

# 17 ECONOMY

SENSEX: 38,767.11 ▲ 160.10 NIFTY: 11,643.45 ▲ 46.75 NIKKEI: 21,870.56 ▲ 159.18 HANG SENG: 29,909.76 ▲ 70.31 FTSE: 7,429.85 ▲ 11.90 DAX: 12,008.82 ▲ 73.62

<b>GOLD</b>	<b>RUPEE</b>	<b>OIL</b>	<b>SILVER</b>
₹32,850	₹69.17	\$70.77*	₹38,200

\*Indian basket as on April 11, 2019

International market data till 1900 IST

## RAISES EXPECTATION OF ANOTHER RATE CUT

# February IIP slips to 20-month low, retail inflation for March inches up

**ENSECONOMIC BUREAU**  
NEW DELHI, APRIL 12

FACTORY OUTPUT slid to a 20-month low of 0.1 per cent in February from 6.9 per cent a year ago due to contraction in manufacturing and an adverse base effect, data released by Central Statistics Office (CSO) Friday showed. Retail inflation, based on Consumer Price Index (CPI), rose to a five-month high of 2.86 per cent in March, primarily on account of food inflation reversing the deflationary trend after five months and higher fuel prices, separate set of data released Friday showed.

### EXPLAINED Capital goods, manufacturing slide signal slowdown

FACTORY OUTPUT growth has been slowing down since December with a recovery in the near future unlikely. The latest February print shows contraction in capital goods output, an indicator of investment activity, and manufacturing output carrying a weight of 77.63 per cent in the IIP.

This points to a slowdown in the economy that will also get reflected in the GDP numbers for the fourth quarter of 2018-19, leading to expectations of another rate cut in the June monetary policy review.

picture of industrial recovery in the coming months. Weaker industrial growth is an indicator of a slowdown in GDP growth for the fourth quarter of the financial year ended March 31.

"Capital goods sector which had shown an average growth of 8.9% during April-October period during FY19 and raised the hope of an incipient investment recovery in the economy is once again

Economist, India Ratings & Research said. Sector-wise data showed that the growth in capital goods contracted 8.8 per cent in February as against 3.4 per cent contraction in previous month and 16.6 per cent growth in same period last year, while mining sector rose to 2.0 per cent in February from (-)0.4 per cent last year. Intermediate goods output remained in the negative zone for the fourth consecutive month at 4.9 per cent in February as against 3.4 per cent growth in previous financial year. Consumer durables and consumer non-durables recorded growth of 1.2 per cent and 4.3 per cent respectively.

Cumulatively, the IIP growth during April-February stood at 4.0 per cent, lower than 4.3 per cent a year ago. Retail inflation in March is the highest since October 2018 when it had touched 3.38 per cent. Consumer Food Price Index (CPI) inflation stood at 0.30 per cent in March as against (-)0.73 per cent in February.

The 'food and beverages' segment registered an inflation of 0.66 per cent in March, with meat and fish recording inflation of 6.55 per cent. Fruits and vegetables continued to register deflation at (-)5.88 per cent and (-)4.90 per cent, respectively. Inflation for the 'fuel and light' category rose to 2.42 per cent in March as against provisional 1.24 per cent in February.

At 2.86 per cent, the overall retail inflation rate is higher than that the Reserve Bank of India's (RBI's) inflation projection of 2.4 per cent for January-March quarter, but lower than the 2.9-3.0 per cent range for first half of this financial year.

B Prasanna, Group Head - Global Markets - Sales, Trading and Research, ICICI Bank said, "CPI for March picked up sharply on account of food and fuel prices. However, in an encouraging development, core inflation has moderated substantially reflecting slower growth momentum. Further rate cuts though not ruled out, would be data dependent based on clarity on food and fuel trajectory, fiscal situation and some indication of transmission of the twin rate cuts."

# Jet Airways's operational situation remains 'fluid'; six bids received for the airline

**ENSECONOMIC BUREAU**  
MUMBAI/NEW DELHI, APR 12



Jet Airways ground staff during their protest in Mumbai on Friday. Amit Chakravarty

WITH THE deadline for potential investors to place initial bids to acquire Jet Airways closing at 6pm Friday, the operational situation at the cash-strapped airline remained "fluid" as it operated less than 50 domestic flights, a senior government official said. The airline cancelled all of international departures till April 15 and operated on a skeletal schedule for domestic flights. Friday evening, senior officials of the civil aviation ministry and the Directorate General of Civil Aviation (DGCA) briefed officials at the Prime Minister's Office to apprise them of Jet's situation.

Further, civil aviation minister Suresh Prabhu directed civil aviation secretary Pradeep Singh Kharola to review issues concerning Jet Airways, following which Kharola met airline officials along with the DGCA. In a statement, a Jet Airways spokesperson said: "Jet Airways has cancelled its international operations from 12th-15th April, 2019... In parallel, the airline's management and its key stakeholders including its consortium of lenders, continue to work closely towards resolving the situation".

