

19 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹38,715	72.09	\$62.61	₹45,480

*Indian basket as on November 12, 2019

SENSEX: 40,116.06 ▼ 229.02 NIFTY: 11,840.45 ▼ 73.00 NIKKEI: 23,319.87 ▼ 200.14 HANG SENG: 26,571.46 ▼ 493.82 FTSE: 7,325.70 ▼ 39.74 DAX: 13,183.59 ▼ 99.92

*International market data till 1900 IST

SECTOR WATCH PHARMACEUTICALS

Amid fund crunch, HBL struggles to start production of vaccines, pay staff

PRABHA RAGHAVAN
NEW DELHI, NOVEMBER 13

A CASH crunch at HLL Biotech Ltd (HBL) has left the government enterprise falling short on fulfilling its mandate of making affordable vaccines for the country's Universal Immunisation Programme. The liquidity crisis, which has resulted in HBL waiting for over Rs 300 crore in additional funds, has also made it difficult for the company to pay its employees since June, *The Indian Express* has learnt.

This fund crunch also raises questions over HBL's ability to act as a backup in the event that the country needs extra supply of oxytocin — a lifesaving pregnancy medicine that the Centre has been trying to ban private firms from making in India since 2018.

HBL has been struggling financially as it awaits the execution of a proposed disinvestment of its parent firm HLL Lifecare Ltd (HLL), pending which decisions on its requirement of additional funds have been stalled, as per sources.

In the meantime, the firm's Integrated Vaccine Complex (IVC), termed a "project of national importance", has not been able to start production of any drug, including oxytocin, said a source directly aware of the development.

Meanwhile, employees of the firm have alleged that the company was told that the government has found the project to be "non-viable" and that it will no longer be able to pay their salaries after June.

"CEO of HBL had called for a communication meeting with all employees of the company on 23rd June 2019... During the meeting, CEO detailed to the employees about the lack of funds for HBL Project beyond June 2019. He further stated that the Ministry has lost its confidence on this Project of National Importance declaring the project non-viable referring to the recent cost committee meeting chaired by the Advisor Costs from the Ministry of Finance," stated the employees in a letter to various government departments dated June 26.

Sources directly aware of the development have confirmed that payments to employees have been impacted as a result of lack of funds, but that the project will not be discarded. An analysis of HBL's financial requirements is expected once it is demerged from HLL. The firm has communicated to employees that it would not be in a position to pay full salaries starting July, but that

QUESTIONS OVER OXYTOCIN

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"partial" salaries are being paid to those who are still working with it.

The Centre had, earlier this year, nominated HBL as a backup supplier of oxytocin in the event that the Department of Pharmaceuticals (DoP)-owned Karnataka Antibiotics and Pharmaceuticals Ltd (KAPL) is unable to cater to the India's total requirement.

In an affidavit submitted to the Supreme Court in March, the government said that while KAPL "alone" would be able to produce twice the required amount of oxytocin from April onwards, an empowered committee had decided that HBL shall set up a facility for "simultaneous" manufacturing of the drug using the same distribution network as KAPL to "ensure" its supply chain management.

The court has currently referred the issue to a larger bench and, until its decision, private firms are currently able to manufacture oxytocin here.

Emailed queries sent on Friday and Monday to HBL CEO V Vijayan and the official email address for HBL and HLL on the Ministry of Corporate Affairs about the issue remained unanswered by press time Wednesday. Queries sent to the Health Ministry and finance ministry also did not elicit any response.

The government in April 2012 approved the IVC project under HBL at an estimated cost of Rs 594 crore in order to "strengthen" the public sector institution in vaccine manufacturing. Yet, HBL's financial statements for FY19 show that it has revised the project's cost to Rs 904.33 crore so that the facility can be commercially operational by March 2020.

MARKETS TAKE A HIT: SENSEX DOWN BY 229, NIFTY BY 73 PTS

Re falls 62p against USD on weak economic data, US-China deal

Currency ends at 72.09 against dollar; lowest since its Sept 4 closing of 72.12

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 13

POOR FACTORY output numbers for September, rising worries over the economic activity, and fresh concerns over the United States-China trade war, put the Indian currency under pressure as it lost 62 paise, or nearly 0.9 per cent, on Wednesday to close at a two-month low of 72.09 against the US dollar.

