

FINANCE MINISTRY REPORT

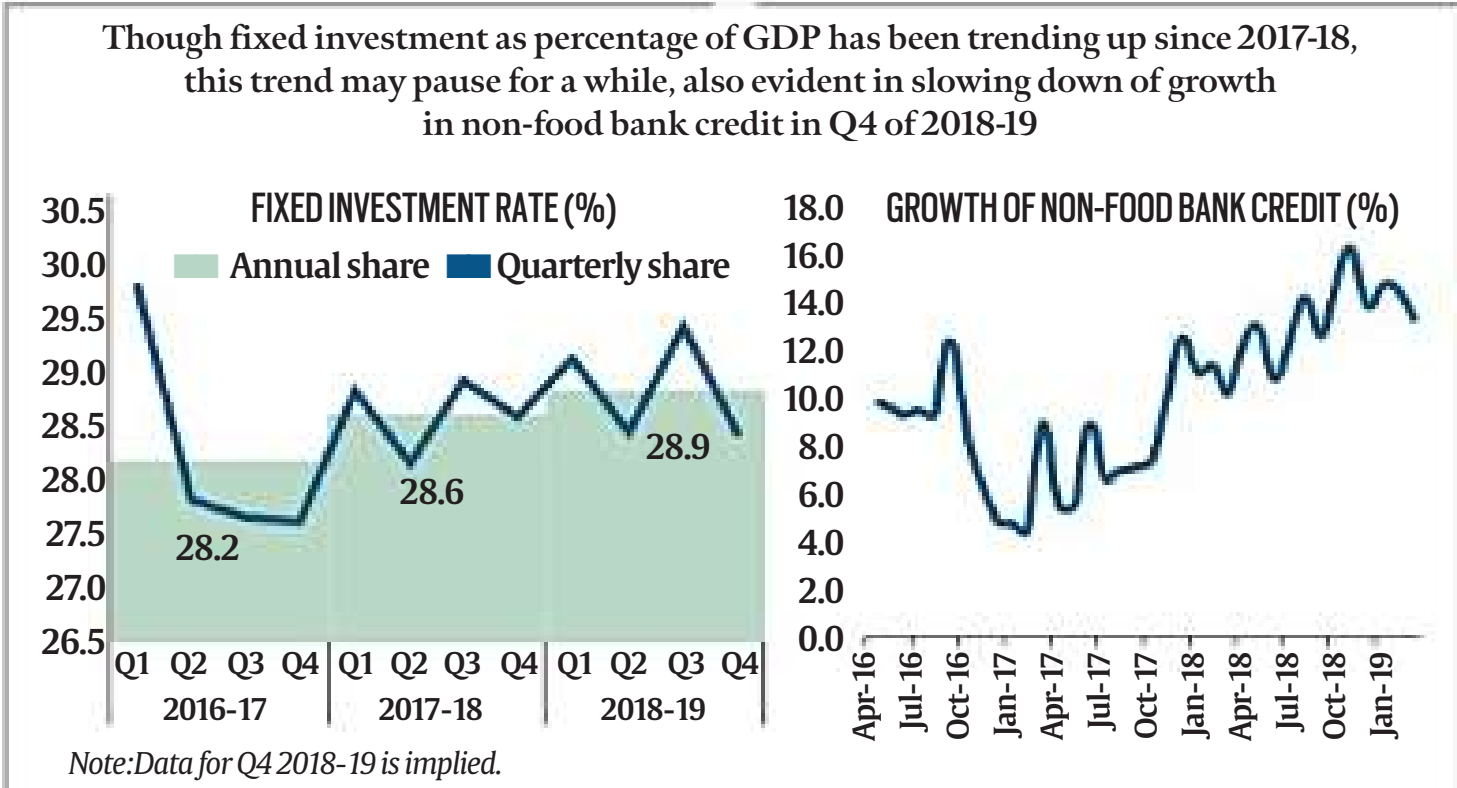
Growth engines of economy slowed down in FY19 but outlook upbeat

SUNNY VERMA
NEW DELHI, MAY 2

INDIAN ECONOMY seems to have slowed down slightly in 2018-19 due to muted exports, declining growth of private consumption and tepid increase in fixed investment, the finance ministry said in its latest Monthly Economic Report for March 2019.

The growth outlook, however, remains upbeat as the stock market indices have risen in January-March 2019 and inflationary expectations are subdued, the report said. Low inflation created room for monetary policy easing in 2018-19 but reduction in the key short-term lending rate, or repo rate, announced by the Reserve Bank of India have so far not led to a decline in commercial lending rates offered by the banks.

"Though easing of monetary policy has the potential to support growth, the recent cuts in repo rate are yet to transmit to weighted average lending rate of banks; thus the effects of the easing on investment activity are yet to manifest," the report said. The RBI has cut repo rate by a total of 50 basis points in this calendar year but banks are yet to fully pass on the benefit of lower rates to customers. Default on debt papers by various companies, starting with IL&FS group, led to liquidity conditions remaining tight in last



six months, preventing any sharp fall in lending rates.

The report also flags other key challenges facing the economy — export revival in the face of an appreciating exchange rate, pause in recent uptrend seen in fixed investment and slowing farm sector growth rate. "The real effective exchange rate has appreciated in Q4 of 2018-19 and could pose challenges to the revival of exports in the near future... Though fixed investment as percentage of GDP has been trending up since 2017-18, this trend may pause for a while, also evident in slowing down of growth in non-food bank credit in Q4 of 2018-19," the report said.



