GOLD	RUPEE	OIL	SILVER
₹34,650	₹71.24	$64.52	₹41,475

Indian basket as on February 26, 2019

SENSEX: 35,905.43 ▼ 68.28 NIFTY: 10,806.65 ▼ 28.65 NIKKEI: 21,556.51 ▲ 107.12 HANG SENG: 28,757.44 ▼ 14.62 FTSE: 7,100.40 ▼ 50.72 DAX: 11,484.55 ▼ 56.24

*International market data till 1900 GMT

SECTOR WATCH
PHARMACEUTICAL

Retail margins of 42 cancer drugs capped at 30%

NPPA move 'in public interest' to make the drugs affordable

PRABHA RAGHAVAN
NEW DELHI, FEBRUARY 27

INDIA'S DRUG pricing regulator Wednesday capped at 30 per cent the maximum trade margins for 42 life-saving cancer medicines, in a move it expects will make these drugs affordable. However, some patient groups claim the regulator's latest order not only lacks transparency, but will also not have a major impact in reducing prices of these medicines for several patients already purchasing them at discounts from traders.

The National Pharmaceutical Pricing Authority (NPPA) in a notification stated that it was invoking extraordinary powers under drug pricing regulations "in public interest" to cap the trade margins of these medicines. This includes breast cancer injection bevacizumab, marketed by companies like Roche under the brand Avastin, Biocon as Krabeva, Mylan as Abevmy and Hetero Drugs as Cizumab. According to online pharmacy app 1mg, the maximum retail prices (MRPs) of a 100 mg vial of this injection would vary from Rs 21,000 to Rs 29,423.

Another drug in this list includes crizotinib, sold by Pfizer under the brand Crizalk at an MRP of Rs 1.07 lakh for 60 capsules of 250 mg and Rs 97,884 for 60 capsules of 200 mg, according to 1mg. These drugs had so far not been under price control, but now their MRPs cannot be marked up more than 42 per cent from the price at which the stockist has purchased them from the manufacturer or marketing firm, a government official told *The Indian Express* on condition of anonymity.

According to the Ministry of Chemicals and Fertilizers, the MRPs of 105 brands are expected to drop up to 85 per cent. "This would provide a saving of minimum Rs 105 crore to consumers," the ministry stated in a release.

However, around 45 of these brands — over 40 per cent — will see MRPs reducing only up to 25 per cent. Five brands are expected to see a price reduction of 70 per cent and above. Around 12 brands will see prices dropping 50-70 per cent, while 43 brands will a 25-50 per cent drop, according to the ministry.

"The issue of trade margins is not subject to a few drugs and India needs to cap trade margins at the distributor, hospital and retail level. Trade margins of 30 per cent are too high, because, if you look at the trade margins that South Africa has fixed under its legislation across the board for all medicines, it does not exceed 10 per cent," said Leena Meghaney, South Asia Head-Access Campaign, Medecins Sans Frontieres.

"In capping these margins, the government has not considered the cost of production at all, there has been no consultation process so that patients can bring data to them and there is no transparency on how this 30 per cent was arrived at," she told *The Indian Express*.

According to Malini Aisola of patient activist group All India Drug Action Network (AIDAN), NPPA's latest move may be effective in bringing down prices for patients buying them at hospitals, which generally bill them at MRP. However, it may not be as effective for patients buying the drugs through wholesalers or stockists that already give them large discounts, she said.

"There are big discounts in the retail chain, so almost nobody ever pays MRP. This (discounts) is a common part of sales strategies for these prohibitively priced drugs, so retail prices are not likely to be significantly reduced by these trade margin caps," she told *The Indian Express*.

"However, patients will benefit in hospitals which were undoubtedly indulging in profiteering by taking massive cuts," she added.

E. EXPLAINED

May not help those buying at discounts

THE MOVE may help bring down prices of the medicines, especially for patients buying these at hospitals. But it may not have much impact for those who have already been buying at discounts from wholesalers. NPPA also needs to properly enforce this to ensure the caps are not circumvented, as patients will not be able to catch violations because there is no transparency in the prices charged across the supply chain.

SENSEX PLUNGES 466 PTS INTRA-DAY; RUPEE FALLS 17 PAISE

Border tension weighs on investor sentiment, indices swing sharply

KSE-100 of Karachi Stock Index stages major recovery after cracking 1500 points

ENS ECONOMIC BUREAU
MUMBAI, FEBRUARY 27

THE BENCHMARK BSE Sensex on Wednesday plunged 466 points intra-day to end in the negative territory as border tension between India and Pakistan escalated and the investor sentiment took a beating after Pakistani fighter jets violated Indian air space in Jammu and Kashmir's Poonch and Nowshera sectors. However, in Pakistan, KSE-100 Index staged a major intra-day recovery to finish with a small loss.

