ECONOMY

GOLD ₹33,490 | RUPEE ₹69.28 | OIL $61.02* | SILVER ₹37,900

*Indian basket as on June 5, 2019

SENSEX: 39,529.72 ▼ 553.82 NIFTY: 11,843.75 ▼ 177.90 NIKKEI: 20,774.04 ▼ 2.06 HANG SENG: 26,965.28 ▲ 69.84 FTSE: 7,253.57 ▲ 33.35 DAX: 12,012.17 ▲ 31.36

International market data till 1900 IST

MONETARY POLICY REVIEW

NBFC crisis: Das assures financial stability

We have been closely monitoring performance and developments in the NBFC and HFC sectors: Reserve Bank Governor

ENS ECONOMIC BUREAU
MUMBAI, JUNE 6

RESERVE BANK Governor Shaktikanta Das on Thursday said the central bank is closely monitoring the developments in the NBFC (non-banking financial companies) sector and housing finance companies (HFCs) and will ensure that financial stability is maintained.

"We have been closely monitoring the performance and developments in the NBFC and HFC sectors," Das said during the post-RBI policy conference. Stating that the central bank is committed to have a robust NBFC sector, he said, "the RBI will not hesitate to take any measure to ensure financial stability in the sector." Das was responding to queries about the NBFC sector in the wake of the downgrade of over Rs 1 lakh crore liabilities of DHFL to the 'D' category, indicating default status. Many NBFCs started facing liquidity problems after the massive default of IL&FS in late 2018.

"The RBI does not regulate HFCs. Banks have significant exposure to HFCs and the RBI in any case is mandated to look after the financial stability of the entire economy. In that background, we have been very closely monitoring the activity, the performance and the development in the NBFC sector, including HFCs. We are also monitoring major entities in this universe of NBFCs and HFCs," Das said.

However, the rate cut failed to cheer the market with the 30-share BSE Sensex plunging 554 points to settle at 39,529.72 as concerns over the liquidity crisis in the non-banking financial sector unnerved the investors.

Das said that the central bank is ready to take regulatory action, without delay, to safeguard financial stability of the economy, if required. "The RBI remains committed to ensure we have a robust, well functioning NBFC sector and the RBI will not hesitate to take whatever steps are required to ensure that financial stability is not adversely impacted in any manner by any development," he said.

Das also said that the central bank has reduced the periodicity of NBFC supervision from 18 months to 12 months and is well aware of the position of top entities operating in the sector. "Individual entities themselves are resorting to various measures using market mechanisms to mobilise additional liquidity and additional resources to meet their liabilities and commitments," he said.

In May this year, the Central Board of the RBI decided to create a specialised supervisory and regulatory cadre within the RBI in order to strengthen the supervision and regulation of commercial banks, urban cooperative banks and non-banking financial companies.

The RBI has also asked NBFCs with asset size of more than Rs 5,000 crore to appoint a Chief Risk Officer (CRO) with clearly specified role and responsibilities amid growing worries over an "imminent crisis" in the NBFC sector due to credit squeeze, overleveraging, excessive concentration, massive mismatch between assets and liabilities and misadventures by some large entities like the IL&FS group.

Meanwhile, the RBI said liquidity in the system turned into an average daily surplus of Rs 66,000 crore in early June after remaining in deficit during April and most of May due to restrained government spending. The central banks injected liquidity of Rs 70,000 crore in April and Rs 33,400 crore in May on a daily net average basis. It conducted two OMO purchase auctions in May amounting to Rs 25,000 crore and a US dollar buy/sell swap auction of $ 5 billion for a tenor of 3 years in April to inject durable liquidity into the system.

Reserve Bank of India Governor Shaktikanta Das along with Deputy Governors N S Vishwanathan and Viral Acharya in Mumbai on Thursday. *Ganesh Shirsekar*

RBI lowers FY20 growth estimate to 7%

The central bank had projected 7.2% growth for the year in its April policy

ENS ECONOMIC BUREAU
MUMBAI, JUNE 6

THE RESERVE Bank of India on Thursday lowered India's GDP growth estimate to 7 per cent for the year 2019-20 from 7.2 per cent that it forecast in April this year.

Unveiling the monetary policy, the RBI said, "In the April policy, GDP growth for 2019-20 was projected at 7.2 per cent — in the range of 6.8-7.1 per cent for H1 and 7.3-7.4 per cent for H2 — with risks evenly balanced. Data for Q4 of 2018-19 indicate that domestic investment activity has weakened and overall demand has been weighed down partly by slowing exports."

"Weak global demand due to escalation in trade wars may further impact India's exports and investment activity. Further, private consumption, especially in rural areas, has weakened in recent months," the Monetary Policy Committee of the RBI said. However, on the positive side, political stability, high capacity utilisation, the uptick in business expectations in Q2, buoyant stock market conditions and higher financial flows to the commercial sector augur well for investment activity, it said.

"Taking into consideration various factors and the impact of recent policy rate cuts, GDP growth for 2019-20 is revised downwards from 7.2 per cent in the April policy to 7.0 per cent — in the range of 6.4-6.7 per cent for H1:2019-20 and 7.2-7.5 per cent for H2 — with risks evenly balanced," it said.