Growth in gross value added or GVA in agriculture sector has been slowing since first quarter of 2018-19 and may continue to fall in January-March quarter as well. The data for the fourth quarter GDP growth is yet to be released by the government.

Agriculture, forestry and fishing sector's GVA growth was pegged at 2.7 per cent in October-

December 2018 as against 4.6 per cent in October-December 2017, as per latest available data released by the Central Statistics Office (CSO).

India's economy grew at the slowest pace in six quarters at 6.6 per cent in October-December, the third quarter of this financial year, the data showed. The CSO had also revised down its overall GDP growth estimate for 2018-19 to a five-year low of 7.0 per cent as per the second advance estimates, against its earlier estimate of 7.2 per cent.

Along with falling GDP growth, private consumptions appears to have declined in January-March 2019 but government

spending is holding up in the same period.

"In line with declining real GDP growth, private consumption in Q4 of 2018-19 has also declined as reflected in the drop of growth of two-wheelers sales towards the end of the year... The expected firming up of government consumption expenditure in Q4 of 2018-19 is on course as growth in cumulative revenue expenditure of the central government has been higher in recent months," as per the finance ministry report. Two wheeler sales, for instance, contracted by around 20 per cent in February.

Factory output also 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, while retail inflation, based on Consumer Price Index (Combined), rose to a five-month high of 2.86 per cent in March.

On the external front, declining imports would lead to improvement in current account deficit in fourth quarter of 2018-19 while foreign exchange reserves continue to rise, the report said. Forex reserves in terms of months of import cover has fallen from 14 months from April 2016 to 9 months in October 2018. However, the import cover has been increasing since then and was at around 11 months in February 2019.

Wilful defaults surge by ₹121,700 crore in 5 years

Rise was nearly four-and-half times in previous 5 year period

GEORGE MATHEW
MUMBAI, MAY 2

FOR BANKS struggling with bad loans, the list of rogue borrowers is getting longer despite them filing lawsuits and hauling defaulters to the bankruptcy court. Wilful defaults by over 11,000 borrowers — who, technically, have the financial wherewithal but have not paid back bank loans — have surged by Rs 43,000 crore to Rs 161,213 crore during the 12-month period ended December 2018.

Wilful defaults have soared by Rs 121,700 crore from just Rs 39,504 crore in March 2014, according to figures published by Transunion Cibil, a credit information company. The State Bank of India (SBI) alone accounted for Rs 39,471 crore of wilful defaults as of December 2018.

In March 2014, there were only 5,090 wilful defaulters who defaulted on Rs 39,504 crore. This grew steadily over the years to number 11,046 wilful defaulters and Rs 161,213 crore by December 2018, as per the Cibil list. This figure, which is 15.5 per cent of gross NPAs of Rs 10.39 lakh crore, is set to rise for the quarter ended March 2019 as banks are expected to add more names to the list.

Cumulatively, between March 2014 and December 2018, there was an over four-fold increase in the amount classified under wilful defaults. During the previous five year period — March 2009 to March 2014 — the surge in this amount was nearly four-and-half times. The SBI has classified ABG Shipyard (Rs 1,874 crore), ABC Cotspin (Rs 403.7 crore), Sai Infosystem (Rs 431 crore), GET Engineering (Rs 405 crore), Surya Pharma (Rs 574 crore), Radikal Foods (Rs 492 crore), Shree Ganesh Jewellery (Rs 452 crore) and Rei Agro (Rs 671 crore), among many others.

The LIC has listed Unitech (Rs 429 crore) and Sterling Biotech (Rs 423 crore) as wilful defaulters.

Gupta Coal (Rs 451 crore), Nitin Kasliwal's S Kumars Nationwide (Rs 834 crore) and Vijay Mallya's Kingfisher Airlines (Rs 695 crore) are among others in the IDBI Bank's list. The Punjab National Bank's wilful defaulters include Mehul Choksi companies Gitanjali (Rs 4,633 crore), Gili India (Rs 1,445 crore), Nakshatra Brands

Crude oil drops 3% on oversupply worries

REUTERS
NEW YORK, MAY 2

OIL PLUNGED on Thursday, with US crude dropping more than 3 per cent as the market grappled with oversupply fears as increased US sanctions on Iran had more incremental impact than expected and US crude oil inventories rose sharply.

US crude was down \$2.24, or 3.5 per cent at \$61.35 per barrel 1534 GMT, heading for its biggest weekly fall since February. Brent crude futures fell \$1.92, or 2.7 per cent to \$70.26.

The US sanctions on Iran intensified as the Trump Administration halted waivers allowing eight countries including China and Turkey to continue to do business with Iran. "You don't get a sense that China or Turkey are pulling back completely," said John Kilduff, a partner at Again Capital Management in New York. "A little bit of the angst in the market has come out here."

China has complained to the United States about its Iran sanctions and Turkey said it was unable to replace Iranian imports easily, calling on Washington to review its move. Oil prices had previously been supported by the political crisis in Venezuela, stricter US sanctions against Iran that halted waivers allowing countries to continue to buy oil from the country, and production cuts from the Organization of the Petroleum Exporting Countries.

The bullish sentiment also declined as robust US crude stockpiles indicated that the market was well supplied.

