GOLD	RUPEE	OIL	SILVER
₹35,000	₹62.5	$61.76	₹35,000

*Indian basket as on October 25, 2019

SENSEX: 39,250.20 ▲ 192.14 **NIFTY:** 11,627.15 ▲ 43.25 **NIKKEI:** 22,867.27 ▲ 67.46 **HANG SENG:** 26,891.26 ▲ 223.87 **FTSE:** 7,322.32 ▼ 2.15 **DAX:** 12,938.84 ▲ 44.33

*Equity, currency and bullion markets were closed on Monday on account of Diwali Balipratipada; International market data till 1900 IST

OUTSTANDINGS AT ₹97.6K CR AS ON AUG 31, 2019, AGAINST ₹78.5K CR A YR AGO

Credit cards: Outstandings up 24.4% YoY in Aug; usage growth falls in first 5 mths of FY20

During the five-month period ended August 31, 2019 of current FY20, card outstandings rose 10.6%

GEORGE MATHEW
MUMBAI, OCTOBER 28

DESPITE THE slowdown in the economy and sluggish credit offtake, credit card outstandings have risen by 24.4 per cent to Rs 97,650 crore as on August 31, 2019, from Rs 78,499 crore a year ago.

According to the data available from the Reserve Bank of India (RBI), credit card outstandings have spurted by 71 per cent in the last two years from Rs 57,100 crore in August 2017.

While credit card usage has increased after demonetisation in November 2016 and the thrust given to digital banking in the past two years, the growth rate of credit card use has come down in the past five months, according to bankers.

During the five-month period ended August 31, 2019 of the current fiscal year, card outstandings rose 10.6 per cent while the gross bank credit showed a decline of 0.9 per cent and credit offtake by the industry plunged 4.2 per cent, according to the RBI data.

EXPLAINED

E. Despite boost to digital mode, card usage sees dip

WHILE CREDIT card usage has risen after demonetisation in November 2016 and the thrust given to digital banking in the past two years, the growth rate of card usage has come down in the past five months, as per bankers.

According to RBI data, the volume of business through credit cards was Rs 6.07 lakh crore in 2019-20, with 99 per cent of the business accounted by transactions on PoS (point of sale) terminals.

However, growth in outstandings has fallen from 37.4 per cent in the 12-month period ended August 31, 2018 and 14.4 per cent in the five-month period of last year amid a demand slowdown in the economy.

There were 5.17 crore outstanding cards in fiscal 2018-19, up from 4.70 crore in the same period of last year.

The volume of business through credit cards was Rs 6.07 lakh crore in 2019-20, with 99 per cent of the business accounted by transactions on PoS (point of sale) terminals, the RBI data show.

"Credit cards are used by customers mostly in PoS terminals of shops and establishments. In the case of debit cards, customers use it for cash withdrawals from ATMs," said an analyst with an investment bank.

In August 2019, credit card transactions at PoS terminals were worth Rs 59,601 crore while customers withdrew only Rs 410 crore from ATMs using credit cards.

However, debit cards were used to withdraw Rs 287,452-crore cash from ATMs while PoS transactions using debit cards were only Rs 58,040 crore in August, according to the RBI data. If the slowdown in the economy persists, growth in the card business is also expected to decline.

Increasing acceptance of digital payments and availability of better consumer credit data helped register a 22 per cent annual growth in issuance over FY2015-19.

"Credit card loans and spends have grown at a robust pace of 30-35 per cent over the same period. We expect credit card issuance and spends to sustain the growth momentum, given the low penetration levels (4 per cent) compared to debit cards (60 per cent) and savings accounts (120 per cent)," Kotak Research said in a report.

Analysts say the card business is a highly profitable business with big margins, as the interest rate can go up to 40 per cent per annum.

"It has a healthy operating leverage but we acknowledge that it is a highly cyclical business. We are probably entering into a slowdown and this could see an impact on growth or profitability. However, we don't think these banks would want to change their strategies for this business given the scale at which they are operating," Kotak said.

