MONDAY, 30 DECEMBER 2019
14 pages in 1 section
MUMBAI (CITY)
₹9.00
VOLUME XXIV NUMBER 97

www.business-standard.com

Business Standard

How markets performed last week

	Index on Dec 27, '19	*One-week	% chg over Dec 31, '18 Local currency	In US $
Sensex	41,575	-0.3	15.3	12.7
Nifty	12,246	-0.2	12.7	10.2
Dow Jones	28,645	0.7	22.8	22.8
Nasdaq	9,007	0.9	35.7	35.7
Hang Seng	28,225	1.3	9.2	9.8
Nikkei	23,838	0.1	19.1	19.4
FTSE	7,645	0.8	13.6	16.5
DAX	13,337	0.1	26.3	23.1

*Change (%) over previous week Source: Bloomberg

BACK PAGE P14
JEWAR AIRPORT HAS POTENTIAL TO TRANSFORM NOIDA REALTY

COMPANIES P2
ESSAR STEEL: THE MAKING OF A ₹42,000-CRORE DEAL

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

DEDICATED FREIGHT CORRIDORS TO ROPE IN AMAZON, FLIPKART

The Western and Eastern Dedicated Freight Corridors may prove to be game changers for the Indian parcel industry. The Dedicated Freight Corridor Corporation of India is in the process of roping in major e-commerce players, like Amazon and Flipkart, to use logistics hubs across all its stations, which may bring down the parcel delivery time considerably. **SHINE JACOB** writes 3

ECONOMY & PUBLIC AFFAIRS P4

A day in the life of solar-powered farmers

SUN, WATER AND SOIL
PART 1

The first of a three-part series looks at how existing solar-powered pumps are changing lives in four water-deficient districts of Rajasthan and Haryana. **JYOTI MUKUL** writes

BS SPECIALS ON MONDAY

THE DECADE AHEAD

BANKER'S TRUST
Indian banking: Challenges in the new decade 6
Shall we see the closure of the bad-loan saga in the new decade? There is no Lehman or East Asian crisis to blame; it's our own doing. **TAMAL BANDYOPADHYAY** writes

PERSONAL FINANCE
Real returns may continue to be tepid 8

BUSINESS LAW
When AI tightens its grip... 9

2019 GREAT LEAP BACK

PAGE 13
World: Democracy redefined

2019 LOOKING BACK

PAGE 2
- Housing market down, but commercial segment did well
- Private equity investments surge to all-time high of $37 billion

PAGE 3
Value-chain retailers see a blip in biz

2020 LOOKING AHEAD

POLITICS & PUBLIC AFFAIRS

Test of invincibility 12

RBI to flag bad loan issues with FinMin

FRESH PROVISIONING AND TELCO LOANS TO FIGURE IN PRE-BUDGET MEET

INABILITY TO FIND RESOLUTION MAY PUT ₹3.8 TRN LOANS AT RISK

RAGHU MOHAN
New Delhi, 29 December

The Reserve Bank of India (RBI) and the finance ministry will discuss the additional provisioning banks may be expected to make on account of the central bank's June 7 circular, and the stress in telco loans following the Supreme Court (SC) order on adjusted gross revenue, which entails a payout of ₹1.33 trillion to the Centre, inclusive of interest and penalties.

STATSGURU P4
Growth slowdown grips banks too

OPINION P7
EDIT: Bring banks on track

The development comes on the heels of North Block's stand that the overall stress in the banking sector was headed southwards. The central bank's Financial Stability Report (FSR), released last week, had observed that the gross non-performing assets (GNPAs) of banks may rise to 9.9 per cent by September 2020, from 9.3 per cent in September 2019. It had attributed this primarily to "changes in the macroeconomic scenario, a marginal increase in slippages, and the denominator effect of declining credit growth".

The additional provisioning due to the follow-on impact of the June 7 circular due to banks' inability to find a resolution for defaulting companies has the potential to put ₹3.8 trillion of loans at risk in the last quarter of 2019-20 (FY20). This, and the stress on telecom loans, which cropped up after the SC order in the third quarter of FY20, was not mentioned in the central bank's FSR.

