

# 17 ECONOMY

<b>GOLD</b>	<b>RUPEE</b>	<b>OIL</b>	<b>SILVER</b>
₹39,225	₹71.71	\$60.03	₹48,500

Indian basket as on September 6, 2019

SENSEX: 37,145.45 ▲ 163.68 NIFTY: 11,003.05 ▲ 56.85 NIKKEI: 21,392.10 ▲ 73.68 HANG SENG: 26,683.68 ▲ 2.28 FTSE: 7,221.47 ▼ 14.34 DAX: 12,260.34 ▲ 34.24

Indian equities and currency markets were closed on Tuesday on account of Muharram; International market data till 1900 GMT

## SECTOR WATCH HOUSING FINANCE

### RBI panel: Liquidity crisis a blip for HFCs; long-term growth still intact

**SUNNY VERMA**  
NEW DELHI, SEPTEMBER 10

THE AMOUNT of home loans disbursed by banks and housing finance companies (HFCs) is expected to jump to Rs 35 lakh crore by the end of fiscal 2022, from Rs 20 lakh crore at March-end 2019, thereby compounding at an annual growth rate of 20 per cent. Home loans are most lucrative credit product for banks and HFCs with low levels of non performing assets (NPAs) recorded in this segment.

A report by an RBI committee on development of housing finance securitisation market has noted that India's mortgage-to-GDP ratio, which remains low at present, is expected to grow significantly in the next few years. India's mortgage-to-GDP ratio is currently at 9.6 per cent, compared to 18 per cent in China, 20 per cent in Thailand, 31 per cent in Korea, 34 per cent in Malaysia, 38 per cent in Taiwan, 52 per cent in Singapore and 56 per cent in USA. This ratio for India is estimated to rise to 12 per cent by 2022 as per various analysts estimates, the RBI report said.

"The total incremental demand of Rs 50 lakh crore to Rs 60 lakh crore (for home loans) suggests a significant growth considering the total outstanding home loan at the end of FY2019 were Rs 20 lakh crore. By the end of FY2022, the total outstanding home loans are expected to reach Rs 35 lakh crore," the report said. In May, the Reserve Bank of India (RBI) had set up a panel to suggest steps for development of the loan securitisation market under Harsh Vardhan, senior advisor, Bain & Co.

While banks accounted for nearly 58 per cent out of the total home loan portfolio of Rs 20 lakh crore, HFCs had outstanding home loans of Rs 8.5 lakh crore which was around 42 per cent of the total home loans. The report noted that the recent liquidity problems resulting from repayment in the NBFC sector could result in

#### Report noted that mortgage-to-GDP ratio is expected to grow significantly

a temporary blip in loans advanced by HFCs, but long term growth remains intact.

"India has a low mortgage-to-GDP ratio, compared even to peer developing countries. This reflects the low penetration of housing finance that can be attributed to several reasons; it also points to a very large opportunity for growth. Since HFCs address more over 40 per cent of the mortgage market, the recent liquidity challenge in the non-banking finance companies (NBFCs) and HFCs may create a temporary blip in the secular growth story," it said.

Home loans have among the lowest NPA levels of all classes of loans. While gross NPAs of banks were below 2 per cent in last 5 years, HFCs reported gross NPAs of less than 1 per cent. The need for banks and HFCs is to build funding models which address asset liability mismatch in the loan segment. The mismatch results from banks' and HFCs' deposits tenure being much smaller than the duration of the home loan which is generally upwards of 10 years. The RBI panel report said easier securitisation of loan pools helps in addressing this mismatch. Securitisation involves pooling of loans and selling them to a special purpose vehicle, which then issues securities called pass-through certificates or PTCs backed by the loan pool.

The panel also suggested various steps, including standardisation of loan documents and setting up of a government-sponsored intermediary under the National Housing Bank for development of the home loan securitisation market. It proposed that the Centre should exempt mortgage-backed securitisation from stamp duty as has been done in the case of asset reconstruction companies.

