"The economy is run not by Ambani and Adani, but by poor people. The NYAY scheme was meant to jump-start the economy. In next six months, the number of jobless youth will double"

RAHUL GANDHI, Congress leader

"Companies need to ensure that women do not feel left out, especially in areas where they feel they can be promoted to the next level"

SMRITI IRANI, Union minister

"India is one of the largest importers of weapons and ammunition. DRDO is striving to ensure our requirements of services are met with home-grown solutions. We are confident that we will fight and win the next war with indigenous weapons"

GENERAL BIPIN RAWAT, Army chief

IN BRIEF

RBI allows on-tap licence for White Label ATMs, two others

The Reserve Bank of India (RBI) on Tuesday made licences 'on-tap' for participants in Bharat Bill Payment Operating Unit, Trade Receivables Discounting System, and White Label ATMs.

The central bank on January 21 had released a policy paper on this issue to make on-tap licensing possible in such payments systems providers. However, it said the authorisation would be based on merit and the central bank's "assessment of potential for additional entities in that segment". For Bharat Bill Pay and White Label ATMs, the entities need to maintain ₹100 crore of net worth at all times, while for Trade Receivable System, the minimum paid-up capital should be ₹25 crore, while the non-promoters' shareholding in the firm would be limited to up to 10 per cent, the RBI said in a statement. BS REPORTER

IOC to raise ₹3,000 cr via ₹-denominated bond issue

Indian Oil Corp (IOC) plans to raise ₹3,000 crore in rupee borrowings this month to meet its general corporate financing needs, IOC Director (Finance) Sandeep Kumar Gupta said. "We plan to raise through a rupee denominated bonds issue up to ₹3,000 crore. A similar amount may be raised later in the financial year," he said. PTI

₹ plunges 31 paise to nearly 1-month low on trade worries

The rupee on Tuesday dived 31 paise to end at a nearly one-month low against the US currency due to heavy dollar buying amid fresh concerns over the progress of China-US trade talks. Crude oil prices dropping more than half a per cent and gains in the equity markets, however, helped the local unit contain losses. PTI

Jana SFB will need ₹600 cr in equity, says India Ratings

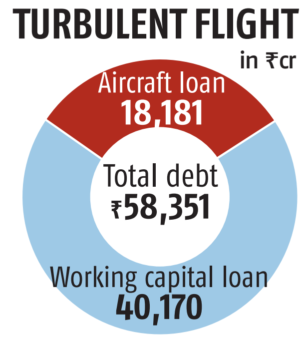
Jana Small Finance Bank (JSFB) will need equity capital or internal accrual of ₹500-600 crore over the next 18-24 months, to achieve scale for delivering profitability with reasonable capital buffers, according to India Ratings. BS REPORTER

Cabinet to look at hiving off GAIL's pipeline business

The Union Cabinet may by next month consider a proposal to hive off state-run gas utility GAIL's (India) pipeline business into a separate entity. However, its sale to a strategic investor may not happen before 2022, sources said. PTI

AI buyer to get only ₹10K cr of airline debt

ARINDAM MAJUMDER
New Delhi, 15 October



Source: Parliament data

The government is likely to transfer about ₹20,000 crore of additional debt from Air India's books in order to make it lucrative for buyers. The move will leave Air India with about ₹10,000 crore of debt.

This is a third of the ₹33,992 crore of debt that was to be passed on to the new owner during last year's failed disinvestment process. Potential bidders had expressed inability to take over the debt-laden airline.

As of March 31, Air India had a debt of ₹58,351 crore.

While the Air India Alternative Special Mechanism (AIASM) headed by home minister Amit Shah is yet to take call on it, it has been proposed to the ministerial group that the move is necessary to make it attractive for buyers. Transaction adviser EY has pointed out high debt as one of the reason why investors didn't show any interest to acquire the airline last year.

Further, the argument is that the yearly expenditure to run Air India is more expensive for the government than to pay annual interest on a debt of ₹50,000 crore. The government has already invested ₹30,000 crore under a bailout package extended by the previous UPA regime in 2012 for 10 years.

The government has already transferred ₹29,500 crore of debt to the special purpose vehicle Air India Asset Holding (AIAHL). In order to clear that debt, the SPV has already raised ₹14,000 crore from bond market.

It will further raise about ₹8,000 crore through a government-guaranteed bond issue over the course of the week.

The deal becomes more lucrative as most of the debt is backed by assets like aircraft that Air India owns.