WILFUL DEFAULTS

Period	Borrowal Accounts	Amount
Dec 2018	11,046	161,213
March 2018	10,408	136,291
Dec 2017	9,582	118,137
March 2017	8,647	99,917
March 2016	7,582	79,352
March 2015	5,991	56,764
March 2014	5,090	39,504
March 2013	3,887	25,370
March 2012	4,435	23,252
March 2011	4,015	15,273
March 2010	3,441	12,961
March 2009	2,248	8,703

Amount in Rs crore

Source: Cibil

BANKS AND LOAN AMOUNTS

Banks	Borrowers	Amount
SBI	1,675	39,471
PNB	1,094	23,448
BoI	400	9,784
BoB	574	7,833
IDBI	180	7,381
Uco Bank	649	6,525
Union Bank	803	5,575

Amount in Rs crore

Source: Cibil

(Rs 1,108 crore). Others in the PNB list are: Jatin Mehta's Winsome (Rs 899 crore) and Forever Precious (Rs 747 crore), and Zoom Developers (Rs 410 crore).

The Bank of India has Gupta Coal (Rs 715 crore) as a wilful defaulter. Kingfisher also owes Rs 426 crore to Bank of Baroda. Other big names in the wilful defaulters list are: Rank Industries (Rs 908 crore), Raza Textiles (Rs 1,397 crore) and Beta Naphthol (Rs 1,658 crore). "It is a well-known fact that bulk of these bad loans is attributable to the big businesses and the affluent. In many cases of bank loan default, it is found to be deliberate, wilful and on account of diversion of funds. Unfortunately, bank loan default is still a civil offence and, hence, criminal proceedings are not being instituted against them," said a banking source who tracks the bad loan status in the sector.

The RBI first notified the wilful defaulter dissemination scheme in April 1999 and modified it in May 2002.

AIBE secretary general C H Venkatachalam said: "We have

been demanding publication of the names of these defaulters periodically by the government but to no avail. We have also been demanding criminal action, at least against the wilful defaulters. All these are encouraging big borrowers to take loans and cheat banks. It is obvious that cheating the banks is nothing but cheating the people as banks extend loan from the money deposited by the people."

According to the RBI's Master Circular on wilful defaulters, once the bank declares a borrower wilful defaulter, no additional funding facility should be granted by any bank to the listed wilful defaulter. In addition, such companies (including promoters) should be barred from institutional finance from banks for floating new ventures for a period of five years from the date of removal of their name from the list of wilful defaulters as published or disseminated by the RBI or credit information companies. Lenders should initiate criminal proceedings against wilful defaulters, wherever necessary, it states.

'Manufacturing sector growth slows down in Apr'

ENS ECONOMIC BUREAU
MUMBAI, MAY 2

INDIA'S MANUFACTURING sector growth eased to an eight-month low in April as new business growth moderated, curbed by the elections and a challenging economic environment.

The Nikkei India Manufacturing Purchasing Managers' Index declined from 52.6 in March to 51.8 in April, reflecting weakest improvement in business conditions since August 2018.

This is the 21th consecutive month that the manufacturing PMI remained above the 50-point mark. In PMI calculation, a print above 50 means expansion, while a score below that denotes contraction.

April PMI data indicated that softer increase in new orders restricted growth of output, employment and business sentiment. "Although remaining inside expansion territory, growth continued to soften and the fact that employment increased at the weakest pace for over a year suggests that producers are hardly gearing up for a rebound," said Pollyanna De Lima, principal economist at IHS Markit and author of the report.

When looking at reasons provided by surveyed companies for the slowdown, disruptions arising from the elections was a key theme, Lima said, adding that "firms also seem to have adopted a wait-and-see approach on their plans until public policies become clearer upon the formation of a government".

The Nikkei India Manufacturing Purchasing Managers' Index declined from 52.6 in March to 51.8 in April

While the general election, which began on April 11, is currently underway, votes will be counted on May 23.

On the prices front, input cost inflation eased to a 43-month low while the rate of charge inflation was marginal and below its long-run average. "With price pressures in the manufacturing economy cooling and growth losing momentum, it's increasingly likely that the RBI may cut its official rate for a third successive time in June," Lima said.

Meanwhile, growth in China's manufacturing sector eased in April, but remained in expansionary territory, an official reading showed on Tuesday. The China manufacturing purchasing managers' index slipped to 50.1, according to the National Bureau of Statistics, remaining just above the 50-level separating expansion from contraction.

China's manufacturing sector returned to growth in March following five consecutive months of contraction, showing the result of Beijing's stimulus measures. The IHS Markit's Manufacturing PMI in the US rose to 52.6 in its final release from 52.4 in March and came in above the market expectation of 52.4.