"The MPC noted that growth impulses have significantly weakened as reflected in a further widening of the output gap," it said. On May 31, 2019, the National Statistical Office (NSO) released quarterly estimates of GDP for Q4 of 2018-19 and provisional estimates of national income for 2018-19. GDP growth for 2018-19 has been estimated at 6.8 per cent year-on-year (y-o-y), down by 20 basis points from the second advance estimates released on February 28, pulled down by a downward revision in private final consumption expenditure (PFCE) and moderation in exports.

'INVESTMENTS WEAK, Q4 DATA SHOWS'

■ The Monetary Policy Committee of the RBI said data for fourth quarter of 2018-19 indicate domestic investment activity has weakened and overall demand has been weighed down partly by slowing exports

■ The drag on aggregate demand from net exports increased in Q4 due to a sharper deceleration in exports relative to imports. However, the overall slowdown in growth was cushioned by a large increase in government final consumption expenditure

Quarterly data show that domestic economic activity decelerated sharply to 5.8 per cent in Q4:2018-19 from 6.6 per cent in Q3 and 8.1 per cent in Q4 of 2017-18.

Gross fixed capital formation (GFCF) growth declined sharply to 3.6 per cent, after remaining in double digits in the previous five quarters. Private consumption growth also moderated, the RBI said. "The drag on aggregate demand from net exports increased in Q4 due to a sharper deceleration in exports relative to imports. However, the overall slowdown in growth was cushioned by a large increase in government final consumption expenditure (GFCE)," it said.

On the supply side, agriculture and allied activities contracted, albeit marginally, in Q4 of 2018-19 due to a decline in rabi production. According to the third advance estimates, foodgrains production at 283.4 million tonnes for 2018-19 was lower by 0.6 per cent compared with the previous year mainly due to lower production of rabi rice, pulses and coarse cereals. However, there has been a catch-up in foodgrains production relative to earlier estimates.

EXPLAINED

Dewan Housing shares crash 16%

ENS ECONOMIC BUREAU
MUMBAI, JUNE 6

SHARES OF Dewan Housing Finance Corporation (DHFL) on Thursday plunged by nearly 16 per cent as rating agencies downgraded rating of over Rs 1 lakh crore debt of DHFL. The scrip dived 15.86 per cent to close at Rs 93.90 on the BSE. During the day, it fell as much as 18 per cent to Rs 91.50 — its 52-week low level — even as mutual funds suffered a fall in net asset values (NAVs) of fixed income schemes.

The company's market valuation also fell by Rs 555 crore to Rs 2,946 crore on the BSE. Care Ratings said it has downgraded DHFL's bank facilities of Rs 42,713 crore, non-convertible debentures of Rs 46,655 crore, fixed deposits of Rs 8,940 crore and subordinated debt of Rs 2,205 crore to the 'D' category. The total liabilities of DHFL downgraded to the D category amount to Rs 102,563 crore, the rating agency said.

The downgrade of DHFL is expected to exacerbate the already parlous liquidity situation in the non-banking financial companies (NBFC) sector.

With DHFL missing interest payments on a set of outstanding bonds, several fixed income schemes have seen a fall in net asset value (NAV). Market participants say the mark-down for the schemes has been around 75-100 per cent of the value of the assets. Data from Value Research showed that till April, mutual funds invested around Rs 4,423 crore across 135 debt schemes in instruments issued by DHFL.

Crisil said the downgrade to 'default' or 'D' reflects delays in debt servicing by DHFL on some of its non-convertible debentures (NCDs) because of inadequate liquidity. The payments were due on June 4, 2019. In a separate note, Icra said the rating revision factors in further deterioration in company's liquidity profile and delays in meeting scheduled debt obligation on June 4, 2019.

Third successive 25 bps rate cut in 2019

The Reserve Bank of India's Monetary Policy Committee (MPC), headed by RBI Governor Shaktikanta Das, has cut the key interest rate — Repo rate — for the third time in calendar year 2019 by 25 basis points to 5.75 per cent and changed the stance of monetary policy from 'neutral' to 'accommodative', as there is 'scope to accommodate growth concerns'

