

# 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	12.7
Nifty	12,246	-0.2	12.7	10.2	10.2
Dow Jones	28,645	0.7	22.8	22.8	22.8
Nasdaq	9,007	0.9	35.7	35.7	35.7
Hang Seng	28,225	1.3	9.2	9.8	9.8
Nikkei	23,838	0.1	19.1	19.4	19.4
FTSE	7,645	0.8	13.6	16.5	16.5
DAX	13,337	0.1	26.3	23.1	23.1

\*Change (%) over previous week Source: Bloomberg



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**JEWAR AIRPORT HAS POTENTIAL TO TRANSFORM NOIDA REALTY**

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



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## 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

## 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 ON MONDAY SPECIALS

### THE DECADE AHEAD

#### BANKER'S TRUST Indian banking: Challenges in the new decade

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

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### 2019 GREAT LEAP BACK 2019 LOOKING BACK

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Value-chain retailers see a blip in biz

### 2020 LOOKING AHEAD POLITICS & PUBLIC AFFAIRS



**Test of invincibility**

# 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.

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

## THE JANUARY CHILL

- **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 telcom 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



ILLUSTRATION: AJAY MOHANTY

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 telcom 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.

# 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.

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



## 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

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. The 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.

# 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.

## 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

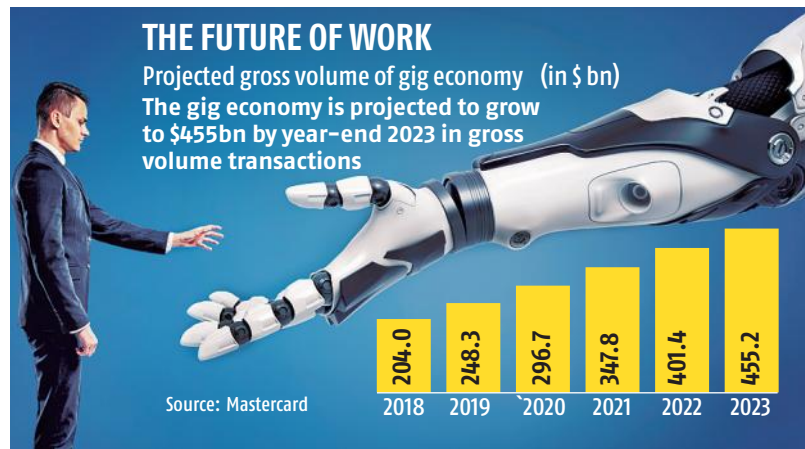
Reflections as a roller-coaster decade passes by...

### BACK PAGE P14

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

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.



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



IN BRIEF

**Top 50 corporates cut debt by ₹60,000 crore in H1 FY20**

Top 50 corporates in the country have reduced debt by ₹59,600 crore in the first half of this fiscal as part of their strategy to deleverage their balance sheet, according to government sources. This has some bearing on the credit growth of the banks as corporates borrowing from domestic lenders has come down, the sources said. In the last financial year 2018-19, sources said, these companies had reduced their debt burden by about ₹43,000 crore. The companies are preferring to raise funds through alternative instruments like external commercial borrowing (ECB), which is available at a lower rate comparatively, the sources said, adding evolving legal framework, including Insolvency and Bankruptcy Code (IBC), is also prompting India Inc to reduce their dependence on debt. India Inc's foreign borrowings grew over two-fold to \$3.41 billion in October over the corresponding month a year ago, as per the latest Reserve Bank of India (RBI) data. **PTI**

**Delhi-NCR office leasing jumps to 10.8 mn sqft: Report**

Net leasing of office space jumped over two-fold to record 10.82 million sq ft this year in the national capital region, driven by new supply and rising demand for quality workspace from corporates, according to property consultant JLL India. Delhi-NCR had recorded a net office space leasing of 5.31 million sq ft during 2018. New supply of office space also surged more than two times this year in the Delhi-NCR to 13.39 million sq ft against 5.43 million sq ft in 2018. **PTI**