## 23% SHARE OF STARTUPS IN THE COUNTRY: REPORT

### 'With over 7,000 startups, Delhi NCR ahead of Bengaluru, Mumbai'

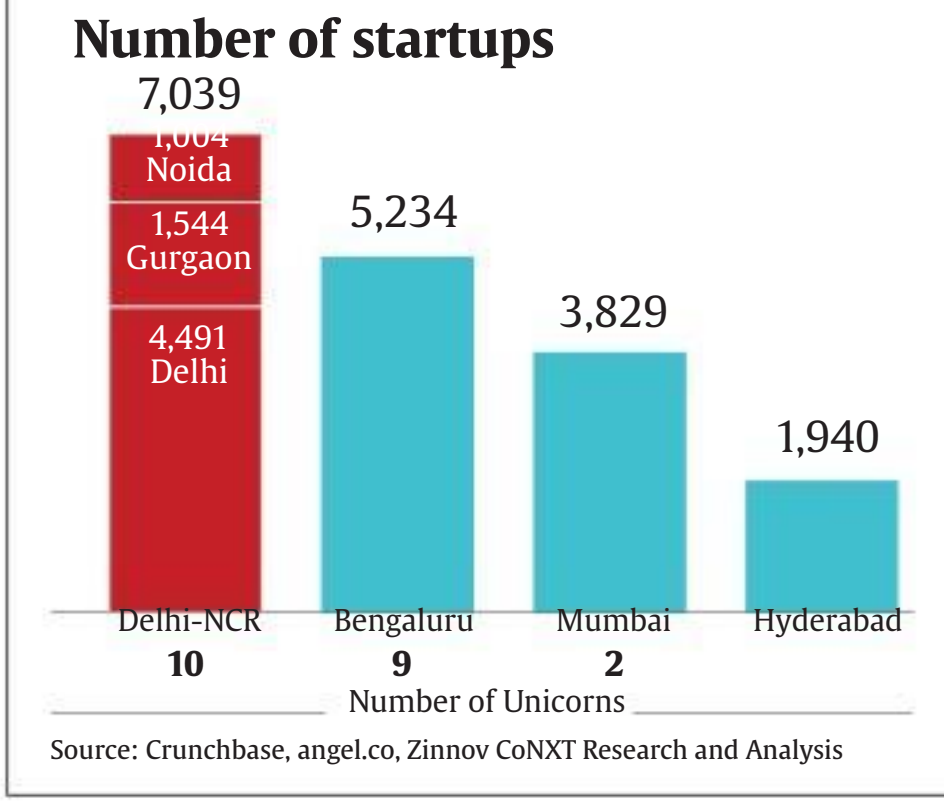
**ENSECONOMIC BUREAU**  
NEW DELHI, SEPTEMBER 10

DELHI NCR is home to over 7,000 startups and 10 unicorns, with these new businesses having a cumulative valuation of about \$50 billion, ahead of cities such as Bengaluru and Mumbai, a report released by TIE Delhi-NCR and Zinnov on Tuesday stated.

According to the 'Turbocharging Delhi NCR startup Ecosystem' report, Delhi NCR accounted for a 23 per cent share of startups in the country. While there were 7,039 startups in Delhi NCR, Bengaluru had 5,234, Mumbai 3,829 and Hyderabad 1,940. These new companies were founded between 2009 and 2019.

Within Delhi NCR, Delhi accounted for 4,491 startups, Gurgaon 1,544 and Noida 1,004 new businesses. The report highlighted that Delhi NCR has 10 unicorns — firms with valuation of over \$1 billion — as against nine in Bengaluru, two each in Mumbai and Pune, and one in Chennai.

NITI Aayog Chief Executive Officer Amitabh Kant, who released the report, said vibrant hubs need to be created in Delhi, Gurgaon and Noida that can be catalysts and agents of change. He also assured that the government will continue to support setting up of incubation centres in the re-



gion to help the startup ecosystem. Kant highlighted that six Indian cities — Delhi, Mumbai, Bengaluru, Chennai, Hyderabad and Pune — are among the top-100 startup hubs globally.