5.75% is the current Repo rate, the rate at which the RBI lends funds

5.50% is the reverse repo rate, the rate at which RBI borrows from banks

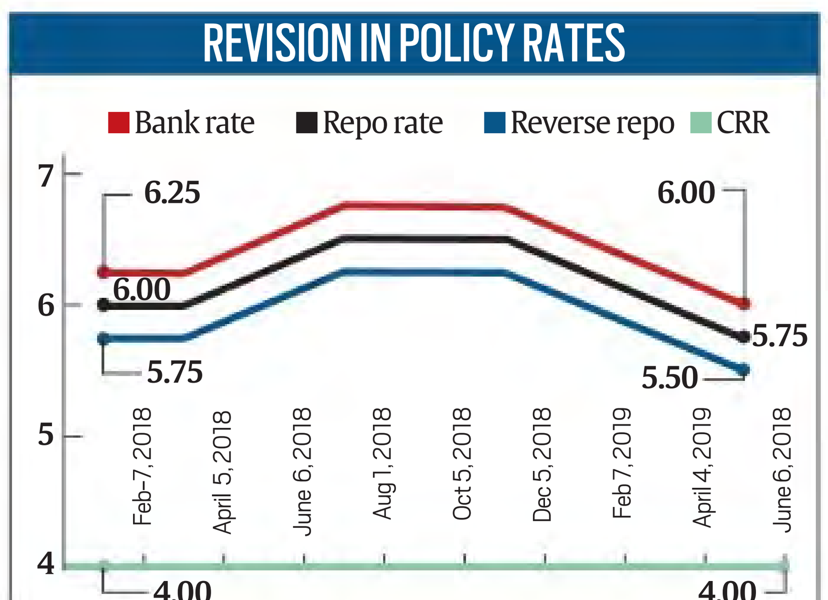
7% GDP growth for 2019-20, down from 7.2 per cent projected earlier

75 bps is the reduction in Repo rate in calendar 2019 so far

MPC UNANIMOUS: MPC members Chetan Ghate, Pami Dua, Ravindra H Dholakia, Michael Debabrata Patra, Viral V Acharya and Shaktikanta Das unanimously decided to reduce the policy Repo rate by 25 basis points and change the stance of monetary policy from 'neutral' to 'accommodative'

RBI CONCERNS: Growth impulses have weakened significantly ... A sharp slowdown in investment activity along with a continuing moderation in private consumption growth is a matter of concern

REVISION IN POLICY RATES



3.0-3.1%
INFLATION PROJECTED FOR FIRST HALF OF 2019-20

WHAT'S POSITIVE: Political stability, high capacity utilisation, the uptick in business expectations in Q2, buoyant stock market conditions and higher financial flows to the commercial sector augur well for investment activity

INFLATION RISKS: Risks around the baseline inflation trajectory emanate from uncertainties relating to the monsoon, unseasonal spikes in vegetable prices, international fuel prices and their pass-through to domestic prices, geo-political tensions, financial market volatility and the fiscal scenario

NBFC woes hit markets, Sensex plunges 554 pts

ENS ECONOMIC BUREAU
MUMBAI, JUNE 6

Interest rate sensitive bank, auto and realty shares came under pressure and fell up to 7% even as the RBI slashed the policy rate

SENSEX ON Thursday plunged by 554 points as concerns over the liquidity crisis in the NBFC sector in the wake of the downgrading of DHFL debt hit market sentiment.

Though the RBI announced a 25 basis points rate cut on the expected lines, the Sensex fell 553.82 points, or 1.38 per cent, to settle at 39,529.72 as investors who were expecting some measures to bail out troubled NBFCs were disappointed as the RBI did not announce any specific measures. The broader NSE Nifty plunged 177.90 points, or 1.48 per cent, to end at 11,843.75. It was the biggest fall in the Sensex in 2019.

Vinod Nair, head of research, Geojit Financial Services, said, "We are bound for some correction in the short-term post the in-line measures of the RBI which was well-done, acknowledging the worries in the economy. No specific comment regarding the NBFC crisis was taken as a surprise while delay in monsoon added to the fear.... market is eager to know the new reforms to sustain the rally which has got expensive..."

The downgrade of DHFL debt has unnerved the market as banks, mutual funds and institutions have big exposure in the mortgage major, said an analyst.

Jagannadham Thunuguntla, senior VP and head of research (wealth), Centrum Broking, said "The leg room for further rate cuts is limited. Further, the repayment delay by DHFL (with outstanding loan of over Rs one lakh crore) is way too big a strain for the market considering IL&FS default (to the tune of Rs.90,000 crore) itself remained unaddressed after 10 months of default."

NBFC stocks witnessed heavy selling pressure following the bond defaults by mortgage lender DHFL on June 4, which led to a slew of rating downgrades for the company. The stock lost more than 15 per cent Thursday. Other losers included Shriram Transport Finance, Indiabulls Housing Finance and L&T Housing Finance, which lost up to 8.61 per cent.

Interest rate sensitive bank, auto and realty shares also came under pressure and fell up to 7 per cent even as the RBI slashed the policy rate. The rupee recouped most of its early losses and closed marginally lower at 69.28 to the US dollar after the RBI move to cut key interest rates.

Charges on RTGS, NEFT fund transfers dropped

ENS ECONOMIC BUREAU
MUMBAI, JUNE 6

THE RESERVE Bank of India (RBI) has decided to do away with the charges levied by the central bank for transactions processed in the Real Time Gross Settlement System (RTGS) and the National Electronic Funds Transfer (NEFT) System money transfer systems. "Banks will be required, in turn, to pass these benefits to their customers. Instructions to banks in this regard will be issued within a week," the RBI said on Thursday.

The new measure is to provide an impetus to digital funds movement, the RBI said. The RBI now levies minimum charges on banks for transactions routed through its RTGS meant for large-value instantaneous fund transfers and NEFT for other fund transfers. Banks, in turn, levy charges on their customers.

