THURSDAY • OCTOBER 10, 2019
CHENNAI
₹10 • Pages 20 • Volume 26 • Number 240

THE HINDU
BusinessLine

Sensex 38177.95 (+645.97)

	LATEST	CHANGE
Nifty 50	11313.30	+186.90
P/E Ratio (Sensex)	26.81	+0.56
US Dollar (in ₹)	71.07	+0.19
Gold Std 10 gm (in ₹)	38197.00	+145
Silver 1 kg (in ₹)	45735.00	+885

www.businessline.in
businessline
thehindubusinessline

Ahmedabad Bengaluru Chennai Coimbatore Hubballi Hyderabad Kochi Kolkata Madurai Malappuram Mangaluru Mumbai Noida Thiruvananthapuram Tiruchirapalli Tirupati Vijayawada Visakhapatnam
Regd. TN/ARD/14/2012-2014, RNI No. 55320/94

QUICKLY

HYBRID SECURITIES
Bharti Airtel raises $750 million
New Delhi, October 9
Bharti Airtel has achieved a milestone with its inaugural hybrid securities offering, raising $750 million in the global markets through its Mauritius-based arm Network i2i. The is the first subordinated perpetual securities issue by an investment-grade corporate out of India. p5

NATIONAL HEALTH MISSION NORMS
States to lose out on ₹440 crore
New Delhi, October 9
Up to 14 States will pay dearly for not upgrading their health infrastructure in line with the demands of the National Health Mission. They will lose a 20 per cent chunk of the funding from the Centre, over ₹440 crore, that had been tied to certain conditions. P16

CORPORATE TAX CUT
Why co-operative sector is peeved
Mumbai, October 9
Entities in the co-operative sector, including those in the banking, dairy, sugar, fertiliser and food processing space, are disappointed that the benefit of the cut in corporate income tax, announced recently for India Inc, is not available to them. p4

FOREIGN FUNDS
Listing of GDRs/ADRs at GIFT City
New Delhi, October 9
Indian firms can now use the international stock exchanges operating out of GIFT City in Gujarat to list their depository receipts. This in a way is expected to enable Indian companies to gain access to foreign funds through the listing of ADR/GDRs in a market closer home. p10

PORTFOLIO

Investing for the silver years
October 9

Recently, we prepared a financial plan for 'P', aged 54, who is looking to retire in five years. His family members are his wife 'A' and twin daughters aged 24 years. How much did we allot for the couple's post-retirement life, their daughters' weddings, their retirement home and travel plans? Read on to find out p9

TRENDING
WWW.THEHINDUBUSINESSLINE.COM

E-tailers on a roll
E-tailers have sold ₹19,000 crore worth of merchandise during the first six days of the festival sale
https://tinyurl.com/etailsale

Oceans set to boil
An IPCC special report generates more evidence on oceans buckling under global warming
https://tinyurl.com/oceanboil

mParivahan trending
App sees 1.5 lakh downloads a day on Google Play in September alone
https://tinyurl.com/parivahan

The Modi-Xi meet
The duo may announce more confidence building measures
https://tinyurl.com/modiandxi

India slips 10 places to 68th on global competitiveness index

But ranks high in corporate and shareholder governance, green energy regulation

PRESS TRUST OF INDIA
New Delhi/Geneva, October 9

India has moved down 10 places to rank 68th on the annual global competitiveness index, largely due to improvements witnessed by several other economies. Singapore, meanwhile, has replaced the US as the world's most competitive economy.

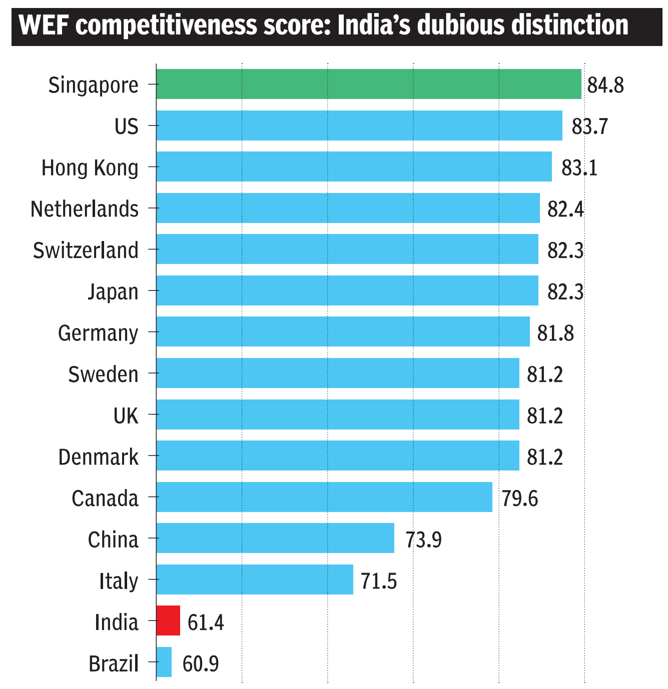
India, which was ranked 58th in the annual Global Competitiveness Index, compiled by the Geneva-based World Economic Forum (WEF), is among the worst-performing BRICS nations along with Brazil (ranked even lower than India at 71 this year).

