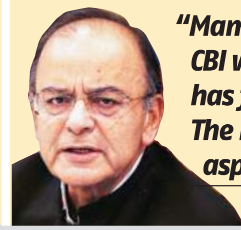
"Our sovereignty and natural resources are sold to a famous few industrialists, who fund the BJP as they deliver policies that benefit them. Every minority in the country lives in fear of lynchmobs fuelled by rumours spread by BJP Internet Terrorist cells"

AKHILESH YADAV, *Samajwadi Party chief*

"We are looking at nominal growth of 11.5 per cent (for 2019-20). Our assumption is 7.5 per cent real growth and 4 per cent inflation. We have been reasonable"

SUBHASH CHANDRA GARG, *economic affairs secretary*



"Mamata's disproportionate overreaction to the CBI wanting to interrogate the Kolkata Police chief has flagged several issues for a public discourse. The most important being a Kleptocrat's Club now aspires to capture the reigns of India"

ARUN JAITLEY, *Union minister*

INDIA BECOMES WORLD'S 2nd LARGEST LPG CONSUMER AFTER GOVT'S UJJWALA PUSH

The government's push to provide clean cooking fuel to every household has turned India into the world's second largest LPG consumer whose demand is projected to rise 34% by 2025, Oil Secretary M M Kutty said at the Asia LPG Summit. "With the successful implementation of this programme (PMUY), the scheme has been revised to target 8 crore LPG connections by the financial year 2020. With the revised targets, the scheme now covers all the vulnerable and disadvantaged sections of the society having no LPG connections," Oil Minister Dharmendra Pradhan said. PTI

15% CAGR at which LPG consumers have grown — from 14.8 crore in 2014-15 to 22.4 crore in 2017-18

30.3 mt LPG consumption is expected to grow by 2025 and 40.6 million tonnes by 2040

6.31 crore-plus connections have been provided since the launch of Pradhan Mantri Ujjwala Yojana on May 1, 2016

90% approx coverage of LPG in the country, rising from about 55% in 2014

12 mt estimated imports in the financial year 2018-19. India stands as world's second largest importer of LPG, after China

₹96,625 crore has been transferred into the bank accounts of consumers

Services PMI slips second month in a row

SUBHAYAN CHAKRABORTY
New Delhi, 5 February

Rising expenses and a slowdown in new orders in the domestic market hit the widely tracked Nikkei India Services Purchasing Managers' Index (PMI) in January. This was the second straight month that the services PMI fell.

Firms, however, continued to hire, thanks to an accumulation of outstanding business.

In January, the PMI stood at 52.2; in December, it was 53.2. The 50-point mark separates expansion from contraction. Growth projections were healthy and rise in expenses was slow for the first month of 2019.

New orders grew at their slowest in four months. But, the slowdown was in the domestic market. Orders from abroad rose the most since last September, after back-to-back decline in the last two months of 2018.

Growth, however, might soon run out of steam, said the report; at least in the short term. This was indicated by the weakest improvement in demand in four months and relatively subdued optimism.

But hiring did not slow down.

"Job creation at service providers was among the strongest seen for the past seven-and-a-half years. The increasing willingness of companies to hire workers should help reduce still high levels of unemployment in the country," said Pollyanna De Lima, principal economist at IHS Markit and author of the report.

On the other hand, jobs increased for the 10th straight month in the manufacturing sector, albeit only slightly.

According to panel members, growth was underpinned by favourable market conditions. This was also due to outstanding business, which, according to the PMI report, accumulated for the 32 months.

Although modest, the rise in backlogs quickened from December. Likewise, unfinished work increased in the goods-producing economy.

Industry insiders said the sector is far from shedding the volatility of the past two years. While the services sector has not seen contraction since June last year, growth has remained unstable.

Operating expenses continued to climb, with freight, fuel, meat and medicine prices inflating the cost bill. However, firms were hopeful of a reversal soon, with input prices across the private sector rising at the second-weakest pace since last April.