After a strong opening, the Sensex swung over 600 points as it turned volatile triggered by across-the-market selling by participants and finally settled 68.28 points, or 0.19 per cent, lower at 35,905.43. The index had lost 239.67 points Tuesday. In a similar movement, the 50-share Nifty Index ended 28.65 points, or 0.26 per cent, lower to 10,806.65. Intraday, it moved between 10,939.70 and 10,751.20.

SENSEX SWINGS OVER 600 POINTS

- After a strong opening, the Sensex swung over 600 points as it turned volatile triggered by across-the-market selling by participants and finally settled 68.28 points, or 0.19 per cent, lower at 35,905.43
- Higher oil prices, month-end dollar demand also impacted rupee sentiment

The benchmark index of the Karachi Stock Exchange, the KSE-100, recouped most of its losses by 1630 IST but it was still down 129 points at 38,692.69, a spectacular recovery after crashing almost 1,500 points in the early part of the day's session.

The rupee fell by 17 paise to close at 71.24 against the US dollar as tensions between India and Pakistan flared up. Higher crude oil prices and month-end dollar demand from oil importers also impacted the rupee sentiment.

Jayant Manglik, president – retail distribution, Religare Broking, said, "The Nifty index opened higher, but escalating tensions between India-Pakistan led to a sharp fall in the markets. In the latter half, the markets managed to recover some of its losses before ending 0.3 per cent lower. We expect markets to remain volatile in the near term. On the domestic front, any escalation of tension between India and Pakistan would keep the markets volatile."

"Further, India's Q3FY19 GDP numbers would be keenly watched. Globally, positive developments on US-China trade deal is good for the global markets. However, the progress on Brexit deal front, crude oil price and currency movement would be actively tracked by investors," he said.

Hemang Jani, head - advisory, Sharekhan by BNP Paribas, said, "One can expect the market to be volatile for the next few days as the political environment comes under pressure. Investors will remain cautious and look for clarity on the cross-border tension. There is need to understand that the fundamentals of the Indian market continues to remain strong. Inflation has remained tepid and globally we continue to be a preferred investment destination amongst emerging markets."

Fears that foreign institutional investors (FIIs), who have been pumping sizeable funds into the Indian bourses in the past few sessions, may slow down their activity, also cast a shadow over domestic equities. Tata Motors emerged as the top loser falling 3.01 per cent, followed by Vedanta shedding 2.92 per cent. Sectorwise, the BSE consumer durables index emerged worst performer by falling 0.70 per cent, followed by power 0.45 per cent and bankex 0.44 per cent.

April-February FY19: ₹20K cr GST evasion detected, ₹10K cr recovered so far

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 27

THE GOVERNMENT has detected Rs 20,000 crore worth evasion under the goods and services tax (GST) regime so far in this financial year and will take more steps to check frauds and increase compliance in the coming days, Central Board of Indirect Taxes and Customs (CBIC) Member John Joseph said Wednesday.

Of the GST evasion detected worth Rs 20,000 crore between April-February 2018-19, Rs 10,000 crore has been recovered so far.

The government will take more measures to increase compliance and act against evaders so that genuine businesses do not suffer, he said.

Joseph said the tax officers on Tuesday detected fake invoices worth Rs 1,500 crore which was used to claim illegal GST credit of Rs 75 crore. "We have already recovered Rs 25 crore and the rest is on the way," Joseph said.

Stating that only 5-10 per cent of the businesses are "black sheep" and bring bad name to the industry, he said the government will take more measures to increase compliance and plug leakage of GST revenue.

Instances of fraudulent input tax credit (ITC) claims, with many of such claims made in the summary returns GSTR-3B, have been detected and investigations into these cases are going on. The evasion cases include cases where fake invoice bills have been used to claim ITC and cases where businesses deducted tax from consumers but failed to deposit the same with the government.

On the latest decision to cut rates for residential housing, Joseph said the department would soon call a meeting of the representatives of the real estate sector to understand transition issues faced by the sector post-reduction in GST rates.

The GST Council, chaired by Finance Minister Arun Jaitley and comprising state counterparts, earlier this week decided to cut tax rates on under-construction apartments and affordable housing to five per cent and one per cent, respectively, along with withdrawal of input tax credit. Earlier GST rate on under-construction apartments and affordable housing was 12 per cent and eight per cent with input tax credit (ITC), respectively.

Instances of fraudulent input tax credit (ITC) claims, with many of such claims made in the summary returns GSTR-3B, have been detected and probe into these cases are on

On demand for giving ITC relief to the builders of the under-construction flats which are already built but not yet sold to buyers, Joseph said the real estate sector will have to raise the issue with the urban development ministry. "You need to talk to them (urban development ministry). As revenue department we cannot give you any benefit of subsidy to that extent," he said at an Assocham event here.

