

# 17 ECONOMY

<b>GOLD</b>	<b>RUPEE</b>	<b>OIL</b>	<b>SILVER</b>
₹39,182	₹71.04	\$63.61	₹48,815

\*Indian basket as on September 21, 2019

SENSEX: 38,593.52 ▼ 503.62 NIFTY: 11,440.20 ▼ 148.00 NIKKEI: 22,020.15 ▼ 78.69 HANG SENG: 25,945.35 ▼ 335.65 FTSE: 7,234.70 ▼ 56.73 DAX: 12,169.25 ▲ 137.90

THU 12:30 AM IST

## SECTOR WATCH PHARMACEUTICAL

### GSK recalls Zinetac amid concerns over cancer-causing contaminants

ENSECONOMICBUREAU NEW DELHI, SEPTEMBER 25

PHARMACEUTICAL FIRM GSK on Wednesday said it was voluntarily recalling several batches of its popular acidity medicine Zinetac as a "precautionary" measure while regulators around the world investigated the drug, known as ranitidine, for potential cancer-causing contaminants. This includes recalls of batches of its brand from the Indian market, the firm said.

Ranitidine, a medicine that decreases stomach acid production, had a market size of Rs 688.6 crore in India and Zinetac was the second largest brand in this segment as of August 2019, according to AIOCD Awacs PharmaTrac.

Other popular ranitidine brands sold here include Aciloc by Cadila Pharmaceuticals, Rantac and Rantac-OD by JB Chemicals, Zydus Cadila's R-Loc and Torrent Pharmaceuticals' Ranitin. It is unclear whether the other firms are considering similar measures. GSK's announcement comes on the heels of a letter by India's apex drug regulator, the Drug Controller General of India (DCGI), to state regulators asking them to direct manufacturers of ranitidine's active ingredients to "verify their products" and "take appropriate measures".

The issue was first flagged earlier this month by the US Food and Drug Administration (USFDA), which stated in a release on September 13 that some ranitidine medicines contained "low levels" of an environmental contaminant known as 'NDMA'. This contaminant, found in water and foods, is the same impurity the US regulator was investigating in blood pressure drugs valsartan and losartan last year.

While the US FDA had called for recalls of batches of valsartan and losartan due to "unacceptable" levels of NDMA, it has not raised a similar alarm over the NDMA content in ranitidine, which it is still investigating. Yet, GSK and Dr Reddy's Laboratories have announced voluntary suspension of sales of their ranitidine brand and active pharmaceutical ingredient, respectively.

This is a precaution as investigations into whether the contamination is harmful for patients are still ongoing. In

**US FDA in a release on Sept 13 said that some ranitidine medicines contained "low levels" of environmental contaminant 'NDMA'**

the US this week, Sandoz voluntarily recalled "all quantities and lots" of its ranitidine capsules because of "confirmed contamination" with NDMA "above levels established by the FDA" in the product.

"Based on the information received and correspondence with regulatory authorities GSK made the decision to suspend the release, distribution and supply of all dose forms of ranitidine hydrochloride products to all markets, including India, as a precautionary action pending the outcome of ongoing tests and investigations," stated a GSK spokesperson.

GSK's Zinetac is manufactured using APIs by two Hyderabad-headquartered firms — Saraca Laboratories Ltd and SMS Lifesciences India Ltd. An API is the key ingredient that gives a medicine its therapeutic effect.

"Subsequently, Saraca Laboratories Ltd were notified by the European Directorate for the Quality of Medicines that its certificate of suitability for ranitidine hydrochloride has been suspended with immediate effect," stated GSK. "Based on the information provided above and as a precautionary action, GSK has made the decision to initiate a voluntary recall (pharmacy/retail level recall) of Zinetac Tablets 150 mg and 300 mg products manufactured in India using API sourced from Saraca Laboratories Ltd," the spokesperson said, adding that Zinetac manufactured using API from SMS "will not be recalled from the market at this point of time."

At the same, GSK plans to keep "all such products" on hold, which means they will not be released to the market while the company awaits the test results. "GSK is continuing with investigations into the potential source of the NDMA. These investigations include continued engagement with our API suppliers. Patient safety remains our utmost priority and we are taking this issue very seriously."