"Except the US, no other country has more than five cities in the list, making India truly a broad-based startup ecosystem," he added.

The report added that with appropriate interventions, Delhi NCR can become one of the top 5 global startup hubs and could have over 12,000 active technology startups, 30 unicorns and account for cumulative valuations of more than \$150 billion.

"What's encouraging about

the ecosystem in Delhi NCR is that we actually have a very broad varied mix... As a region, NCR has created at least one unicorn every year since 2013... And unlike other regions, the 10 unicorns that we have, they're not from one particular sector, they are from FinTech, e-commerce, logistics, food, energy and so on," TIE Delhi NCR president Rajan Anandan said at an event. He added that is actually a competitive advantage that the National Capital Region (NCR) has and needs to be built on further.

The region also accounts for over 50 per cent of cumulative valuation of Indian startup ecosystem at \$46-56 billion, com-

pared to \$32-37 billion for Bengaluru and \$10-12 billion for Mumbai. Further, five of the top 10 most-valued startups in India are based in Delhi NCR (such as OYO Rooms, Paytm and Hike).

However, like other parts of India, the pace of new startups being founded in Delhi NCR has slowed down in the past two years. According to the report, 1,361 startups in Delhi NCR and a total of 5,875 startups were founded in India in 2016.

The number of startups being founded in Delhi NCR stood at 826 (2017), 420 (2018) and 142 in the first half of 2019. A total of 3,478 startups were set up in India in 2017, 2,036 in 2018 and 800 in the first half of 2019, it added.

There is a critical need to increase affordable co-working spaces in Delhi NCR.

Startups shell out between Rs 9,500-13,500 per desk a month at co-working spaces, a huge cost for fledgling businesses. The report recommended setting up of centres of excellence and spaces on the lines of T-Hub in Hyderabad to help startups continue to innovate and grow their operations.

Further, quality of accelerators and incubators, developing deeper pools of technical talent and developing sector-specific policies will help in further strengthening the region's position as a startup hub, it added. FE

## US FDA tests find salmonella in MDH sambar masala, three lots recalled

**PRABHA RAGHAVAN**  
NEW DELHI, SEPTEMBER 10

AT LEAST three lots of MDH's sambar masala were withdrawn from the US earlier this week after tests conducted by the country's food and drug regulator revealed that the products contained salmonella, it said.

"This product was tested by FDA through a certified laboratory to be positive for salmonella," stated the US Food and Drug Authority (US FDA) in an official release on the move. "The recall was initiated after it was discovered by the FDA that the salmonella contaminated products were distributed," it added.

The statement does not specify that the recall was voluntary.

Salmonella is a bacteria that causes salmonellosis, a common food borne illness with symptoms like diarrhea, abdominal cramps and fever. Most people recover from it without treatment, but some may have diarrhea so severe that they would require hospitalisation, according to the FDA. In more severe cases, patients may develop a high fever, aches, headaches, lethargy, rash,

blood in the urine or stool and, in some cases, salmonellosis may become fatal, according to it.

"Older adults, infants, and persons with weakened immune systems are more likely to develop a severe illness," it said.

The recalled lots (codes: 47, 48 and 107) were manufactured by R-Pure Agro Specialties, sold by US-based supplier 'House of Spices' and distributed in northern California retail stores. R-Pure has the same directors on its board as MDH, according to data accessed by *The Indian Express* on the Ministry of Corporate Affairs (MCA) website on Tuesday.

It is not clear whether the MDH products manufactured by R-Pure for the US market have also been distributed in India. Queries sent to the registered email address of MDH listed on the MCA website remained unanswered by press time Tuesday.

Problems with salmonella contamination of MDH products have been flagged by the US FDA before, with the regulator detaining imports of its spice products in over 20 instances between 2016 and 2018 for this reason, according to the FDA website.

## India skips SCO's Eurasian Economic Forum in China

**DIPANKAR GHOSE**  
XI'AN, SEPTEMBER 10

THE SHANGHAI Cooperation Organisation, of which India is a member, organised a Eurasian Economic Forum in Xi'an city of China on Tuesday, pushing for greater cooperation in the spheres of communication, technology and development.