AVERAGE SPOT POWER PRICE FALLS TO ₹3.22 A UNIT IN APRIL

Average spot power price at the Indian Energy Exchange (IEX) declined to Rs 3.22 per unit in April from Rs 3.98 per unit in April 2018, mainly due to improvement on the supply side, IEX said in a statement

MARKET CLEARING PRICE (MCP):

19% fall y-o-y: Average MCP declined by 19 per cent to Rs 3.22 per unit, from Rs 3.98 per unit in April 2018

3% rise m-o-m: The MCP of Rs 3.22 per unit in April increased 3 per cent over Rs 3.12 per unit in March 2019

Day-ahead market trade: The day-ahead market witnessed trade of 4,005 million unit (MU) in April

■ At par y-o-y: The April figure was almost at par with the 4,055 MU traded in April 2018

■ 19% rise m-o-m: 19 per cent growth on a month-on-month (m-o-m) basis was seen in April, as 3,356 MU were traded in March

Term-ahead market: The day-ahead market saw trade of 332 million unit (MU) in April

148% rise y-o-y: The April figure was 148 per cent higher than the year-ago figures of 134 MU



Tata Power Q4 profit drops 92% to ₹107.32 cr

ENS ECONOMIC BUREAU
MUMBAI, MAY 2

TATA POWER'S consolidated operating profit for the quarter ended March 31, 2019, fell 1.5 per cent year-on-year (y-o-y) to Rs 1,348.68 crore while margins dropped marginally by 32 basis points as fuel cost and power purchase cost rose during the period. Consolidated net profit for the March quarter fell 92 per cent y-o-y to Rs 107.32 crore as the largest private sector power utility made an exceptional gain from reversal of impairment charges on Mundra Power Plant and Indonesian coal mines a year ago. In Q4FY19, the company has also made an impairment of Rs 106 crore towards the gas-based Rithala power plant in Delhi, which is lying idle for the last four years. Profit before exceptional item for Q4FY19 was Rs 259 crore compared with Rs 118 crore a year ago, the firm said in a release. **FE**

Bandhan Bank net up 67.8% to ₹651 crore on doubling of fee income

ENS ECONOMIC BUREAU
MUMBAI, MAY 2

PRIVATE SECTOR lender Bandhan Bank on Thursday reported a 67.8 per cent growth in its net profit at Rs 651 crore for the March quarter because of higher net interest and non-interest income, coupled with an improved asset quality.

The microlender-turned-commercial bank had reported a net profit of Rs 388 crore in Q4FY18. Total income rose by 54.2 per cent y-o-y to Rs 1,646 crore on account of a 45 per cent rise in its NII to Rs 3,048 crore and a 91 per cent rise in its non-interest income like fees and commission to Rs 388 crore. NII is the difference between interest earned and interest paid by a bank. The lender's pre-provisioning profit grew by 64 per cent to Rs 1,154 crore on the back of a growing total income. The net interest margin (NIM) rose by 137 basis points (bps) y-o-y to 10.69 per cent. However, provisions grew by 41.2 per cent to Rs



154 crore as the lender made 100 per cent provision to an exposure of Rs 385 crore to IL&FS. The bank, whose promoters were struggling to bring down the holding in the bank in accordance with the Reserve Bank of India norms, will go for an offer for sale to reduce the holding, managing director Chandra Shekhar Ghosh said. He also said an acquisition, which can serve as an alternative to reduce promoter holding, is off the table for time being. However, he did not share a timeline by when he expects the sale process will be completed. **FE & PTI**

SECTOR WATCH
PRECIOUS METAL

Indians bought gold worth ₹47K crore in January-March 2019

ENS ECONOMIC BUREAU
MUMBAI, MAY 2

DESPITE THE buoyancy in the capital market, gold still glitters in India — the second largest gold hub after China — with demand for the yellow metal in the country rising by 159 tonnes for the January-March quarter (Q4) of fiscal 2019, up by 5 per cent as compared to 151.5 tonnes in the same period of last year.

According to the World Gold Council's latest Gold Demand Trends report, India's Q4 gold demand value was Rs 47,010 crore, a rise of 13 per cent in comparison with Rs 41,680 crore in the same period of last year. "Total jewellery demand in India for the latest quarter was up by 5 per cent at 125.4 tonnes as compared to 119.2 tonnes a year ago," WGC said. The value of jewellery demand was Rs 37,070 crore, a rise of 13 per cent from Rs 32,790 crore last year.

WGC said total investment demand for the January-March 2019 was up by 4 per cent at 33.6 tonnes in comparison with 32.3 tonnes a year ago. In value terms, gold investment demand was Rs 9,940 crore, a rise of 12 per cent from Rs 8,890 crore last year.

Somasundaram PR, managing director, India, World Gold Council, said: "The strengthening of the rupee and the fall in local gold prices towards the later part of the quarter triggered a rise in India's gold demand by 5 per cent in the quarter to 159 tonnes. Growth of 5 per cent in Indian jewellery demand to 125.4 tonnes uplifted global demand and boosted retail

sentiment." The increase in auspicious wedding days in Q1 2019 — three times as many as those in the first quarter in 2018 — was also crucial to the rise in gold demand. The stronger rupee also benefited investors, with demand for gold bars and coins rising by 4 per cent to 33.6 tonnes in the first quarter. While yet a nascent trend, digital platforms for buying gold continue to become popular, as internet investment gold providers forge effective market partnerships with UPI platforms and offer investors the option of purchasing pure gold for as little as one rupee on their smartphone, WGC said.

"Looking ahead, demand is likely to be boosted in Q2, due to traditional wedding season buying, the Akshaya Tritiya festival and rising crop prices. In addition to that, IMD has forecast that the monsoon will be normal this year which augurs well for the rural economy and gold. We estimate India's gold demand to be positively impacted in 2019 and be in the range of 750 to 850 tonnes in 2019," Somasundaram said.

Meanwhile, global gold demand grew to 1,053.3 tonnes in the first quarter of 2019, up 7 per cent on same period last year, according to the World Gold Council. This year-on-year increase was largely due to continued growth in central bank buying, as well as growth in gold-backed exchange-traded funds (ETFs).

