

# 14 ECONOMY

REVIVING FLOW OF FUNDS TO MSME SECTOR ALSO TO BE TAKEN UP

## FM to meet CEOs of public sector banks: Liquidity support for NBFCs to be focus

ENSECONOMICBUREAU  
MUMBAI, OCTOBER 13

FINANCE MINISTER Nirmala Sitharaman will hold a review meeting with chief executive officers (CEOs) of public sector banks Monday to discuss various issues, especially the liquidity support given to non-banking finance companies (NBFCs) and small units. The meeting is expected to review fund flow to stressed NBFC and MSME (micro, small and medium enterprises) sectors.

Banks are expected to present data on partial credit guarantee scheme and fund raising from market to enhance their capital base. "I have asked banks to come up with data on banks' liquidity support to NBFCs and MSMEs," Sitharaman had said in Mumbai last week.

EXPLAINED

### Data on partial credit guarantee scheme expected

AT A time when the non-banking finance sector, including housing finance companies, is facing serious liquidity constraints — for which the IL&FS defaults saga is largely responsible — the Finance Minister's meeting with chief executives of public sector banks is expected to focus on pushing them to lend more to NBFCs.

Under the Centre's partial credit guarantee scheme announced in the Budget, banks will purchase high-rated pooled assets of financially-sound NBFCs. At Monday's meeting, the public sector banks are also expected to present data on this scheme.

In August, the central government issued guidelines on operationalising Rs 1 lakh crore partial

guarantee scheme under which public sector undertaking banks can purchase high-rated pooled

assets of financially-sound NBFCs.

This liquidity support was extended when NBFCs, including housing finance companies (HFCs), came under stress following a series of defaults by the group companies of IL&FS in September last year.

When asked earlier about the monetary policy transmission by lenders, the Finance Minister had said, "The RBI has already taken it up with banks. They are talking to banks."

In the fortnight ended September 27, 2019, non-food credit growth slowed to as low as 8.7 per cent year-on-year to Rs 97.11 trillion, according to data released by the Reserve Bank of India (RBI) last week.

The banking system had previously registered single-digit growth of 9.9 per cent in credit off-take in the fortnight ended

December 8, 2017.

Monetary transmission has remained staggered and incomplete despite several rate cuts by the central bank.

Against the cumulative policy repo rate reduction of 110 basis points (bps) during February-August 2019, the weighted average lending rate (WALR) on fresh rupee loans of commercial banks declined by only 29 bps.

However, the WALR on outstanding rupee loans increased by 7 bps during the same period.

On October 4, the Monetary Policy Committee of the RBI reduced the repo rate to 5.15 per cent from 5.40 per cent.

The fifth consecutive cut this year announced by the central bank has brought down the repo rate — the rate at which the RBI lends funds to banks — by 135 bps from 6.50 per cent in 2019.

INTERVIEW

## ‘Hope govt sticks to timeline ... so that contracts are awarded in timely manner’



**"There has not been a national helicopter operator having ambition of expanding to different states..."**

**ASHISH SARAF**  
PRESIDENT,  
AIRBUS HELICOPTERS INDIA

AS THE government gears up to announce the results of the expression of interest for 111 naval utility helicopters — the first project under the strategic partner procurement model — Airbus Helicopters, which has tied up Mahindra Defence, expects the Centre to award the project in a timely, transparent and fair manner. In an interview with PRANAV MUKUL, Airbus Helicopters India president Ashish Saraf and Airbus Helicopters executive vice president—Procurement Martin Schuebel talked about the company's plans for developing a local supply chain system for manufacturing of helicopter components in India. They also talked about a variety of issues such as disinvestment of Pawan Hans and the outlook of helicopters industry in India. Edited excerpts:

**Are you concerned about the delay in disinvestment of Pawan Hans?**

**Saraf:** (We are) concerned because due to disinvestment, they are not able to make capital acquisitions. So expansion of that company is really not happening. Although they are maintaining their fleet and they are our largest customers of the Dauphin fleet across the world, we are hoping that they can grow and they can get on with their fleet replacement plans or modernisation plans, which seems to have been hindered because of the disinvestment process. So I hope this process finishes off really quick and the company gets on to the next phase of modernisation.

Once they get on with the next phase of expansion, obviously it will be for us to work with the new potential owner of this company. We feel confident that we should be able to work with them and propose solutions that will allow them to expand with out fleet.

