemented by March 31, 2020 ■ Each bank/NBFC should

at this juncture to take certain measures for creating an enabling environment for the

assessment of stressed

accounts and regular

ernment is keen to salvage the

offer to take Gautami

Mumbai, January 1

mulling an offer from a Gujarat government-owned genco to take over the 469-mw gas-based GVK Gautami Power, senior bankers aware of the developments told *FE*.