The central bank's revised circular on stressed assets (which replaced the earlier February 12, 2018, circular after it was declared *ultra vires* by the SC) calls on banks to make additional provisioning on failure to get a resolution moving on. Turn to Page 5

THE JANUARY CHILL

ILLUSTRATION: AJAY MOHANTY

- **June 7 circular calls for additional provisioning of 20% on outstanding amount** six months after review period and 15% after a year. Six-month period ends on January 7, 2020
- **Effective January 1, 2020, the circular is to apply for stressed accounts** between ₹1,500 crore and ₹2,000 crore
- **Status on circular's application to accounts less than ₹1,500 crore** to be decided soon
- **Telcos' AGR payout deadline ends on January 24, 2020,** putting loans to sector under stress; its treatment in the fourth quarter, or in the first quarter of FY21 up for review
- **Impact of June 7 circular and stressed telecom loans** not mentioned in Financial Stability Report (FSR)
- **RBI Report on Trend and Progress of Banking in India (T&P: 2018-19) and FSR** did not contradict each other
- **T&P said net NPAs fell to 3.78% in 2018-19 (FY19),** from the 6% in FY19; gross NPAs fell to 9.1%
- **FSR said gross NPAs may rise to 9.9% by September 2020,** from 9.3% in September 2019
- **Both T&P and FSR mention stress** in large borrowal accounts on the rise
- **Treatment of bad loans** by merging banks may need revisit

GDP growth for FY21 may be set at 6-6.5%

Nominal growth target likely to be around 10%

ARUP ROYCHOUDHURY
New Delhi, 29 December

As it prepares the 2020-21 (FY21) Union Budget, the government may assume a growth rate of 6-6.5 per cent in real gross domestic product (GDP) for the next fiscal year.

It is also likely to assume a deflator of around 4 per cent. That could take the nominal GDP outlook for FY21 to around 10 per cent.

It is this nominal GDP forecast on the basis of which the finance ministry is calculating key Budget targets like the fiscal deficit as a percentage of GDP and tax revenue growth for the coming year.

RUN-UP TO THE BUDGET 2020-21

The upcoming Budget is crucial for Prime Minister Narendra Modi and Union Finance Minister Nirmala Sitharaman as the government looks for ways to reverse a deep slowdown across sectors and hopes to gain back the narrative after a series of rollbacks following the 2019-20 (FY20) Budget.

"We are looking at 6-6.5 per cent next year. The signs of a recovery are there, and indicators will be better next year because of an expected rebound in demand as well as the low base effect from this year," said a senior official aware of deliberations surrounding the Budget preparation. The official conceded that the upper limit of that range was the best-case scenario unless the global economy recovered steeply.

It should be remembered that the finance ministry's official estimates of real GDP growth are given by the Economic Survey usually as a range, while nominal GDP growth is usually given as a single number in *Budget at a Glance*.

However, in the 2018-19 Economic Survey, Chief Economic Advisor Krishnamurthy Subramanian had given a single number. He had forecast real GDP growth of around 7 per cent for FY20. The Union Budget FY20 was assuming nominal GDP growth of 12 per cent. The forecasts proved to be too optimistic and rather unrealistic. With the January-March quarter remaining, the assessment for FY20 is more sober.

The Reserve Bank of India (RBI) now sees real GDP growth for the year at 5 per cent, compared to 6.1 per cent earlier. While publicly the finance ministry hasn't given any Revised Estimate, officials say it is in line with that of the RBI.

"We take what the RBI projects. Now we are also internally forecasting 5 per cent GDP growth," said a second official. Real GDP growth for the July-September quarter came in at a 26-quarter low of 4.5 per cent, while nominal GDP growth was a measly 6 per cent. Turn to Page 5

GROWTH IN NUMBERS

7% Real gross domestic product (GDP) growth forecast by Economic Survey for 2019-20 (FY20); Budget saw 12% nominal GDP growth

5% GDP growth for FY20 internally forecast by Centre now, in line with Reserve Bank of India's (RBI's)

4% Average deflator for 2020-21 assumed by Centre, given RBI's inflation projection

Drug trade margins may be now capped in stages

SOHINI DAS
Mumbai, 29 December

The Centre is considering rationalising trade margins for drugs first at 45 per cent and gradually lowering them and capping them at 30 per cent, possibly starting with one drug category at a time, such as antibiotics and pain and analgesics. *Business Standard* has learnt that some of the drug majors such as Cipla and Alkem, among others, have opposed the proposal because they have a sizeable business in unbranded generic medicines.