**Private firms had raised red flags about participation of Hindustan Aeronautics Ltd (HAL) in the naval utility helicopters tender. How do you see it?**

**Saraf:** The strategic partner programme is for private companies. We hope that the government upholds the spirit of strategic partnership, which is mainly meant for the private sector and we hope that this continues to be a programme as advertised or stipulated initially to be a strategic partnership private sector program.

What I would allow myself to add is that the need for helicopters in India is such that there is room for a DPSU (defence public sector undertaking) like HAL and a private strategic partner. So one does not need to replace the other and the needs are so huge that there is room for everyone.

**Defence deals in India have traditionally been scrutinised a lot. How easy is it for defence manufacturers to do business here?**



**"India has a wonderful prospect and a wonderful market potential not only on the military but also on the civil..."**

**MARTIN SCHUEBEL**  
EXECUTIVE VICE  
PRESIDENT—PROCUREMENT,  
AIRBUS HELICOPTERS

**Saraf:** It clearly has been easier to do business — may it be inviting comments on the new DPP (Defence procurement procedure) or the new offset policy or even the strategic partnership, I think the government has done a good job of consulting the industry to formulate some policies. Now, this has been the first programme that has been launched with such intentions of Chapter 7 being the driver of the strategic partnership programme.

With our motto of ease of doing business, we really hope that the government sticks to the timeline and transparency and fairness of selection. So that contracts could be awarded in a timely manner.

**One of the concerns raised by aircraft makers with India is the lack of enough skilled labour. How do you plan to overcome this challenge?**

**Schuebel:** We have spoken to over 70 suppliers with the objective of developing a supply chain base or ecosystem for manufacturing of helicopters. Now, some of them are our suppliers for different businesses. Airbus has about 50 suppliers in India and we buy over \$600 million worth of hardware and services out of India. Some of them already know Airbus well and there are a lot more who we plan to induct in some capacity or the other, going forward, who would

be trained and imparted knowledge about our processes are concerned.

India has a wonderful prospect and a wonderful market potential not only on the military but also on the civil and what we call para-public including emergency medical services. Now there might be a chicken and egg problem that there are not enough qualified personnel available, but we really want to get out of this problem and start qualifying our suppliers for a journey that we want to do together and we are looking for sustainable partnerships.

**Are there any India-specific challenges that you have come across in the manufacturing value chain?**

**Schuebel:** I would say the typical challenges for helicopters or helicopter components is that quality is a must. There's no doubt about it. Safety is a must and highest standards in terms of quality and safety for all the components; the highest standards in terms of weight saving, low weight design, solutions is a must — this I would say is key. Then, of course, you need people who are knowledgeable and available to develop such solutions, industrial solutions and provide them to us.

**What is your outlook on the helicopter industry in India?**

**Saraf:** Currently, the primary drivers are VIP, heli-tourism and state government requirements. We are also looking at potential growth coming from HEMS (helicopter emergency medical services), urban air mobility as well as regional connectivity for the helicopter industry.

**Going ahead, do you have any growth targets in mind?**

**Saraf:** As of now we have about 250 helicopters, and we are adding anything between 7-10 helicopters a year in our region — India, Nepal, Bangladesh and other complementary markets. So, we currently look at growth of 3-4 per cent.

With segments such as HEMS, tourism, etc opening, we see the potential to add about 100 helicopters. We are working with the right stakeholders to see how policy can be rolled out to ensure these markets can be developed.

**With the exception of Pawan Hans, there isn't a large player in the helicopters segment. Do you think there's enough appetite for this sector on a national basis?**

**Saraf:** We need a large player. Currently, there are operators who have 3-6 helicopters in specialised areas like Chardham Yatra, Vaishnodevi, etc. But except Pawan Hans, there has not been a national helicopter operator having the ambition of expanding to different states and segments. This is certainly required and a large player with a significant vision for the longer term will certainly bring a lot more value for expanding into this segment.

BRIEFLY

### Panel on GST collections to meet Tuesday

**New Delhi:** A high-level panel constituted by the Centre to suggest measures to augment Goods and Services Tax (GST) revenue collection will hold its first meeting on Tuesday, GST Council Special Secretary Rajeev Rajan said Sunday.

### IRCTC to make stock market debut today

**New Delhi:** IRCTC, which recently concluded its Rs 645-crore IPO, will make its stock market debut Monday. The shares will be listed on the BSE and NSE.

### Ruia: Essar leads corporate deleveraging

**New Delhi:** Leading the India Inc in deleveraging through aggressive monetisation of assets, Essar Group paid off Rs 1.4 lakh crore debt and residual 10-15 per cent will be cleared in the next two quarters, said Essar Capital director Prashant Ruia.