Announcing its latest index, the WEF said on Wednesday India ranks high in terms of macroeconomic stability and market size, while its financial sector is relatively deep and stable despite the high delinquency rate, which contributes to weakening the soundness of its banking system.

India is also ranked high — at 15th place — in terms of corporate governance, while it is ranked second globally for shareholder governance, the WEF study showed. In terms of the market size, India is ranked third, while it has got the same rank for renewable energy regulation. Besides, India also punches above its development status when it comes to innovation, which is well ahead of most emerging economies and on par with several advanced economies, the report said.

But these positive metrics contrast with major shortcomings in some of the basic enablers of competitiveness in the case of India, the WEF said, while flagging limited ICT (information, communications and technology) adoption, poor health conditions and low healthy life expectancy.

WEF competitiveness score: India's dubious distinction



Neighbours give company

In the overall ranking, India is followed by some of its neighbours including Sri Lanka at 84th place, Bangladesh at 105th, Nepal at 108th and Pakistan at 110th place.

The WEF said the drop of 10 places in India's position to 68th place may look dramatic, but the decline in the country's competitiveness score is relatively small. A number of similarly-placed economies including Colombia, South Africa and Turkey improved over the past year and hence have overtaken India.

RJio to charge 6p/min for calls to rival networks

Blames the move on regulatory uncertainty over continuation of interconnect charges

OUR BUREAU
Mumbai, October 9

Reliance Jio has decided to withdraw its free voice call offer. It will now charge its customers 6 paise a minute to make calls to subscribers of other mobile operators.

The operator was offering all voice calls for free until now.

While calls within the RJio network and outgoing calls to landline phones will continue to be free, those made to users of other mobile operators, including Airtel and Vodafone Idea, will now be charged.

To soften the impact on its users, RJio is offering free data of 1GB to 10 GB bundled with new top-up vouchers for making voice calls to other mobile networks, valued between ₹10 and ₹100.

Reliance Jio said it has been forced to start charging its customers for voice calls due to the regulatory uncertainty over the continuance of Interconnect Usage Charge (IUC). Until now, it was paying this fee to other players from its pocket instead of charging users, it said. In the past three years, RJio has paid nearly ₹13,500 crore as net IUC charges to the other operators.

The operator said it had decided to offer free voice calls after the Telecom Regulatory Authority of India (TRAI), in 2017, laid a roadmap to bring down IUC charges to zero by January 2020. However, recently, the regulator issued a consultation paper seeking to extend the deadline beyond 2020. RJio said it cannot continue to subsidise these charges and is being forced to pass it on to the consumers.

Reacting to RJio's decision, an Airtel spokesperson said that TRAI had, in 2017, clearly stated that there would be a review in 2019, and that the new consultation paper was, therefore, not the surprise that RJio claimed it was. RJio had declared free voice calls when the IUC was 14 paise; it has since been brought down to 6 paise.

Blame game

IUC is a fee paid by the operators on whose network the call originates to the operators on whose network the call terminates. Incumbent operators, including Airtel and RJio, are accusing each other of gaming the system to ensure higher incoming-to-outgoing ratio so that the net payout goes in their favour.

RJio claims that after the TRAI order in 2017, the incumbent operators reduced the voice tariffs for their 4G customers, but they continued to charge their 2G customers around ₹1.50 per minute. "They also charge a minimum of ₹500/GB for data from their 2G customers," RJio said in a statement. "The price differential of free voice on the Jio network, and the exorbitantly high tariffs on 2G networks, causes the 35-40 crore 2G customers of Airtel and Vodafone-Idea to give missed calls to Jio customers. The Jio network receives 25-30 crore missed calls on a daily basis."

Scan & Share

RBI shoots down Indiabulls-LVB merger

OUR BUREAU
Mumbai, October 9

The RBI on Wednesday rejected the proposed amalgamation of Indiabulls Housing Finance Ltd and Indiabulls Commercial Credit Ltd with Lakshmi Vilas Bank (LVB).

