GOLD ₹38,676 | RUPEE ₹71.24 | OIL $67.34 | SILVER ₹47,690

Indian basket as on September 17, 2019

SENSEX: 36,563.88 ▲ 82.79 **NIFTY:** 10,840.65 23.05 **NIKKEI:** 21,960.71 ▼ 40.61 **HANG SENG:** 26,754.12 ▼ 36.12 **FTSE:** 7,328.50 ▲ 8.10 **DAX:** 12,388.81 ▲ 16.20

International market data till 1900 IST

SECTOR WATCH AVIATION

Load management: DGCA checks A320neo, A321neo compliance with European directive

PRANAV MUKUL
NEW DELHI, SEPTEMBER 18

EASA has asked airlines operating A320neo & A321neo aircraft to manage loading conditions to ensure centre of gravity remains balanced under certain conditions

INDIA'S AVIATION safety regulator sprung into action after an airworthiness directive by the European Aviation Safety Agency (EASA) that asked airlines operating Airbus A320neo and A321neo aircraft to manage the loading conditions on the planes to ensure its centre of gravity remains balanced under certain conditions. This entails reducing weight from the rear of the plane by either not loading the aft portion of the cargo hold or keeping seats in the last rows empty.

India is the biggest customer of the A320neo family of aircraft, with the country's largest carrier IndiGo alone having ordered 280 A320neo and 150 A321neo planes. Other operators of the aircraft in India are low-cost carrier GoAir, Tata-Singapore Airlines joint-venture Vistara and national carrier Air India.

On the basis of the July 31-directive by the EASA, the Directorate General of Civil Aviation (DGCA) conducted random inspections of 28 such aircraft at various airports across the country to confirm compliance of the instructions.

"Based on EASA Airworthiness Directive (AD), DGCA issued instructions to all operators of A320/321neo aircraft on the issue of limiting the CG (centre of gravity) envelop to address the loading conditions. The DGCA has carried out random inspections on 28 A320neo family aircraft belonging to all four operators at Delhi, Mumbai, Kolkata, Chennai, Hyderabad and Bengaluru to confirm compliance of the instructions and the same have been found in order. Our checks will continue," the DGCA said in a statement on Wednesday.

The model is being operated by some of the largest airlines in the world including German carrier Lufthansa, Air China, British Airways, EasyJet, among others. To address the load management issue, some airlines such as Lufthansa and British Airways are reportedly not selling seats in the last two rows on flights being operated on A320neo and A321neo planes. Keeping the aft compartment of the five in the model's cargo hold could reduce the load carrying capacity of these aircraft by up to 1.5 tonnes, according to aviation experts.

"Analysis and laboratory testing of the behaviour of the flight control laws of the A320neo identified a reduced efficiency of the angle of attack protection when the aeroplane is set in certain flight configurations and in combination with specific manoeuvres commanded by the flight crew...this condition, although never encountered during operations, if not corrected, could lead to excessive pitch attitude, possibly resulting in increased flight crew workload. To address this potential unsafe condition, Airbus issued the AFM TR (aircraft flight manual temporary revision), limiting the centre of gravity envelope, which prevents the aforementioned condition ... providing aeroplane loading recommendations," the directive issued by the EASA noted.

However, it has been pointed out by experts that the problem, which could lead to possible pitch control issues, occurs only under a combination of four factors — the aircraft's centre of gravity must be significantly towards the rear of the plane; the aircraft must be in sustained and continuous deceleration; aircraft is making an approach; and the crew is required to make a dynamic pitch up maneuver. A combination of these four parameters to occur is pegged to be extremely rare.

37TH GST COUNCIL MEETING TOMORROW

Focus on revenue protection; big-ticket rate cuts unlikely

Fitment panel against rate cuts for auto, biscuits; favours relief for hotels

ENS ECONOMIC BUREAU
NEW DELHI, SEPTEMBER 18

MEASURES TO plug tax evasion, a review of revenue positions of states and the Centre and a uniform rate for lottery amid a clamour for rate cuts by crisis-hit sectors would be the key discussions in the 37th Goods and Services Tax (GST) Council meeting to be held on Friday. A fitment committee, consisting of officials from states and the Centre, has already recommended against the lowering of GST rates on various items such as automobiles, biscuits as any cut at this stage could further dent the already slowing revenues.

