

19 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹38,547	71.50	\$63.79	₹45,161

SENSEX: 40,821.30 ▼ 6793 NIFTY: 12,037.70 ▼ 36.05 NIKKEI: 23,373.32 ▲ 80.51 HANG SENG: 26,913.92 ▼ 79.12 FTSE: 7,402.72 ▲ 6.43 DAX: 13,219.17 ▼ 27.28

*International market data till 1900 IST

SECTOR SCAN PHARMACEUTICAL

CDSCO flags drugs made by 3 PSUs for failing quality tests

PRABHARAGHAVAN
NEW DELHI, NOVEMBER 26

THE CENTRAL Drugs Standard Control Organization (CDSCO) has flagged five batches of medicines manufactured by three government-controlled drug manufacturers — Bengal Chemicals and Pharmaceuticals Ltd (BCPL), Orissa Drugs and Chemicals Ltd (ODCL) and Hindustan Antibiotics Ltd (HAL) — for failing quality tests.

At the same time, BCPL and HAL have disputed the claim that the samples were sub-standard, with BCPL also planning to challenge CDSCO's findings. The top drug regulatory authority has labelled these batches of drugs as "not of standard quality".

BCPL and HAL are Central Public Sector Enterprises, while ODCL is a joint venture between Indian Drugs and Pharmaceuticals, and Industrial Promotion and Investment Corporation of Odisha. As per the regulator's findings, samples belonging to two batches of paracetamol manufactured by BCPL failed "dissolution" tests, which measures the rate at which the product would release the active ingredients needed to treat the body. A batch of albendazole (for worm infection), produced by ODCL, was also flagged for failing the dissolution test. A batch of ciprofloxacin (antibiotic) and a batch of sodium lactate solution (electrolyte replenisher), manufactured by HAL, have been marked as sub-standard.

BCPL has said that re-tests of the samples showed that they passed the quality tests. However, the PSE has withdrawn a batch of around 1.94 lakh tablets of paracetamol. "After receiving the failed report (from CDSCO), we have again tested from representative 'control sample' and 'sample sent by drug inspector', and also got control sample tested from an external NABL-certified laboratory (ITL Labs). All

Five batches of medicines made by BCPL, ODCL and HAL flagged. BCPL and HAL have disputed the claim that the samples were sub-standard

the samples passed all the required tests, including the dissolution test...," said Manotosh Bandyopadhyay, assistant general manager (quality assurance), BCPL. "We are going to challenge the report of the government analyst as per provision of the drug rules. But we have already recalled the batch as the government analyst declared it 'not of standard quality'," he told *The Indian Express*.

HAL also denied that its products are sub-standard, and said the regulator did not inform it that batches of its products had failed quality tests. "CDSCO has never informed HAL about the failure of Compound Sodium Lactate Injection IP 500 ml," said HAL company secretary Ashok B Gawari. He said HAL received the information from ESI Hospital in Chennai instead.

HAL tested reference sample of the product from that batch and found it to conform to the Indian Pharmacopoeia, said Gawari, adding that this information was relayed to the regulator on November 23. "We have not received any NSQ (not standard quality) finding about Ciprofloxacin IP 500 mg tablets from CDSCO," he said. There is "no failure of quality of HAL product... It appears that the product was not properly stored at the customers' place, which may have resulted in failure during testing," said Gawari. HAL has "stringent" quality control measures and a standard operating procedure, he said. ODCL did not respond to questions sent by email on the failed tests.

RBI BY GUV: FOCUS ON REPAYMENT CAPACITY AT APPRAISAL STAGE

Some concerns at growing level of NPAs among Mudra borrowers: RBI

ENS ECONOMIC BUREAU
MUMBAI, NOVEMBER 26

RESERVE BANK OF India Deputy Governor MK Jain on Tuesday warned bankers about the growing stress in Mudra (Micro Units Development and Refinance Agency Ltd) loans and asked them to monitor such loans closely as unsustainable credit growth in the sector can risk the system.

"Mudra loans are a case in point. While such a massive push would have lifted many beneficiaries out of poverty, there has been some concerns at the growing level of non-performing assets among these borrowers," Jain said at a Sidbi conference on microfinance. Banks need to focus on the repayment capacity at the appraisal stage itself and monitor loans through the life cycle of the account much more closely, Jain said.