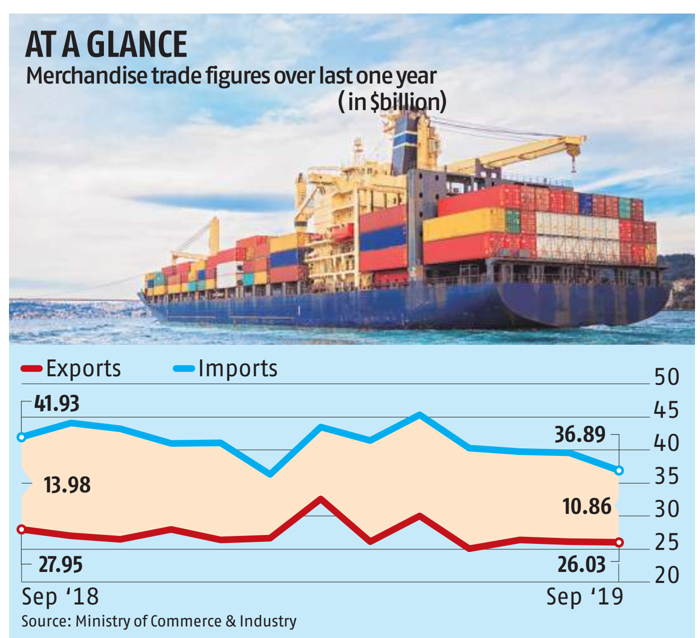
Around ₹8,000 crore is on account of finance lease of aircraft. Finance leasing is one of the lucrative forms of aircraft financing, under which the lessee receives substantially all rights of ownership. Aircraft taken under finance lease are considered to be an asset of the company in contrast to an operating lease, which affects the company's cash flow. Also, finance lease can be terminated to get out of the liability and thus the debt on which a buyer has to pay interest comes down.

"Essentially bidders will get equivalent if not more assets against the debt they will be required to absorb. This will include the current liabilities and a portion of working capital which is very common on any merger and acquisition. This is a fairly clean slate for an airline of Air India's size and potential," said a person involved in the sale process.

Sept exports contract 6.5% to 3-month low

As imports also fall for 4th straight month, trade deficit reduces to seven-month low

SUBHAYAN CHAKRABORTY
New Delhi, 15 October



Source: Ministry of Commerce & Industry

Exports in September contracted for the third time in the first six months of the current fiscal year, with trade decline plaguing all major foreign exchange (forex) earners such as processed crude oil, gems and jewellery, and engineering goods.

Outbound trade dropped 6.57 per cent in September, falling to a three-month low. However, policymakers are equally worried about falling imports, which contracted for the fourth straight month in September by 13.85 per cent, showing low demand for both consumer and industrial items — a hallmark of slowdown. As a result, merchandise trade deficit fell to $10.86 billion in September, a seven-month low.

"The softening of commodity prices, including crude oil, US-China trade war, Brexit, and developments in Iran, Turkey, and other Gulf nations has further aggravated the problem of the world economy. The uncertainty attached has also affected the flow of investment and added to the currency volatility," said Sharad Kumar Saraf, president of the Federation of Indian Export Organisations. Cumulative exports in FY20 till September reached $159 billion while imports touched $243 billion.

Bleak exports

Outbound trade had been repeatedly pummelled in 2019-20 (FY20), with a 6.05 per cent contraction in August. This still trailed the 41-month low of 9.7 per cent in June. According to the data released by the commerce and industry ministry on Tuesday, exports stood at $26.03 billion in the latest month.

An unprecedented 22 out of the 30 major export sectors saw contraction, while in August, only seven sectors had contracted. Critical exports such as those of processed petroleum took a beating, with receipts falling by more than 18 per cent to $3.4 billion. The contraction was by a higher margin than that of August's 10 per cent. The fall in oil exports has accelerated since July, with major refineries in Jamnagar and Mangaluru staying shut. Recently, senior government officials had said they expected exports in the sector to go up soon.

For gems and jewellery, the severe slowdown that had gripped the sector periodically since November continued in September, when the sector contracted by 5.56 per cent to ship out $3.58 billion worth of goods. Exports of gems went down 3.54 per cent in July. The pace of exports has been hit in the sector, as fund availability dried up in the aftermath of the Nirav Modi scam.

After being one of the growth drivers in the previous fiscal year, engineering goods also continued to fare badly. It fell by 6.2 per cent in the latest month, down from August's 9.35 per cent contraction. The sector accounted for nearly 25 per cent of the forex earned. "We need to fix issues like high raw material cost, mainly of steel," Engineering Exports Promotion Council Chairman Ravi Sehgal said.

Export of readymade garments, in which India's export competitiveness has fallen over the past fiscal year, contracted by 2.17 per cent in August. The sector had shown signs of steady recovery in July, with 7.66 per cent growth. Exports of non-oil and non-gems and jewellery products declined by 4.2 per cent in September, albeit a lower fall than the 5.61 per cent degrowth in August.