"The three frontline private banks (HDFC Bank, Axis Bank and ICICI Bank) along with SBI Cards and Payments dominate this business with 70 per cent share between them. Despite strong growth in issuances, penetration is quite low at 4 per cent, compared to 60 per cent of population for debit cards," the research firm said.

According to the Kotak report, HDFC Bank is the market leader with a 27 per cent share, followed by SBI Cards (18 per cent), ICICI Bank (14 per cent) and Axis Bank (13 per cent). Foreign players including American Express and Citi have been losing market share (25 per cent in FY2014 to 13 per cent in FY2019) owing to aggressive growth by the frontline players.

Now, Railways looks at 2 giant PSUs to manage rolling stock

AVISHEK G DASTIDAR
NEW DELHI, OCTOBER 28

ALTERING ITS original plan to set up a mega rolling stock company to include all factories under it, the Railways plans to form two new central public sector undertakings (PSUs) as holding companies to control coach and engine production. The latest proposal in the project, which is being seen as a major reform in the rail sector, will soon come up for inter-ministerial consultation.

It would lead to the setting up of a new Indian Railway Motive Power Company to own and run factories like Chittaranjan Loco Works and Diesel Loco Works, Varanasi, and those in Madhepura and Marhowra in Bihar.

For now, as part of the '100 days' plan approved by the Prime Minister's Office (PMO), the Ministry of Railways is gearing up to form the Indian Railway Rolling Stock Company (IRRC) to own and operate the coach-making plants — Modern Coach Factory (MCF), Rae Bareli, to begin with — and the wheel factories.

Sources said top brass of the Ministry felt that by making two companies — one dealing in coaches, which is controlled largely by the Mechanical department, and another in engines, which comes under the Electrical department — the project can be insulated from departmental rivalries.

The Railways Ministry is gearing up to form the Indian Railway Rolling Stock Company to own and operate the coach-making plants and the wheel factories

However, some officials feel that forming a single holding company dealing in all rolling stock, like China, would serve as a more effective antidote to "departmentalism".

Officials said the private consultancy firm studying the feasibility of the project had advised the setting up of two entities. Even when divided into two, the entities in terms of size and scale will be among the biggest in the world.

A Cabinet note is to be prepared to begin the process to form IRRC and incorporate MCF Rae Bareli with an authorised paid-up capital of around Rs 1,700 crore. Subsequently, other large units, like RCF, Kapurthala and ICF, Chennai, and the wheel plants will be included.

For the first five years the IRRC — a Schedule A central PSU owned fully by the government — will have its top brass, such as CEO and MD, appointed through the Ministry of Railways. After that, the selection process will be opened to the market and anchored by the Public Enterprises Selection Board (PESB), sources said.

Officials said the benefit of a corporatised entity will be that India can catch up with the rest of the world in terms of modern technological advances in making railway rolling stock. It can operate with a profit motive and join the global race of supplying to other countries. An official said, "The chief of a Schedule A PSU can, for instance, can approve new technology infusion in projects even as large as Rs 5,000 crore."

Incidentally, it took over 20 years for India to process the tender for bringing in the technology and manufacturing the German-design Linke Hofmann Busch (LHB) coaches in the early 2000s.

While India's rolling stock industry missed the technology bus in the late 80s and 90s, setting itself back by at least a decade, there will be less chance of such a repeat with professional corporate entities steering this area of industrial production and opening up the sector, officials said.

The project has met with resistance from the railway unions, which have alleged that this is a first step towards privatising precious assets of the government — a claim the Ministry has denied.