Gross NPAs under Mudra rose by 68.7 per cent to Rs 16,480.87 crore for the financial year ended March 2019 from Rs 9,769 crore a year ago.

Pradhan Mantri Mudra Yojana (PMMY) was launched in April 2015 for providing loans up to Rs 10 lakh to small and micro enterprises. These advances which are given by commercial banks, regional rural banks

EXPLAINED Concern: Systemic risk from unsustainable credit growth

AN OVER 68 per cent rise in non-performing assets (NPAs) in MUDRA loans has prompted the Reserve Bank of India to warn bankers about growing stress in such loans.

While the government push for these collateral-free loans led to banks pursuing sharp growth in their exposure to MUDRA loans, the RBI is concerned that systemic risk may arise from unsustainable credit growth.

(RRBs), small finance banks, co-operative banks, micro finance institutions (MFIs) and NBFCs are refinanced by the government. Total disbursements were Rs 311,811 crore as of March 2019.

"Systemic risk may arise from unsustainable credit growth, increased interconnectivity, pro-cyclical and financial risks manifested by lower profitability," Jain said. It is interesting to see leading e-commerce companies tying up with banks and NBFCs to offer working capital loans to their suppliers, that are mostly micro and small enterprises, at competitive terms, he said.

Stating that GST has hit the informal economy significantly, he said, "as a result of the improved digital footprint, MSMEs have become attractive clients for banks, NBFCs and MFIs, thereby reducing their dependence on informal source of funds." The cost of credit for MSMEs will also come down meaningfully as lending will shift from collateral based lending to cash flow based lending, he said.

Noting that technology has its own share of risks and challenges for the financial sector regulators and supervisors, he said, "early recognitions of these risks and initiating action to mit-

igate the related regulatory and supervisory challenges is key to harnessing the full potential of these developments".

The government, in July, informed Parliament that total NPA in the Mudra scheme of over Rs 3.21 lakh has jumped to 2.68 per cent in FY19 from 2.52 per cent in FY18. Since inception of the scheme, over 19 crore loans have been extended under the scheme up to June 2019, the government had informed. Of the total, 3.63 crore accounts are in default as of March 2019.

Focus of the MFI sector must be on digital finance, Jain said, adding data confidentiality and consumer protection are major areas that also need to be addressed by them. "Keeping in view the need to increase transparency, address customer-centric issues and safeguard the interest of low income customers, micro finance lenders must put the interest of their clients first and implement the code for responsible lending," he said.

MFIs must also broaden their client outreach to reduce the concentration risk in their own interest and to serve a wider clientele base. From a financial inclusion perspective MFIs should critically review their operations so other regions don't remain underserved, he said. **WITH PTI**

Maharashtra politics, growth concerns pull Sensex down from record peak

ENS ECONOMIC BUREAU
MUMBAI, NOVEMBER 26

STOCK MARKET benchmark Sensex on Tuesday fell from its record high to close lower by 68 points amid concerns over GDP growth and the evolving political drama in Maharashtra.

The 30-share index touched its all-time intra-day high of 41,120.28 before closing down by 67.93 points, or 0.17 per cent, at 40,821.30, mainly due to profit booking in telecom, IT and auto stocks. The broader Nifty of the National Stock Exchange also soared to a new peak of 12,132.45 in day trade before giving up gains to end lower by 36.05 points, or 0.30 per cent, at 12,037.70.

Vinod Nair, head of research at Geojit Financial Services, said: "Markets elevated to a record high, coupled with global cheer on trade deal and domestic earnings revival expectation. However, volatility ahead of derivative expiry, political drama and caution on upcoming GDP data led investors to book some profits. Rising foreign inflows and confidence that the government will address the fiscal gaps through divestment can maintain the buoyancy in the market." Analysts said the ongoing political drama in

The rupee rose by 24 paise to settle at 71.50 against the US dollar amid persistent foreign fund inflows and hopes about a US-China trade deal

Maharashtra will have ramifications across the political spectrum.

