Can't cut deposit rates beyond threshold: SBI

Senior citizens rely on interest income

PRESS TRUST OF INDIA
NEW DELHI

SBI Chairman Rajnish Kumar on Saturday said banks cannot go beyond a threshold to bring down interest rates on deposits as India lacks social security schemes and likewise cannot lend at lower rates to corporates as the risk of default is too high.

When the repo rate was going up 5-6 years ago, interest rates for borrowers did not increase in that proportion, he said. In 2013, the repo rate was around 10%, the SBI Chairman said, adding that since 2013, Reserve Bank's repo and bank interest rates for consumers have been moving in a completely aligned manner.

"Second... banking system's dependence... in India, is largely on depositors. Today, 90% of my deposit is retail deposit. If I want to lend money cheap, obviously I will have to pay less to depositors; and in our country where there is a huge population of senior citizens and in the absence of social security schemes, interest on deposits is a source of earning," he said, speaking at the 92nd FICCI Annual Convention.

Banking sector NPA situation to improve by fiscal-end: SBI

Infrastructure and consumer lending offer opportunities, says Chairman Kumar

PRESS TRUST OF INDIA
NEW DELHI

SBI Chairman Rajnish Kumar on Saturday said most banks will be in a 'good position' with respect to stressed assets by March and that there is no dearth of liquidity in the system for lending.

He added that there were opportunities to lend in sectors such as infrastructure and consumer lending, as there is not much of a decline in demand from consumers.

"By March 31, most of the banks will be in a good position with respect to stressed assets," Mr. Kumar said at the 92nd Annual Convention of industry chamber FICCI here.

Banks have be careful in lending to telcos as the probability of default is very high, says Rajnish Kumar. ▪ PAUL NORONHA

On transmission of monetary policy, he said the banks cannot lower rates beyond a threshold due to asset liability mismatch issues.

Mr. Kumar said that there was no shortage of capital in the system, but that the corporates were not borrowing enough and not utilising their capacities well.

On lending to the telecom sector for the next round of spectrum auctions, he said, "For us, lending to the telecom sector for spectrum is completely unsecured.

> **There is no shortage of capital, but corporates are not borrowing enough**

'Telco loans unsecured'

"On paper, it is secured as the auction is to be done by the government, but practically, it is totally unsecured."

"So, in such circumstances, banks will have to evaluate carefully before lending to the sector as the probability of default is very high," Mr. Kumar said.

VECV has been supplying Euro VI engines to the Volvo Group for the last six years, says Vinod Aggarwal. ▪ PAUL NORONHA

BS VI pre-buying to boost demand: VECV

CV sector to improve from September

SANJAY VIJAYAKUMAR
CHENNAI

VE Commercial Vehicles Ltd. (VECV), a joint venture between the Volvo Group and Eicher Motors, said it hoped demand would improve in the January-March quarter as a result of pre-buying by customers ahead of BS VI norms kicking in from the next financial year.

"We are looking at some green shots at this point because of the pre-buying. People were deferring replacement and not buying BS IV vehicles. Now, of course, if they don't buy before March 31, the prices are going to go up with BS VI vehicles hitting the market from April 1," Vinod Aggarwal, MD and CEO, VECV, told *The Hindu*.

"We expecting some pre-buying to happen during this period. And we are already getting more enquiries, which have gone up from this month," he said.

Mr. Aggarwal said the company was hopeful of the demand for commercial vehicles (CVs) reviving from September onwards.

"Because of the pre-buying happening in the fourth quarter, the demand would be down in the April-June period. As the monsoon kicks in, the CV demand would improve and the industry would be in a better situation from September," he said.

Mr. Aggarwal also said the company would be in a better placed to handle the BS VI transition compared with its peers. The company has gained from its experience of supplying Euro VI engines manufactured at its facility in Pithampur, near Indore, to the Volvo Group in Europe and Asia for the last six years, which would help in making BS VI trucks, he added.