According to sources, SBI Capital Markets (SBCAP), which is overseeing the process of Jet Airways' stake sale on behalf of Jet's lenders led by SBI, received at least six initial bids from parties including private equity firms like TPG Capital, Indigo Partners, and Radcliffe Capital. However, contrary to expectations, former Chairman Naresh Goyal has not submitted any bid even as the deadline for submission of EoIs ended on Friday.

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National Infrastructure Investment Fund is also believed to have submitted the bids. "This is only initial interest. The final bidding will have to be submitted by April 30. The pricing of the stake will be done as per the financial condition of the airline. As the finances of the airline have gone for a toss, lenders may have to witness a big discount to the current market price of the airline," said a source. hile Goyal has not directly bid for the airline, it's still not clear whether he's part of any consortium which has submitted EoIs. Lenders had earlier said Goyal is eligible to bid for the airline. Sources also pointed out that it isn't necessary that all those who have submitted EoIs will submit the final bids.

Jet's management met its bankers on Friday in the capital to seek the promised fund infusion of Rs 1,500 crore. Kharola, who was briefed about the meeting, said that they will meet again on Monday since Friday's meeting was inconclusive. He added that Jet had funds to stay afloat till Monday.

As per information sourced from the DGCA, 11 of Jet's aircraft have been de-registered and lessors have repossessed them. Applications to de-register another 14 planes have been made by various lessors with the regulator. Furthermore, Jet Airways employees held protests at the Mumbai airport earlier during the day seeking clarity on their salary payments.

## Essar Steel payment: SC asks ArcelorMittal to wait

**REUTERS**  
NEW DELHI, APRIL 12

SUPREME COURT on Friday ordered ArcelorMittal SA to stop a payment to lenders to buy Essar Steel, a lawyer involved in the case said, delaying billionaire Lakshmi Mittal's entry into the country's fast-growing steel market.

The bankruptcy court had approved ArcelorMittal's \$6 billion bid for debt-ridden Essar on March 8, potentially ending months of court battles and opening the sector to outsiders.

On Friday, the Supreme Court halted ArcelorMittal's payment while a bankruptcy appeals court - the National Company Law Appellate Tribunal - rules on various appeals in the case.

"(The court) asked the parties to maintain status quo with respect to the March 8 order," said a lawyer working on the case, referring to an order by India's bankruptcy court, the National Company Law

Tribunal. The lawyer, who was at the court when the ruling was made, did not wish to be named as he is not authorised to speak to the media. ArcelorMittal did not have any immediate comment. Essar Steel declined to comment. The rupee weakened by 0.3 per cent to 69.32 to the dollar following Friday's ruling, on concerns of subdued dollar inflows. Essar Steel, with debts of 50.78 billion rupees (\$725.38 million), was among the so called dirty dozen - twelve large steel and other infrastructure companies which defaulted and were referred to India's bankruptcy court in 2017.

The company became synonymous with the tardy pace of debt resolution by Indian banks saddled with billions of dollars of bad loans.

When a new bankruptcy law was introduced in 2016 by Prime Minister Narendra Modi, it was seen by investors as a bold move which would ease lending pressure on banks and boost private investment.

## 'FOREX RESERVES SWELL BY \$1.87 BN TO \$413.8 BN'

**In dollar terms:** Foreign currency assets include the effect of appreciation/depreciation of non-US currencies like the euro, pound and the yen held in the reserves

**Life-time high:** The forex kitty had touched a life-time high of \$426.028 billion in the week to April 13, 2018. Since then, it has been on a slide and is now down by over \$13 billion.

**Gold reserves:** The yellow metal reserves, which remained unchanged in the previous week, declined by \$182.6 million to \$23.225 billion, the data showed

**The special drawing rights with the International Monetary Fund dipped by \$1.2 million to \$1.455 billion.**

**The country's reserve position with the Fund too slipped by \$2.5 million to \$2.983 billion, the apex bank said.**

The country's foreign exchange reserves rose by \$1.876 billion to \$413.781 billion in the week to April 5, aided by a rise in foreign currency assets, Reserve Bank data showed

**\$411.905bn:** The reserves had surged by \$5.237 billion to \$411.905 billion in the previous week, helped by the maiden dollar-rupee swap conducted by the RBI

**\$386.116bn:** In the reporting week, foreign currency assets - a major component of the overall reserves - rose by \$2.062 billion to \$386.116 billion

## CERC nod to higher tariff for Adani Power's capacities at Mundra plant

**ANUPAM CHATTERJEE**  
NEW DELHI, APRIL 12

ADANI POWER'S beleaguered, imported coal-based Mundra power project on Friday got a much-needed booster with the Central Electricity Regulatory Commission (CERC) allowing tariff hike for 2,000 MW capacity linked to Gujarat discom GUVNL by amending the power purchase agreement (PPA).