The benchmark SENSEX at the BSE also fell 229 points, or 0.6 per cent, to close at 40,116. The broader Nifty at the National Stock Exchange too fell 73 points, or 0.6 per cent, to close at 11,840. The rupee has been under pressure over the last couple of weeks. So far in November, the domestic unit has lost 115 paise or 1.65 per cent against the dollar. The closing on Wednesday is the lowest since its closing at 72.12 on September 4, 2019.

Currency and stock markets came under pressure, even as Brent futures fell 1.15 per cent to \$61.35 per barrel during the day.

Experts say that markets reacted to the weak industrial output numbers released by the Ministry of Statistics and

CPI INFLATION DATA PRESENTS BLEAK PICTURE

■ Another news flow, which came after the market closing hours and may hurt market sentiments, is a spike in the October consumer price inflation numbers. The October CPI inflation rose to 4.62 per cent from 3.99 per cent in the previous month. The numbers jumped primarily on account of spike in food price inflation

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Data from MoSPI showed that the factory output for September plunged to (-)4.3 per cent, the lowest level in eight years, with all three sectoral constituents — manufacturing, mining and electricity — recording negative growth. This was the second consecutive month that the factory output witnessed contraction.

"The Indian rupee surpassed the level of 72 against the US dollar. It was mainly due to weak

economic outlook, which would spur expectations of larger cuts by the RBI. Industrial output data, for the second consecutive month, points to a deep slump in economic activity" said Shrikant Chouhan, senior VP—equity at Kotak Securities. He further said that while domestic news flow is turning negative and that would not allow the market to sustain at higher levels, "global cues are also mixed and not supportive in the short term".

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numbers. The October CPI inflation increased to 4.62 per cent from 3.99 per cent in the previous month. The numbers jumped primarily on account of spike in food price inflation.

If that news at the domestic front hurt the investor sentiments, fresh concerns emerged on the US-China trade war front with US President Donald Trump dubbing China as a "cheater", adding to the uncertainty over the deal between the two countries. On Tuesday, Trump said that since China's entry into the World Trade Organization in 2001, no one has manipulated better or taken advantage of the US more. He said while he will not say the word "cheated", but "nobody's cheated better than China".

Back in India, the stock markets witnessed a broad weakness on Wednesday. While the SENSEX at BSE lost 0.6 per cent, the mid-cap and small-cap indices fell 0.8 per cent and 1.13 per cent, respectively.

Among the sectoral indices, the banking index at the BSE fell 1.9 per cent and the capital goods and metal indices lost 1.5 per cent and 2.3 per cent, respectively.

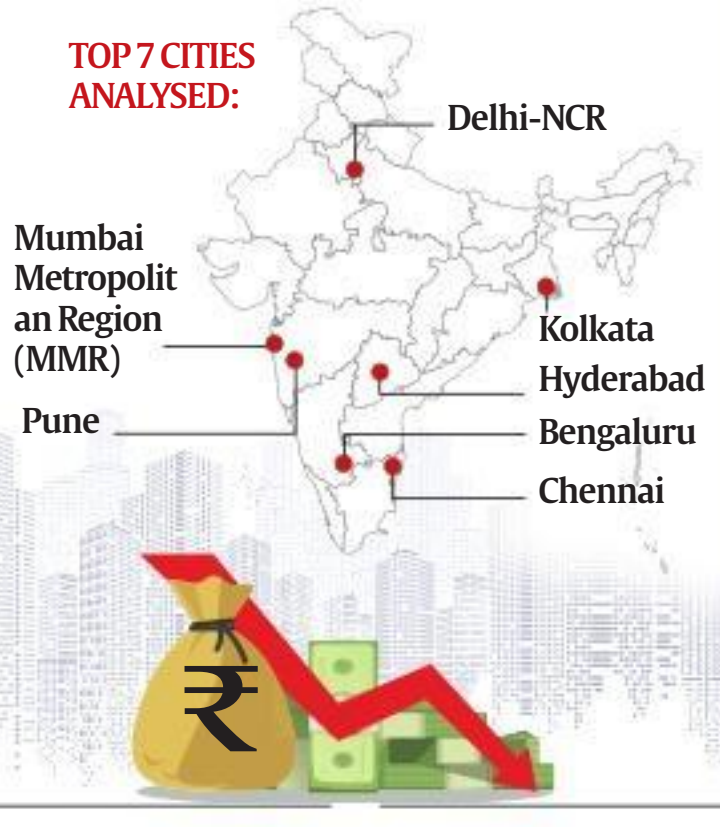
'Bengaluru to take 15 months to clear unsold housing stock, Delhi-NCR needs 44 months'