### TOP FIVE RANITIDINE BRANDS IN INDIA

Brand	Company	Market Size (in Rs cr*)
Aciloc	Cadila Pharmaceuticals	244.70
Zinetac	GSK	209.10
Rantac	JB Chemicals	153.10
R-Loc	Zydus Cadila	28.40
Ranitin	Torrent Pharmaceuticals	12.40

\*Moving Annual Turnover for the 12 months ended August 2019  
Source: AIOCD Awacs PharmaTrac

## 503.62-POINT FALL AFTER RECENT RECORD RUN

# Sensex drops on profit-booking, global concerns; banks, auto tank

ENSECONOMICBUREAU MUMBAI, SEPTEMBER 25

AFTER THE 2,900-point record-breaking rally since September 20, the BSE Sensex on Wednesday plunged 504 points as investors booked profits even as global equities took a hit over geopolitical uncertainties and growth concerns. The 30-share Sensex, which plummeted 586 points during the day, ended 503.62 points, or 1.29 per cent, lower at 38,593.52. The broader NSE Nifty plunged 148 points, or 1.28 per cent, to 11,440.20.

Investors who made decent gains after the surprise reduction in corporate tax on Friday, were eager to book profit after the recent rally, leading to heavy selling pressure in bank, finance and auto counters. "Investors had lapped up many stocks which will benefit from the corporate tax cut. Short sellers had also covered their positions," said a dealer.

On the other, global markets wobbled after top US Democrat Nancy Pelosi announced opening of a formal impeachment inquiry into President Donald Trump. This has rattled up political uncertainties at a time when equities are already bearing the brunt of Middle East

## EXPLAINED Markets now eyeing rate cut by Reserve Bank in October

THE MARKET is in a profit-booking mode after the big rally in the wake of the cut in corporate tax last week. Moreover, the move to impeach US President Donald Trump and the US-China trade war also added to the selling pressure. Investors are awaiting the RBI decision in the forthcoming monetary policy and the impact of the corporate tax cut on corporates.

tensions and weak global growth signals, analysts said. Further, Trump put China on notice at the United Nations, declaring that the time of trade "abuses" by Beijing was "over" and calling on the country to protect Hong Kong's "democratic ways of life".

Vinod Nair, head of research, Geojit Financial Services, said, "political uproar in the US to impeach president Trump led to selloff in global market... this seems to be a short-term reaction. Fresh NPA issues, weak September auto sales and monthly expiry prompted investors to book profit post the sharp upside since the last Friday. Bond yields are inching

higher anticipating fiscal tightness, while government is planning higher divestment to ease the situation."

Moreover, ADB sharply cut India's growth forecast to 6.5 per cent for 2019-20 from 7.2 per cent estimated earlier, though it indicated that the country would grow faster than China.

Ajit Mishra, vice president, research, Religare Broking, "we remain cautious on the markets as it is hovering around its peak levels and some consolidation can be expected in the near term. From medium to long-term perspective, the outcome of the RBI monetary policy and revival in corporate earnings

will be crucial... this is likely to dictate further market trend. On the global front, geo-political developments between US-Iran would be on investor's radar, as well as any further escalation of US-China trade war would have an adverse impact on overall markets and economy."

SBI, Tata Motors, Maruti, Yes Bank, M&M, HDFC, ITC, Vedanta, Hero MotoCorp, Tata Steel and L&T lost up to 7.37 per cent. On the other hand, PowerGrid, TCS, NTPC, HCL Tech, Tech Mahindra and RIL rallied up to 4.39 per cent. Sectorally, BSE auto, realty, metal, capital goods, bankex, finance, industrials and telecom indices declined up to 3.84 per cent. However, power, utilities, IT and teck spurred up to 1.05 per cent higher. Broader BSE midcap and smallcap indices fell up to 1.76 per cent.

Meanwhile, the Indian rupee on Wednesday dipped 3 paise to close at 71.04 against the US dollar amid rising demand for the greenback vis-à-vis other currencies overseas even as crude oil prices eased.

Forex traders said a weak trend in domestic equities, political unrest in the US and unabated foreign fund outflows also weighed on the local currency.

### 'Ongoing global uncertainties dampen Aug M&A activity'

Corporate India's merger and acquisition activity moderated in August with 23 deals worth \$845 million, the second lowest monthly deal volume to date amid ongoing global uncertainties, according to Grant Thornton's monthly M&A Dealtracker

**36%** decline in terms of number of deals and 49% fall in value terms in August 2019 due to the prevailing economic uncertainties

**36** deals worth \$1,660 million in August 2018

August 2019 witnessed only one deal valued over \$500 million and one deal valued over \$100 million

last year there were 318 deals worth \$75,408 million

**The largest deal** during August was seen in the energy and natural resources sector, with the Adani-GMR deal valued at \$512 million, followed by Air Water's acquisition of Linde India in the manufacturing sector

**Domestic transactions** were primarily themed around acquisition of stressed assets to strengthen market leadership position, divestment consequent to global transaction, compliance with competition commission requirements in India and investments in technology products to improve market offerings and efficiency

**287** transactions worth \$22,855 million registered in the first eight months of this year, while in the corresponding period of the