Import slide

The largest component of the import bill — crude oil — saw the cost of inbound shipments fall by 18 per cent to $8.97 billion in September. Crude oil imports had gone down by 9 per cent in the previous month, following a massive fall of 22 per cent in July.

On the other hand, the second-largest item in the import bill — gold — continued to fall by big margins. Incoming gold shipments narrowed by a massive 50 per cent, after 62 per cent and 42 per cent contractions in August and July. Imports of the metal had continued to see an uptick in early 2019 before crashing since June, even as the industry had continued to see volatility. "The continued degrowth in gold imports reflects the spike in the price of the precious metal, which has contributed to the contraction in imports of precious and semi-precious stones as well. Such imports may revive to some extent in the third quarter of FY20, on account of the festive and wedding season," Aditi Nayar, principal economist at ICRA, said.

Non-oil, non-gold imports — a sign of domestic industrial demand — fell for the 11th straight month in September, contracting by 8.88 per cent, similar to August's 9 per cent.

Following the lower-than-anticipated trade deficit for September 2019, one now expects the current account deficit to halve to $8-9 billion in the second quarter (Q2) of FY20, from around $19 billion in Q2 of 2018-19.

IMF slashes India growth forecast to 6.1%, global to 3%

INDIVJAL DHASMANA
New Delhi, 15 October

There is considerable uncertainty surrounding a recovery, especially when major economies are expected to slow further, said Gita Gopinath, chief economist at the IMF, in a blog

The International Monetary Fund (IMF) on Tuesday cut its projections for India's growth to 6.1 per cent for 2019-20 from its earlier forecast of 7 per cent as demand is being pulled down by ailing non-banking financial companies (NBFCs) among other factors.

"In India, growth softened in 2019 as corporate and environmental regulatory uncertainty, together with concerns about the health of the non-banking financial sector, weighed on demand," the IMF said in its much-awaited World Economic Outlook, titled Global Manufacturing Downturn, Rising Trade Barriers.

The forecast is in line with the Reserve Bank of India's, but is higher than that of the World Bank and the Organisation for Economic Co-operation and Development. The projected growth rate by IMF was 0.9 percentage-point down from its July forecast. However, if the April projection was taken into account, the growth rate was 1.2 percentage-point down.

If the economy grows by this pace in FY20, India will jointly share the tag of the fastest-growing large economy with China for the year since the neighbouring country's economic expansion was cut by only one percentage point.

The report — released ahead of a three-day annual meeting of the IMF and the World Bank group, which will be held from October 18 in Washington DC — saw the lagged effect of corporation tax rate cut on economic growth, and advised India to go for further reforms including those related to hire and fire, tricky land issues and reduced role of public sector banks in the financial markets.

The multi-lateral agency estimated the economic growth to recover to 7 per cent in the financial year 2020-21 (FY21), though the pace was still lower than its earlier prediction of 7.2 per cent. India will again march ahead of China which was projected to grow at 5.8 per cent in 2020.

It said the global economy is in a synchronised slowdown, with growth for 2019 downgraded again — to 3 per cent, its slowest pace since the global financial crisis. Earlier, the world economic growth for the year was pegged at 3.2 per cent by the IMF.

"This is a serious climb down from 3.8 per cent in 2017, when the world was in a synchronised upswing. This subdued growth is a consequence of rising trade barriers; elevated uncertainty surrounding trade and geopolitics; idiosyncratic factors causing macroeconomic strain in several emerging market economies; and structural factors," the IMF said.

Global growth in 2020 is projected to improve modestly to 3.4 per cent, a downward revision of 0.1 percentage points from its earlier estimates.

Gita Gopinath, chief economist at the IMF, said in her blog that the uptick in the global economy in 2020 would be driven by India and other emerging market economies which are projected to experience a growth rebound to 4.6 per cent.

About half of this rebound is driven by recoveries or shallower recessions in stressed emerging markets, such as Argentina, Iran, and Turkey, and the rest by recoveries in countries where growth slowed significantly in 2019 relative to 2018, such as Brazil, India, Mexico, Russia, and Saudi Arabia. "There is, however, considerable uncertainty surrounding these recoveries, especially when major economies like the United States, Japan, and China are expected to slow further into 2020," Gopinath said in the blog titled *The World Economy: Synchronized Slowdown, Precarious Outlook*.