**DHFL creditors to meet today to discuss resolution**

The Reserve Bank of India-appointed administrator of the crippled Dewan Housing Finance (DHFL) called for a meeting of its creditors for the first time on Monday after the mortgage lender was admitted for insolvency proceedings. The third-largest pure play mortgage player is the first non-banking financial company or housing finance company to face the corporate insolvency resolution process. **PTI**

**Green certificate sales down 10% to 504,000 in Dec**

Sales of renewable energy certificates fell around 10 per cent to 504,000 units in December, as compared to 559,000 in the same month a year ago due to lower supply, according to official data. Indian Energy Exchange (IEX) and Power Exchange of India (PXIL) are the two power bourses in the country which are engaged in trading of renewable energy certificates (RECs) and electricity. The trading of RECs is conducted on the last Wednesday of every month. But due to Christmas holiday, the trading this month was done on the last Thursday. **PTI**

**Centre begins search for next SAIL chairman**

The government has started the process to select the next chairman of Steel Authority of India (SAIL). A K Chaudhary, SAIL's current chairman assumed the position in September 2018, is scheduled to retire in December 2020. However, on the government's approval, chairman of a public sector undertaking can get an extension. While the minimum age of an applicant should 45, he or she must be a graduate with good academic record from a recognised university or institution, according to a PESB notification. **PTI**

**Portal for worker grievance redressal to be launched in Jan**

The labour ministry has chalked out a plan to launch a new portal 'Santusht' next month for speedy redressal of worker as well as employer grievances and ensuring effective implementation of labour laws at the grassroot level, a source said. Initially, Santusht (Hindi for satisfied) would monitor all services provided by retirement fund body EPFO and health insurance and services provider ESIC to formal sector workers. Later, the portal would cover other wings of the ministry as well. It would also have data on real time basis to assess the performance of each and every official. **PTI**

**Firms will move from hiring to attracting in 2020, says study**

With the workforce transformed significantly over the last decade, a study has revealed that hiring is no more about recruitment but about attracting as there are increasing number of dropouts, and attrition rate has peaked beyond 22 per cent. About 78 per cent of companies in a survey admit that hiring and retaining has become more difficult compared to the previous year, according to 'The 2020 Talent Technology Outlook' study by research-backed innovative talent solution provider SCKEY. **PTI**

**Essar Steel: Making of ₹42K-cr deal**

ISHITA AVAN DUTT  
Kolkata, 29 December

Aditya Mittal, president and chief financial officer, ArcelorMittal, and chairman, ArcelorMittal Nippon Steel India (AM/NS India), was struck by the potential of Essar Steel's Hazira plant on his very first visit in November 2017.

To make the deal happen, Mittal fought a gruelling battle — in courts and outside — for 865 days. Finally, Essar Steel was bagged under India's new insolvency law, in ₹42,000-crore deal mid-December with secured financial creditors recovering around 90 per cent.

There is no let-up in Mittal's excitement. Today, I remain as excited as I was on that day when, in the company of colleagues from ArcelorMittal, we sketched the future for Essar Steel," Aditya Mittal said in his inaugural newsletter to employees. Essar Steel is now AM/NS India and it is just revving for a new beginning. A management team with members from Arcelor and Nippon is being put in place to drive what Mittal describes a "bold and confident" plan for the company. Dilip Oomen, managing director of Essar, however, will continue to remain with the business as AM/NS India's chief executive officer (CEO).

**The start of CIRP**

Getting to this point wasn't easy. The road was riddled with challenges as much for ArcelorMittal as it was for stakeholders. From resolution professional (RP), Satish Gupta, to his advisors, Alvarez & Marsal (A&M), to lenders and last but not the least, the management and employees, played their part.

Essar — one of the 12 cases mandated for resolution under the Insolvency and Bankruptcy Code (IBC) by the Reserve Bank of India (RBI) — was admitted to the National Company Law Tribunal (NCLT) on August 2, 2017.