The action comes less than a fortnight after the RBI put LVB under the prompt corrective action framework, citing its high net non-performing assets, insufficient capital to risk-weighted assets ratio and common equity tier-I capital, and negative return on assets for two consecutive years.

In a regulatory filing, LVB said the RBI had informed it on Wednesday that the application for voluntary amalgamation with Indiabulls entities cannot be approved. No reasons were given.

The LVB Board had in April approved a merger with Indiabulls Housing Finance through a share swap deal.

It was expected to help Indiabulls get access to low-cost funds, and enable a larger geographical presence for the Tamil Nadu-based LVB.

Scan & Share

The bank had on May 7 sought RBI approval for the merger. With the merger of GRUH Finance with Bandhan Bank, Capital First with IDFC Bank and Bharat Financial Inclusion with IndusInd Bank in the recent past, LVB and Indiabulls had hoped that their proposal would also be approved. But the string of actions against LVB put the merger under a cloud.

To grease the tracks for the merger, Indiabulls Housing Finance promoters offloaded their real estate exposure, one of the stumbling blocks from a regulatory perspective, and constituted a reorganisation committee headed by independent director and former RBI Deputy Governor SS Mundra.

The Economic Offences Wing, Delhi had registered a First Information Report (FIR) against the LVB board directors based on a complaint by Religare Finvest.

In August, Managing Director and CEO Parthasarathi Mukherjee resigned, citing personal reasons.

The LVB scrip closed at ₹27 on the BSE, down 4.93 per cent.

Thaw in Sino-US trade war could lift market sentiments

Sensex, Nifty gain on Centre's DA hike announcement

OUR BUREAU
Mumbai, October 9

A softening of stance by China in its trade war against the US is likely to be one of the major triggers for equity markets to rally in the coming days.

Major global equity indices rose on Wednesday as China broke the ice and announced that it is ready to strike a partial trade deal involving the purchase of agriculture goods from the US. This also saw a nearly 1 per cent jump in US stock futures. China reportedly offered to increase soyabean purchases to 30 billion tonnes from 20 billion tonnes. High-level talks will continue this week between the two nations.

BusinessLine had reported on October 5 that the markets would focus on a US-China trade deal for further cues.

Sharp bounces

Back home, the Sensex and the Nifty witnessed sharp bounces as sentiments improved on the back of the government's pre-Diwali announcement of a 5 per cent hike in the dearness allowance of its employees. The move could benefit nearly 50 lakh employees to the tune of ₹16,000 crore every year, reports suggested. Markets took the announcement positively as it could create more demand in the economy.

The Sensex rose 645 points, or 1.72 per cent, to close at 38,177. The Nifty gained 186.9 points, or 1.68 per cent, to close at 11,313. According to market technical analysts, the Nifty could see sharp gains if it breaks the 11,400 levels decisively.

According to Chandan Taparia, technical and derivative analyst at Motilal Oswal Financial Services, the Nifty has to hold above 11,250 to extend gains towards 11,400-11,450; the major downside support is at 11,100.

Markets could also be watching the second-quarter earnings to be reported by large companies and banks later this month. Analysts see earnings showing an uptick mainly due to the low base effect of the past few quarters.

DA hiked by 5% p4

Why SBI's savings deposit rate cut is bad news for customers

RADHIKA MERWIN
BL Research Bureau

Depositors who have been feeling the heat of the recent steep cuts in deposit rates can find themselves in a stickier spot.

In a bid to cushion its margins from the blow of adopting an external benchmark — repo rate — to price its floating-rate MSME, housing and retail loans, SBI has trimmed the interest rate on its savings deposits (of up to ₹1 lakh) to 3.25 per cent from 3.5 per cent, effective November 1, 2019.

With the country's leading bank making the first move on savings deposit rate, others are likely to follow suit, which will pinch depositors more in the near term.

Banks that have been reducing lending rates this year have been facing pressure on their spreads (yield on advances, less cost of funds).

While the weighted average lending rate on fresh loans has fallen by 29 basis points, weighted average deposit rates have fallen by a lower 4 basis points.

Steep cuts

Some banks have cut deposit rates steeply in certain buckets to safeguard their spreads or margins. But, overall, most banks have been facing margin pressure.

The pressure will only get accentuated in the coming months, with the RBI's mandate to banks to link their new floating-rate personal, retail and MSMEs loans to an external benchmark effective October 1. Since loans get repriced faster than deposits, banks' margins would come under further pressure.