BRIEFLY

Diwali Muhurat trading: 192-pt gain for Sensex

Mumbai: BSE benchmark Sensex rose 192 points to end at 39,250 on Sunday as investors built up fresh positions in the special Muhurat trading session to mark the beginning of Hindu Samvat year 2076. The 30-share index, after opening on a firm footing at 39,397.37, inched up to 39,402.23 as investors accumulated select auto, IT and bank stocks. It pared some gains on profit-booking and finally ended at 39,250.20, up 192.14 points. The broader NSE Nifty rose 43.25 points, or 0.37 per cent, to finish at 11,627.15. **PTI**

S&P 500 hits all-time high on trade optimism

Bengaluru: Tech stocks propelled S&P 500 index to an all-time high, while the Nasdaq hovered below its record level. During mid-day trade, the S&P 500 rose as much as 0.7 per cent to 3,044.08, breaking record level hit in July. **REUTERS**

'Alphabet makes offer to acquire Fitbit'

New York/San Francisco: Google owner Alphabet Inc has made an offer to acquire US wearable device maker Fitbit Inc, as it eyes a slice of the crowded market for fitness trackers and smartwatches, people familiar with the matter said on Monday. While Google has joined other major technology companies such as Apple Inc and Samsung Electronics Co Ltd in developing smart phones, it has yet to develop any wearable offerings. There is no certainty that the negotiations between Google and Fitbit will lead to any deal, the sources said, asking not to be identified. **REUTERS**

Virgin Galactic takes off in NYSE debut

Bengaluru: Shares of Richard Branson-backed Virgin Galactic Holdings Inc jumped as much as 7.7 per cent in early trading on the New York Stock Exchange on Monday, underscoring investor interest in the first space tourism firm to hit public markets. **REUTERS**

'Banks need to reinvent to strengthen profitability'

At a time when growth is slowing, the banking sector should consider a suite of radical measures, both organic or inorganic, to strengthen profitability and boost returns, McKinsey's Global Banking Annual Review said

Business model reinvention: The bottom third of banks need to rapidly reinvent their business models, in the face of continued threat posed by financial technology and big technology companies that are taking stakes in banking businesses

Defensive moves: Banks need to adopt defensive moves like improving risk management with advanced analytics

Offensive moves: Some offensive measures need to be taken by lenders, such as dramatically lowering costs by outsourcing non-differentiated cost drivers to industry utilities

Inorganic means of building scale: Banks should also consider their options for building scale or competence through inorganic ways, including both mergers and acquisitions as well as partnerships

40% Percentage of top banks today in the country which will likely drop to the bottom half of peers in the next cycle

10.3% Expected revenue growth within India's banking sector (from 2010 to 2018), falling from 22 per cent (2002-07)

2.3% Return on tangible equity experienced by Indian banks in 2018, falling from 17.7 per cent in 2013

35% Rise in predictive accuracy, that can be brought about by machine-learning models, in identifying riskiest potential customers

Apple India FY19 profit fall sharpest in a decade

ARUN NAYAL
NEW DELHI, OCTOBER 28

ON THE back of weakening iPhone sales, Apple India's revenue and net profit slumped in financial year 2019-20. While net profit declined over 70 per cent year-on-year to Rs 262.3 crore, revenue from operations fell 20 per cent to Rs 10,583.3 crore, regulatory filings made to registrar of companies showed.

This is the sharpest fall in net profit for the US-based tech giant in at least a decade. Apple India's net profits had declined 64 per cent YoY in FY13.

In FY19, Apple had launched three variants of iPhones — XR, XS and XS Max.

Experts believe that high prices for its iPhone range and stiff competition from the likes of OnePlus led to decline in sales during the year.

Sales in India in 2018 was one of the worst, with shipments declining for the first time.

"The previous portfolio did not work out well for Apple in India. Most of the phones were imported and were expensive. The company also reworked its distribution strategy which impacted sales," Tarun Pathak, associate director, Counterpoint Research, pointed out.

According to the Hong Kong-based Counterpoint Technology Market Research, mobile phone shipments of Apple India's were estimated to be around 1.7 million units in 2018 calendar year.

Analysts expect iPhone sales in India to bounce back with attractive pricing for iPhone 11 series launched in September and cut in the prices of the popular XR model. **FE**

'Amazon India's e-commerce arm narrows FY19 loss to ₹5,685 crore'

New Delhi: Amazon Seller Services, online marketplace arm of the e-commerce giant in India, has narrowed its loss to Rs 5,685 crore for 2018-19.