Once the case was admitted, the board of directors was suspended, and the RP and A&M took over operations, cash management and compliance.

For the management and employees of Essar, it was a moment of



**STEELING UP**  
Essar Steel production base

**PRODUCTION**  
9.6 mn tonnes at Hazira (Gujarat)

**PELLET-MAKING**  
8 mn tonnes at Vishakhapatnam (Andhra Pradesh); 12 mn tonnes at Paradip (Odisha)

**DOWNSTREAM**  
Pune

uncertainty. Suddenly, the team that was used to taking directions from the Ruia family had to take instructions from the RP and A&M.

The insolvency law was still quite fresh and Essar one of the test cases. This made it more complex.

"Given the uncertainty, we had to over-communicate with all stakeholders, internal and external, providing them comfort that Essar Steel was a going concern and how we believed the insolvency resolution process would work," said Nikhil Shah, managing director A&M, leading the firm's turnaround and restructuring practice.

**Managing the process**

A team of 25-30 people from A&M, at varying times, focused on three broad areas: The first was operationally managing the company so that there was no deterioration in value; the resolution that involved seeking bids from resolution plan applicants; and third was the insolvency administration, which included claims management, avoidance actions and supporting the litigation process.

"We had several town hall meetings with all the employees, one-on-one meetings with the senior management team and with 30 top suppliers and customers. Building confidence in the senior leadership,

suppliers and customers was important to allow the company to continue operating as a going concern," said Shah.

One of the initial challenges after taking over was to regularise the appointment and remuneration of senior professionals, managing director, director (technical) and CFO in consultation with the CoC (committee of creditors), as it was pending approval on account of default of Essar Steel to lenders, said Satish Gupta.

Restoring confidence in suppliers and customers were the other important goals.

The cash management was done by A&M. Vivek Kamra, managing director, A&M, part of the firm's performance improvement and restructuring business, said, "Any payment that was made was approved by A&M and the resolution professional. That meant 500 payment transactions a day, 10,000 payments a month to suppliers and service providers."

Lenders of Essar Steel, led by State Bank of India, however, already had a mechanism of Trust and Retention Account (TRA) for monitoring cash flow to prevent any diversion prior to initiation of insolvency.

Sifting through claims was yet another challenge. The total claims filed by the financial and operations

creditors with the RP was about ₹82,000 crore; finally what was admitted was ₹54,500 crore, the rest was either disputed or not substantiated by proper legal documents.

**A stellar performance**

At the start of the corporate insolvency resolution process (CIRP), Essar was generating ₹1,800-2,000 earnings before interest, tax, depreciation and amortisation (Ebitda) at approximately 50 per cent capacity utilisation. But the numbers climbed eventually.

"While it is not our policy to comment on CIRP process, the trust of customers, confidence of vendors and the commitment and resilience of our employees helped the company tide over this uncertain period with very good performance in production, sales, and profitability," said Dilip Oommen, CEO, AM/NS India.

In FY17, Essar's rolled steel output stood at 5.47 million tonnes, which finally increased to 6.78 million tonnes in FY19.

Banks lent a helping hand here. After NCLT judgments in Amtek Auto and another case, existing lenders stopped tagging from the TRA, and accruals from operations were ploughed back for enhancing operations to take advantage of a buoyant steel market.

As a result, production per month increased from an average of 460,000 tonnes in FY17 to 600,000 tonnes. At the same time, for customers, the on-time delivery performance index improved 25-27 per cent.

**Getting ready for bidders**

Stabilisation and ramping up operations were important for value maximisation.

"We knew that there was significant value in Essar Steel and carried out a massive outreach programme across Japan, Korea, China, Brazil, Russia to elicit interest from potential bidders," said Nandini Chopra, managing director, A&M, leading the firm's corporate finance practice.

The IBC had very little on how to run a sale process. "The requirements were rudimentary to say the least. A newspaper advertisement, one English and vernacular, the company's website, and a bare bones information memorandum. Unfortunately that's not good enough," Chopra pointed out.