ATM Charges Review

The RBI has decided to set up a committee involving all stakeholders, under the chairmanship of the CEO of Indian Banks' Association (IBA), to examine the entire gamut of ATM charges and fees. "There have been persistent demands to change the ATM charges and fees. The committee is expected to submit its recommendations within two months of its first meeting," the RBI said.

More Small Banks Soon

In a significant move, the RBI has decided to allow more small finance banks as "there is a case for more players to be included to enhance access to banking facilities to the small borrowers and encourage competition". It has proposed to issue the draft guidelines for 'on tap' licensing of small finance banks by the end of August 2019.

However, the RBI said more time is needed to review the performance of payments banks before considering the licensing of this category of banks to be put 'on tap'.

In November 2014, the RBI had notified in the guidelines for licensing of payments banks and small finance banks in the private sector that after gaining experience in dealing with these banks, the RBI will consider 'on tap' licensing of these banks. In the case of small finance banks, license was issued to ten such banks. Further, eight of the ten small finance banks have also been included in the second schedule of the RBI Act, 1934.

"A review of the performance of small finance banks reveals that they have achieved their priority sector targets and thus attained their mandate for furthering financial inclusion," the RBI said.

NORMS FOR 'ON TAP' LICENSING SOON

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■ The Reserve Bank will issue a revised circular on bad loan recognition within the next three-four days, replacing the February 12 circular that was struck down by the Supreme Court. On April 2, the Supreme Court had declared as "ultra vires" the February 12 circular that mandated banks to label even a day's default as NPA

NPA Resolution Norms

The Reserve Bank will issue a revised circular on bad loan recognition within the next three-four days, replacing the February 12 circular that was struck down by the Supreme Court. On April 2, the Supreme Court had declared as "ultra vires" the February 12 circular that mandated banks to label even a day's default as NPA.

Money Market Norms

The RBI has proposed to rationalise existing regulations covering different money market products with the objective of bringing consistency across products in terms of issuers, investors and other participants. The central bank has issued regulations over time covering different money market products — call money, repo, commercial paper, certificates of deposit and other debt instruments with original maturity less than one year etc.

Forex Trading Platform

The Reserve Bank has announced that a foreign exchange trading platform for retail participants will be available to users for transactions from early August 2019. This would provide customers with access to an electronic trading platform through an internet-based application on which they can purchase or sell foreign currency at market clearing prices.

This would ensure fair and transparent pricing for users of foreign exchange such as small and medium enterprise (SME), exporters and importers and individuals. The trading platform has been developed by the Clearing Corporation of India (CCIL) and is being tested by users.

CIC Supervision

The central bank has decided to set up a Working Group to review the regulatory guidelines and supervisory framework applicable to Core Investment Companies (CICs). In the light of recent developments in the financial sector, there is a need to strengthen the corporate governance framework of CICs, the RBI said.

Over the years, corporate group structures have become more complex involving multiple layering and leveraging, which has led to greater interconnectedness to the financial system through their access to public funds, it said.

Repo rate cut by @RBI will boost India's economy by making loans affordable to MSMEs, exporters & home buyers. Removal of charges on NEFT & RTGS transactions will bring great relief to the people ..."

PIYUSH GOYAL,
COMMERCE AND INDUSTRY MINISTER

The decision to shift the policy stance to 'accommodative' will simultaneously help the financial system navigate to a lower interest rate regime and also look into growth concerns"

RAJNISH KUMAR,
CHAIRMAN, SBI

Given the need for growth, banks would take a call on further rate cuts"

SUNIL MEHTA
CHAIRMAN, INDIAN BANKS' ASSOCIATION

Going forward, while RBI should continue the accommodative stance in coming months, the new Government should present a progressive Union Budget that would help revive consumption and encourage greater private investments"

SANDIP SOMANY,
PRESIDENT, FICCI

... major part of the statement was the change of stance from 'neutral' to 'accommodative' ... Suppressed inflation & real sector performance were major parameters behind this decision"

DINABANDHU MOHAPATRA
MD & CEO, BANK OF INDIA

... emphasis on faster ... transfer of rate cuts will be reassuring if done by the banks"

B K GOENKA
PRESIDENT, ASSOCHAM

'DHFL default may lead to higher rates, tight liquidity'

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 6

WHILE DEWAN Housing Finance Corporation (DHFL) has defaulted on dues amounting to Rs 1,000 crore, a report by CLSA pointed that it can expose borrowing worth Rs 1 lakh crore to default risk. Pointing that this default, as well as that of IL&FS, could accentuate contagion risk in the financial sector leading to higher costs and the polarisation of funds to better-rated NBFCs, the report said that the Reserve Bank of India may have to consider liquidity lines.

DHFL, which defaulted on repayment of bonds of Rs 1,000 crore, has AUM of Rs 1.3 lakh crore and borrowings of Rs 1 lakh crore as of December 2018, said the CLSA report prepared by Aashish Agarwal and Prakhar Sharma.