'Rising investments'

Mr. Aggarwal said usually the firm invests ₹500 crore every year and it has gone up to ₹600 crore this financial year, which includes a new unit in Bhopal, new engines and product series along with BS VI work.

Admitting that BS VI trucks would raise the cost of ownership, he said fuel efficiency and productivity improvements brought in through the new technology would be the firm's key value proposition. However, brokerage firm Motilal Oswal expects limited pre-buying in the CV segment due to fleet operators carrying 30-40% excess capacity.

Tata companies in a quandary over reappointing Cyrus Mistry as director

'Procedure for reinstatement is unclear; we are going through the legal process'

PIYUSH PANDEY
MUMBAI

Tata Sons and three of its group companies ie, Tata Consultancy Services (TCS), Tata Industries Ltd. and Tata Teleservices Ltd. are in a quandry over the re-appointment of former Tata Sons chairman Cyrus Mistry as director on their boards, to comply with the order of the National Company Law Appellate Tribunal.

The tribunal, while suspending a part of the judgment relating to the replacement of the present executive chairman and reinstatement of Mr. Mistry as executive chairman for four weeks, said the "rest of the judgment and directions, including the direction to reinstate Mr. Cyrus Mistry as director of the company and directors of three Tata companies shall be complied forthwith."

Cyrus Mistry

This is because Mr. Mistry was removed from the boards of these firms by way of extraordinary general meetings while in the case of other Tata firms, he himself had resigned from their boards.

'Procedural thing'

"Our legal team and company secretary are working on the order of the NCLAT. It's a procedural thing. We were not even party to the case," a senior TCS official told *The Hindu*. According to Mr. Mistry's counsel, Somasekhar Sundaresan, the Tatas 'should immediately offer a board seat' to Mr. Mistry in Tata Sons and other companies of the Tata group.

'Wait for appeal'

A source in the know of the development said these firms would wait for Tata Sons to move the Supreme Court, as Tata Sons is expected to challenge the judgment citing the fact that the decision to remove Mr. Mistry was taken at shareholder meetings constituted in a valid manner.

"The procedure for such reinstatement is unclear and we are going through the legal process," said a Tata Group official on the condition of anonymity.

No possibility of any change in GST slabs, rates

Revenue to stabilise first: Sushil Modi

PRESS TRUST OF INDIA
NEW DELHI

States are not in favour of increasing GST rates at a time when there is a consumption slowdown and it is not the right time to bring down the number of slabs under the Goods and Services Tax (GST), Sushil Kumar Modi, Deputy Chief Minister of Bihar and Convenor of Group of Ministers on IGST, said.

There is no possibility of any change in the GST rates till the revenue stabilises, Mr. Modi said at an event.

Not ready

"I want to assure you that not a single State... (and) the Union government is ready to raise tax rates," he said.

"At a time when the economy is in a slowdown, if you cannot cut the tax rate to boost consumption, do not increase the rates at least. In these times, you cut the duties and tax rates," Mr. Modi said. On the chances of any reduction in GST rates, he said, "Till GST revenue stabilises, we cannot think of decreasing the tax rates."

There has been a shortfall in GST revenue collections against projections. It crossed the ₹1 lakh crore-mark after a gap of three months in November with revenue growing by 6% to ₹1.03 lakh crore during the month. The collection was ₹95,380 crore in October.

INTERVIEW | AZAD MOOPEN

'We're adding one hospital in India every year'

Hospital chain to embark upon lab business in the country, says Aster DM CMD

LALATENDU MISHRA

Started as a single-doctor clinic in Dubai in 1987 by **Azad Moopen** *from Kerala, Aster DM Healthcare has now grown into a global healthcare chain with 380 facilities, including hospitals and clinics. In an interview, Dr. Moopen, CMD, speaks about the company's plans.*

What is the difference between running hospitals in the Gulf Co-operation Countries and India?