Finally, seven expressions of interest (EOIs) were submitted: Tata Steel, Vedanta, SAIL, ArcelorMittal, Nippon, Numetal and a fund.

But some fell off as there were other steel assets available through insolvency at the same time.

Then just before bidding, the government introduced Section 29A to prevent defaulters from bidding, which made the process tougher not just for the bidders, though.

"We first thought that we would have to vet a few hundred entities like group and associate companies. But it turned out to be an enormous task with close to 3,000 entities that had to be scrutinised on account of the global operations of ArcelorMittal, Vedanta and Numetal and their partners such as VTB, Nippon Steel and others," said Chopra.

As a result, defaulting firms like Uttam Galva Steels and KSS Petron came to light and the Rewant Ruia connection, too. The RP rendered both Arcelor and Numetal ineligible.

Through the court process the rejection was upheld and the Supreme Court provided the bidders a chance to rectify. ArcelorMittal rectified while Numetal did not.

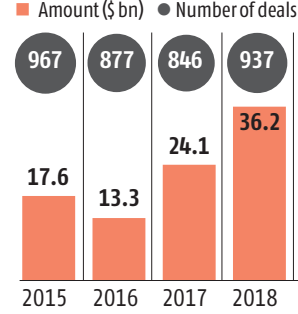
The rest is history dotted with its famous moments.

**PE INVESTMENTS TOUCH ALL-TIME HIGH OF \$37 BILLION IN 2019**

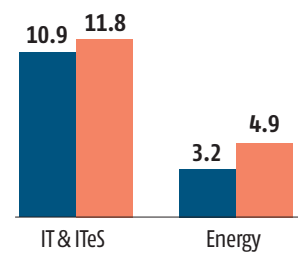
Private equity (PE) investment in India touched \$37 billion (₹3.6 trillion) in 2019, across 861 transactions, as against \$36.16 billion across 937 deals the year before. These figures include venture capital investments but exclude PE money in real estate. According to Venture Intelligence data, on the back of large Infrastructure sector deals, PE investment in 2019 edged past the previous high of 2018, during which mega deals in the infotech sector, especially e-commerce, had dominated the headlines.

The 2019 investments were led by infrastructure. It saw 74 PE investments worth \$100 million or more (74% of the total investment value). Of these, 40 were larger than \$200 mn each, with five over \$1 bn. Infrastructure-related sectors were 40% of the PE pie, attracting \$14.7 billion across 74 deals. Compared to a 20% share in 2018 (\$7.8 billion across 83 deals). Energy industry deals, led by Brookfield's \$1.9-bn investment in Reliance Pipeline Infra, accounted for 26 investments worth \$4.9 bn, compared to \$3.2 bn in 31 deals during 2018. Brookfield's partnership with RIL extended to telecom, with the Canadian investor agreeing to invest almost \$3.7 bn in a Special Purpose Vehicle that will acquire a controlling stake in Jio's tower infrastructure firm. The airport development arms of GMR and GVK groups also attracted significant capital.

**PE-VC investments in India (2015-2019)**



**By industry (2019)**



**Top 10 PE-VC investments in India (2019)**

Sector	Investors	Amount (\$mn)
Reliance Tower Infra	Telecom infra	Brookfield 3,660
Reliance Pipeline Infra	Natural gas pipeline	Brookfield 1,875
GMR Airports	Airports	SSG Capital, GIC, others 1,143
GVK Airports	Airports	NIIF, ADIA, PSP Investments 1,075
Paytm	Payments	Alibaba, SoftBank, others 1,000
CitiusTech	Enterprise software - health care	Baring Asia 880
NIIT Technologies	IT services (GIS)	Baring Asia 872
Bharti Airtel	Telecom	GIC 715
NHAI TOT Bundle III	Roads	I Squared Capital, IFC 700
SBI Life Insurance	Insurance	Carlyle 653

**Housing market down but commercial segment did well**

RAGHAVENDRA KAMATH  
Mumbai, 29 December

The year 2019 was one of the toughest years for residential real estate — prolonged slowdown, continued liquidity crisis, scores of bankruptcy cases and so on.