GOLD DEMAND (IN TONNES)

Country	2017	2018	Per cent Change
India	771.2	760.4	-1
China	971.6	994.3	2
US	158.8	156.5	-1
Germany	117.0	107.4	-8
Middle East	243.1	259.6	7
World total	3,282.9	3,337.7	2

* For calendar year

Two-wheeler demand muted amid price hike due to new safety norms, high inventory

ENSECONOMICBUREAU
NEW DELHI, MAY 2

TWO-WHEELER DEMAND remained lacklustre for the sixth consecutive month in April, dragged down by a steep decline reported by companies, including Hero MotoCorp and Honda Motorcycle. Analysts said purchase deferrals due to elections and high inventory with dealers led to weakness in wholesales volumes. Besides, price hikes due to new safety norms from April 1 weakened demand.

According to analysts at Nomura, price hikes due to new safety norms from April 1 will also weaken demand in the near-term. “We expect the industry to remain weak in the near-term on high inventory which have increased further and rising cost pressure by price hike on ABS/BS VI norms,” they wrote. Manufacturers increased prices in the range of Rs 500-7000 as they rolled out products with combined braking system and anti-lock braking system features, mandatory for vehicles sold from April 1 this year.

While Hero posted a 17 per cent year-on-year (y-o-y) dip in sales, Honda Motorcycle & Scooter India (HMSI) and Royal Enfield reported 31 per cent and 21 per cent y-o-y decline, respectively, in volumes. Volumes of Bajaj Auto and TVS Motor Company grew at a tepid 3 per cent y-o-y in April.

Y S Guleria, senior vice president-sales & marketing, HMSI, earlier said that higher insurance premiums and liquidity crunch continues to impact demand. “Increased insurance premium in

April also saw the sharpest decline in PV sales in at least seven years, with the top five carmakers reporting a near 17% dip in volumes

September 2018 dampened the festival sentiments and pre-festival stock build-up was converted into high inventories,” he added.

Two-wheeler demand slipped to a single-digit growth after September 2018 when the Supreme Court mandated the five-year third-party insurance. Before that, growth rate was at around 20 per cent.

Passenger vehicle (PV) sales, too, witnessed the sharpest decline in at least seven years, with top five carmakers, including MSI and Hyundai, collectively reporting around 17 per cent dip in April volumes. The last time PV volumes declined around 16 per cent was in February 2013.

Maruti Suzuki India (MSI) chairman R C Bhargava last week said it is historically seen that demand weakens during the pre-election months and he does not see a revival in the April-June quarter. “For some reason, customers are postponing their purchases during the election which has hit the retail demand,” he said.

MSI and Hyundai reported 19 per cent and 10 per cent y-o-y dip, respectively, in volumes, while M&M’s sales fell 9 per cent y-o-y. While Tata Motors posted a huge dip of 26 per cent y-o-y, Toyota’s volumes fell 22 per cent y-o-y. **FE**

Jet Airways stock plunges 12%, hits one-yr low intraday

PRESS TRUST OF INDIA
NEW DELHI, MAY 2

SHARES OF Jet Airways plunged 12 per cent on Thursday amid a report that bidders for the company so far appear uninterested in following up on their expressions of interest.

Investors deserted the Jet Airways’ counter since the start of trading in the morning and the scrip closed at Rs 134.85, plunging 12.04 per cent on the BSE. During the day, it plummeted 20.41 per cent to Rs 122 – its 52-week low. On the NSE, the scrip dropped 11.70 per cent to close at Rs 135.40. On the traded volume front, 35.08 lakh shares of the company were traded on the BSE and over three crore shares on the NSE during the day.

The company’s market valuation went lower by Rs 209.14 crore to Rs 1,531.86 crore on the BSE.

Jet Airways ceased operations on April 17 after months of financial difficulties and multiple attempts at saving the oldest private sector airliner failed.

Meanwhile, equity benchmarks ended on a negative note after a volatile session Thursday

as investor sentiment remained on the back foot amid lacklustre macroeconomic data and mixed overseas cues. Auto stocks skidded following weak April sales numbers, while IT counters tumbled as the rupee strengthened above the 70 per dollar mark.

The BSE Sensex settled 50.12 points, or 0.13 per cent, lower at 38,981.43. During the day, the index swung over 300 points, hitting an intra-day low of 38,882.99 and a high of 39,189.95. Similarly, the NSE Nifty slipped 23.40 points, or 0.20 per cent, to close at 11,724.75. It also saw an intra-day movement of 89.75 points.

The rupee, meanwhile, appreciated by 19 paise to 69.37 against the US dollar Thursday, registering its third consecutive session of gain amid easing crude oil prices and weakening of the greenback against other major currencies overseas.

Forex dealers said selling of the American currency by exporters and sustained foreign fund inflows also propped up the rupee. At the interbank foreign exchange market, the domestic unit opened at 69.60 per dollar and advanced to a high of 69.62 during the day.

Air traffic growth at 5-yr low: AAI data

ENSECONOMICBUREAU
NEW DELHI, MAY 2

PASSENGER TRAFFIC growth at airports fell to a five-year low of 11.6 per cent year-on-year (y-o-y) in FY19 mainly due to grounding of aircraft by Jet Airways and runway repair work at Mumbai and Delhi airports during the year.