**Contrary to the previous month**, August was dominated by deals in the IT and ITeS sector, pushed by consolidation in the software development and IT solutions segment. The start-up sector remained active after the IT sector with five deals worth \$25 million

### REVIVING DEMAND

## Maruti Suzuki cuts prices of select models by ₹5K

ENSECONOMICBUREAU NEW DELHI, SEPTEMBER 25

MARUTI SUZUKI India on Wednesday reduced the prices of select models by Rs 5,000 (on ex-showroom prices). These models include all variants of Alto 800, Alto K10, Swift Diesel, Celerio, Baleno Diesel, Ignis, Dzire Diesel, Tour S Diesel, Vitara Brezza and S-Cross, MSI said in a statement.

These models are priced in the range of Rs 2.93 lakh and Rs 11.49 lakh. The new prices will be applicable from Wednesday across the country.

**Analysts believe that manufacturers need to give higher discounts, as the demand is weak in the first phase of the festive season**

This reduction of price will be over and above the current promotional offers for the company's vehicle range, it added.

The company said it is optimistic that the price reduction will bring down the cost of acquisition, especially for the entry-level customers. "This announcement around the festive season will help boost customer sentiment and revive the market to create de-

mand," MSI said.

The company's price reduction comes days after the government cut corporate tax last week with an aim to help industry overcome slowdown.

Analysts believe that manufacturers need to give higher discounts to bring the inventory under control, which is still higher than normal, as the demand is weak in the first phase of the festive season. "OEMs will have to discount aggressively and reduce dispatches to bring inventory under control, with implications for H2FY20 earnings. OEMs could choose to pass the corporate tax cut benefit to customers, but this would imply only a 1-2 per cent additional discount," analysts at Jefferies noted.

While it is expected that other manufacturers will also cut prices marginally to pent up demand and remain competitive, Hyundai Motor India, Tata Motors and Toyota denied any such move immediately, saying price cuts are not on the cards, so far. **FE&PTI**

### FE BEST BANKS AWARDS

## Winners who took challenges in their stride

AGS Transact Technologies Ltd presents

INDIA'S BEST BANKS AWARDS

SHOBHANA SUBRAMANIAN MUMBAI, SEPTEMBER 25

EVEN WHEN it seems like things are not going well, there are those players who take the challenges in their stride and forge ahead. This was true for the banking in-

dustry in 2017-18, a particularly tough time.

The FE Best Banks jury found there were some outstanding performances which deserved recognition. HDFC Bank's impeccable financials and strong growth across all metrics ensured it walked away with the honours in the private sector bank category. Indian Bank's reasonably good financials as also the strategy of focusing on deposit growth while diversifying its loan portfolio won it the award in the PSU bank category. HSBC was adjudged the winner among foreign lenders for turning in a good performance across areas. Equitas Small Finance Bank was at the top of the jury's list of SFBs with the lender having leveraged its branch network to build a diversified loan portfolio. With its stellar performance across virtually all metrics -

loan growth, profitability and balance sheet quality - Bajaj Finance was the undisputed winner in the NBFC category. This was the second time the company bagged the top award in the segment.

CreditAccess Grameen was picked as the runner-up for its sound financials - capital adequacy and leverage. State Bank of India walked away with the award for the best home loan product - long tenors, the lowest rate and

### DAY AFTER CURBS ON PMC BANK

## RBI, govt refute rumours on bank closures

ENSECONOMICBUREAU MUMBAI, SEPTEMBER 25

REFUTING RUMOURS going around in the social media about the closure of some public sector banks, the Reserve Bank of India (RBI) and the government on Wednesday said no commercial banks are going to be shut and the reports "are false".

"Reports appearing in some sections of social media about the RBI closing down certain commercial banks are false," the RBI said in a Twitter message on Wednesday.

Finance Secretary Rajiv Kumar said such rumours are "mischievous" in nature as there is no question of closing public sector banks, on which people have a lot of faith. He pointed out that the government is instead strengthening state-run banks with reforms in capital infusion. "There are mischievous rumours on Social Media (picture below) about RBI closing some banks. No question of closing any PSB, which are articles of faith. Rather Govt is strengthening PSBs with reforms and infusion of capital to better serve its customers," he tweeted.

The RBI and the government swiftly rebutted the rumours a day after the regulator imposed restrictions on Punjab and

Maharashtra Co-operative Bank.

Earlier in the day, the social media was flooded with rumours of bank closures. "Nine banks will be closed permanently by Reserve Bank of India. If anybody having transactions in it please withdraw it. The names of the banks are Corporation Bank, UCO Bank, IDBI, Bank of Maharashtra, Andhra Bank, Indian Overseas Bank, Central Bank of India, Dena Bank and United Bank of India. 9 banks going to be close if u guys have any account in this banks so please immediately safer ur cash and forward this msg to all. Order by Supreme Court (sic)," reads the fake message.