### Air India: Fuel payment issues will be resolved

**Mumbai:** Air India on Sunday said the aviation jet fuel payment issues are being sorted out and will be resolved soon with the oil public sector undertakings, which have warned the carrier of snapping supplies at six key airports if it does not make monthly lump sum payment by October 18. **PTI**

## Life insurers' new premium income in Sept up 15% y-o-y

The new premium income of life insurers rose 15 per cent to Rs 20,056.70 crore in September, data from Insurance Regulatory and Development Authority of India (Irdai) showed



**₹17,490.68 cr:** Collective new business premium income of all 24 life insurance companies in September 2018

**18.37% rise for LIC:** Increase in new premium for state-owned Life Insurance Corporation (LIC), the largest life insurer, i.e. ■ ₹12,759.24 crore in September 2019 ■ ₹10,778.81 crore in September 2018

**~9% for private players:** Year-on-year (y-o-y) rise in new premium for the country's private sector insurance companies, which cumulatively posted a total new premium

income of Rs 7,297.46 crore during September this year

**₹1,25,758.11 cr:** Cumulative insurance premium of all 24 players during April-September period of FY2019-20; rising 35.11 per cent y-o-y

**₹89,980.22 cr:** New premium collected by LIC in first six months of financial year 2019-20, rising 42 per cent year-on-year

**₹35,777.89 cr:** New cumulative premium collected by rest of private sector players till September this financial year, increasing 21 per cent y-o-y

## Pradhan says \$60 billion investment coming in gas infrastructure

PRESS TRUST OF INDIA  
NEW DELHI, OCTOBER 13

INDIA IS investing over \$60 billion in developing natural supply and distribution infrastructure as it chases the target of more than doubling the share of natural gas in its energy base to 15 per cent by 2030, Oil Minister Dharmendra Pradhan said on Sunday.

Stating that the government has laid emphasis on developing a gas-based economy, he said natural gas is gradually becoming a bridging fuel for low carbon economy in India. The government is giving special impetus to develop gas infrastructure across the length and breadth of the country connecting north to south and east to west parts of India, he said at the third International Think Tank Meeting (ITT) here.

## From 7.5% to 6%: World Bank slashes India's FY20 growth projection

ENSECONOMICBUREAU  
NEW DELHI/WASHINGTON,  
OCTOBER 13

AFTER A broad-based deceleration in the initial quarters of this fiscal, India's growth rate is projected to fall to 6 per cent in 2019-20, the World Bank said Sunday, in what was the sharpest downward revisions of its growth projections for South Asian nations.

However, the bank, in its latest edition of the South Asia Economic Focus, said the country was expected to gradually recover to 6.9 per cent in FY21 and 7.2 per cent in FY22 as it assumed that the monetary stance would remain accommodative, given benign price dynamics. The World Bank's previous projection for India was 7.5 per cent, and this was announced in April.

The World Bank report, which has been released ahead of its annual

**However, the bank said India was expected to gradually recover to 6.9 per cent in FY21 and 7.2 per cent in FY22**

meeting with the International Monetary Fund, noted in the first quarter of 2019-20, the economy experienced a significant and broad-based growth deceleration with a sharp decline in private consumption on the demand side and the weakening of growth in both industry and services on the supply side.

Moody's Investors Service had last Thursday cut its forecast for India's FY20 GDP growth by 40 basis points to 5.8 per cent, in what reflected a continuing trend of such downward revisions by prominent domestic and foreign agencies. **FE WITH PTI**

## ‘RCEP trade ministers’ talks end in impasse’

ENSECONOMICBUREAU  
NEW DELHI, OCTOBER 13

TRADE MINISTERS and negotiators of the 16-nation Regional Comprehensive Economic Partnership (RCEP) grouping failed to drum up a consensus on sticky issues at the 9th Intersectoral Ministerial Meeting in Bangkok, expected to be the last meet before a potential deal in November, and talks remained inconclusive, sources said.

No joint statement will be issued, as certain key issues are yet to be resolved, even after two days of intense negotiations on October 11 and 12, according to one of the sources. This has cast a shadow over a leaders' summit, which was expected to be attended by heads of the 16 nations on November 4 to announce the RCEP deal. **FE**

WHILE SMALL PRODUCTS DOMINATED ORDERS FROM SMALLER TOWNS, RETAILERS HAVE ALSO RAMPED UP LOGISTICS TO DELIVER LARGER ITEMS

## No delivery too far: New tech, locals help online retailers reach remote areas

PRANAV MUKUL  
NEW DELHI/  
KURSEONG/SILIGURI,  
OCTOBER 13

E-COMMERCE MAJORS in the country sold goods worth over \$3 billion in the week-long festive sales on their platform this year. This is about 30 per cent higher than the festive sales in 2018 and, notably, a majority of this growth across platforms has been driven by tier-2 and tier-3 towns. While small products such as mobile phones and fashion goods dominated the orders from smaller towns, online retailers have also ramped up their logistics to deliver larger items like furniture and white goods to difficult-to-reach terrains.