The rupee on Tuesday rose by 24 paise to settle at a two-week high of 71.50 against the US dollar as persistent foreign fund inflows and hopes about a US-China trade deal boosted the forex market sentiment. India Ratings and Research said that Indian economy may have slowed for the sixth consecutive quarter in July-September to 4.7 per cent while lowering its GDP growth forecast for the current fiscal for the fourth time.

Sectorally, BSE telecom index plunged 4.93 per cent, followed by tech, IT, capital goods, industrials, auto, realty and power indices that declined up to 1.95 per cent. However, BSE bankex, finance and FMCG indices closed in green. Broader BSE midcap and small-cap indices declined up to 0.79 per cent at close.

Red tape, judicial delays hurting bad loan resolution: Nobel laureate Robert Engle

PRESS TRUST OF INDIA
MUMBAI, NOVEMBER 26

AMERICAN ECONOMIST and Nobel laureate Robert Engle on Tuesday said red tape and endless judicial processes make it difficult for banks to deal with the bad loans problem.

However, he lauded the Reserve Bank for pushing bankruptcy reforms to increase the speed and fairness of the resolution processes and also forced lenders to send defaulting borrowers to bankruptcy courts.

"But excessive red-tape and interminable judicial schedules make it difficult for banks to deal with non-performing loans," Engle said delivering the RH Patil memorial lecture organised by the NSE.

Referring to the Essar Steel case, he said the courts blocked restructuring of the company, striking a body blow against the bankruptcy reforms.

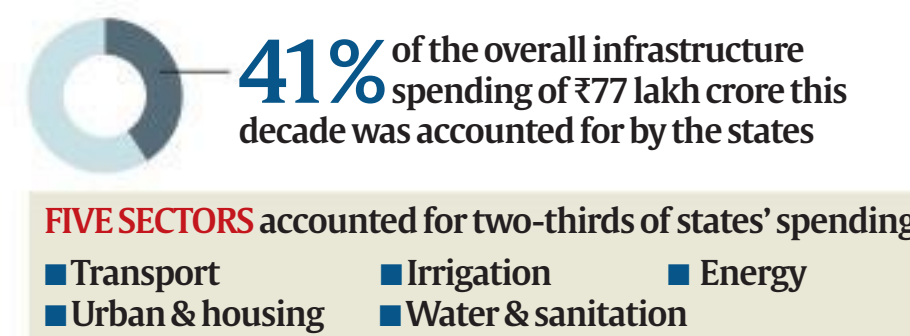
However, in recent Supreme Court judgement rejecting the NCLAT ruling is a welcome change. "Much remains to be done to reduce the backlog of non-performing loans," he said.

The Economics Noble was awarded to him along with Clive Granger in 2003 for their research on the concept of autoregressive conditional heteroskedasticity and for inventing methods to analyse economic time series with time-varying volatility.

He, currently, is the director of the NYU Stern Volatility Institute and is the co-founding president of the Society for Financial Econometrics.

'States need to raise infra spending to ₹110 lakh cr over next decade'

States need to scale up investments to ₹110 lakh crore over the next decade to achieve India's massive infrastructure targets, rating agency Crisil said



COORDINATED APPROACH
While states will have to do the heavy lifting, they need to work with the Centre on sectoral reforms, the report said

CATEGORISATION
Bucketing these states into three categories — frontrunners, middle of the pack, and climbers — Crisil recommended customised strategies and action sequences to maximise investments

INFRASTRUCTURE INVESTMENTS by states need to rise to ₹110 lakh crore over the next decade (fiscal 2021-2030) if India is to achieve its infrastructure buildout targets, Crisil said

FRONTRUNNER states such as Gujarat, Maharashtra and Karnataka, which saw a moderation in capex growth on

a higher base, need to crowd in private investments, and find new triggers to grow capex sharply from current levels, it said

MIDDLE-OF-THE-PACK states such as Haryana, Andhra Pradesh and Telangana can be growth leaders by sustaining their current spending

CLIMBERS such as Rajasthan and UP,

which have been high spenders in recent years, could be constrained by surging debt burden, it added

FISCAL DETERIORATION, institutional weaknesses and inability to scale up commercial financing and public-private partnerships as key structural constraints to address for a sustained increase in spending, said Crisil

IRDAI panel suggests telematics motor insurance, 'named driver' policy

GEORGE MATHEW
MUMBAI, NOVEMBER 26

THE WORKING group set up by the Insurance Regulatory and Development Authority (IRDAI) has proposed the implementation of telematics insurance — the system of 'pay as you drive' and 'pay how you drive' covers based on data gathered from the insured vehicle and its driver — for motor vehicles.