Commercial real estate was in much better shape, given overall offtake and jump in rentals.

Consultants and developers say next year is also going to be bad for home developers — prices are expected to

remain stagnant and sales to move only slowly. However, branded developers in this space have done well, with launches which had the right pricing, good locations and strong brand. They are also expected to do well in the coming year.

The year saw Lokhandwala Infrastructure developers become insolvent. The promoters of HDIL — Sarang and Rakesh Wadhawan — were arrested in connection with the PMC Bank scam. Experts predict more developers will go bankrupt in the coming year.

While many housing finance companies (HFCs) have stopped lending, DHFL being one, many others

have stopped disbursement to borrowers, creating a liquidity crisis in the sector.

The Reserve Bank of India has in its latest financial stability report highlighted the stress in real estate. It said system-wide credit losses to lenders — HFCs, public sector and private banks — jumped to 7.3 per cent in June 2019, from 5.7 per cent in June 2018.

**Housing**

Residential sales in 2019 saw modest four to five per cent annual growth, with about 258,000 homes sold in the year, says Anarock Property Consultants. New launches in 2019 saw 18-20 per cent annual growth, at a little over 230,000 units, it said. About 22 per cent of the supply was in the affordable housing segment. Of total sales of 261,000 units in the top seven cities, affordable housing comprised 38 per cent.

"We don't see much of traction in the primary residential market and it will take another year to see this sector registering substantial growth. Till then, we will be hovering around a modest growth rate or maybe just the run rate we clocked in 2018," said Samantak Das, chief economist at JLL.

The central government announced a number of measures to revive the sector, especially in the affordable segment. However, sales at large did not move by much and developers have not come out of the woods, experts say.

In the Union Budget for 2019-20, the



government announced an additional deduction of up to ₹150,000 for interest paid on loans borrowed up to March 31, 2020, for purchase of a home valued at ₹45 lakh. Further, a goods and services tax rate cut was announced at 1 per cent for affordable houses and 5 per cent for other categories.

The government also set up an alternative investment fund worth ₹25,000 crore for stalled projects.

**Office market**

Office leasing went up a little over 30 per cent to cross 47 million sq ft during the first three quarters, surpassing its

previous peak of 2018, says a report from CBRE.

"Even though the co-working segment has faced some disruption globally, we continue to witness a lot of traction in this space. In terms of supply, some smaller cities have shown a lot of promise," Das of JLL said.

An example is in Hyderabad, where JLL sees equal supply coming in comparison to Bengaluru, which is the largest market in India. "So, in the very short term, we might see a slight increase in vacancy in cities such as Hyderabad where supplies are coming in good quantum," he said.

**2019 A MIXED BAG FOR REAL ESTATE**

**RESIDENTIAL**

Home sales in 2019 saw a 4-5 per cent annual growth with over 258,000 homes sold

New housing launches in 2019 saw 18-20 per cent annual growth with over 230,000 units

**RETAIL**

Retail leasing reduced by as much as 35% in top seven cities — from 5.5 mn sq ft in 2018 to 3.6 mn sq ft in 2019

The share of organised retail in 2019 accounted for 8%, set to reach 13 per cent by 2020

**OFFICE**

Office leasing went up by over 30 per cent annually to cross 47 million square feet during Q1-Q3, 2019

CBD of Bengaluru was the best performing market in Asia Pacific in Q3 2019, with a rental growth of 17.6 per cent

**Source: Anarock, JLL, CBRE, Knight Frank**

best performing market in the Asia-Pacific during the third quarter, with rental growth of 17.6 per cent, according to the Knight Frank Asia-Pacific Prime Office Rental Index. The CBDs of Connaught Place in Delhi and BKC in Mumbai were the seventh and 11th fastest-growing prime office markets in the Asia-Pacific, respectively.

