



"In India, banks still play a prominent role... The bond market is still not developed and hence the dependence on banks for capital is huge. So, we need to do more to develop the bond market"

RAJNISH KUMAR, SBI chairman



"What is the threat? You have become threat to the nation. You are trying to defame the country. Why don't you come and face the law... (the way) others are facing"

VENKIAH NAIDU, vice-president, on economic offenders



"The CAG allowed itself to become a joke and an honourable government in future will restore the prestige and credibility of the institution"

P CHIDAMBARAM, former finance minister

RBI governor rules out asset quality review of NBFCs

ASHLEY COUTINHO
Mumbai, 14 February

Reserve Bank of India (RBI) Governor Shaktikanta Das shrugged off liquidity concerns pertaining to non-banking financial companies (NBFCs) and ruled out an asset quality review in the immediate future, saying such a move might not be well-received by the market.

Das told a group of 60-70 foreign portfolio investors (FPIs) during a meeting in Hong Kong on Tuesday that the RBI was prepared to step in to ensure that the liquidity needs of NBFCs were duly met, said sources in the know. He said the quantum of non-performing assets (NPAs) had dipped significantly in the past one year and that the worst seemed to be over for the banking sector.

FPIs in the meeting included

asset managers such as Templeton, Fidelity and Blackrock, as well as a few hedge funds and distressed asset investors.

The governor justified the recent policy rate cut, citing low inflation, among other things, and said the central bank would not shy away from more cuts provided data supported such action. Annual retail inflation in January rose 2.05 per cent, its slowest pace since June 2017, showed the data put out by the government on Tuesday. Similarly, wholesale price inflation cooled to 2.76 per cent in January from 3.8 per cent in the previous month.

Das also apprised the investors about the country's key economic parameters such as gross domestic product (GDP) growth, inflation, fiscal deficit, and current account deficit, while expressing confidence that India had the potential to get back on the 8 per cent

growth trajectory. The governor is expected to meet the heads of banks and NBFCs again in the coming weeks, said sources.

Das also discussed the current regulations and requirements for investment in fixed income for FPIs. Last week, the RBI relaxed the provision according to which FPIs could not have an exposure of more than 20 per cent of its corporate bond portfolio to a single corporate.

In April 2018, the government had restricted an FPI's investment in a single corporate bond to 50 per cent of the bond issue. In addition, the exposure to any single corporate group was mandated to not exceed 20 per cent of an FPI's overall corporate bond portfolio. The former restriction still holds.

"The RBI is concerned that hot money could destabilise the currency and wants long-term investors to look at the voluntary

retention route (VRR) to bypass existing restrictions," said a person familiar with the matter. The VRR is a new channel that is currently in the works to facilitate FPI investment in the Indian debt market and comes with fewer restrictions.

FPIs sold ₹46,500 crore worth of debt papers in 2018. The rupee depreciated 8.4 per cent to 69.77 against the dollar in 2018, and has shed 1.95 per cent this year. With the emerging markets now seen as a risky proposition, India has become much less attractive for FPIs, and any volatility in global crude oil prices could weigh on the

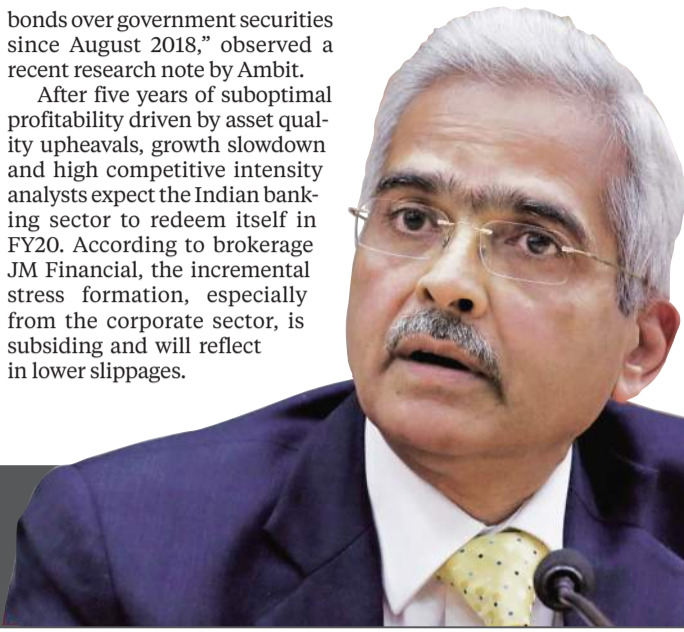
Indian currency.

NBFCs have been in the spotlight in the last few months after IL&FS defaulted on some of its debt obligations in September last year. The default led to panic among mutual funds and banks, resulting in a decline in the availability of debt capital and rise of cost of debt capital for NBFCs and housing finance companies (HFCs).