The panel has recommended 'Named Driver Policy' as an option for private car and two wheeler policies. A 'named driver policy' as an automobile insurance policy provides coverage only for drivers specifically named on the policy and not for other individuals driving the vehicle. "The details of the drivers may be incorporated in the

policy schedule," the panel said.

Telematics, or black box insurance, is a car insurance where a small box is fitted to the car. The black box measures various aspects of how, when and where the car is driven. This data can be used to calculate a personalised renewal quote or premium, or in services like the accident alert and theft recovery. The device will have four components — a GPS system, a motion sensor (or accelerometer), a SIM card, and a computer software.

"IIBI (Insurance Information Bureau of India), which acts as data repository for insurance companies, can manage the data and its protection," the IRDAI panel said.

Arun Singh Bhadauria, head of motor insurance, Universal Sompo General Insurance, said: "From the insuring population point of view, the revamping of

A 'named driver policy' as an automobile insurance policy provides coverage only for drivers specifically named on the policy and not for other individuals driving the vehicle

the product will give better and transparent coverage and remove the subjectivity."

In its exposure draft 'Revisiting the product structure for Motor Own Damage', the working group has also recommended that all the occupants traveling in motor vehicles should have Rs 25,000 medical expenses coverage arising out of an accident to the insured vehi-

cle covered under the basic policy and appropriate premium for this should be charged by the insurers.

The panel was of the opinion that cover for damage by rodents or insects is part of the basic policy under accidental and external means. Further, it said losses arising out of damage to the engine parts due to water ingress are part of the basic policy. For private cars and two wheelers (other than brand new), the sum insured should represent the current day manufacturer's listed price of the vehicle insured including value of all accessories fitted thereon by the manufacturer, and adjusted by age wise depreciation to arrive at the sum insured as per new depreciation table suggested, it said.

For a brand new private car up to 3 years, the sum insured should represent the current day on-road

price of the vehicle insured including invoice value, road tax and registration charges and value of all accessories fitted thereon by the manufacturer, it said. The value of accessories fitted by the insured should be separately mentioned. For vehicles beyond three years, the sum insured should be as per the suggested new depreciation table. Beyond 7th year, sum insured should be arrived at a mutually agreed value between the insured and the insurer, the panel said. For commercial vehicles, the sum insured should represent the current day invoice value plus cost of body building, if any, and all accessories fitted thereon by the manufacturer adjusted for depreciation at the rate of 10 per cent per year or part thereof subject to maximum of 75 per cent. For total loss, theft and constructive total

loss claims, the amount payable should be the sum insured, it said.

For all classes of vehicles (Option), the panel suggested sum insured should represent the on-road price of the vehicle insured, at the time of purchase of the vehicle, including invoice value, road tax and accessories fitted thereon by the manufacturer plus the value of the accessories fitted by the insured. "A new depreciation table is suggested up to 15 years," it said.

"Standardised and simple wording of terms and conditions of motor insurance will help the customer to understand the coverage and exclusion in better terms and the possibility of mis-selling should also be reduced. For an insurer, the underwriting will be better and will help in improvement of loss ratios," Bhadauria said.

Even as we have leapfrogged on the overall ease of doing business ranking, we are still ranked 163rd among 190 countries when it comes to enforcing contract, and only "dysfunctional and war-affected" countries follow us, he said. "The biggest constraint to doing business in our country is simply the business of enforcing contracts. Unfortunately, many people have whined about it for long, but very little actual thinking has gone into it," Sanyal told an event organised by impact investing firm Avishkar.

The economist-turned-policy-maker sought to take the blame for the same onto the government. "In many cases, the poverty of contract enforcement relates not to two private parties, but the government which is violating these contracts," he said, adding this happens as both the Centre and the states "violate" honouring payments or other commitments.