The panel, however, is learnt to have supported reduction of 28 per cent GST rate for hotels with tariff of Rs 7,500 and above. It has also alternatively suggested raising tariff ceiling to Rs 10,000 while retaining the same tax slab of 18 per cent. At present, 18 per cent GST rate is applicable for hotel tariff from Rs 2,500 to Rs 7,500 per night.

Revenue concerns would play a major determinant in any rate related decision, officials said. "Plugging revenue leak and a review of revenue position, including compensation cess, is important at this stage," an official said.

As the authorities will focus more on revenue protection, the Council is expected to discuss the modalities for sharing of data of offences amongst Centre, states and various other agencies. Measures to undertake risk-based profiling of risky taxpayers in an automated manner will also be discussed in the Council meeting. Also, some relief for filing of the annual GST returns could be provided to smaller taxpayers with annual turnover up to Rs 2 crore.

Revenue collections for both direct and indirect taxes are weakening, reflecting the impact of overall slowdown in the economy. In August, GST revenue collections stood at Rs 98,902 crore, 4.5 per cent higher than last year's mop-up, but were the lowest in the 2019-20 fiscal so far.

An estimated revenue loss of Rs 50,000 crore per year is what made the fitment committee recommend against any rate cuts for automobile sector. The committee has also recommended against any rate reduction on biscuits priced at Rs 100 per kg or below from the current 18 per cent.

The Committee has also recommended against the telecom ministry's proposal to reduce GST rate for telecom services from the present 18 per cent to 12 per cent along with maintaining status quo for bakery products, breakfast cereals, fruits and vegetables, mineral water, ready-to-eat packaged items, and several other food products.

States have already expressed their concerns regarding cut in GST rates and the revenue loss associated with them. Many are concerned that further rate cuts would result in enhanced compensation requirement, which won't be easy to come by, especially in view of slowing revenue trend.

A uniform rate on lottery is expected to be discussed in the meeting as the legal view would be mulled over. The Council earlier this year had decided to seek legal opinion of the Attorney General for levying GST on lottery. A Group of Ministers (GoM) on issues related to lottery under GST regime had earlier favoured a uniform tax rate of either 18 per cent or 28 per cent from the current rate of 12 per cent for state-run lottery and 28 per cent for state-authorised lottery.

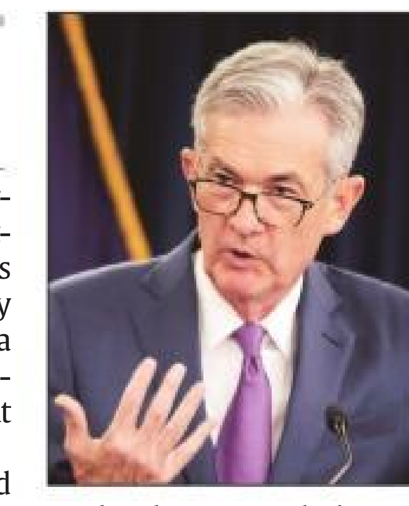
E. EXPLAINED — Amid slowdown, shrinking revenue stream a concern

AS THE economic slowdown has weakened growth for many sectors, representations for tax rate cuts have been made to the government, especially from the stressed auto sector, for an aid for their revival. The GST Council, a federal body having members from Centre and states, will meet on Friday and discuss the rate cut proposals though fitment committee has already suggested against any major rate cut. With economic slowdown affecting revenue stream, revenue concerns would be the critical factor for determining any GST rate cut in the Council meeting.

US Fed cuts rates by a quarter point, cites 'uncertainties'

Federal Reserve had earlier pumped $75 bn as key rate broke above target

REUTERS
WASHINGTON/NEW YORK, SEPTEMBER 18



Federal Reserve Chairman Jerome Powell. *AP File Photo*

THE US Federal Reserve cut interest rates by a quarter of a percentage point for the second time this year on Wednesday in a widely expected move meant to sustain a decade-long economic expansion, but gave mixed signals about what may happen next.