Real estate developers having projects in Bengaluru will take the lowest time of 15 months to clear their unsold housing units, while builders in the Delhi-National Capital Region (Delhi-NCR) may take 44 months to sell surplus inventories, according to property consultant Anarock

7.44 lakh units
Overall unsold stock in top cities at the end of the third quarter of 2017, which reduced to 6.87 lakh units during the corresponding quarter of the next year

16 months
The time unsold inventory in Hyderabad will take to clear in the current market scenario, while Pune builders will take 27 months

6.56 lakh units
Overall unsold inventory across the top 7 cities at the end of the September quarter



UNSOLD RESIDENTIAL INVENTORY in top-7 cities is reduced to 30 months as on Q3 calendar year 2019 against 37 months in the corresponding period of 2018

BENGALURU has the lowest unsold inventory overhang at about 15 months, while NCR has the highest at 44 months as on Q3 2019

UNSOLD INVENTORY OVERHANG in Chennai is 31 months, MMR 34 months and Kolkata 38 months

UNSOLD HOUSING STOCK is maximum in MMR at 2.21 lakh units, followed by NCR at 1.78 lakh units and Pune at 92,560 units

Budget 2020: Govt seeks inputs from industry for 'changes in tax rates'

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 13

HAVING COMMENCED the Budget-making process, the Finance Ministry has sought suggestions from the industry and trade associations "for changes in the duty structure, rates and broadening of tax base on both direct and indirect taxes, giving economic justification for the same."

In a circular, which has few precedents, the Ministry also asked India Inc to take into consideration the recent corporate tax

cuts while making suggestions.

"The government policy with reference to direct taxes in the medium term is to phase out tax incentives, deductions, and exemptions while simultaneously rationalising the rates of tax. It would be also desirable that while forwarding the suggestions/recommendations, positive externalities arising out of the said recommendations and their quantification are also indicated," the Ministry said in the circular dated November 11.

After her maiden Budget on July 5, Finance Minister Nirmala

Sitharaman on September 20 announced a cut in corporate income taxes for domestic companies to 22 per cent from 30 per cent previously.

The Ministry also sought suggestions related to customs and central excise among indirect taxes as goods and services tax is under the ambit of the Goods and Services Tax (GST) Council. "The request for correction of inverted duty structure, if any for a commodity, should necessarily be supported by value addition at each stage of manufacturing of the commodity," it said. **FE WITHPTI**

Will definitely bring OSH Code in Budget Session: Labour Minister

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 13

THE CENTRE will seek the passage of the Occupational Safety, Health and Working Conditions (OSH) Code in the next Budget session of Parliament for approval, Union Labour Minister Santosh Kumar Gangwar said on Wednesday.

On August 2, the Parliament approved the first of the four proposed codes — Code on Wages, 2019 — that sought to extend the benefit of obligatory minimum wages to all workers and not just

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those in 'scheduled employments'. The government intends to subsume 44 labour laws into four codes to improve the ease of doing business and attract invest-

ment for spurring growth. Besides the codes on wages and occupational safety, the government is in the process of bringing in codes on social security and industrial relations.

"We will definitely bring the Occupational Safety, Health and Working Conditions Code in the Budget Session," Gangwar said on the sidelines of an event of Employees' State Insurance Corporation.

The Minister said that the government was pushing all four codes to become a reality as soon as possible. **FE**

'Made in Germany': Tesla to set up first European factory in Berlin

EDWARD TAYLOR & PAUL CARREL
BERLIN, NOVEMBER 13

TESLA WILL build its first European factory and design centre near Berlin, giving the US electric car pioneer the coveted "Made in Germany" label just as local rivals Audi, BMW and Mercedes prepare to launch competing cars.

Tesla Chief Executive Elon Musk announced the move at a prestigious German car awards ceremony late on Tuesday and said the new plant would make batteries, powertrains and cars — starting with the Model Y sports utility vehicle. "Everyone knows German engineering is outstanding for sure. You know that is part of the reason why we are locating Gigafactory Europe in Germany," Musk said at the ceremony in Berlin.