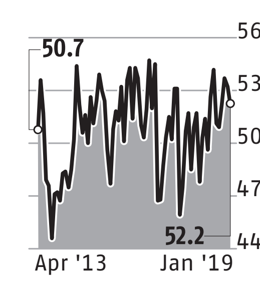
On the other hand, prices charged for the provision of services in India rose again in the new year, as firms sought to share an additional cost burden with their clients. Despite being the highest in three months, the rate of output-price inflation was marginal. Factory gate charges, meanwhile, changed little.

Business sentiment among firms, however, optimistic regarding advertising efforts, new service offerings, and predictions of an improvement in market conditions after the elections, slated later this year.

Optimism faded to the weakest since October. Some panelists mentioned that although they expect output levels to be higher in 2019, improvements are anticipated to take place after the elections. Manufacturers, on the other hand, were most upbeat in four months.

The hike in factory orders for goods-producing firms was the strongest in 13 months. Subsequently, production volumes were boosted at the start of 2019 and the expansion rate was highest since December 2017.

A BUMPY RIDE
How the index moved



Note : A figure above 50 means expansion while below that means contraction
Source : IHS Markit

IN BRIEF

Citizens' rights: House panel summons Twitter officials

The parliamentary panel on information technology has summoned Twitter officials over the issue of safeguarding citizens' rights on social media platforms, its head Anurag Thakur said on Tuesday. The panel has also called representatives of the Ministry of Electronics and Information Technology to appear before it during its meeting scheduled for February 11. Thakur, a BJP MP, tweeted the agenda of the panel's meeting to be held next week. He also sought views and suggestions from the general public. **PTI**

Irdai permits testing of products under sandbox approach

The Insurance Development Authority of India (Irdai) on Tuesday allowed insurance firms and intermediaries to test their products under the regulatory sandbox approach for a period of six months, before launching it in the market. "However, if the proposal covers 5,000 people or completes ₹50 lakhs of premium or any other parameter which the authority specifies, the proposal will deem to have been completed" said Irdai. **BS REPORTER**

IDFC First Bank posts ₹1,538 cr loss in Q3

Private sector lender IDFC First Bank has posted a net loss of ₹1,538 crore for the Q3FY19 due to accelerated amoritisation of intangible assets (goodwill). The bank in filing with the BSE said under Section 15 of the Banking Regulation Act, 1949, said banks were restricted from declaring dividend if a bank carries intangible assets such as goodwill on its balance sheet. Hence, intangible assets acquired have been fully amortised through profit and loss account. **BS REPORTER**

Find solutions for fake news, govt directs WhatsApp

The Centre has directed the messaging platform WhatsApp to come out with effective solutions that can bring in accountability and facilitate enforcement of law against dissemination of wrong information. Union Minister of State for Home Hansraj Ahir said in Lok Sabha that the government has taken note of reports about spread of fake news. **PTI**

No regrets about quitting in protest: Former NSC chief

On January 28, PC Mohanan resigned as acting chairman of the National Statistical Commission. In an interview, Mohanan, 63, said he had no regrets about walking out in protest at the delay. He said the NSC, which was supposed to be the final authority on statistics before they were published, had been repeatedly sidelined by the Centre in recent months. **REUTERS**

Fraud-hit PNB back in the black with ₹246-cr profit

Had suffered ₹4,530-crore net loss in the 2nd quarter of current financial year

SOMESH JHA
New Delhi, 5 February

State-owned Punjab National Bank (PNB) has bounced back into the black in the third quarter of this financial year — for the first time after it was hit by the country's biggest banking fraud a year ago — on account of a drop in provisioning for bad loans.

PNB posted a net profit of ₹246 crore in the third quarter of 2018-19, which is 7 per cent higher than the profit of ₹230 crore in the corresponding period of the previous year. In the second quarter, it had posted a net loss of ₹4,532 crore.