The regulator's move, which keeps hopes alive for the plants of Tata Power and Essar Power in Gujarat facing similar problems, could allow Adani Power to hike tariffs by Rs 0.80/unit or close to a third in the current coal environment. Edelweiss Securities had said that the tariff hike (as recommended by a high-powered committee and now approved by the regulator) could boost earnings before interest, taxes, depreciation and amortisation (Ebitda) of the firm by about Rs 1,600 crore (annually) at 70 per cent PLF level.

There's also a 20 paise/unit cut in capacity charge owing to the haircut by lenders. The Adani Power stock went up 5.2 per cent on Friday to close at Rs 52.95.

The regulator also allowed

pass through of coal costs, subject to a cap of \$110/tonne. Additionally, it allowed extension of PPA with GUVNL by another 10 years after completion of the 25-year tenure by 2032. The supplemental PPA will take effect retrospectively from October 15, 2018.

Adani Power is the first to benefit from the Supreme Court's October 29, 2018, ruling that extended the lifeline to the three troubled imported-coal-based power plants in Gujarat (Tata Power's Mundra unit and Essar's Salaya plant are the other two) by allowing the CERC to amend their PPAs to facilitate pass-through of future fuel price escalation, subject to a ceiling. The court said its April 2017 order denying compensatory tariffs to these plants wouldn't come in the way of implementing the fuel cost pass-through and other measures recommended by a high-level committee to salvage the units. These units got into trouble due to unforeseen hike in Indonesian coal prices. Adani's Mundra unit - which a total capacity of 4,620 MW - reported accumulated losses of Rs 10,300 crore as at end of Q3FY19; the plants have been operating at very low PLF levels for quite some time. **FE**

IT records 20% revenue rise at ₹ 2K cr

New Delhi: State-run telecom product maker ITI Ltd Friday said it has recorded 20 per cent growth in revenue at Rs 2,051 crore for financial year 2018-19. **PTI**

**Chevron to buy Anadarko for \$33 billion**

Bengaluru: Chevron Corp on Friday said it will buy oil and gas producer Anadarko Petroleum Corp for \$33 billion in cash and stock in a deal that doubles down on its bet on US shale and LNG. **REUTERS**

**Uber unveils IPO with warning**

New York: Uber Technologies Inc Ltd has 91 million users, but growth is slowing and it may never make a profit, the ride-hailing company said on Thursday in IPO filing.

**India shifts to net steel importer**

New Delhi: India was a net importer of steel during 2018-19 fiscal, first time in three years, as it lost market share among its traditional steel buyers and imports jumped on demand for high-quality steel domestically. **REUTERS**

## TCS Q4 net profit rises 17.7% to ₹8,126 crore

**ENSECONOMIC BUREAU**  
MUMBAI, APRIL 12

TATA CONSULTANCY Services (TCS), India's largest software services firm, on Friday reported a 17.7 per cent growth in consolidated net profit at Rs 8,126 crore for the March 2019 quarter as against a net profit of Rs 6,904 crore in the year-ago period.

The company, which is also the second most valued listed company, reported an 18.5 per cent rise in revenue for the quarter under review to Rs 38,010 crore from Rs 32,075 crore in the corresponding period last fiscal. For the full year (2018-19), net profit was higher by 21.9 per cent at Rs 31,472 crore, while revenue increased 19 per cent to Rs 1,46,463 crore.

In dollar terms, revenue crossed \$20 billion mark to \$20.9 billion for the fiscal 2019.

Rajesh Gopinathan, Chief Executive Officer and MD, said: "this is the strongest revenue growth that we have had in the last 15 quarters. Our order book is bigger than in the prior three quarters, and the deal pipeline is also robust. Despite macro uncertainties ahead, our strong exit positions us very well for the new fiscal." "Our full spectrum digital transformation capabilities and thought leadership is what is driving the strong demand for our services, and making us the preferred innovation and transformation partner to our customers. Our Business 4.0 framework has now become the de facto model for enterprises looking to embrace new

technology-enabled business models, pursue new revenue streams or deliver superior customer experiences," Gopinathan said. Revenue growth continued to accelerate in BFSI, crossing over into double digits (11.6 per cent as against 8.6 per cent growth in Q3). Growth was broad-based with most verticals showing strong growth: Life sciences and healthcare (18.2 per cent growth), energy & utilities (11.3 per cent growth), communications & media (10 per cent growth), retail & CPG (9.9 per cent growth) and manufacturing (9.2 per cent).

N Ganapathy Subramaniam, COO & Executive Director, said: "it is a very satisfying finish to a year marked by steady growth acceleration and order book expansion every quarter..."