The central bank also widened the gap between the interest it pays banks on excess reserves and the top of its policy rate range, a step taken to smooth out problems in money markets that prompted a market intervention by the New York Fed this week.

In lowering the benchmark overnight lending rate to a range of 1.75 per cent to 2.00 per cent on a 7-3 vote, the Fed's policy-setting committee nodded to ongoing global risks and "weakened" business investment and exports.

Though the US economy continues growing at a "moderate" rate and the labour market "remains strong," the Fed said in its policy statement that it was cutting rates "in light of the implications of global developments for the economic outlook as well as muted inflation pressures."

With continued growth and strong hiring "the most likely outcomes," the Fed nevertheless cited "uncertainties" about the outlook and pledged to "act as appropriate" to sustain the expansion.

US stocks, lower ahead of the statement, dropped further, and Treasury yields ticked up from their lows of the day. The S&P 500 was last down 0.64 per cent and the 10-year Treasury note yield inched up to 1.77 per cent.

The dollar gained ground against the euro and yen.

New projections showed policymakers at the median expected rates to stay within the new range through 2020. However, in a sign of ongoing divisions within the Fed, seven of 17 policymakers projected one more quarter-point rate cut in 2019.

Five others, in contrast, see rates as needing to rise by the end of the year. The divisions were reflected in dissents that came from both hawks and doves.

Earlier in the day, the Fed had injected another $75 billion into a US banking system, restoring a measure of order after a bout of extreme volatility inside the bank funding market drove the central bank's benchmark interest rate above its targeted range for the first time since the financial crisis.

On Tuesday, the "effective" or average interest rate in the federal funds market, which the Fed aims to influence, hit 2.30 per cent, above the Fed's current range of 2.25 per cent.

Such a move has not happened since 2008, if it persists would rattle investor confidence in the Fed.

'Cut in risk weight on consumer loans credit negative'

Reduction in the risk weight on consumer credit by the Reserve Bank of India is credit negative as it may lead to increased exposure by lenders to this loan segment, according to global rating agency Moody's

THE RESERVE Bank of India on September 12 announced the reduction in the risk weight for consumer credit, including personal loans, but excluding credit card receivables, to 100 per cent from 125%

ESSENTIALLY, THIS means that banks will have extra funds to do business as they will have to keep lesser money aside as risk weight provisioning

THE REDUCTION in the risk weight on consumer credit is as it will encourage banks to increase their exposure to this loan segment at a time when credit risks are already increasing from a slowing economy, the report said

IT WILL lower the capital needs & thus loss-absorbing buffer on these loans

Q1 OF FISCAL 2020: Recent data has pointed to a sharp deceleration in economic and consumption growth, when real GDP growth slipped to a multi-year low of 5% & private consumption grew only 3.1%

THIS RAISES the risk that asset risk on unseasoned personal loans will rise as a result of potential deterioration in household financial conditions, the report said

2013-2019: Personal loans reported a strong CAGR of 20%, much higher than 11% in overall banking system loans in the period. Personal loan growth has been strong among large private banks

A BENIGN CREDIT environment, characterised by relatively low credit costs across all key retail loan segments, was a key driver of this growth as it prompted banks to focus on personal loans for their higher yields

Bipartisan group of US lawmakers urge Trump to reinstate India's GSP status

LALIT K JHA
WASHINGTON, SEPTEMBER 18

AHEAD OF Prime Minister Narendra Modi's visit to the US, a bipartisan group of 44 influential lawmakers has urged the Trump administration to reinstate India's designation as a beneficiary developing nation under the key GSP trade programme as part of a potential trade deal between the two countries.

The Trump administration terminated India's designation as a beneficiary developing nation under the Generalized System of Preferences (GSP) on June 5.

The GSP is the largest and oldest US trade preference programme and is designed to promote economic development by allowing duty-free entry for thousands of products from designated beneficiary countries.