Blackstone and its partner, Embassy, created history when they listed the country's first real estate investment trust (REIT). "More commercial REITs will be listed in 2020 as more commercial developers will look to unlock the value of their assets to raise capital," said Anuj Puri, chairman of Anarock.

**Retail**

Though the leasing of retail properties has come down due to economic slowdown, mall developers Prestige Estates, Virtuous Retail South Asia and Inorbit are looking to their mall spaces in a year or two for tapping the growing share of organised retail.

Overall retail leasing activity reduced by as much as 35 per cent in the top seven cities alone — from 5.5 mn sq ft in 2018 to 3.6 mn sq ft in 2019.

"The share of organised retail gained ground in 2019. While it currently still accounts for only eight per cent share of the overall Indian retail market, it is set to reach 13 per cent by 2020-end, on the back of government interventions," said Puri of Anarock.

# Dedicated rail freight corridors look to rope in Amazon, Flipkart

'A game-changer for parcel industry'; move expected to slash parcel delivery times drastically

SHINE JACOB  
New Delhi, 29 December

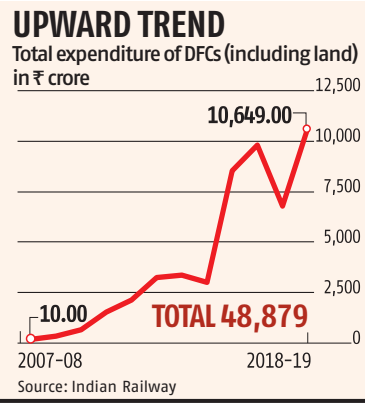
The domestic logistics industry got a boost with big e-commerce giants, such as Amazon and Flipkart, entering the arena. The industry is set to benefit again with the Dedicated Freight Corridor Corporation of India (DFCCIL) talking to e-commerce firms to rope them in for using its logistics hubs.

The move is expected to cut parcel delivery times drastically.

"This will be a game-changer for the parcel industry, as all the stations, small and big, will have dedicated hubs to handle parcel. This is expected to reduce the average time taken to deliver a parcel from Mumbai to Delhi from five days to 24 hours. Besides, hinterland customers will also benefit out of this through our intermediate stations," said a DFCCIL source in the know of the matters.

A major reason for the savings in delivery time will be the planned speed of trains in DFC. The average speed of freight trains was 22.4 kmph so far in 2019-20 compared to the expected speed of 75-100 kmph in DFCs.

This comes close on the heels of the Railway Board joining hands with Amazon for giving the firm's parcels



space in Sealdah and Mumbai Rajdhani on a pilot basis.

According to a recent industry report by the Pitney Bowes Parcel Shipping Index, the logistics industry's parcel volume and revenue saw over 20 per cent growth in 2018 compared to the previous year.

On the other hand, the Indian Railways is witnessing a decline in its parcel business. From April to October, its parcel business saw a decline of 5 per cent to ₹811.38 crore, compared to ₹851.45 crore during the same period in FY19. For FY19, the business saw a dip of 8 per cent to ₹1,744.8 crore versus ₹1,895.9 crore in FY18.

The e-commerce players will be able to use the hubs once the eastern and western dedicated freight corridors (DFCs) are fully operational by December 2021. According to the Railways, except the Sonnagar to Dankuni stretch in eastern DFC, rest of the project will be commissioned by 2021.

The project will be passing through Punjab, Haryana, Maharashtra, Gujarat, Rajasthan, Uttar Pradesh, Jharkhand, and West Bengal. In December, DFCCIL approached several states to provide suitable road connectivity to each station on DFC, so that the industry can easily transport their goods traffic.

The ₹81,400-crore eastern and western DFCs cover a total of 3,360 km track. Starting from Dadri, the western stretch will extend up to JNPT, covering major stations like Phulera and Marwar junction in Rajasthan, Palanpur, Amla Road (Sabarmati), Makarpura (Vadodara), Gothangam / Kosad in Gujarat and Vasai Road in Maharashtra. The eastern stretch will extend from Ludhiana to Dankuni, covering major stations like Dhandharikalan, Sirhind, Tundla, Bhaupur, Prempur, Karchhana, Jeonathpur, Mughalsara, Ganjkhawa, Sasaram, Son Nagar, Gomoh, Andal and Bardhaman.