"Tesla's decision to build an ultra-modern factory for electric cars in Germany is further proof of the appeal of Germany as an automotive hub"

PETER ALTMAIER
GERMANY ECONOMY MINISTER

The plan is a big boost for Germany as a centre for manufacturing after BMW and Mercedes in recent years chose to build new factories in Hungary, and after its auto industry was hit hard by Volkswagen's admission in 2015 that it cheated US diesel emissions tests. Germany's manufacturing industry has been slowing, with data on Thursday set to show whether Europe's biggest economy has slipped into recession for the first time since 2013. Tesla is struggling to ramp up

production and has yet to prove it can be consistently profitable as rivals including Audi-owner Volkswagen retrofit plants to mass produce electric cars.

Musk said the factory would be near Berlin's new Brandenburg international airport, diversifying the Silicon Valley firm's production beyond the United States at a time when global trade tariffs make exports more difficult. Besides Europe, Tesla is opening a factory in Shanghai.

Tesla's proposed factory will be within commuting distance of Poland, where labour costs are cheaper, a rival manufacturer — who also looked at the site — told *Reuters*. "Tesla's decision to build an ultra-modern factory for electric cars in Germany is further proof of the appeal of Germany as an automotive hub," Economy Minister Peter Altmaier said on Wednesday. **REUTERS**

IN REMARKS TO JOINT ECONOMIC COMMITTEE, FED CHIEF BRUSHES ASIDE SLOWDOWN FEARS

Powell on US economy: 'Sustained expansion' likely

HOWARD SCHNEIDER & LINDSAY DUNSMUIR
WASHINGTON, NOVEMBER 13

US CENTRAL bankers see a "sustained expansion" ahead for the country's economy, with the full impact of recent interest rate cuts still to be felt and low unemployment boosting household spending, Federal Reserve Chair Jerome Powell said on Wednesday in remarks that brushed aside any worries of a looming slowdown.

"The baseline outlook remains favorable," and the current level of interest rates "appropriate," Powell said in remarks prepared for delivery to the Joint Economic Committee of Congress, a panel that includes some members from the House of Representatives and Senate.



In remarks prepared for delivery to the Joint Economic Committee of Congress, Jerome Powell on Wednesday said "the baseline outlook remains favorable," and the current level of interest rates "appropriate". *AP file photo*

His comments tracked closely to those in his news conference last month after the US central

bank cut rates for the third time this year and signaled it was likely done reducing borrowing costs

absent a significant change in the economic outlook.

Despite "noteworthy risks" including slowing global growth and fallout from the US-China trade war, "my colleagues and I see a sustained expansion of economic activity... as most likely," Powell said in his prepared remarks for a hearing that is scheduled to begin at 1600 GMT.

There was little market reaction to the prepared remarks.

Investors have largely accepted the Federal Reserve's intent to keep interest rates on hold well into next year.

New data on Wednesday showed US consumer prices rising by the most in seven months in October, consistent with the Fed's expectation that the pace of price increases will rise to its 2 per cent target. **REUTERS**

US inflation firms on rising healthcare costs

Washington: US consumer prices jumped by the most in seven months in October, which together with abating fears of a recession, support the Federal Reserve's signal for no further interest rate cuts in the near term.

The consumer price index rose 0.4 per cent last month as households also paid more for energy products, food and other goods. That was the largest gain in CPI since March and followed an unchanged reading in September. **REUTERS**

EXPLAINED Food inflation likely to be on rise till March

THE SURGE in the headline inflation print was widely expected, given the spike in prices of vegetables, meat, fish and eggs, due to disruption in transportation caused by excessive rains. Food price inflation is likely to rise further at least till March 2020, mainly due to food price deflation till February 2019 and low inflation in March 2019. The CPI data also reflects a slump in core inflation, indicating sluggishness in demand. With rising inflation rate and a lower growth scenario, RBI will have to do a balancing act at its next meeting.

"Although headline CPI inflation in October has breached the central point of RBI's inflation targeting framework, the increase is due to seasonal items and strong base effect. With economic growth slowdown, India Ratings and Research believes growth concerns will dominate in RBI's monetary policy review and RBI to continue with accommodative policy and expect further rate cut in the policy review of December 2019," Devendra Kumar Pant, chief economist, India Ratings and Research said.

Madan Sabnavis, chief economist, CARE Ratings, said, "This will present a conundrum for the MPC as we have a situation where the CPI headline number is high, core inflation down and food inflation high. However, growth has plummeted going by IIP and the GDP Q2 number will be sub 5 per cent. Based on the tone of earlier statements, there should be a pause in rate cuts. However, if lower growth is the overbearing reason, it can be considered. A pause would sound logical as the effects of the earlier cuts have not yet been seen even in the bond market. We can expect a pause this time."