Stating that banks have funded almost half (Rs 50,000 crore or 0.5 per cent of the sector loans), it said that insurance companies and mutual funds come next. Further, about 10 per cent or Rs 10,000 crore worth of such borrowing has been done in form of deposits. While public sector banks have been the key lenders, among the private banks Yes Bank and IndusInd Bank have relatively higher exposure, said the CLSA report. It said that if mutual funds with exposure of around Rs 5,000 crore will have to take a 75 per cent haircut immediately, banks may also see MTM losses on bond exposure, however, loan provisioning will be more gradual.

The report pointed that while this default along with the recent default by IL&FS and the downgrade of credit ratings of NBFCs, could accentuate contagion risk in financial markets. "This will lead to tightness in bond-markets and lower inflows into mutual funds, eventually resulting in higher costs and polarised allocation to high quality borrowers," said the report.

Pointing that it can also have a knock-on impact on sectors like real estate, housing, auto and SMEs, it said that, "the RBI may need to consider direct or indirect lines of liquidity to ease concern."

Azim Premji to step down as executive chairman of Wipro; son Rishad to take over reins

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 6

IT MAJOR Wipro's executive chairman and managing director Azim Premji, who turned a small maker of vegetable oil into a $8.5-billion software behemoth, will retire by July-end after serving the company for 53 years. He will hand over the company's reins to son Rishad, who will be re-appointed as whole-time director for five years with effect from July 31, 2019, to July 30, 2024 and will be designated as executive chairman.

Premji, who turns 74 next month, will however remain associated as non-executive director of the company and as founder chairman. He will also remain chairman of Wipro Enterprises and continue to chair the board of Wipro-GE Healthcare, Wipro said in a statement on Thursday.

The Wipro board Thursday also announced that CEO and executive director Abidali Z Neemuchwala will be re-designated as CEO & MD.

Premji, along with F C Kohli of Tata Consultancy Services and NR Narayana Murthy of Infosys, changed the face of the Indian IT industry in all aspects. A recipient of the Padma Bhushan and Padma Vibhushan awards, Premji now plans to devote more time for philanthropic activities.

"As I look into the future, I plan to devote more time to focus on our philanthropic activities"

AZIM PREMJI

He had, in March this year, gifted an additional Rs 52,750 crore of the company's shares to support philanthropic activities, making it the most generous donation in the nation's history.

About 34 per cent of shares held by companies controlled by Premji, India's second-richest person, were irrevocably renounced and earmarked to the Azim Premji Foundation, taking the total donations to over Rs 1.4 lakh crore. Premji's Foundation, which works in the education sector and supports over 150 non-profits serving under-privileged with financial grants, has 67 per cent of economic ownership of Wipro.

Premji transformed a small hydrogenated cooking oil firm to a $8.5 billion global tech titan that is counted among India's top IT exporters and also led the transformation of Wipro Enterprises into a global FMCG, infrastructure engineering and medical devices powerhouse, with revenues of about $2 billion.

"It has been a long and satisfying journey for me. As I look into the future, I plan to devote more time to focus on our philanthropic activities. I have great confidence and trust in Rishad's leadership to steer Wipro in its next phase of growth as we move forward," Premji said.

Ashok S Ganguly, independent director and chairman, board governance, nomination and compensation committee at Wipro, said Azim Premji's "unflinching commitment" to values made him an exemplar of how business and ethics can and must go together. **FE**

LAPSES BY IFIN'S NOMINATION & REMUNERATION COMMITTEE

SFIO: IFIN panel 'failed to discharge' duties, board decided 'incentives'

In various meetings from 2010 to 2018, NRC never decided upon quantum of PRP

SUNNY VERMA & SANDEEP SINGH
NEW DELHI, JUNE 6

DESPITE ITS progressively deteriorating financial condition, IL&FS Financial Services' (IFIN) Nomination and Remuneration Committee (NRC) "always decided on the proposals of the management of the company to dole out incentives, in garb of retention of the talent," the Serious Fraud Investigation Office (SFIO) has said in its chargesheet filed in the case involving IFIN.

It added that the Committee of IFIN failed to discharge its duties of determining performance-related pay (PRP) of employees and evaluating the performance of the Board of Directors of the company. Despite the worsening financial performance of IFIN over the years, the key managerial personnel kept getting salary hikes and incentives, the fraud office stated in its chargesheet.

During various committee meetings from 2010 to 2018, the Committee never decided upon the quantum of performance related pay. Instead, the same was decided by the board, in violation of the company own rule book.

"The NRC committee by virtue of its constitution and the brief assigned to it as per the Company, RBI, Companies Act, was required to decide upon the appointment of the key management persons of the company, and to take decision on the remuneration to be paid to these employees. It was also required to decide on the performance related pay of the employees. Further the NRC Committee was required to evaluate the performance of the Board of Directors," the SFIO said.

"However, from the various committee meetings from 2010 to 2018, it is noticed that the committee never had the opportunity to decide upon the quantum of the PRP and the personnel to whom the PRP was payable.

"The same was decided by the Board and was only informed to the committee for noting ... the PRP proposal were never discussed in the meeting (and) the Committee never evaluated the performance of the Board in any critical manner," it said.