Domestic and international passengers count at airports across the country was recorded at 344.6 million during FY19, compared to 308.7 million exactly a year ago, according to data released by the Airports Authority of India (AAI).

The airports’ traffic had grown at 6 per cent y-o-y in FY14. It witnessed a growth between 12.5 per cent and 16.5 per cent y-o-y in the last four years, mainly on the back of affordable fares and rising personal disposable income.

Full-service carrier Jet Airways’ financial struggle reduced the total airlines’ capacity in the market, leading to lower passenger numbers at airports. Jet suspended all operations from April 17 due to liquidity crunch. **FE**

Determined to avoid ‘energy crisis’: OPEC

PRESS TRUST OF INDIA
TEHRAN, MAY 2

OPEC IS determined to avoid a global “energy crisis” as some of its members are facing international sanctions and others struggling with unrest, the cartel’s secretary-general said here Thursday. “As an organisation, we will remain focused on our goal of avoiding an energy crisis that may affect the global economy,” Mohammed Barkindo said on the sidelines of an oil and gas exhibition. The Organisation of the Petroleum Exporting Countries (OPEC) will pursue this policy “despite current troubles in several of its member countries,” he said.

His comments came as the end of US sanction waivers for purchases of oil from key OPEC member Iran was due to kick in on Thursday. Venezuela, another OPEC member, too is facing sweeping US sanctions and in the throes of political troubles while fighting rages between rival forces for control Tripoli, capital of oil-rich Libya.

Barkindo did not name any

BANKS CAN’T INITIATE RECOVERY PROCESS AGAINST IL&FS ENTITIES

NCLAT allows banks to declare over ₹53K cr exposure to IL&FS as NPAs

NCLAT had said in Dec 2018 that IL&FS accounts should not be classified as NPAs without its approval

ENSECONOMICBUREAU
MUMBAI, MAY 2

MORE THAN Rs 53,000-crore bank loans to crisis-hit Infrastructure Leasing & Financial Services (IL&FS) are likely to be added to the bad loans book of banks with the National Company Law Appellate Tribunal (NCLAT) on Thursday allowing lenders to declare the accounts of IL&FS and its subsidiaries which have defaulted on payments as non-performing assets (NPAs).

Acting on a plea by the Reserve Bank of India (RBI), an NCLAT bench headed by Justice S J Mukhopadhyaya lifted the embargo on banks to declare the accounts of IL&FS and its 300 group entities as NPAs.

However, the appellate tribunal has ordered that the banks cannot initiate recovery process against IL&FS entities and observed that lenders must not withdraw support until a resolution is found. The total debt of the IL&FS group is more than Rs 91,000 crore.

The RBI moved an application

after the NCLAT had said in December last that the IL&FS accounts should not be classified as NPAs without its approval. IL&FS group companies are undergoing a resolution process, and the group’s loans are now expected to push up the NPAs of many banks. SBI has an exposure of around Rs 3,800 crore spread across 10-12 special purpose vehicles.

On November 1, 2018, the new board of IL&FS led by Uday Kotak cautioned that the Rs 53,000 crore exposure of banks to IL&FS is “critical to financial stability” as its share in the total exposure of the banks to the non-banking financial company (NBFC) sector is about 16 per cent. In its report on the state of affairs at IL&FS, the board warned that the “future impact of more defaults in the group, if not addressed in an orderly manner, may be catastrophic for financial stability.”

The Ministry of Corporate Affairs had noted in the Original Petition – based on a confidential note dated September 30, 2018, from the Department of Economic Affairs – that on a consolidated basis, the borrowing of

‘16% SHARE OF ALL NBFC LOANS’

■ The new board of IL&FS Group, led by Uday Kotak, had said in November last that the group’s share in the total exposure of banks to the NBFC sector is about 16%

■ Ministry of Corporate Affairs had noted that on a consolidated basis, borrowing of IL&FS from banks & financial institutions is around ₹63,000 crore as per the 2017-2018 balance sheet

IL&FS from banks and financial institutions (debentures, loans, cash credit and commercial paper) comes to about Rs 63,000 crore as per the balance sheet of 2017-2018.

“If the exposure of banks to the IL&FS Group is assumed to be about Rs 53,000 crore, then considering that the exposure of the