In a letter to US Trade Representative Robert Lighthizer, the House of Representatives members suggested an "early harvest" approach that "would ensure that long-sought market access gains for US industries are not held up by negotiations over remaining issues".

US President Donald Trump and Prime Minister Narendra Modi will meet on September 22 in Houston and the two sides hope to announce a potential deal on longstanding trade issues, including the GSP, a media report said.

At the "Howdy Modi!" Indian-American diaspora event in Houston, prime minister Modi and president Trump will be present, reflecting the strong support for US-India relations.

Led by Congressmen Jim Himes and Ron Estes, the letter to Lighthizer has been signed by 26 Democrats and 18 Republicans, showing the strong, bipartisan support for reinstating the GSP benefits for imports from India.

"Companies are telling Congress about the American costs - both in dollars and jobs - of lost GSP eligibility for India," said Dan Anthony, executive director of the Coalition for GSP on Tuesday. "The letter shows Congress' strong, bipartisan support for swift action to reinstate GSP for India and to help constituents that depend on two-way trade," he said.

While GSP often is seen as a benefit to foreign countries, it is American businesses and workers that have suffered most from its termination to date.

Despite facing higher tariffs due to lost GSP, imports from India of (previously) GSP-eligible products increased over 40 per cent in June/July 2019 compared to a year earlier, likely the result of companies shifting sourcing away from China, Coalition for GSP said in a statement. "Indian exporters are thriving while American companies are stuck paying $1 million a day in new tariffs," said Anthony. **PTI**

RBI may eventually bring NBFCs, HFCs under benchmark rate system

GEORGE MATHEW
MUMBAI, SEPTEMBER 18

AFTER COMMERCIAL banks, the Reserve Bank of India (RBI) is looking into the possibility of linking the interest rates of non-banking financial companies (NBFCs) and housing finance companies to a benchmark rate like the Repo rate or Treasury bills.

However, officials sources said NBFCs and mortgage firms are unlikely to be brought under the benchmark rate system in the near future as the sector is roiling under various problems and a formal rate-setting system is yet to be introduced in the sector. As the NBFC sector is yet to adopt even the MCLR (marginal cost of funds based lending rate) system, the RBI is understood to be thinking of taking measures to slowly "graduate" the sector to some level before introducing the benchmark rate system in the sector, sources said.

The RBI has not made any direction to NBFCs and HFCs about determining their interest rates. The regulator has so far not asked NBFCs and HFCs to fix the interest rates on certain parameters unlike the banking system. In the case of commercial banks, the RBI first introduced Prime Lending Rate (PLR) which was followed by benchmark PLR, Base rate and Marginal Cost of funds based lending rate (MCLR) one after another for better and faster transmission of interest rates. However, these methods were not effective.

Earlier this week, RBI Governor Shaktikanta Das had said the central bank is monitoring about 50 top NBFCs including a few HFCs which cover roughly about 70-75 per cent of the loan outstanding of the banks.

The RBI has now made it mandatory for commercial banks to link all new floating rate personal or retail loans and floating rate loans to MSMEs (micro, small and medium enterprises) to an external benchmark like Repo rate effective October 1, 2019.

State Bank of India has already linked the loans to several categories to the Repo rate. Several public sector banks had announced their plan to link their loans to Repo rate after the RBI cut the Repo rate by 35 basis points to 5.40 per cent on August 7. The banks are free to choose one of the several benchmarks – Repo rate, 3-Months Treasury Bill yield, 6-Months Treasury Bill yield or any other benchmark market interest rate published by the Financial Benchmarks India Private Ltd (FBIL).

The RBI has already said the extant disclosure requirements for NBFCs will be reviewed in order to bring in more transparency and provide an effective and robust disclosure framework for NBFCs. The exercise of harmonising the regulatory framework for various categories of NBFCs, initiated during the year, will be pursued with a view to further bringing down the number of categories of NBFCs, thereby facilitating better implementation of activity based regulation, the RBI said in its Annual Report.