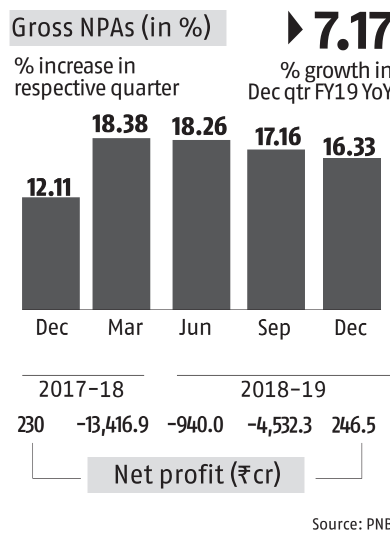
The bank's provisioning for non-performing assets (NPAs) stood at ₹2,566 crore in the third quarter, down from ₹2,996 crore in the same quarter last year.

The government's support in the form of capital infusion also helped PNB to zoom back to profitability. The Centre has infused roughly ₹8,200 crore into the bank, under its recapitalisation programme.

The Delhi-headquartered bank was involved in a ₹14,356-crore fraud by group of companies belonging to Nirav Modi and Mehul Choksi in January last year and had been reporting successive net losses since the last quarter of 2017-18. As a result of the fraud, PNB had posted the biggest bank loss of ₹13,420 crore in history for the fourth quarter of FY18 and it was the fifth-largest quarterly loss ever for an organisation listed on the stock exchange in India.

"We were passing through the most turbulent times in the banking history, especially our bank, and I am really happy to announce that we are back into the black," said PNB Managing Director and Chief Executive Officer Sunil Mehta at a press conference.

The bank's share was up by 0.55 per cent at ₹73.55 on the BSE.



Source: PNB

The bank has provided the full amount for the fraud, Mehta said, adding that the "bank has the capacity and the capability to absorb the shock". The bank has not sought for additional funding from the government, he said.

"In the process, we have honoured all our commitments and despite deficiency on part of other (banks in the fraud), we have taken the onus on us and met all commitments," Mehta said.

PNB's gross NPAs as a proportion of gross advances fell to 16.3 per cent as of December 2018, from 17.16 per cent by the end of the previous quarter. The bank's net NPAs came down to 8.22 per cent (₹77,733 crore) from 8.90 per cent (₹38,279 crore) at the end of September 2018.

The bank also cited "strong recovery" of bad loans as a key factor leading to profitability within a year of the biggest banking fraud. "The first quarter recovery stood at ₹8,445 crore -- unprecedented in industry, even more than the ₹5,617 crore full-year recovery last year. Our recovery for the first three quarters (at ₹16,600 crore) is three times the recovery of last year," Mehta said.

He added that PNB had good value of assets under the Insolvency and Bankruptcy Code's resolution process, and if resolved by March this year, can help it fetch ₹5,000 crore.

The bank's capital adequacy ratio (CAR) also improved from 9.2 per cent by the end of March 2018 to 10.52 per cent by the end of December. The bank management said that the monetisation process of its old headquarters in Delhi may fructify in the fourth quarter and along with it no provisioning requirement for IBC cases will help PNB retain its profitability.

Centre seeks ₹69K crore in dividend from RBI in FY20

ARUP ROYCHOUDHURY
New Delhi, 5 February

The government is seeking around ₹69,000 crore in dividend from the Reserve Bank of India (RBI) for the 2019-20 fiscal year, about 83 per cent of the combined dividends of ₹82,911.56 crore that the Centre has budgeted from the RBI, state-owned banks and financial institutions, a senior government official said.

For the Centre's current fiscal year, the RBI has already paid ₹40,000 crore in dividend, and the Centre is seeking another ₹28,000 crore in interim dividend. "In our Revised Estimates (RE), we have budgeted for ₹28,000 crore. It is the RBI board's decision on what amount they finally transfer," the official said. The RE from dividends from the RBI, banks and financial institutions is ₹74,140 crore, compared with budgeted estimates of ₹54,817 crore.