India did not register its presence at the Eurasian Economic Forum, with sources in the Indian government telling *The Indian Express*, "There was no participation. The organisers have been conveyed the reasons as well." A diplomat from the Chinese side said that they had made attempts to reach out to India, but had received no response. "The entire event is overshadowed by the Belt and Road Initiative. With India's position on it, their lack of attendance is not surprising."

Vladimir Smolov, the Secretary General of the SCO said in his keynote address, "It is a great honor for me to take part in the Forum in Xi'an, which is called upon to promote the revival of the ancient Great Silk Road in Eurasia in a new, modern format. As everyone knows, it was from here, from the ancient city of Chang'an, that the Great Silk Road began. Today, the situation in the world economy, despite positive developments, remains unstable, the process of economic globalisation is faced with the growth of unilateral protectionist measures and other challenges in international trade. In this broad international context, the Eurasian Economic Forum over the past years has become an important platform for

finding new breakthrough development models and expanding mutually beneficial cooperation in all areas."

He said that experts agree that the Eurasian macro economic region will become a powerful locomotive of the global economy. "The SCO countries, being at the epicenter of this region, consider improving the architecture of global economic governance and the consistent strengthening of the multilateral trading system based on the rules of the World Trade Organization (WTO) among their main priorities," he said.

He added, the majority of leaders state that, "The comprehensive interaction within the framework of the large-scale initiative of the President of China Xi Jinping, 'One Belt, One Road', is called upon to unite the efforts of the states of the three continents in ensuring stable and sustainable development."

There were multiple forums during the day including economics and tourism. At the tourism panel speakers pushed the idea of the SCO member states "Eight Wonders Exhibition Tour", with one historical monument or place corresponding to each member country being represented on the pamphlet. While for Kazakhstan it was the Petroglyphs of Tamgaly, for China it was the Daming Palace of the Tang dynasty, built in AD 634. For India, the monument chosen was the 182 metre Statue Of Unity of Sardar Vallabhbhai Patel, inaugurated on October 31, 2018.

The reporter was part of a media delegation from 18 countries invited to China by SCO

**35% Share of infrastructure and real estate sector in the \$4.4 billion PE/VC investment received in August 2019, up from 23 per cent in August 2018**

**\$36.7 BILLION**  
Private equity and venture capital (PE/VC) investments in January-August 2019, which have reached a new high, surpassing the \$36.5 billion witnessed in the whole of 2018

**\$48 BILLION-\$50 BILLION**  
Range of total Indian PE/VC investment by end 2019, given the deal momentum in various sectors

**DOMESTIC FACTORS THAT MAY AFFECT SENTIMENT:**

- Growth slowdown
- Tight liquidity
- Market sentiment
- Currency depreciation

**TYPES OF FUNDS THAT EVINCED INTEREST IN INFRA SECTOR:**

- Global buyout
- Pension
- Sovereign

**\$374 MILLION:**  
Worth of PE/VC deals in financial services sector seen last month

**\$1.6 BILLION:**  
Investment into growth across 20 deals in August, as against \$1.8 billion across 14 deals in year-ago period

**\$1.4 BILLION:**  
Investment into startups across 50 deals last month, as compared to \$1.8 billion across 32 deals in August 2018

**'January-August sees PE/VC investments worth \$36.7 bn'**

With transactions of over \$4.4 billion, August 2019 saw a 39 per cent jump in venture investing over the year-ago, a report by consultancy firm EY and IVCA said

**\$1.1 BILLION:**  
Investment in buyouts across 6 deals last month, lower than \$1.7 billion across five deals in August 2018

## Vinod Rai backs PSB merger, calls it 'good move' by govt

**ENSECONOMIC BUREAU**  
NEW DELHI, SEPTEMBER 10

FORMER CHAIRMAN of the Banks Board Bureau (BBB) Chairman Vinod Rai Tuesday said the government's decision last month to merge 10 state-run banks to create four larger and stronger entities was a "good move" that would lead to greater synergy among them and better governance.