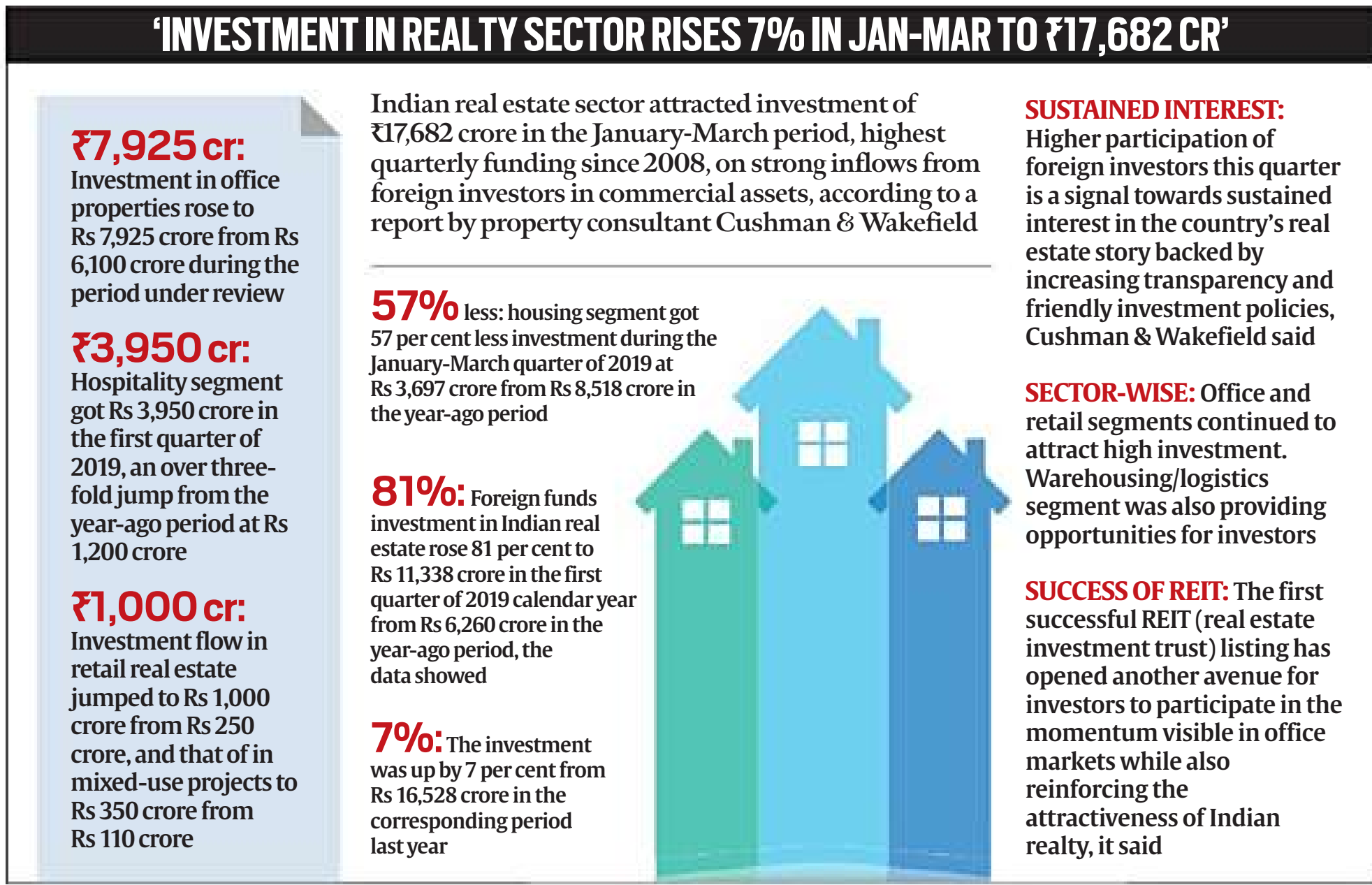
entire banking sector to all NBFCs is about Rs 3.3 lakh crore, IL&FS group is not inconsequential, but critical to the financial stability as its share in the total exposure of the banks to the NBFC sector is about 16 per cent,” the board had stated in its report submitted to the National Company Law Tribunal (NCLT) last year.

The IL&FS group owes Rs 25,767 crore towards investment in non-convertible debentures (NCDs) by investors, commercial paper (CP) Rs 3,028 crore, NBFCs Rs 1,707 crore, corporates Rs 1,102 crore, financial institutions Rs 9,137 crore and foreign banks Rs 6,030 crore, the report said.

The board warned that the cascading impact of the default by the IL&FS group on the financial sector would be quite substantial as evidenced from a partial default of some companies and its repercussions in the financial market in the month of September 2018.

“The future impact of more defaults in the group, if not addressed in an orderly manner, may be catastrophic for the financial stability,” it said.

Any sudden impairment in its



Partial stay on ₹8.3K cr DoT demand from Airtel for Tata Tele merger

PRESS TRUST OF INDIA
NEW DELHI, MAY 2

TELECOM TRIBUNAL TDSAT Thursday granted partial stay on Rs 8,300 crore demand raised by the telecom department from Bharti Airtel for approving its merger with Tata Teleservices.

The TDSAT has directed “the concerned authorities of the Union of India to take the merger of two companies and licence on record”, subject to stay on one-time spectrum charges (OTSC) demand of around Rs 7,000 crore.

US drug company founder John Kapoor, executives convicted of bribe scheme

REUTERS
NEW DELHI, MAY 2

THE FOUNDER of Insys Therapeutics Inc and four colleagues were found guilty on Thursday of bribing doctors to prescribe the drugmaker’s addictive painkiller, helping to drive the US opioid drug abuse crisis.

A federal jury in Boston found John Kapoor, who served as the Chandler, Arizona-based drugmaker’s chairman, and his co-defendants guilty of racketeering conspiracy for a scheme that also

misled insurers into paying for the drug. Kapoor, 75, is the highest-ranking pharmaceutical executive convicted in a case tied to a drug crisis that has led to tens of thousands of overdose deaths annually. His 2017 arrest came the same day US President Donald Trump declared the epidemic a public health emergency. Prosecutors charged that Kapoor oversaw a wide-ranging scheme to bribe doctors nationwide by retaining them to act as speakers at sham events at restaurants ostensibly meant to educate clinicians about its fentanyl spray, Subslys.