"The marginal funding cost for NBFCs/HFCs from various sources have gone up 25-100 basis points. The increase in the cost of borrowing is clearly visible in the 50 bps increase in credit spread for NBFC

bonds over government securities since August 2018," observed a recent research note by Ambit.

After five years of suboptimal profitability driven by asset quality upheavals, growth slowdown and high competitive intensity analysts expect the Indian banking sector to redeem itself in FY20. According to brokerage JM Financial, the incremental stress formation, especially from the corporate sector, is subsiding and will reflect in lower slippages.



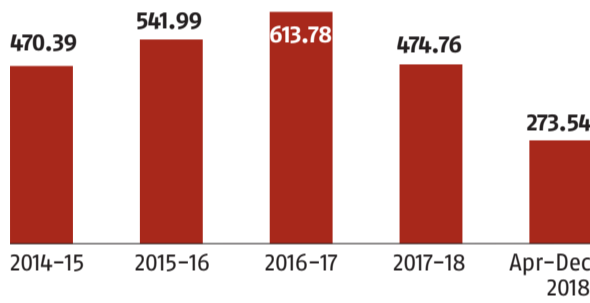
THE GOVERNOR JUSTIFIED THE RECENT POLICY RATE CUT, CITING LOW INFLATION, AMONG OTHER THINGS, AND SAID THE CENTRAL BANK WOULD NOT SHY AWAY FROM MORE CUTS PROVIDED DATA SUPPORTED SUCH ACTION

IN BRIEF GOVT SPENT ₹2,374 CR ON ELECTRONIC MEDIA TILL DECEMBER 2018

The central government has spent ₹2,374 crore on its publicity in electronic media and ₹670 crore on outdoor publicity in the last five years, according to an RTI reply by the Bureau of Outreach and Communication under the Ministry of Information and Broadcasting.

ELECTRONIC MEDIA

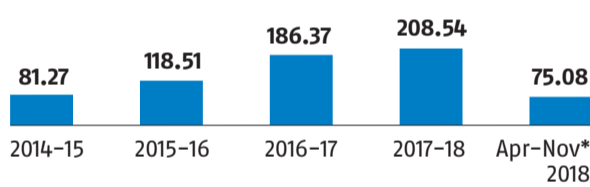
Expenditure on electronic media, including social media platforms, television and radio (₹ cr)



₹2,374.46 crore was spent on electronic media between April 2014 and December 2018. The expenditure was done on All India Radio, DD National, internet, production, radio, SMS, theatre, TV and on miscellaneous heads, among others

OUTDOOR PUBLICITY

₹670 crore was spent on outdoor publicity between 2014 and November 26*, 2018 (₹ cr)



Source: Bureau of Outreach and Communication's reply to a RTI query by bureaucrat Sanjiv Chaturvedi, PTI

CBDT chief Sushil Chandra to be election commissioner

CBDT Chairman Sushil Chandra was appointed the Election Commissioner, the law ministry said on Thursday. Chandra, an IIT graduate, is a 1980 batch officer of the Indian Revenue Service. With his appointment, the EC now has Sunil Arora as the Chief Election Commissioner and Ashok Lavasa and Chandra as fellow commissioners. PTI

Pramod Chandra Mody appointed new CDBT chief

Pramod Chandra Mody has been appointed the chairman of the Central Board of Direct Taxes. He will replace Sushil Chandra, who has been appointed the election commissioner. A 1982-batch officer of Indian Revenue Service, Mody was the Principal Chief IT Commissioner of Mumbai from 2017-18. BS REPORTER

ONGC net profit jumps 65% in third quarter

Oil and Natural Gas Corporation on Thursday reported a 65 per cent jump in its third quarter net profit on accruing higher prices for oil and gas it produces. Net profit in October-December at ₹8,262.70 crore, or ₹6.44 per share, was higher than ₹5,014.67 crore, or ₹3.91 a share, net earning in the same period of the previous fiscal, the firm said. PTI

GST relief for real estate sector soon, says Goyal

Finance Minister Piyush Goyal on Thursday asked banks to meet real estate sector representatives within the next fortnight to discuss their issues. The minister also assured that the GST rates would be brought down soon for the sector. "There is a real problem," Goyal said at a Credai event here. PTI

Prafulla Chhajed to be new ICAI president

The Institute of Chartered Accountants has elected Mumbai-based CA Prafulla P Chhajed as president and Delhi-based Atul Kumar Gupta as vice-president for the year 2019-20. Chhajed, who was vice-president in 2018-19 will succeed Naveen Gupta, the current president. BS REPORTER

Panel suggests ₹9,750/month as national minimum wage

SOMESH JHA
New Delhi, 14 February

A government-appointed expert committee has proposed doubling the national-level minimum wage for a worker in the country to ₹9,750 a month, up from a floor of ₹4,576 at present.