The massive loan default by IL&FS group and its subsidiary firms starting last September rattled financial markets, prompting the government to supersede its board and ordering SFIO investigation into the matter.

'COMMITTEE FAILED TO DISCHARGE ITS DUTIES'

■ The SFIO, in its chargesheet, said the NRC of IFIN failed to discharge its duties of determining PRP of its employees and evaluating the performance of the Board of Directors of the company

■ The SFIO also found that apart from the Committee, IFIN also had a an Employee's Handbook and Director's Handbook detailing a policy with regard to the salary and perks admissible to an employee of the company

The IL&FS group liabilities are more than Rs 90,000 crore to banks, mutual funds and finance companies among others. After the IL&FS group started defaulting on its debt, financial sector entities including NBFCs, mutual funds, corporate-focused lenders have faced liquidity challenges.

IFIN alone had borrowings of around Rs 17,500 crore through debt instruments and bank loans.

The investigation team of the SFIO found that apart from the NRC committee, IFIN also had a an Employee's Handbook and Director's Handbook detailing a policy with regard to the salary and perks admissible to an employee of the company.

But "the (NRC) committee failed to discharge the duties assigned to it under the regulatory framework in so much so that without properly evaluating the performance of the individuals they were agreeing to the incentives and the PRP payable to these individuals", the SFIO said, adding that the Committee agreed to management proposals of doling out incentives without making an independent assessment.

Closely monitoring NBFC sector: SBI

ENS ECONOMIC BUREAU
MUMBAI, JUNE 6

BANKS, MUTUAL funds and other big institutions which have invested a substantial amount in Dewan Housing Finance Corporation (DHFL) have started taking a closer look at the fate of their investments in the NBFC sector. The total liabilities of DHFL which was downgraded to the default category amount to Rs 102,563 crore.

"SBI has been very closely monitoring its exposures in the NBFC sector for the past 10 months and taking action as deemed appropriate. The overall quality of the NBFC asset portfolio in our books continues to be good," said a State Bank of India (SBI) spokesperson.

"Challenges faced by accounts like DHFL have already been factored in when we have given our estimate for the stress that the bank would have to deal with in FY20 and included in our estimates for slippage and loan loss provisioning for the current financial year," SBI said.

DHFL has around Rs 7,800 crore of bonds and non-convertible debentures repayment coming due in 2019.

Meanwhile, DHFL said that the downgrading by rating agencies is extremely surprising as the firm has been making and continues to make substantial efforts in ensuring no defaults on any bonds and repayment of its financial obligations.

"Since September 2018, DHFL has repaid close to Rs 40,000 crore of financial obligation. To ensure adequate liquidity to meet the repayments, DHFL also sold its strategic retail assets, including Aadhar, Avanse and DHFL Pramerica Asset Managers," DHFL CMD Kapil Wadhawan said in a statement.

"These actions (downgrading) are unwarranted and the company is seeking clarification on the rationale that predicts DHFL's inability to service pay–outs on the due dates. Such speculative rating rationale is not adequate," DHFL said.

Goyal pushes for reduced dependence on subsidies

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 6

Minister of Commerce and Industry Piyush Goyal (right) and MoS Hardeep Singh Puri at the joint meeting of the Board of Trade and the CTDP, here, Thursday. *PTI*

THE GOVERNMENT plans to "expeditiously" resolve issues preventing India from achieving a competitive advantage in domestic and global trade, including the need for easier availability of credit at "cheaper rates" to exporters, Commerce Minister Piyush Goyal said on Thursday.

During day-long deliberations with trade bodies and states, the Minister also decided to implement various decisions in the coming months, including a new tax rebate scheme and measures to speed up customs clearances by installing X-Ray scanners at all major ports in the country.

A "robust" track and trace mechanism for the pharmaceuticals sector — proposed during the previous tenure of the Narendra Modi-led NDA government — will also be implemented "in three months", according to Goyal, who also pushed for reduced dependence on subsidies.

"A lot of decisions were taken on the spot which will be (implemented) over the next 30-45 days. A lot of policy ideas, which came on the table, will now be examined and explored for immediate implementation in the next few days," he said, after the first joint meeting of the Board of Trade and the Council of Trade Development and Promotion (CTDP) here.

"A new scheme to rebate state and central taxes and levies will be rolled out in three months and will be implemented in a phased manner for all sectors," he added.

State governments will also be ranked and evaluated on the support they provide to the industry for manufacturing, exports and logistics support.

The decisions come at a time when each ministry has been directed to present a 100-day action plan as well as a comprehensive five-year plan.

In commerce and trade, India has seen a widened trade deficit. It has been looking to become more competitive and self-reliant, boost its exports and reduce its import dependence on nations like China.

"We have looked at ways to promote capital investments in manufacturing. Some ideas on clusters and cluster development through the manufacturing zones and industrial corridors have been discussed in detail," said Goyal. "We have also examined what we can do for promoting agricultural export… not just primary export of materials, but value-added materials," he said, adding that there was "significant bandwidth" spent on what the government can do to make logistics an integral part of trade promotion.