Stressing that the BBB under him was consulted on consolidation and that the government did

not just act on its own, Rai said, "We had suggested two models. First, merge large banks — say, for instance, Bank of India and Union Bank — and create an entity which is strong. Then you can merge small banks like Bank of Maharashtra or Vijaya Bank etc. The second model was (to merge) banks which were regional." Rai, also the former Comptroller and Auditor General (CAG), was speaking at Idea Exchange programme of *The Indian Express*.

Conceding that getting rid of extra staff to create a linear structure and fully reap the benefits of



Former BBB Chairman Vinod Rai. Gajendra Yadav

a merger was not possible in the public sector, Rai, however, asserted that once employees departed on their own, the staff cost of the amalgamated entities would fall. A "critical mass is required" so that the broader entities would have bigger balance sheets to recruit experts from the markets, lend to large infrastructure projects and better manage their human resources, he added.

Rai, best known for overseeing audits for the 2G spectrum and coal allocation scams during the UPA regime, has come up with a new book titled,

'Rethinking Good Governance: Holding to Account India's Public Institutions'.

Asked if the fears of the three Cs — CBI, CVC and the courts — have stymied the decision-making of public sector bankers, Rai replied in the negative. The slowdown, he said, was perhaps due to more stringent appraisal process for bankers now than before. Rai — who served as the Banking Secretary for a while in the UPA government when "indiscriminate lending" took place, leading to the bad loan crisis — asserted that during his time no

banker was asked to resort to "sub-prime lending".

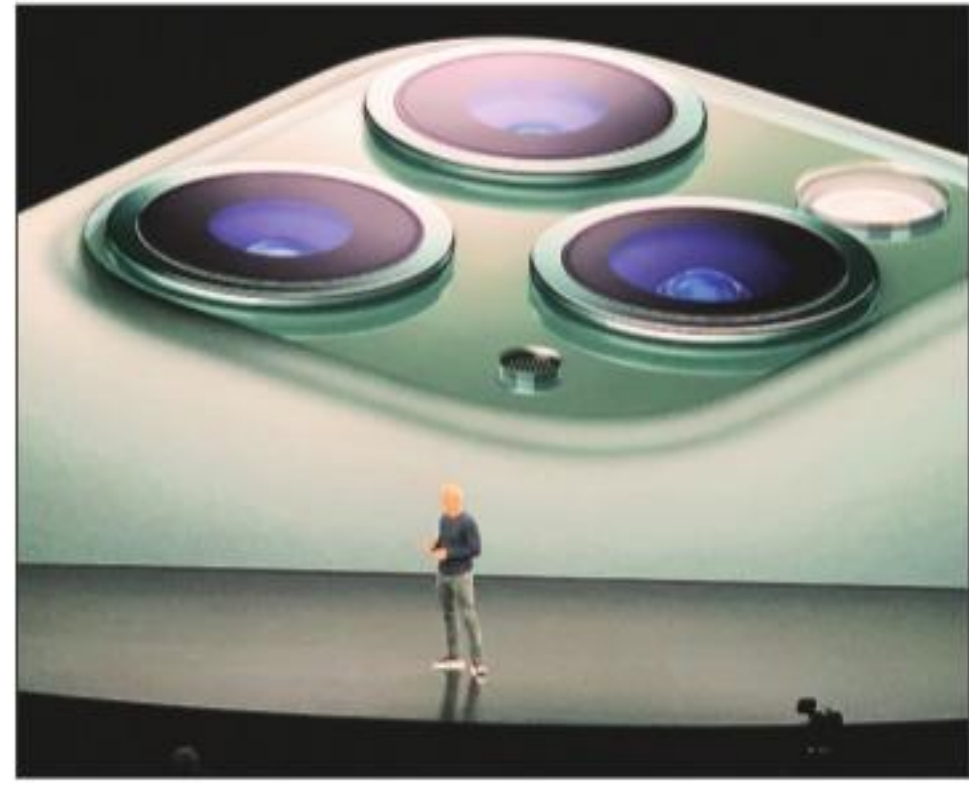
When asked about National Highway Authority of India never having set aside a mandatory sum half-yearly, meant for liquidating long-term loans from its income in reserve fund despite repeated prodding from the CAG, Rai said: "Parliament has not been successful in enforcing its accountability over the executive. Why? Because of the committee system (such as the Public Accounts Committee). Committee system has to be improved." FE