Over a third of firms in IIM-A survey show ‘much less than normal’ sales

EXPRESS NEWS SERVICE
AHMEDABAD, MAY 2

THE MONTHLY Business Inflation Expectations Survey (BIES) conducted by the Indian Institute of Management—Ahmedabad (IIM-A) reveals that 38 per cent of the 1,600-odd firms in the sample reported “much less than normal” sales for March 2019.

“Nearly 3/5th of the firms in the sample reported sales are ‘somewhat much less than normal.’ At the same time, the proportion of firms that reported ‘much less than normal’ sales has increased sharply to 38 per cent in March 2019,” the survey, which, maps firms engaged mostly in the manufacturing sector, stated.

The proportion of companies which reported similar “much less than normal” sentiments in February was only 27 per cent.

BoE Governor tells investors they are ‘too relaxed on rates’

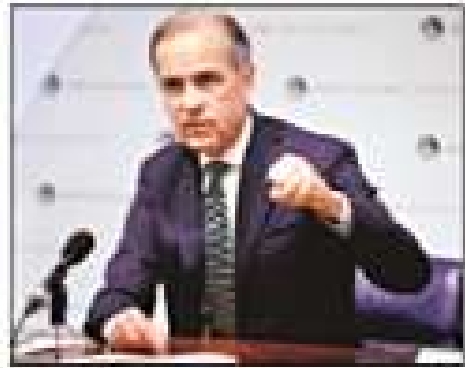
REUTERS
LONDON, MAY 2

BANK OF England (BoE) Governor Mark Carney said on Thursday investors were underestimating how much interest rates could rise, even as the British central bank kept borrowing costs on hold due to Brexit uncertainty.

Sounding more hawkish than the US Federal Reserve and the European Central Bank, Carney warned investors they were being too relaxed about BoE plans to carry on easing Britain off its financial-crisis levels of near-zero borrowing costs.

“There are insufficient hikes in the current market curve to be consistent with our remit,” he told reporters, referring to interest rate expectations embedded in financial market prices.

But for now, the BoE said, there was little risk from waiting to see if Britain can leave the European Union later this year without a big shock to the economy.



BoE Governor Mark Carney speaks during an Inflation Report Press Conference in London, Thursday. Reuters

Tesla seeks up to \$2.3 bn from share, debt issues

REUTERS
SAN FRANCISCO, MAY 2

TESLA INC will raise up to \$2.3 billion in new capital, renouncing what chief executive Elon Musk called a “Spartan diet” and easing Wall Street concerns about the money-losing company’s ability to overcome a drop in sales and build new product lines.

Tesla’s plan to issue debt and

convertible shares comes after the firm repeatedly pushed back forecasts for turning a profit. It also is confronting expensive challenges, including launching production in China, overhauling its US retail and service operations and preparing new models, including the high-volume Model Y SUV and a Semi commercial truck.

Analysts have calculated that Tesla would not be able to carry out its plans without new cash.

US Q1 worker productivity growth fastest since 2014

REUTERS
WASHINGTON, MAY 2

US WORKER productivity increased at its fastest pace in more than four years in the first quarter, depressing labor costs and suggesting inflation could remain benign for a while.

The Labor Department report on Thursday came on the heels of data this week showing moderate wage growth in Q1 and a key

inflation measure posting its smallest annual gain in 14 months in March.

The US Federal Reserve on Wednesday held interest rates steady and signaled little desire to adjust monetary policy anytime soon.

Fed Chairman Jerome Powell told reporters the moderation in price pressures was likely due to transient factors, and predicted inflation would rise back to the US central bank’s 2 per cent target.

BRIEFLY

PNBHF to mop up \$1 billion from overseas

New Delhi: PNB Housing Finance (PNBHF) Thursday said it will raise up to \$1 billion (around Rs 6,954 crore) from foreign markets, and additional Rs 10,000 crore by issuing bonds. **PTI**

Jet employees’ body, SBICAPs discuss bid

New Delhi: Representatives of an employees’ consortium that plans to bid for Jet Airways met officials of SBI Capital Markets (SBICAPs) Thursday and discussed various issues related to bidding process, according to a statement issued by the Society for Welfare of Indian Pilots and the Jet Aircraft Maintenance Engineers Welfare Association. **PTI**

Buyback: Wipro seeks nod from shareholders

New Delhi: Wipro Thursday sought shareholders’ nod for its up to Rs 10,500 crore share buyback offer. The company also sought shareholders’ approval for appointment of former SBI chairman Arunhati Bhattacharya as independent director on its board. **PTI**

‘India’s April jobless rate rises to 7.6%’

New Delhi: India’s April unemployment rate rose to 7.6 per cent, the highest since October 2016, and up from 6.71 per cent in March, data compiled by the Centre for Monitoring Indian Economy (CMIE) said. “The lower unemployment rate in March was a blip, and it has again climbed following the trend of earlier months,” Mahesh Vyas, head of CMIE, said. **REUTERS**

3M to buy medical device maker Acelity

Bengaluru: 3M Co said Thursday it would buy privately held medical device maker Acelity Inc in a deal valued at \$6.7 billion, including debt, as the US industrial conglomerate looks to expand its business. **REUTERS**

Yes Bank’s Brahm Dutt gets extension

New Delhi: The Reserve Bank has approved extension of tenure of Yes Bank’s part-time chairman Brahm Dutt till January 10, 2022, the private bank said Thursday. The tenure of Dutt, whose appointment was approved in January this year by the RBI, was till July 4, 2020. **PTI**