The committee has alternatively proposed a national minimum wage at various regional levels in the range of ₹8,892-11,622 a month (depending on local factors) and suggested an additional house rent allowance for urban workers.

The report of the expert committee, led by V V Giri National Labour Institute (VVGNI) Fellow Anoop Satpathy, was made public by the Union labour and employment ministry on Thursday.

The labour ministry has put up the report, titled "Determining the Methodology for Fixation of the National Minimum Wage", on its website for initiating stakeholder consultations.

The committee has drawn the minimum wage estimates at the national and regional levels based on an "improved" formula, keeping in mind the likely spending by workers' families on a mixed basket of balanced-diet meal and non-food expenditure.

"On the basis of this approach, the committee is of the considered view that the single value of the NMW (National Minimum Wage) for India should be set at ₹375 per day as of July 2018," the committee report said.

Considering a worker works for 26 days a month, the minimum monthly wage came to ₹9,750, it said.

This wage-level is irrespective of sectors, skills, occupations and rural-urban locations for a family comprising 3.6 consumption units, according to the report.

Over and above the minimum wage, it recommended an additional house rent allowance of ₹55 per day, i.e. ₹1,430 a month for urban workers.

The national floor level was last revised by 10 per cent to ₹176 a day (or ₹4,576 a month) in July 2017. This floor is, however, a recommendation from the central government and is not legally binding on states.



REGION-SPECIFIC MINIMUM WAGES PROPOSED

REGION 1	REGION 2	REGION 3	REGION 4	REGION 5
₹342/day or ₹8,892/month	₹380/day or ₹9,880/month	₹414/day or ₹11,622/month	₹447/day or ₹11,622/month	₹386/day or ₹10,036/month
Assam, Bihar, Jharkhand, MP, Odisha, UP and West Bengal	Andhra Pradesh, Telangana, Chhattisgarh, Rajasthan, J&K and Uttarakhand	Gujarat, Karnataka, Kerala, Maharashtra and Tamil Nadu	Delhi, Goa, HP, Haryana and Punjab	Arunachal Pradesh, Manipur, Meghalaya, Nagaland, Sikkim, Mizoram and Tripura

Source: Labour and employment ministry

The committee's proposal is a departure from the present methodology adopted to compute minimum wage. At present, each state can set its minimum wage for various industries, based on daily spending estimates for a working class family on 2,700 calories of food per person, 72 yards of clothes, minimum housing rent and education, and light and fuel, as prescribed by the Indian Labour Conference in 1957.

The present methodology, followed by most states and the Centre, factors in a calorie-based diet for estimating the household expenditure of a worker (considering a consuming unit of three).

However, according to the committee's proposed formula, a family with a consumption unit of 3.6 requires 2,400 calories of food, along with a minimum of 50 gm of protein and 30 gm of fat every day, according to the National Sample Survey Office's consumption-expenditure reports.

The committee has proposed a reduced intake of calories for calculating wages because it found, through empirical evidence, households were relying on a mixed basket of food and consuming less calorie due to a "reduction in the proportion of workers engaged in heavy work and an increase in the number of workers in moderate and sedentary occupations".

Further, the report proposed the minimum wage included reasonable expenditure on "essential non-food items" such as clothing, fuel and light, house rent, education, medical expenses, footwear and transport.

The committee has recommended a minimum wage for five different regions with diverse socio-economic and labour market situations as an alternative to a national-level minimum wage. Four of these five regions were grouped using varied socio-economic and labour market factors, while the fifth group included all

North-eastern states except Assam. "A regional NMW calculated in this matter would have the potential to address varying economic situations in different states," the committee said.

The socio-economic factors considered to group major states into five categories were state income, cost of living, labour market situations, and levels of women's empowerment.

The region-wise minimum monthly wage prescribed by the committee is higher than the current minimum monthly level seen in most states. Except Delhi (₹13,988) and Andaman and Nicobar Islands (₹11,366), no state has a minimum wage higher than what has been suggested in the report. The committee, however, said states with a higher minimum income than the prescribed rate may not be allowed to reduce it.

The committee's recommendations will be taken up by the Central Advisory Board (CAB) on Minimum Wages, headed by Union Labour and Employment Minister Santosh Kumar Gangwar.

However, the proposed minimum wage will remain a prescription for the state governments in accordance with the mandate of the existing laws. The labour ministry had proposed a statutory minimum wage at state and regional levels through a Code on Wages Bill, which couldn't be passed by Parliament under the present government's tenure.

At present, states fix minimum wages for workers based on their skill sets — skilled, semi-skilled and unskilled. But the committee said a different panel might be set up to recommend skill-wise wage rates of workers.