## iPhone 11 series is here, so is aggressive pricing on services

**NANDAGOPAL RAJAN**  
CUPERTINO (CALIFORNIA), SEPTEMBER 10

APPLE ON Tuesday announced the launch of the iPhone 11, iPhone 11 Pro and the iPhone 11 Pro Max as well as its latest Apple Watch Series 5 at an event in Cupertino. Apple CEO Tim Cook also showcased a new iPad base model, and announced aggressive pricing for the Arcade and Apple TV+ services.

With the new iPhones, straddling different price points and feature sets, Apple will try to woo holiday buyers in the US and other parts of the world this year. The success of these new phones will be crucial since Apple's numbers have been under pressure over the past few quarters as people have been putting off upgrades. As per IDC's quarterly mobile phone tracker, 2019 will



Apple CEO Tim Cook speaks at an event at the company's headquarters in Cupertino, US, on Tuesday. Nandagopal Rajan

remain a challenging year for iPhone shipments with volumes expected to drop to 177.9 million,

down 14.8 per cent year over year, "mostly due to market maturity as well as a lack of 5G devices."

The new iPhone 11, the successor of the iPhone XR which was the most popular phone of last year as per Cook, comes with dual cameras and is powered by the A13 Bionic processor from Apple and will be priced at \$699. The Apple iPhone 11's dual camera set up has an optical 2X zoom out and a slow motion camera up front. The iPhone 11 Pro is priced at \$999 and iPhone 11 Pro Max at \$1099.

The iPhone 11 Pro will come with triple cameras, Super Retina screen and surgical grade stainless steel body. The new chipset will make the phones capable of powering artificial intelligence driven features as well as support more apps that will need some machine learning happening at the device level.

Apple announced a new seventh generation iPad base model with 10.2-inch Retina display with the A10 fusion chip and sup-

port for the full Apple keyboard.

The Apple Watch Series 5 features an always-on display without compromising on the battery life. Apple has also gone aggressive with its services. The Apple Arcade, its subscription-based gaming service, will become available with over 100 titles for users from September 19 at \$4.99 per month. Apple TV+, the company's new venture into which it has poured in over \$5 billion to produce new shows like 'See' starring Jason Momoa, will become available in over 100 countries starting November 1 at just \$4.99.

Apple has not yet announced a 5G phone, and the general expectation is that these will be released in 2020 when it hopes the networks are more stable and teething issues with the new technology are solved.

The author is in California on the invite of Apple

## Tearful Jack Ma bids Alibaba farewell with rock star show

**JOSH HORWITZ**  
HANGZHOU, SEPTEMBER 10

A TEARFUL Jack Ma formally left Alibaba on Tuesday, donning a guitar and a rock star wig at an event for thousands of employees of the e-commerce giant he founded 20 years ago in a small shared apartment in Hangzhou city in eastern China.

During a four hour celebration in an 80,000-capacity stadium, he delivered on his promise of a year ago to hand over to CEO Daniel Zhang. Costumed performers, some dancing to dubstep music and dressed in traditional Chinese dress, and singers paid tribute to Jack Ma's reputation for dressing up and performing at big events, entering to a parade of floats representing Alibaba divisions such



Jack Ma performs at Alibaba Group's 20th-anniversary celebration in Hangzhou. AP

as shopping site Tmall and payment service Ant Financial.

"After tonight I will start a new life. I do believe the world is good, there are so many opportunities, and I love excitement so much,

which is why I will retire early," Jack Ma said. He was spotted at one point weeping up with tears, prompting the topic "Jack Ma has cried" to trend on Chinese social media platform Weibo. REUTERS