Of the additional ₹28,000 crore in interim dividend sought for this year, around ₹13,000 crore is a pending demand from 2017-18, which Economic Affairs Secretary Subhash Garg has been publicly seeking from the central bank's contingency reserve fund. That means about ₹15,000 crore is a fresh request for interim dividend this year. The RBI follows a July-June fiscal year.

COMMENT

SAUGATA BHATTACHARYA
Senior Vice-President, Business and Economic Research, Axis Bank

RBI may hold rate on ambiguous growth, moderate inflation

Is there room or even a need for the MPC to cut the repo rate? The MPC will likely (and rightly) revert to a "neutral" stance, back from the "calibrated tightening". Sections of analysts are now also expecting a repo rate cut to boost economic activity. This might be premature.

First, under reasonable assumptions, our projections indicate that inflation will average 3 per cent in Q4FY19 and 4.1 per cent in FY20, ie, close to the inflation target. Crude oil is expected to remain in $60-65 per barrel range, based on signs of a global slowdown, but the sharp recent rise in crude prices highlights the risk to this view. The US Federal Reserve policy is widely seen being in a long pause on the Fed Funds Rate. Data from the Eurozone is increasingly poor, setting back the rising expectations of a post-summer September rate hike and QE reversal. Global volatility has stabilised, but can rise. If this continues, a risk-on sentiment could revive carry-driven portfolio flows. Although the rupee is depreciating, it is unlikely to do so sharply and might reverse course.

A reversal of the stance back to neutral will allow MPC flexibility to respond to incoming data

Second, the expansionary implications of the FY20 Budget fiscal measures need to be better understood. Will these boost rural demand and translate into higher food prices? How much of the inclusionary agenda is likely to diffuse into state budgets? Borrowings from public sector financial institutions have led to a sharp rise in their liabilities, with concerns of rising public sector debt to GDP ratios.

Third is the potential effect of higher demand on pricing power of corporates. Official signals of the four growth engines — household consumption, government spending, exports and investment — are mixed. Exports are unlikely to be a growth source, given the likely global economy slowdown. Government spending is likely to be limited with constraints on fiscal expansion. Domestic consumption seemed to be slowing in the last quarter, partially resulting from lower retail financing from NBFCs. Yet, there are signs of a moderate revival of mid-size investment across a range of sectors. This needs a coordinated policy response — monetary, fiscal, trade, industry — to accelerate the momentum.

Given these emerging risks and uncertainties, pausing on the repo rate at this time might be optimal for policy stability. A reversal of the stance back to neutral will allow MPC flexibility to respond to incoming data. The most effective action for a mild credit-driven stimulus might be to reduce the cost of funds for borrowers with a larger infusion of liquidity, to lower both the cost of market borrowing and the overall cost of funds of banks. The RBI's data forecasts will provide an indication of current thinking on the likely trajectory.

Views are personal

Banks yet to tag ₹3.5-trn stressed corporate loans as NPAs: Report

PRESS TRUST OF INDIA
Mumbai, 5 February

Around ₹3.5 trillion or 3.9 per cent of the stressed corporate loans continue to remain unrecognised on the books of banks and nearly 40 per cent of them may become dud assets by September 2020, warns a report.

These accounts are part of the total stressed corporate exposure (interest coverage ratio of 1.5x) of 19.3 per cent or ₹13.5-14 trillion as of September 2018.

"Around 3.9 per cent of the stressed corporate exposure of 19.3 per cent total stressed corporate accounts are still unrecognised and are standard in banks' books, while around ₹1.5-2 trillion of them may slip into NPAs by H2 of FY20," Jindal Haria, associate director for banking and financial institutions at India Ratings told reporters on Tuesday.