For companies like Flipkart and Amazon, the prime focus of expanding their delivery into remote regions has been leverag-

ing aspects such as localised human resource, technology and development of alternative delivery models. On the one hand, where Flipkart has partnered with *kirana* stores and freelance delivery agents to reach low density and remote locations, Amazon, on the other, has depended on local knowledge of delivery associates to navigate through weather and terrain challenges to ensure timely deliveries.

Walmart-owned Flipkart recently expanded delivery of large items such as furniture, refrigerators, washing machines, air conditioners, etc to Siliguri in West Bengal and its surrounding areas. The last mile delivery hub stationed in Siliguri serves the hill-top areas of Kurseong, Kalimpong and Mirik, which are at least a 90-minute drive from the hub. "We normally deliver products like washing machines, television and furniture items

like sofa. There's a problem of frequent rainshowers in these areas, so packaging the electronic goods for delivery is one of the priorities," said 26-year old Tinku Burman, one of Flipkart's delivery executives posted at the Siliguri large goods hub.

The company has deployed a tech-enabled solution called the 'Address and Location Intelligence' navigation, which helps the delivery personnel get a customer location with pinpoint precision, even if the addresses are not completely clear.

Flipkart has pointed out that in smaller cities and towns with non-standard addresses, a solution like this reduces the number of calls a delivery person has to make to the customer and reduce delivery re-attempts.

The company said that it deploys the technology at each and every stage of the supply chain. From the point when an order is



Executives preparing for deliveries at Flipkart's large items distribution hub in Siliguri. *Pranav Mukul*

placed by a consumer, the system dynamically maps the entire route from the location of the product to its journey down the logistical food-chain — through fulfillment centres, mother hubs

and various distribution hubs.

"It also analyses artificial topography ranging from chaotic streets to narrow bylanes... dug-up roads and addresses parched upon hill tops, helping to prede-

termine the route and offer constructs such as promised date and time of delivery, etc," Flipkart said.

Pintu Malik, another Flipkart delivery executive in Siliguri, explained that in the hilly regions, there were also issues of parking and in various cases, the personnel parked their delivery vehicles and carried the parcel to the last mile. "It generally takes at least 60-90 minutes to deliver one package in these areas," Malik said.

For the delivery routes that are not there on a map, Amazon has relied on the local knowledge of the delivery people who grew up in the area to find customers' homes. Responding to a set of queries sent by *The Indian Express*, an Amazon India spokesperson said: "In 2017, Amazon.in set up a delivery station with a Service Partner in Leh to make deliveries throughout

the rugged mountain town — making it the company's highest delivery route. This has enabled the local population to easily access a wide range of products and increase their purchasing convenience. Owing to their local knowledge of the area, the delivery associates skillfully navigate through weather and terrain challenges to ensure timely deliveries in the region."

In a blog highlighting its efforts in India for deliveries to remote locations, the company said: "The routes not only involve high mountain passes and occasional rock slides, but rough, primitive roads and sporadic traffic jams caused by free-roaming cattle and donkeys."

As 'Bharat' continues to drive growth for online commerce, investment by these companies in technology and delivery networks is only expected to grow. During its Big Billion Days

sale, Flipkart saw 70 per cent increase from tier-2+ towns for electronics category.

For Amazon, 91 per cent of new customers came from tier-2, tier-3 and below geographies.

Even for Snapdeal, which deploys third-party delivery personnel, cities like Nagpur, Surat, Vijayawada, Chandigarh, Panaji, Jamshedpur, Shimla and Guwahati saw orders surging at least four-fold over the previous year.

"Over 120 cities and towns across the country registered at least 2X volumes compared to last Diwali sales. These include cities like Satara, Anand, Bharuch and Pali (West India), Malerkotla, Roorkee, Jhansi and Haridwar (North India), Hazaribagh, Raniganj and Paradip (East India), Tezpur, Itanagar and Majuli (North-East India) and Khammam, Hassan, Miryalaguda and Bhimavaram (South India)," Snapdeal said.