This is a 9.5 per cent decrease from the last fiscal, when the firm post a loss of Rs 6,287.9 crore, as per documents sourced by business intelligence platform *Tofler*.

Revenues growing 55 per cent to Rs 7,778 crore in FY19 over the previous fiscal.

'FY19: Flipkart sees ₹3.8K cr loss'

New Delhi: Flipkart India, the B2B arm of Walmart-owned Flipkart, has registered a higher loss of Rs 3,836.8 crore during 2018-19 as compared to the previous financial year, according to regulatory documents sourced by *paper.vc*.

The unit had posted a loss of Rs 2,063.8 crore for fiscal ended March 31, 2018, as per papers filed by Flipkart India to the Corporate Affairs Ministry.

"... company incurred a net loss of Rs 38,368 million during the financial year under review ...," according to the documents. **PTI**

SEPTEMBER QUARTER FOR INDIA INC

Weak volumes hit sales, but lower taxes a silver lining

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 28

SALES FOR India Inc have stalled in the September quarter, partly due to weak volumes and partly due to the near absence of pricing power. However, lower expenses and taxes helped boost profits.

Revenues for a sample of 286 companies have been virtually flat, rising 0.8 per cent year-on-year (YoY). Total expenses, however, fell by 0.8 per cent YoY on the back of a sharp fall of 255 basis points (bps) in the raw materials bill, allowing operating profit margins to expand 130 bps YoY.

The rise in net profits driven by a lower tax bill — down 29 per cent YoY — and more other income camouflage the sluggishness in corporate India, which can be seen in the subdued loan growth at virtually every bank and non-banking finance company.

The more relevant profit before tax is up only 6.6 per cent YoY. At State Bank of India, for instance, the corporate book grew just 25 per cent YoY. While Larsen & Toubro reported good order inflows, up a smart 20 per cent YoY, much of it was won internationally with the domestic wins staying subdued. This suggests the capex cycle isn't turning just yet.

Topline growth has been stunted across companies. While at JSW Steel, revenues fell 18.5 per cent YoY as net realisations dropped 16 per cent YoY, at Maruti Suzuki, sales were down 24 per cent YoY. Two-wheeler manufacturers struggled in a weak demand environment: at TVS Motor, revenues were down 13 per cent YoY on the back of volume decline of 19 per cent YoY, while at HeroMotoCorp, they dropped nearly 17 per cent YoY.

Although volumes at Asian Paints rose an estimated 15 per cent YoY, domestic revenues disappointed at an increase of 9 per cent YoY, below estimates; analysts attributed this to a deterioration in the product mix.

The consumer space, too, struggled as demand in rural India remained muted; volumes at Marico were poor, up just about 1 per cent, resulting in flat sales, while at Hindustan Unilever (HUL), volumes grew 5 per cent YoY. Subdued consumer spends in urban India hurt retailers: Shoppers Stop reported a 5 per cent YoY fall in same-store-sales, led by a 10 per cent fall in footfalls.

Smaller companies such as Rallis reported weak revenues, up just 4 per cent YoY. At Havell's, revenues rose by just 1.8 per cent YoY, while at Crompton Greaves Consumer, they were up just 4 per cent YoY. Volumes at ACC were lower 2 per cent YoY. **FE**

SLUGISHNESS IN CORPORATE INDIA

- **Rise in net profits driven by a lower tax bill — down 29% year-on-year — and more other income camouflage the sluggishness in corporate India**
- **Revenues for a sample of 286 firm have been virtually flat, rising 0.8% YoY. Total expenses fell by 0.8% YoY on the back of a sharp fall of 255 basis points in raw materials bill**

India takes up Pak denial of airspace use to PM's aircraft with UN body

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 28

INDIA HAS taken up Pakistan's denial of use of its airspace to Prime Minister Narendra Modi's flight with the International Civil Aviation Organisation, sources in the central government said on Monday ahead of the PM's scheduled trip to Saudi Arabia on a bilateral visit.