The linking of NBFC interest rates to a benchmark like the Repo rate is likely to be introduced after the RBI is done with the review of NBFC norms.

According to the RBI, the interest rate under external benchmark should be reset at least once in three months. Existing loans and credit limits linked to the MCLR, Base Rate or BPLR should continue till repayment or renewal, as the case may be provided that floating rate term loans sanctioned to borrowers who, in terms of extant guidelines, are eligible to prepay a floating rate loan without pre-payment charges, the RBI said.

In August 2017 the RBI constituted an Internal Study Group (ISG) to examine the working of the MCLR system that was put in place in April 2016. The report of the ISG recommended the move over to an External Benchmark based lending rate system. On December 5, 2018, the RBI announced its intention to make it mandatory for banks to link all new floating rate personal or retail loans and floating rate loans to MSMEs to an external benchmark. However, on April 4, 2019, the RBI said it would hold further deliberations before taking a final decision in the matter.

MEASURES LIKELY TO BE INTRODUCED SLOWLY

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■ As the NBFC sector is yet to adopt even the MCLR (marginal cost of funds based lending rate) system, the RBI is understood to be thinking of taking measures to slowly "graduate" the sector to some level before introducing the benchmark rate system in the sector

'Wanted to let Alexa learn Hindi with minimum human supervision'

NANDAGOPAL RAJAN
NEW DELHI, SEPTEMBER 18

For Rohit Prasad, V-P & head scientist of Alexa AI, it was the culmination of a long journey, where Alexa users in India helped by volunteering to teach the system phrases using the Cleo skill on the platform

"NAMASTE, MAIN Alexa hoon. Naam toh suna hi hoga…," an Amazon Echo device proclaimed, as the e-commerce giant announced the launch of its voice assistant in Hindi and English.

For Rohit Prasad, vice-president and head scientist of Alexa AI, it was the culmination of a long journey, where Alexa users in India helped by volunteering to teach the system phrases using the Cleo skill on the platform. It also helped that Alexa had been live in Indian English for over two years. "This meant a lot of the content names was already identified," he told *indianexpress.com*.

Prasad, who leads Alexa research and development in Artificial Intelligence technologies and holds several patents in this domain, said the idea was to see how they could model it with minimum human supervision. "What if we could just train a deep learning based model that learns all of these phenomena automatically, right?" The deep learning models were also able to learn pronunciation variations.

This also meant it was easier to address Hinglish queries, Prasad said. However, Alexa did have to learn the Devanagari script from scratch since this was new for it.

Users will be able to use Alexa in Hindi by just changing the language in the backend. Soon, Alexa will be able to switch between English and Hindi seamlessly, Prasad said, adding that this will help multilingual users and households.

Chipping in, Puneesh Kumar, country manager for Alexa Experiences and Devices, Amazon India, said they built the Hindi language product in record time because users were already interacting with a mix of English and Hindi. "This is a perfect example where a lot of things we've done for the first time. And the benefit we're getting is not just within India, but will also help with other launches and languages in the future."

Prasad said it was important not to miss the out part of the virtual assistant also, as something pronounced by Alexa wrongly could have a negative impact with users. "That is another daunting challenge where you have work cut out."

Having done 15 languages before Hindi, Amazon also leaned on multilingual modeling. "Deep learning makes that quite natural, because you can train a big, massive deep learning based model that trained on all languages, and then adapt only the last layer to the target language,"Prasad said, adding how that helps get better in new languages faster.

Kumar reminded that while we look at Hindi from the Alexa perspective, it was also about Amazon. "We are always going beyond to the next hundred million customers and always looking to go beyond English. What the customers are telling us, kind of guides the priority for us. We are very customer obsessed and truly listening to what customers are saying," he said, adding how the learning from the manner in which customers are interacting on the platform gave them clarity on what should be the "most important piece right now".

Explaining how user behaviour is not the same across the devices they use voice in, Kumar clarified: "We don't want to teach people how to talk to devices, we need to learn the diverse ways in which people talk naturally. Alexa, being in the cloud, should be then aware of the context."