In a bid to ease the pain, SBI has cut its savings deposit rate and also slashed the interest rates of its retail term deposits and bulk term deposits by 10 bps and 30 bps, respectively, in the one- to two-year tenure effective October 10.

While all banks have been cutting rates on their fixed/term deposits — more aggressively over the past two months — SBI's move to tinker with savings deposit rate is an added burden for depositors.

Detailed analysis p9

Soil health still far from ideal; excessive use of urea-based fertilisers continues

RAJALAKSHMI NIRMAL
BL Research Bureau

The Centre's efforts to improve soil health by getting farmers to check the excessive use of nitrogenous fertilisers have made only limited headway in the past two years.

Against the ideal NPK (Nitrogen-Phosphorus-Potassium) consumption ratio of 4:2:1, the actual ratio in 2017-18 was 6.10:2.46:1. Although that represents a marginal improvement in the consumption ratio since 2015-16 - when it was 7.23:2.9:1 - it suggests that there is still much work to be done in changing usage patters and improving soil health. Under the Soil Health Card scheme, introduced in 2014-15, farmers have their soil tested and get recommendations on the appropriate doses of fertilisers.

Scan & Share

Indiscriminate use of nitrogenous fertilisers is detrimental to the soil and the crop. It also pollutes the groundwater: the nitrogen from fertilisers, which is converted to nitrate by the bacteria in the soil, leaches into the groundwater and washes out of the soil surface, entering streams and rivers.

In recent years, the consumption of non-urea fertilisers has grown at a higher rate than that of urea fertilisers, says Hetal Gandhi - Director, CRISIL Research.

But this could be the consequence of a government stipulation that 100 per cent of the production of subsidised urea be neem-coated.

Subsidised urea

This has likely checked the diversion of subsidised urea for non-agricultural purposes.

CRISIL expects urea fertiliser consumption to grow at 1.5 per cent CAGR between fiscal 2019 and 2024, and that of non-urea fertilisers to grow at 3.6 per cent compound annual growth rate in the same period.

The Centre has also been helping the ailing public sector urea manufacturers to increase their capacity.

Details p15

Traffic police turn to tech as penalties get stricter

States adopt various avatars of e-challan system

MAMUNI DAS
New Delhi, October 9

With the enforcement of stricter traffic rules since September, traffic police in different States have turned tech-savvy. The e-challan app has taken off in a big way, making the process of imposing penalties on violators largely paperless.

Scan & Share

While Uttar Pradesh has rolled out the app by handing over simple Android mobiles to its enforcement officers, Delhi and Tamil Nadu have tied up with banks to fund devices that store the app for their police force. Delhi, on the other hand, has chosen to hand over an entire project to NIC, the IT arm of the government, to create an end-to-end solution that includes the device as well as the software.

The e-challan app, developed by NIC, allows police and transport department officials to generate penalty receipts online and deploy technology to 'catch' violators. The app, funded by the Road Transport Ministry, was launched in 2017.

Over 1.5 crore challans have been issued through e-challan apps across States, and penalties adding up to ₹2,300 crore have been imposed. "Till date, 17 States have adopted the e-challan app," Joydeep Shome, Senior Technical Director, NIC, told *BusinessLine.*

Delhi Police has handed over a turnkey project to NIC to create an end-to-end solution that includes the device as well as the software for e-challans

Shome, who is part of the transport team of NIC, noted that the app "has been adopted by the traffic enforcers in different States."

The UP Transport Department was the first mover. "In 2017, it implemented the system in the entire State by providing Android mobiles to enforcement officers, in which the e-challan app was installed," said Shome.

Some States, like Odisha, Tamil Nadu, Jharkhand and Goa, have tied up, or are set to do so, with banks, which provide the devices to the States free of cost, based on approved service agreements.

Banks in the fray

Banks do this as the penalty collection is transferred to them. "Odisha was the first to adopt the model, followed by Tamil Nadu and others through HDFC Bank and SBI," Shome said.

In Delhi, the police handed over a turnkey project to NIC, making the latter responsible for providing the device, connectivity, software, hosting, technical support, and the payment gateway integration required to enable electronic collection of penalties. NIC has procured 1,000 devices equipped with SIM cards, printers and solutions to accept credit and debit card payments.

"In Delhi, since June 2019, 17 lakh on-spot challans have been issued through these devices, apart from 37 lakh traffic violation notices through the e-challan system based on technology like CCTV cameras, speed guns and other devices of the Delhi Police. They capture the number plates of vehicles violating traffic rules," said Shome.