India sought overflight clearance from Pakistan for the prime minister's aircraft to go to Saudi Arabia on Monday. However, Islamabad cited alleged human rights violations in Jammu and Kashmir to deny the request.

Sources said the government of India is of the view Pakistan should reflect on its decision to deviate from well established international practice, as well as reconsider its old habit of misrepresenting the reasons for taking unilateral action.

The sources added that India regrets Pakistan's decision to yet again deny overflight clearance for the VVIP special flight, granted routinely by any normal country.

In September, Pakistan denied overflight clearance to the prime minister's aircraft during his visit to the US. India has taken up the issue of denial of overflight clearance with the relevant international civil aviation body, they said. The ICAO is a specialised UN agency."Overflight clearances are sought, and granted by other countries as per prescribed ICAO guidelines," said a source.

India will continue to seek such overflight clearances, he added.

On Sunday, Pakistan denied India's request to allow Modi's aircraft to move in its airspace for his visit to Saudi Arabia.

'DGCA to IndiGo: Replace A320 Neo plane PW engines used for over 3,000 hours'

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 28

THE COUNTRY'S civil aviation regulator, DGCA, on Monday asked IndiGo not to use such A320 Neo planes which are fitted with PW engines already used for over 3,000 hours, or face grounding of aircraft, officials said.

A Directorate General of Civil Aviation (DGCA) official said there are 16 aircraft in IndiGo's fleet in which both the Pratt and Whitney (PW) engines have been used for more than 2,900 hours.

All such 16 aircraft have to be fitted with at least one modified LPT engine within next 15 days, said the official. "Failing which, all these aircraft shall be grounded. This has been done after studying the pattern and evaluating the risk," the DGCA official said.

In a statement, IndiGo said, "We are continuing to work with the authorities and will take necessary actions, as required, going forward." In October, Indigo has reported three in-flight engine shutdowns on the A320 (Neo) fitted with PW engines.

These were commanded shutdowns, however, due to the fact that they occurred on consecutive days — October 24, 25 and 26 — a DGCA team visited Indigo premises on October 28 to review the maintenance and safety data.

Trump: 'Ahead of schedule' to sign very big portion of China trade deal

REUTERS
WASHINGTON, OCTOBER 28

US PRESIDENT Donald Trump said on Monday he expected to sign a significant part of the trade deal with China ahead of schedule but did not elaborate on the timing. "We are looking probably to be ahead of schedule to sign a very big portion of the China deal, we'll call it Phase One but it's a very big portion," he told reporters at Joint Base Andrews.

Leaders of the world's two biggest economies are working to agree on the text for a "Phase 1" trade agreement announced by Trump on October 11. Trump has said he hopes to sign the deal with China's President Xi Jinping next month at a summit in Chile.

Trump on Monday said the signing was planned for the summit but made a reference to recent political unrest in Chile and said he believed they could work things out. He said the phase one portion would "take care of the farmers" and "also take care of a lot of the banking needs."

"So we're about I would say a little bit ahead of schedule maybe a lot ahead of schedule," he said.

Agricultural products are a major area of discussion. Beijing wants the US to cancel some existing US tariffs on Chinese imports, according to people briefed on high-level telephone discussions on Friday, in return for pledging to step up its purchases of US commodities like soybeans.

'US rejects China's request on sanctions'

Geneva: The US rejected China's request Monday for $2.4 billion in compensatory sanctions for alleged US failure to comply with a World Trade Organization (WTO) ruling, sending it to arbitration, a trade official said.

WTO appeals judge said in July the United States did not fully comply with a WTO ruling about tariffs it put on Chinese solar panels, wind towers, and steel cylinders. **REUTERS**

'IK ONKAR' ON AI FLIGHT

'Ik Onkar' painted on the tail of Air India's (AI) Boeing 787 Dreamliner as part of historic celebrations of the 550th anniversary of Sri Guru Nanak Dev, in Amritsar, Monday. *PTI*