However, most of the banks named in the message are those that have been either merged with other banks or are in the process of being merged. Last month, the government had announced that 10 public sector banks would be merged into four bigger banks. The RBI had on Tuesday slapped restrictions on PMC Bank, a co-operative bank headquartered in Mumbai, for various irregularities. The RBI has appointed JB Bhoria as administrator of PMC Bank who is expected to take appropriate measures to bring the bank back on the rails. The 14-member board of the bank headed by Waryam Singh has been superseded.

## Govt reconstitutes Economic Advisory Council to the PM

ENSECONOMICBUREAU NEW DELHI, SEPTEMBER 25

THE GOVERNMENT Wednesday reconstituted the Economic Advisory Council to the Prime Minister (EAC-PM) under existing Chairman Bibek Debroy, for a period of two years.

While Ashima Goel of Indira Gandhi Institute of Development Research continues to be one of the two part-time members, Sajjid Chinoy, Chief India economist at J.P. Morgan, has been brought in as the new member in the Council. Ratan P Watal will continue as Member Secretary of the EAC-PM. The government has dropped economists Rathin Roy and Shamika Ravi as part time members of the Council.

Ravi, Director of Research at Brookings India, has been critical of government's approach towards tackling the economic slowdown. "We are faced with a structural slowdown. Urgently need to follow a #NationalGrowthStrategy with time bound goals for many ministries. Need major reforms, not mere tinkering. Leaving economy to the finance ministry is like leaving the growth of a firm to its accounts department," Ravi said in a tweet on August 22. India's GDP growth fell to a 25-quarter low of 5 per cent in April-June quarter.

Last week, the Centre announced a major structural reform by cutting corporate tax rate to 22 per cent from 30 per cent - costing a total of Rs 1.45 lakh crore annually - to address the slowdown and to promote private invest-

**While Sajjid Chinoy has been roped in as a member, economists Rathin Roy and Shamika Ravi have been dropped as part time members**

ment in the economy. She also questioned Centre's latest move to ban e-cigarettes. "Why ban when you can tax (heavily)? Banning #ecigarettes while keeping tobacco products is bizarre. Neither health nor fiscal grounds for this decision, so what's the logic?," Ravi said in a tweet on September 18.

Roy, Director at National Institute of Public Finance and Policy, has also been vocal about the slowdown facing the Indian economy for many months, and argued the need for PUSHING structural reforms instead of fiscal stimulus. "Muddled macro, asserting slowdown cyclical then arguing for sector, admin reforms, relative price distortion fixes - all measures to fix structural problems. Easy macro policy absent structural change can temporarily boost growth. That's not counter-cyclical. That's populist," he said in a tweet on August 21. The EAC-PM advises Prime Minister Narendra Modi on macroeconomic issues and other matters referred to it by Modi. So far it has not made its suggestions made to PM on economic matters public. The Council submitted papers on issues including employment, macroeconomic situation and growth to the Prime Minister's Office.

## Georgieva named IMF MD

AGENCE FRANCE-PRESSE WASHINGTON, SEPTEMBER 25

THE INTERNATIONAL Monetary Fund on Wednesday formally selected Kristalina Georgieva of Bulgaria to be only the second woman ever to lead the 189-member institution.

The selection had been all but guaranteed after the global crisis lender said earlier this month that Georgieva, a former World Bank CEO, was the sole candidate.

In acknowledging her selection, Georgieva spoke of tempestuous times for the global economy. "It is a huge responsibility to be at the helm of the IMF at a time when global economic growth continues to disappoint, trade tensions persist, and debt is at historically high levels," she said in a statement.

"This means also dealing with



KRISTALINA GEORGIEVA, Former World Bank CEO

issues like inequalities, climate risks and rapid technological change." She is to take up her position as managing director on October 1, replacing Christine Lagarde, who is set to take over the European Central Bank later this year. Georgieva's rise perpetuates Europe's long-standing control over the designation of the fund's

leadership. She inherits the helm of an institution buffeted by the rise of populism in advanced economies and escalating trade conflicts - the largest of which has been driven by the United States, the fund's single biggest shareholder.

Georgieva, who was championed by Paris, overcame a challenge within the divided European Union from Germany which had backed former Dutch Finance Minister Jeroen Dijsselbloem. Under an unwritten rule, a European has led the IMF since its creation in the aftermath of World War II while the leader of the fund's sister organisation, the World Bank, has been designated by Washington.

David Malpass, a former US Treasury official who took office earlier this year as president of the World Bank, likewise faced no opposition.