■ Initially, it is quite difficult GCC countries when you establish a business as you have to go through all the regulations and fulfil every licensing norm. But once you start, it becomes easier. In India starting is easy but once you start and go forward it becomes difficult.

In GCC, authorities exercise greater control. There, doctors need to upskill themselves. In GCC, fixed hours of continuing medical education is mandatory; that is required to be certified for your licence to be renewed. But in India, most people do not bother to upskill themselves. All healthcare institutions in the GCC have to be accredited by one of the international agencies. That is not the case in in India.

So, here, one is not sure whether a hospital is keeping to a certain level of standard. In GCC, mostly it is insured patients. But in India, a majority of patients are uninsured. Here insurance is only for the in-patient cover. But in GCC, insurance cover is both for in-patient and out-patient. Return on investment is much higher in GCC compared with India.

What is your pan-India expansion plan?

■ There is still opportunity in south India. There are many places where we can go. Our strategic plan is to remain in south and west. We hope we will go to north in future.

What is your investment plan for the next five years?

■ We are adding one hospital in GCC and one in India every year. In the next five years, we will add 1,500 beds in India and 400 beds in GCC. Every year, we will invest about ₹300-₹400 crore in building hospitals.

Are you looking at acquisitions?

■ In India, the valuations are very high. So, we are not looking at any [acquisitions] now. As a strategy, we don't want to spend a lot of capital now. We are reducing capital investment and want more of free cash flow. We are opting for an asset-light model. We will look at more management contracts. We may also get our hospitals built by somebody and we will run it. We are looking at running government hospitals in Saudi Arabia.

What is your overall global expansion plan?

■ We would like to remain an Asia player. Until at least 2025, we would not go to other geographies.

What's new being planned for India?

■ We will soon be starting our laboratories business in India. We already have them in GCC. The Indian ventures will start in next three months. These will be stand alone pathology labs. To begin with, we will open these labs in the five States where we are present.

Brokers seek tax cuts to boost equity flows

Representative body wants removal of dividend distribution tax, LTCG on shares

ASHISH RUKHAIYAR
MUMBAI

With just a little over two months left for the Union Budget to be presented in Parliament, market participants have again initiated efforts to convince the government to lower trading costs and offer certain tax rebates to investors in a bid to enhance the equity investment culture in the country.

The Association of National Exchanges Members of India (ANMI), in its pre-Budget memorandum submitted to the government, has sought the lowering of the securities transaction tax (STT), along with bringing back a tax rebate that was available earlier in lieu of the tax paid by investors. ANMI has also sought the removal of dividend distribution tax as also the long-term capital gains tax on listed shares, which was introduced last year.

> **Not only have STT and CTT rates remained high, but GST has added to trading costs**

Incentivising investment

"We are of the view that for enhanced GDP growth, we will need to incentivise and encourage equity investment," stated the ANMI memorandum.

"Our submission covers issues which have large impact on stock market trading, like reintroduction of rebate under erstwhile Section 88E for STT and CTT (commodities transaction tax) paid, and reduction in rate of STT to tackle increased transaction cost, withdrawal of dividend distribution tax (DDT) and restoring exemption of long-term capital gains tax on listed shares," it added.

According to ANMI, while the tax – STT and CTT – rates have remained high, a withdrawal of rebate under Section 88E and introduction of Goods and Services Tax have raised trading costs. Under the erstwhile Section 88E, entities could avail tax benefits on income generated through transactions on which STT was paid.

"Tax incentives, by reducing STT and CTT, removal of LTCG and DDT on corporate earnings will help create positive sentiment, which will further give fuel to the domestic capital market," said Puneet Maheshwari, director, Upstox, a discount broking firm.

ANMI is of the view that the current form of DDT was 'adversarial' in nature, leading to double or triple taxation of corporate earnings.

The association has suggested that the dividend should be taxed only in the hands of the receiver and the company can deduct it at source.