WHAT OTHERS SAY

India's economic growth rate projections for FY20 by think tanks, govt and central bank (%)

Economic Survey	7.0
ADB	6.5
RBI	6.1
IMF	6.1
World Bank	6.0
OECD	5.9

Source: Respective agencies

COMPANIES UNDER IBC

Go after promoters, keep off firms: SBI chief to ED and CBI

PRESS TRUST OF INDIA
Mumbai, 15 October

RAJNISH KUMAR, SBI Chairman

"The person acquiring a firm cannot be subjected to any harassment by any agency and I am sure that will be guaranteed now"

State Bank Chairman Rajnish Kumar on Tuesday said the Enforcement Directorate (ED) and other central law enforcement agencies should restrict the attaching of personal assets while investigating a promoter, and keep off the company that is under the insolvency process.

Speaking a day after the NCLAT asked the ED to release attached properties of Bhushan Power & Steel, which are being taken over by JSW Steel, Kumar asserted the lenders' first right of taking charge of an asset of its bank-financed and said no one should dispute the same.

"Any action which ED or any other central authority has to take, they can take with the existing promoters and attach their personal assets leaving their companies away," he said, speaking at a *Bloomberg* event.

Kumar said the agencies should follow this rule especially in case of companies which are undergoing bankruptcy process, as new suitors are "not fools" to risk their money.

"The person acquiring a company cannot be subjected to any harassment by any agencies and I am sure that will be guaranteed now," Kumar said.

Over the weekend ED had attached assets worth ₹4,025 crore while probing money laundering linked to an alleged bank loan fraud against the BPSL promoters.

This was challenged by JSW Steel at the NCLAT, which on Monday had slammed the ED, saying the bankruptcy code would fail if the agency functioned like this and ordered the property be released.

Bandhan's anti-poverty scheme that caught Nobel Laureate's eye

NAMRATA ACHARYA
Kolkata, 15 October

Bandhan Bank's Targetting Hard Core Poor (THP) programme, aimed at alleviating poverty, is likely to get a boost with Abhijit Banerjee and Esther Duflo winning the Nobel Prize in Economics.

The duo has been closely associated with the programme as researchers since its inception.

According to a 2011 impact assessment study of the programme by Banerjee and Duflo, along with economists Raghabendra Chattopadhyay and Jeremy Shapiro, Bandhan's THP results in a 15 per cent increase in household consumption and had a positive impact on wealth and welfare, such as assets and emotional well being.

"Banerjee has been associated with THP since 2006. He's still associated with Bandhan Konnagar, the NGO that runs the programme. This is a big boost for our charitable activities," said C S Ghosh, managing director and CEO of Bandhan Bank.

So what is Bandhan's THP?

The THP programme involves identifying the poorest of the poor, often a beggar, through social mapping and wealth ranking. The process is simple.

At sharp 7.30 am, the local coordinator of the programme starts mapping the process on a mud floor of a makeshift community centre in the chosen village. He is helped by 100-150-odd villagers, who provide the names of poorest people in the area. The coordinator scribbles them all on mud. That's the data bank in making. He then draws a map of houses, landmarks and roads too on the basis of verbal information from residents of the village. Every penny counts, so the rough draft is copied on a paper after a consensus among villagers is reached.

Abhijit Banerjee is among the three winners of the Nobel Prize in Economics

The map is the first step to sieve out the poorest of the poor. The next step is to create "wealth ranking cards". For this, all families are assigned a card bearing their names. A group of elderly villagers is shown two cards at a time and asked to name the poorer among the two. The process culminates into segregation of packs of up to six bundles, of which one would have the name of the poorest in the lot.

Once the data is collated, the ultra poor are provided with assets for a regular livelihood, including agriculture, rearing of pigs or goats, or selling vegetable and handicraft, among others. This is followed by enterprise building support and constant monitoring. In general, in about 24 months, the beneficiaries qualify into mainstream finance, and in most cases become dedicated clients of Bandhan. The bank has so far supported 85,000 families spread over 12 states, said Ghosh. Each family is provided with support of about ₹40,000 over a span of two years.

According to the website of Bandhan Konnagar, the funding agencies for the programme include CGAP, Ford Foundation, The Michael and Susan Dell Foundation, ITC, Indigo and USAID.

The sync with Nobel laureate's interests

Michael Kremer, Banerjee and Duflo had been the forerunner of randomised controlled trials (RCT) in economics. This is something similar to clinical trials, as some received a particular medical intervention while other receive placebo. Then the impact it assessed by comparing the two results, to understand the efficacy of specialised treatment. The same was replicated in the field of economics.

Bandhan's THP programme has been providing targeted assistance to reduce poverty, which is in sync with the RCT methods.

"Our results are consistent with the notion that the wealth transfer, in the form of asset distribution, directly increased consumption among beneficiary households through the liquidation of assets, but other sources of income, notably from small enterprises, appear to have contributed to the overall increase in consumption as well," according to the impact assessment report by Banerjee and colleagues on the programme.