Of the ₹13.5-14 trillion stressed corporate loans, banks have recognised only ₹10 trillion as of September 2018, he added.

Jindal said banks may need an additional ₹40,000 crore in provisions for these ₹1.5-2 trillion loans, which may slip into NPAs. The agency has maintained a stable outlook on large private sector banks and just two of the 19 — State Bank of India and Bank of Baroda-and has retained a negative outlook for the remaining state-run banks till FY20.

Developed states' GST grows slowest

ABHISHEK WAGHMARE
New Delhi, 5 February

The most urbanised and industrialised states in India are showing the lowest growth in state goods and services tax (GST) revenue collection in 2018-19, data tabled in Parliament on Tuesday has shown. Relatively under-developed states, on the other hand, have shown a healthy growth in SGST collections over previous year. This also includes transfers from Integrated GST (IGST).

Revenue Secretary Ajay Bhushan Pandey had told *Business Standard* that the series of rate reductions under the GST had resulted in a revenue loss of ₹90,000 crore to the Centre. But this data shows that rate rationalisation has equally hit states' financial flows. States have been able to collect nearly 75 per cent of their budget target in 10 months, according to the RBI.

SGST revenue grew by 24 per cent for all states put together in 2018-19 year on year. However, GST collected by Maharashtra, Tamil Nadu and Gujarat grew by less than 20 per cent in 2018-19 over a comparable period of 2017-18.

At one extreme, SGST collected by Delhi contracted by 8 per cent in 2018-19, suggesting that the national capital is facing an uphill task in revenue mobilisation through GST. At the other, SGST revenue of Bihar and Rajasthan grew by 68 per cent and 36 per cent, respectively.

The August-January period has been considered for present analysis as it is the only six-month comparable period of GST collection for both the financial years.

Though the ministry of finance, in the parliamentary response, has cautioned on comparing current GST data with previous years' figures, a comparison among GST growth in states throws an interesting, but expected, observation.

"As GST design stabilises, poorer states will have greater revenue growth as they are net consuming states. Tax base will increase more for the consuming states, compared to producing states," Pinaki Chakraborty, professor of economics at the National Institute of Public Finance and Policy told *Business Standard*.

However, he said that collection efficiency also varied across states, which will present a better comparison across states. For a better comparison across states, we need to take that into account, he said.

There are some notable exceptions as well. Despite being consuming states, Kerala and Punjab showed a lower than average SGST growth.

Further, the data shows that the reduction in GST rates for various items in the July GST Council meeting had a substantial impact on revenue flowing to states as SGST. This is evident if we look at the quarterly SGST collections by all states in 2018-19 to date.

There is a marked fall in state GST revenue from the first quarter of the financial year (Q1: April-June) to the second quarter Q2 (July-September), followed by a pick-up in revenues in the third (Q3: October-December). While it contracted by 16 per cent in Q2 over Q1, it grew by 21 per cent in Q3 over Q2.

As a result, there was only a marginal increase in quarterly SGST revenue along the financial year. It fell from ₹1.36 trillion in Q1 to ₹1.14 trillion in Q2, to rise to ₹1.38 trillion in Q3.

RATE RATIONALISATION HAS EQUALLY HIT STATES' FINANCIAL FLOWS

SGST revenue grew by 24% for all states put together in (%YoY)

State	Growth in SGST in 2018-19*
Delhi	-8
Maharashtra	14
Tamila Nadu	15
Gujarat	19
All states' average	24
Uttar Pradesh	27
Rajasthan	36
Madhya Pradesh	40
Bihar	68

Source: Data tabled in Parliament
*Note: August-January 2018-19 over 2017-18, making it a comparable period for both financial years

JULY RATE REDUCTION HITS GST REVENUE

Period	SGST revenue (₹ trn)	Q-o-Q growth (%)
Apr-Jun FY19	1.36	10
Jul-Sep FY19	1.14	-16
Oct-Dec FY19	1.38	21