While the trade margins for branded generics are standardised by trade, the margins vary in the case of unbranded generics. An email sent to Cipla did not elicit an immediate response. Alkem could not be contacted for a comment.

A pharma industry source, who is part of the industry and government discussions, said, however, that the pharma industry had given in-principle agreement to the proposal and talks were on to work out the staggered implementation. Turn to Page 5

RIGHT DOSE

- **Margins may first be capped at 45%** and then brought down to 30%
- **Pharma industry has in principle agreed to** the margin rationalisation plan
- **It has requested the Centre to do so** in a phased manner for easier transition
- **Margins for branded generics are standard** already and hover around 30%
- **For trade generics,** the margins vary
- **Firms like Cipla and Alkem, who have big trade generics businesses,** are learnt to have opposed the margin cap move

From part of life to life itself

PRANJAL SHARMA
New Delhi, 29 December

THE DECADE THAT WAS
TECHNOLOGY

STRATEGY P10
Reflections as a roller-coaster decade passes by...

BACK PAGE P14
It's been the best of times for customers and the worst for telcos

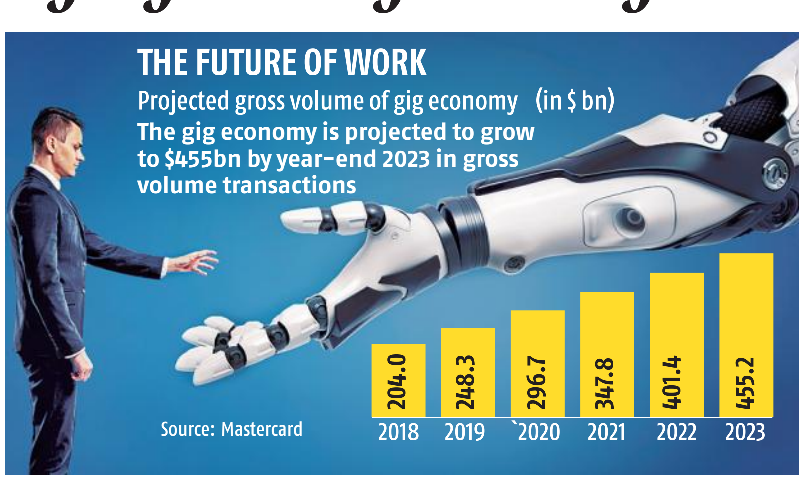
Technology used to be part of our lives until the last decade. Now technology is our life. The decade that was will be remembered for the way technology took over our lives at a pace and manner that has left us gasping even as we thirst for more.

Before 2010, the internet and mobile were used when we needed them. They were tools for search or connectivity. We found them useful. Now we are dependent on them. Work, leisure, relationships, travel, and business are infused with technology.

Earlier technology enabled everything. Now technology drives it. Among the simplest but deepest of shifts has been our connection with glass.

THE FUTURE OF WORK

Projected gross volume of gig economy (in $ bn)



In the previous decade, glass was what it had been for centuries before. Now touching a sheet of glass connects and moves us. A touchscreen is the template of our life. It has helped us transcend limits of language and instruction. The touchscreen of an iPhone that was introduced in 2007 had begun to be imitated by other mobile companies.

From 2010 onwards, a touchscreen has grown to become the most popular form of device interaction.

The touchscreen is a symbol of the deep shift of the last decade. A suite of technologies, an enabling connectivity changed consumer behaviour and business models forever.

Cloud and AI

Streaming videos and enterprise software to Internet of Things (IoT). Everything is running on cloud. Personal and enterprise computing moved from being locally stored to being run from remote servers. Turn to Page 5