Joseph said the government has been dynamic in rationalising tax rates since GST rollout on July 1, 2017, while increasing compliance for 1.2 crore registered businesses. "In future, as GST moves forward, the rates need to consolidate. Across the world it is one rate, but it may not be possible for us to implement it here... because we have the poorest of the poor and the richest of the rich in the country. "What is good for the richest, cannot be the best for the poor... But five rates converging into two or three, depending on what the Council decides. This is the way forward," he said.

The GST regime at present has five broad categories of tax rates: zero, 5, 12,18 and 28 per cent, in addition to rates for gold, rough diamonds and various cesses over and above the peak slab of 28 per cent for sin and luxury goods.

'FUND INFUSION INTO STATE-RUN BANKS NOT SUFFICIENT TO SUPPORT LENDING GROWTH'

The government's $7 billion (around Rs 48,000 crore) fund infusion into public sector banks (PSBs) would not be sufficient to support significantly stronger lending growth, according to a report by Fitch Ratings

$23 billion
(around Rs 1.6 lakh crore) banks will need additionally in 2019, after these latest injections, to sufficiently meet minimum capital standards, it said

₹48,239 cr
infusion in 12 public sector banks in this fiscal was announced by Finance Ministry last week to help them maintain regulatory capital requirements and finance growth plans

Authorities' approach to banking sector has clearly shifted towards spurring lending in recent months, Fitch said these steps, along with capital injections, have eased but not removed capital constraints on state banks' growth

Government's announcement to inject $7 billion into state-owned banks is likely to help banks meet minimum regulatory requirements, but is not sufficient to support significantly stronger lending growth, it said

Large proportion of the government's latest round of recapitalisation is still likely to go towards addressing regulatory shortfalls rather than to support asset growth

RBI in early January deferred implementation of the final tranche of the capital conservation buffer (CCB) of 0.625 per cent to end-March 2020 and also lowered risk weights for some lending to non-bank financial institutions, despite these companies facing increased liquidity stress in the past year

More will be needed as a cushion against future losses at some state banks, as borrower defaults and slow bad loan resolution continue to put pressure on non-performing loan provisions, Fitch, however, said

Panel drafting new direct tax law seeks extension of 2-3 months

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 27

THE TASK force formed to draft a new direct tax law and review the Income-tax Act has sought an extension of 2-3 months for its report submission deadline, a senior government official said.

The panel was earlier supposed to submit its report by February 28.

"The task force apprised the Finance Minister on progress made by the panel so far. It sought an extension of 2-3 months for submission of the report," the official said. The panel is still receiving more suggestions and needs to consider them, another official said. The report would come well before the final Budget for 2019-20, which will be presented sometime in July after the elections.

The Finance Ministry in November last year appointed Akhilesh Ranjan, Member (Legislation), CBDT, as convenor of the task force after the retirement of Arbind Modi. Other members of the task force remained the same as Girish Ahuja (chartered accountant), Rajiv Memani (Chairman and Regional Managing Partner of EY), Mukesh Patel (Practicing Tax Advocate), Mansi Kedia (Consultant, ICRIER) and G C Srivastava (retired IRS and Advocate). The reconstitution of the panel had come after the earlier task force did not submit its final report, which was due by September-end, to the ministry. The convenor of the panel, then CBDT Member Arbind Modi, retired on September 30, which left the report in limbo.

Prime Minister Narendra Modi, during the annual conference of tax officers in September 2017, had observed that the Income-tax Act, 1961, was drafted more than 50 years ago and it needs to be redrafted.

NEW PASSENGER CHARTER

No charges on cancellation of ticket within a day of booking

FLIERS CAN MAKE CORRECTIONS IN NAME WITHIN 24 HOURS FOR FREE

	EXISTING	NEW
Ticket cancellation/ charges	₹3,000-4,500 after booking confirmation	■ Zero, if changes made in 24 hrs amendment for journey 7 days later ■ For other cases, <Base fare+ fuel surcharge
Name correction charges	Considered as cancellation and charges apply	Zero for legitimate correction pointed out within 24 hours
Flight cancellation reimbursement (in last 24 hrs)	Up to ₹10,000 + ticket refund	Alternate flight or full ticket refund
Baggage loss compensation	₹200/kg up to ₹3,000	₹350/kg up to ₹20,000
Missing connecting flights compensation	—	₹5,000-10,000, if on same PNR
Compensation for boarding denied due to overbooking	Up to ₹20,000 if alternate flight after one hour	Unchanged

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 27

AIR TRAVELLERS can now cancel tickets without having to pay any amount within a day of the booking and also claim enhanced compensation for loss of baggage from airlines as the Ministry of Civil Aviation on Wednesday finalised the new passenger charter, prescribing a series of consumer-friendly measures.