## Infosys Q4 profit rises 10.4%

New Delhi: Infosys, India's second biggest software services exporter, reported a 10.4 per cent rise in its fourth-quarter profit on Friday, helped by strong growth in its key financial services segment and large deal wins during period.

Net profit for the three months to end of March was 40.74 billion Indian rupees (\$588.6 million), compared with Rs 36.90 billion in the year-earlier period. The result was above the average estimate of 39.56 billion rupees by 33 analysts, Refinitiv Eikon

data showed. Infosys expects its full-year revenue to rise by 7.5 to 9.5 per cent on constant currency basis, while operating margin is expected to be in a 21-23 per cent range.

The company, which said it won large deals worth over \$1.5 billion in the quarter, has reported an expansion in revenue for 37 straight quarters. Revenue from operations grew 19.1 per cent, while revenue from its largest segment, financial services, spiked 15.6 per cent. Digital revenue jumped 41.1 per cent to \$1.04 billion, Infosys said. **PTI**

## IMF wants China-US deal to address structural issues

**REUTERS**  
WASHINGTON, APRIL 12

ANY TRADE deal between China and the United States should be a long-lasting one that is consistent with multilateralism and addresses structural factors like intellectual property, a senior International Monetary Fund official said on Friday.

Changyong Rhee, director of the IMF's Asia and Pacific department, also said market optimism over the fate of trade talks between Washington and Beijing could mean that a failure to reach a deal could trigger a sharp market reaction. "If there is no agreement reached contrary to market ex-

pectations, the market can react quite negatively because they already factor in some agreement will be reached," he told a news conference during the spring meetings of the IMF and World Bank in Washington.

Increasing optimism that U.S. and Chinese negotiators are nearing a deal in their thorny trade talks has helped lift global stock prices, offering some relief to policymakers fretting about a growing global economic slowdown.

The United States and China have largely agreed on a mechanism to police any trade agreement reached, including establishing new "enforcement offices," U.S. Treasury Secretary Steven Mnuchin said on Wednesday.

## Maintain vigilance during loan award process: Naidu

**ENSECONOMIC BUREAU**  
NEW DELHI, APRIL 12

TO ADDRESS the problem of Non Performing Assets (NPAs), banks must maintain strict vigilance during pre and post-sanction procedures of loans and never make compromises in due diligence processes, Vice President of India M. Venkaiah Naidu said Friday. Lenders must constantly strengthen their internal processes to effectively monitor funds and maintain strict discipline in lending.

"Banks can make use of technology and data analytics to identify the early warning signals of loan defaulting and evolve robust mechanisms to identify the hid-

den NPAs. They must focus on nurturing internal skills for credit assessment and undertake forensic audits to understand the intent of the borrower," he said at the 125th Foundation Day celebrations of the Punjab National Bank (PNB). In the last few years, gross NPAs of banks as a percentage of total loans have increased from nearly 2 per cent of total loans in 2008 to nearly 10 per cent in 2017, he said. Rising NPAs adversely affect growth as they reduce availability of funds. The government had to announce a Rs 2.11 lakh crore capital infusion plan to ensure that public sector banks come out of the NPA mess and are able support growth through expansion in credit.

"The accumulation of bad

**Banks can make use of technology and data analytics to identify the early warning signals of loan defaulting, he says**

loans happened over a long period of time, and now, it threatens to hamper economic growth by weakening the credit supply channel of the economy. Some of the factors leading to the increased occurrence of NPAs are external, such as decreases in global commodity prices leading to slower exports. Some are more intrinsic to the Indian banking sector," he said. He argued that time has come for a systemic reform of

the Indian banking sector. "There has to be an effective and efficient system of checks and balances in place so that the loop holes in the system are not taken advantage of. We must also take a re-look at the practice of financing big-ticket projects which have long gestation periods and hence face cash flow issues, through deposit-taking commercial banks," he said.

No efforts should be spared to deal with wilful defaults and frauds. India must enter into more treaties for exchange of information and intelligence on financial fraud and bank accounts and work with international agencies in bringing defaulters to justice, he said. Speaking at the event, Punjab National Bank MD and CEO Sunil Mehta said the banks worked

hard to come out challenging phase. PNB was stung by over Rs 14,000 crore loan alleged loan fraud last year by diamond trader Nirav Modi. Talking about bank's resurgence after a lean patch, Mehta said, "last year was a challenging year for us. Putting the past behind all tooled hard to ensure that the bank returned to profitability in just 9 months." Naidu also said populist schemes like loan waivers and free power are not long term solutions for problems of farmers. "Everything free... free power means no power. People want assured power, they want regular power and then loan waiver scheme. They are not going to help the farmers in the long term because this is not the end of the story," he said.