Constraint to doing biz is of enforcing contracts ... in many cases the govt is violating: Sanyal

PRESS TRUST OF INDIA
MUMBAI, NOVEMBER 26

BIGGEST CONSTRAINT to doing business in the country is poor contract enforcement, and the blame for the same rests mostly with the government, a top finance ministry official said on Tuesday. The government delays payments or does not deliver on promises made earlier, posing challenges to businesses, Principal Economic Advisor to the Finance Ministry Sanjeev Sanyal said.

Even as we have leapfrogged on the overall ease of doing business ranking, we are still ranked 163rd among 190 countries when it comes to enforcing contract, and only "dysfunctional and war-affected" countries follow us, he said. "The biggest constraint to doing business in our country is simply the business of enforcing contracts. Unfortunately, many people have whined about it for long, but very little actual thinking has gone into it," Sanyal told an event organised by impact investing firm Avishkar.

"In many cases, the poverty of contract enforcement relates not to two private parties, but the government which is violating these contracts ... If the role of the state is to be the real sovereign, then the word of the sovereign has to be printed in gold"

SANJEEV SANYAL, PRINCIPAL ECONOMIC ADVISOR TO THE FINANCE MINISTRY

He assured that the present government is working on these issues through interventions like ensuring the timely payments to vendors. "If the role of the state is to be the real sovereign, then the word of the sovereign has to be printed in gold," Sanyal quipped.

Other factors that plague proper and timely contract enforcement is the justice system, which is saddled with 35 million cases and it takes over a decade to get a case solved that too "if one is lucky", he said. Stating that our regulations are "very complicated", Sanyal said, "what can be a simple regulation in other country becomes very complicated and bureaucratic here because what we are trying to do is to anticipate every possible thing that can possibly go wrong and then write some rules for preventing that to happen."

FIRM HAS RAISED \$11.3 BILLION FROM SECONDARY LISTING SO FAR

Alibaba's Hong Kong shares rise 6.6% on debut in heavy volume

REUTERS
HONG KONG, NOVEMBER 26

ALIBABA GROUP'S Hong Kong shares closed their first trading session up 6.6 per cent from the issue price after this year's largest stock sale.

Shares worth HK\$13.99 billion (\$1.78 billion) were traded, according to Refinitiv data, making it the third biggest debut on record for the Hong Kong market.

Alibaba is already the fifth most-traded company in New York this year, averaging \$2.6 billion a day, Refinitiv data showed. The Chinese e-commerce gi-

ant has raised at least \$11.3 billion from its secondary listing, which has been seen as a vote of confidence in Hong Kong's financial future amid six months of increasingly violent anti-government protests.

The figure could climb to as much as \$12.9 billion if Alibaba chooses to exercise an over-allotment option within 30 days of the start of trade.

Alibaba shares closed at HK\$187.60 which was 6.6 per cent higher than the issue price of HK\$176 per share.

On Monday its US American Depository Shares (ADS) closed at \$190.45. With eight Hong Kong



Alibaba co-founder Jack Ma on the screen at Alibaba Group's listing ceremony at the Hong Kong Stock Exchange on Tuesday. Reuters

shares per ADS, that implied a price of HK\$186.30 per share. Alibaba's debut ranks third in the city for first-day turnover behind insurer AIA Group in 2010 which recorded \$HK49.38 billion in turnover, China Literature was second with \$HK14.17 billion when it debuted in November 2017, Refinitiv data showed.

The average daily turnover on the Hong Kong Exchange this year has been \$11.6 billion, according to the exchange's third-quarter earnings report, implying that Alibaba on Tuesday accounted for more than one-tenth of total market turnover.

The funds raised from the

Hong Kong listing will help Alibaba, Asia's biggest company by market value and world's seventh largest, invest more in a range of online services.

But analysts also note that the establishment of a base of investors in Hong Kong and China could function as a backup for the company should its shares be hit in New York amid the US-China trade dispute.

The Hong Kong and New York stocks are fungible, which means investors can buy and sell the same shares on either exchange and that pricing on the exchanges are unlikely to diverge too far from each other.