However, as per the new charter, zero cancellation charge won't apply if the tickets are booked less than seven days before the scheduled departure time of the flight. In case of less than seven days between the date of booking and date of travel, the airline can charge cancellation fee limited to the total of base fare and fuel surcharge. Other components like tax, user development fee, airport development fee and passenger service fee will have to be refunded. Passengers have often complained that airlines collect charges like user development fee, airport development fee and passenger service fee from them even if they cancel their tickets. Currently, airlines charge a fee between Rs 3,000 and Rs 4,500 even if a ticket is cancelled immediately after the booking.

The passenger charter also prescribes uniform penalties on carriers for poor services such as missing connecting flights and denial of boarding due to overbooking. Passengers can now also make legitimate corrections in their name within 24 hours of booking without paying any charges. Currently, any change or correction in name is considered as cancellation and charges apply. A traveller has to then book a new ticket. The compensation for loss or damage to baggage has been fixed at Rs 350 per kg, nearly 75 per cent more than what airlines usually pay now. The upper limit for compensation has been enhanced to Rs 20,000, up from Rs 3,000 currently.

Airline executives believe the penalties are steep and will be an unnecessary burden. "We already follow DGCA guidelines on passenger service benchmark. There was no need for this (passenger charter). Cancellations' revenue help airlines keep tickets low for other flyers," an official from a low-cost carrier said.

The ministry has also introduced compensation for passengers for missing connecting flights if onward journey is on same PNR. Passengers would be paid between Rs 5,000 and Rs 10,000 depending on the duration of the flight. Currently, there's no compensation of any kind in monetary terms for missing connecting flights. Compensation for flight cancellation by airlines in the last 24 hours of the scheduled take-off has been abolished. Under the new rule, the carriers can offer refund to the passengers or arrange an alternate flight. Under the current system, the flyers are given compensation of up to Rs 10,000 in addition to the ticket refund.

Civil Aviation Minister Suresh Prabhu said the charter will bring uniformity in passenger services. "The Directorate General of Civil Aviation's civil aviation requirements list out the rights of the air passengers. A minimum benchmark has been set now. We want passengers to have a world-class flying experience. This would be beneficial for the airlines too in the long-run," he said. **FE**

Sen: Ayushman Bharat neglects primary healthcare, sector needs radical change

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 27

NOBEL LAUREATE and economist Amartya Sen Wednesday said the idea that giving cash to people can help the economy grow misses out on the fact that real economy needs healthy and educated people who can drive growth. He said the government needs pursue health and education efforts in order to build opportunity for and capabilities of people.

The Ayushman Bharat scheme announced by the government does not help in boosting primary healthcare capabilities, he said, adding that both the BJP and UPA government had neglected primary healthcare. The new scheme aims at the wrong population and is not incentive compatible. He said the key is to boost immunity and health of infants and children through better dietary supplements at the primary healthcare level.

The government's spending on health helps people get specialised care but only if they survive early dangers of life, Sen said. "What India needed was a radical change of primary healthcare," he said at a panel discussion organised by publisher Orient BlackSwan during the launch of a book 'A Quantum Leap in the Wrong Direction?'. With a bit of sarcasm, he criticised the governments' penchant for policies aimed at producing 'magic' that can boost economy.

"What you have in the government is the great belief in magic" and demonetisation was greatest magic that brought in hardships for the people, he said. The discussion was being held in the backdrop of the book launch, which compared the promises made during the run up to the 2014 elections and the outcomes over the past five years.

"What India needed was a radical change of primary healthcare ... What you have in the government is great belief in magic"

AMARTYA SEN
NOBEL LAUREATE & ECONOMIST

"Based on the growth rates measured within the two GDP series, the NDA-II government has under-performed in comparison to the UPA-1 and was only marginally better than UPA-II. Serious reservations about the new methodology have been raised, since the new GDP numbers do not match trends in other economic parameters, such as growth in bank credit, investment and tax collections, which normally move in tandem with the GDP," according to the book.

The book said agrarian crisis has deepened since 2014, banks profitability has fallen every year from 2013 while hasty implementation of Goods and Services Tax afflicted hardships on small and medium enterprises. The hair-brained policy of demonetisation led to rise in unemployment and lowering of growth, while growth in rural wage has been falling, it said.

"Profitability of the Indian banking sector has declined every year from 2013 onwards, and has turned negative in 2018. Besides, the NPA ratio (non-performing assets to total gross loans) shot up significantly between 2015 and 2018. The severity of the crisis can be understood from the fact that there are only two countries in the world, crisis-stricken Greece and San Marino, whose banking sectors have performed worse than India's in 2018," it said.