Other decisions taken on Thursday include expediting investigations on imports under the anti-dumping mechanism, particularly products of MSMEs, and examining "in detail" the top 50 tariff lines, which comprise 60 per cent of India's import, to reduce import dependence.

Another plan is to leverage the railways real estate by exploring the possibility of setting up warehouses in less utilised stations.

Goyal also indicated that India may not pursue a resolution to the United States' withdrawal of trade benefits under the Generalised System of Preferences. The move has had an impact of 1-3 per cent on some sectors, but India is "evolving" and "moving out of the crutches" it thought it needed to promote exports, he said.

BRIEFLY

India, Marshall Islands ink tax info pact

New Delhi: India has notified a tax information exchange agreement (TIEA) with the Marshall Islands, enabling bilateral sharing of banking information and allowing officials of one country to undertake tax examinations in the other, the Finance Ministry said Thursday.

Schneider asked to reserve part of L&T's capacity

New Delhi: The Competition Commission of India on Thursday asked Schneider, which acquired electrical and automation business of L&T for Rs 14,000 crore, to reserve a part of the latter's installed capacity to offer white labelling services to third party companies.

Toyota launches Glanza in India

New Delhi: Japanese auto major Toyota Thursday launched in India premium hatchback Glanza, its version of Suzuki's Baleno, which it is sourcing from its compatriot as part of their collaboration. The Glanza has been tagged at a price ranging from Rs 7.22 lakh to Rs 8.9 lakh. **PTI**

FCA withdraws merger offer for Renault

Paris: Fiat Chrysler (FCA) said it has abandoned its $35 billion merger offer for Renault, blaming French politics for scuttling what would have been a landmark deal to create the world's third-biggest automaker. A source close to the French carmaker's board said FCA made the move after France sought to delay a decision on the deal in order to win the support of Nissan Motor Co, Renault's Japanese alliance partner.

Google to acquire Looker for $2.6 bn

San Francisco: Alphabet Inc's Google said on Thursday it would buy Looker, a privately held big-data analytics company, for $2.6 billion in cash, in the first major acquisition for new Google Cloud CEO Thomas Kurian. Google's cloud computing division is a distant third globally to Amazon.com Inc and Microsoft Corp in terms of revenue from renting infrastructure and other computing tools to businesses. **REUTERS**

In new NITI Aayog, Debroy dropped

Rajiv Kumar remains VC; V K Saraswat, Ramesh Chand & V K Paul other members

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 6

Bibek Debroy. *Renuka Puri*

PRIME MINISTER Narendra Modi on Thursday approved the reconstitution of the NITI Aayog, renaming Rajiv Kumar as its Vice Chairman. The panel's current members V K Saraswat, Ramesh Chand and V K Paul find a place in the reconstituted Aayog, with the only change being economist Bibek Debroy's name not figuring in the new list. The Prime Minister is the Chairperson of the Aayog.

Home Minister Amit Shah, Defence Minister Rajnath Singh, Finance Minister Nirmala Sitharaman and Agriculture Minister Narendra Singh Tomar will be ex-officio members, the government said in a statement. The previous NDA government had set up NITI Aayog as a policy think tank after scrapping the Planning Commission.

Besides brainstorming on economic and social issues, the Aayog also helps the Centre in policy formulation by providing research and inputs.

As per the January 1, 2015, Cabinet resolution on its constitution, NITI Aayog has to provide governments at the central and state levels with relevant strategic and technical advice across the spectrum of key elements of policy. "This includes matters of national and international importance on the economic front, dissemination of best practices from within the country as well as from other nations, the infusion of new policy ideas and specific issue-based support."

Transport Minister Nitin Gadkari, Railway and Commerce & Industry Minister Piyush Goyal, Social Justice Minister Thawar Chand Gehlot and Statistics Minister Rao Inderjit Singh will be special invitees to the Aayog, the government said.

Prior to the reconstitution, the Minister of Human Resource Development was a special invitee to the Aayog.

The reconstitution of NITI Aayog comes ahead of its Governing Council's meeting next week. The Prime Minister will chair a meeting of the Aayog's Governing Council on June 15 to discuss various issues relating to economy, agriculture and security among others.

The Council, the apex body of NITI Aayog, includes all chief ministers, lieutenant governors of union territories, several union ministers and senior government officials, who will participate in the meeting.

This will be the first Governing Council meeting of the PM Modi-led NDA government which took charge on May 30. The last meeting of the Council was held on June 17, 2018, under the previous NDA government. Apart from economic and security issues, the Council is likely to take up water management and aspirational district programmes.

'Govt may order taxi aggregators to turn 40% fleet electric by 2026'

ADITI SHAH
NEW DELHI, JUNE 6

THE GOVERNMENT plans to order taxi aggregators like Uber and Ola to convert 40 per cent of their fleet of cars to electric by April 2026, according to a source and records of government meetings to discuss new rules for clean mobility.

Uber and Ola, both backed by Softbank Group, would need to start converting their fleet as early as next year to achieve 2.5 per cent electrification by 2021, 5 per cent by 2022, 10 per cent by 2023 before hiking it to 40 per cent, according to the person and the records reviewed by *Reuters*. Some taxi players, like Ola, have previously attempted to operate electric cars in India, but with little success given inadequate infrastructure and high costs.