In India, minimum wage across states has wide variations. For instance, it stood at ₹1,794 a month in Arunachal Pradesh and Telangana but at ₹8,476 in Haryana and ₹9,100 in Chandigarh, as of November 2018.

"The states that currently have lower wage rates than the national minimum wage may start by fixing a NMW that is equal to the NMW average for the region to which they belong. They may like to catch up with the national average in the near future," the report said.

Bharat 22 ETF's offering subscribed over 10 times

SUNDAR SETHURAMAN
Mumbai, 14 February

The second follow-on issue of Bharat 22 Exchange Traded Fund (Bharat 22 ETF) was subscribed over 10 times on Thursday.

As of 7 pm on Thursday, the issue was subscribed over 10 times of the base issue size of ₹3,500 crore, and the government has decided to retain approximately ₹10,000 crore as its divestment proceeds, the Ministry of Finance tweeted.

Since its launch in November 2017, the government has raised ₹22,900 crore through Bharat 22 ETF in two tranches.

The ETF tracks the Bharat 22 Index, comprising 22 companies — 19 public sector units and three private sector firms. Allocation to individual stock is capped at 15 per cent, and allocation for the sector is capped at 20 per cent.

Bharat 22 ETF has lost 8.79 per cent since its launch on November 17, 2017, to date. The ETF sale was part of the government's efforts to meet its divestment target of ₹80,000 crore.

This would be the second ETF offering by the government in the current financial year. In November last year, the government had raised ₹17,000 crore through a follow-on offer of another exchange-traded fund — CPSE ETF, which comprises shares of 11 public sector enterprises.

On Wednesday, the government sold a portion of its stake in Axis Bank worth ₹5,316 crore, which it held through the Specified Undertaking of Unit Trust of India.

Job creation, tech transfer dominate India-US talks

SUBHAYAN CHAKRABORTY
New Delhi, 14 February

India and the United States focused on job creation, technology transfer and greater bilateral investments at the India-US Commercial Dialogue, held on Thursday.

Both nations decided to expand the number of working groups of chief executives with top US and Indian firms — from four to seven — with a new focus on financial trade and investments as well as small and medium enterprises (SMEs). However, with the absence of US Commerce Secretary Wilbur Ross, there was no joint statement, as the sides simply resolved to "further expand and strengthen trade and commerce ties".

"Working groups have been formed among the CEOs. They will be providing recommendations to the government," Kenneth Juster, US ambassador to India, said. He added that these groups would continue to work with both governments.



BOOSTING BILATERAL TRADE

Widening trade gap a prime concern for Washington

FY18 FIGURES		2013-2014 (\$bn)	2014-2015 (\$bn)	2015-2016 (\$bn)	2016-2017 (\$bn)	2017-2018 (\$bn)
Exports to US rose by 3.42%	Exports to US	39.14	42.44	40.33	42.21	47.87
Imports also jumped by an unprecedented 19%	Imports from US	22.50	21.81	21.78	22.30	26.61
As a result, India's trade surplus has continued to grow annually	Trade surplus for India	16.63	20.63	18.55	19.90	21.26

Source: Commerce and Industry Ministry

Changing plans

On Wednesday night, the US side had informed the government that Ross would be unable to come to New Delhi for the talks because of "inclement weather and technical problems". However, on Thursday, Ross had a telephone conversation with Commerce and Industry Minister Suresh Prabhu.

Last year, both countries had given a wide berth to contentious trade issues in the 2+2 dialogue,

instead focusing on defence and foreign affairs. The erstwhile "India-US Strategic and Commercial Dialogue", had started in 2015. However, after two annual rounds, a decision was taken to carve out trade issues into a separate annual discussion — "India-US Commercial Dialogue".

In the first edition of trade talks, Prabhu had gone to Washington DC in October 2017. But both nations coming to repeated blows over

trade issues throughout 2018 had stopped talks from materialising.

Trade package in the offing

Sources said a bilateral trade package is being worked on. This will include changes in import duties on the US information and communication technology products, and preferential tariffs for Indian exports, apart from data localisation norms. However, the upcoming talks steered clear of this,

as the US policy dictates that only the powerful United States Trade Representative's office discuss such matters, an official said.

India's relation with its second-largest trade partner has been choppy during the Donald Trump regime. While exports to stateside have grown — \$47.87 billion worth of Indian shipments reached the US ports in 2017-18, up from the \$42.21 billion a year before — America's irritation with a wider trade deficit has also grown.

US companies are willing to speed up technology transfer, especially in the renewables space and boost investments in the sector, American Tower Corporation Chairman & Chief Executive James D Taiclet, head of the business delegation that took part in the simultaneously held CEOs forum said. Tata Sons Chairman N Chandrasekaran led the Indian CEOs delegation.

Also, for the first time the MSME ministry has also been made a part of the dialogue.