The government, however, is looking to push the new policy to boost the adoption of electric vehicles (EVs) as it tries to bring down its oil imports and curb pollution so it can meet its commitment as part of the 2015 Paris climate change treaty.

The NITI Aayog, chaired by Prime Minister Narendra Modi and which plays a crucial role in policymaking, is working with several ministries on the EV policy. The recommendations will eventually become a formal policy, with or without changes, subject to approval by the central government, the source said, adding that the idea is to "push electrification through public transport."

China, home to the world's top auto market, is already leading the world in electrification by setting tough EV sales targets for car makers and offering incentives to taxi operators to increase their fleet of clean-fuel cars.

NITI WORKING ON EV POLICY

■ NITI Aayog is working with several ministries on the EV policy

■ Sources said Uber and Ola would need to start converting their fleet as early as next year to achieve 2.5 per cent electrification by 2021, 5 per cent by 2022, 10 per cent by 2023 before hiking it to 40 per cent

EV sales in India grew threefold to 3,600 in the year ended March but still account for about 0.1 per cent of the 3.3 million diesel and gasoline cars sold in the country over the period, industry data showed. China's electric car sales, meanwhile, rose 62 per cent in 2018 to 1.3 million vehicles.

In a meeting in New Delhi on May 28, NITI Aayog officials and the ministries of road transport, power, renewable energy and steel, as well as the departments of heavy industries and trade, were among those recommending taxi operators in India gradually convert to electric.

They also recommended that all new cars sold for commercial use should only be electric from April 2026, a change that would also apply to Uber and Ola, said the person who has direct knowledge of the matter but spoke on condition of anonymity. Motorcycles and scooters sold for commercial purposes, like food delivery or for use by e-commerce companies, will also need to be electric from April 2023, the person added. **REUTERS**

China issues 5G licences to four local companies

REUTERS
SHANGHAI/HONG KONG, JUNE 6

CHINA GRANTED 5G licences to the country's three major telecom operators and China Broadcasting Network Corp on Thursday, giving the go-ahead for full commercial deployment of the next-generation cellular network technology. The approvals will trigger investment in the telecommunications sector which will benefit top vendors such as Huawei Technologies, just as the Chinese network equipment provider struggles to overcome a US blacklisting that has hurt its global business.

State-owned carriers China Mobile, China Unicom and China Telecom, as well as state-owned broadcaster China Broadcasting Network Corporation Ltd, are the four licensees named by the government. The three carriers had been granted trial 5G licences at the end of 2018 and Thursday's announcement gives the go ahead to begin commercial deployment ahead of the original timeline that was targeting that for 2020.

Trump to decide on tariffs on $300 bn of Chinese goods after G20 meeting

REUTERS
CAEN/BEIJING, JUNE 6

US PRESIDENT Donald Trump said on Thursday he would decide whether to carry out his threat to hit Beijing with tariffs on at least $300 billion in Chinese goods after a meeting of leaders of the world's largest economies late this month.

Relations between the US and China have deteriorated since Trump in May accused Beijing of reneging on commitments to change its ways of doing business with the rest of the world.

Since then the two sides have acted against each other's companies and exchanged harsh words on the diplomatic front, an escalation that has rattled global markets and wiped out more than $1.5 trillion in investments worldwide.

Trump raised tariffs to 25 per cent on $200 billion of Chinese goods and ordered his trade representative to prepare tariffs on another $300 billion, effectively covering almost all Chinese exports to the United States. The G20 summit, in Japan on June 28-29, marks the first opportunity for Trump and Chinese President Xi Jinping to meet since the last G20 summit in Buenos Aires in late 2018.

Meanwhile, the US trade deficit unexpectedly narrowed in April to a 15-month low of 2.1 per cent to $50.8 billion, data by the Commerce Department said. This could support the economy as it slows after a temporary boost from exports and an accumulation of inventories.

European Central Bank rules out rate hike, opens the door to more stimulus

REUTERS
VILNIUS, JUNE 6

THE EUROPEAN Central Bank Thursday ruled out hiking interest rates in the next year and even opened the door to cutting them or buying more bonds as risk factors such as global trade war and Brexit drag the euro zone economy down. Hoping to keep flow of credit to the economy, it also offered to effectively pay banks to borrow from it and lend that money on to the real economy.

With the bloc's inflation prospects dimming rapidly, ECB President Mario Draghi also sought to reassure investors that the central bank was ready to act if needed to support an economy hurt by weaker global trade and that it could even resort to once-taboo measures.

He said policymakers had started to discuss options such as cuts to the ECB's already record-low rates, further pushing out the timing of any hike or resuming a 2.6 trillion euro ($2.9 trillion) bond-buying programme that only ended in December.

"Several members raised the possibility of further rate cuts. Other members raised the possibility of restarting the asset purchase programme or further extensions in the forward guidance," Draghi said after a meeting of the ECB's Governing Council.

The unexpectedly dovish stance comes as a trade war between the US and China overshadows the global economy.