# Value chain retailers see a blip in business in 2019

SAMREEN AHMAD  
Bengaluru, 29 December

While 2019 was a year of crisis for the automobile and fast-moving consumer goods segments, the value-chain fashion retail segment witnessed little or no impact of the slowdown that gripped the country. As companies struggled to sell products, affordable fashion continued to be in demand.

Most value-chain retail companies such as V-Mart, 1-India Family Mart and V-Bazaar saw a blip of slowdown in the second quarter which they are likely to overcome on the back of strong festive sales and the ongoing wedding season in Q3. Around 90 per cent of the products these companies sell are priced below ₹1,000.

V-Mart, which is one of the biggest players in the segment with a revenue of over ₹1,400 crore, had a muted growth of 1 per cent in Q2 but still sticks to a compound annual growth rate (CAGR) of 20 per cent for the current financial year.

"Yes we see that the rural economy probably is not as good as it used to be around one and one and a half year ago but largely, we are unaffected. Even though same store growth is muted, we are opening stores and carrying on with plans of expansion," said Samir Misra, chief operating officer, V-Mart.

The Gurugram-based retail chain is aiming to add around 60 new stores to the 257 stores already present in the country.



## HOW THEY FARED

- V-Mart saw a growth of 1% in Q2 but sticks to a CAGR of 20 per cent for FY20
- V-Bazaar earmarked 30 store openings for the year but has managed to open only 15 so far
- 1-India Family Mart cuts down store openings from 40 to 27 for FY20

Rakesh Biyani, joint managing director of Future Retail, which runs the fashion venture FBB, is hopeful of closing the year with a double-digit growth in overall business. Future Group also has plans to invest ₹350 crore to open 140 exclusive outlets in the next two years.

However, some smaller players such as V-Bazaar did not have a smooth ride and held back store openings to cut costs.

V-Bazaar, which mostly operates in the Hindi heartland of UP and Bihar, had earmarked 30 store openings for the year but managed to open only 15 so far. Even 1-India Family Mart, which witnessed 27 per cent growth in the worst hit months of July, August, and September, has cut down the number of store openings from 40 to 27

for FY20. "With the initiatives being taken by the government towards liquidity, we are hoping for a good start of 2020," said J P Shukla, co-founder and CEO, 1-India Family Mart.

Experts say modern retail chains need to spread the business throughout the year and not depend only on the festival season sales in order to manage margins more consistently.

"With no big-bang economic stimuli domestically and a sputtering global economy, we should just get used to the idea of slow-burning oil lamps and sprinklings of flowers and colour through the year. Retailers will just have to work that much harder to keep the lamps from sputtering," said Devangshu Dutta, founder-chief executive of Third Eyesight, in a blog.

# 2020 may see the re-birth of electric vehicles, according to experts

TE NARASIMHAN  
Chennai, 29 December

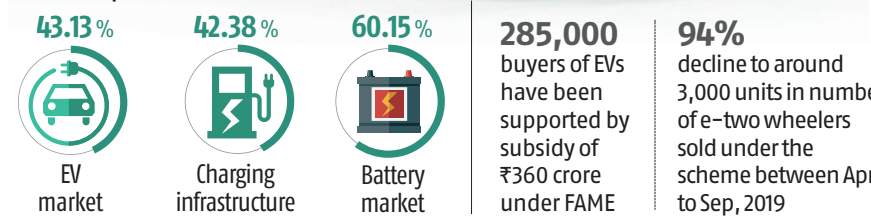
The year 2019 was a mix of ups and downs for the electric vehicle (EV) sales in the country. The coming year is expected to be better, with the entry of more electric cars and Chinese entities' entry, bringing down the average cost.

The second phase of the ₹10,000-crore scheme of the central government, termed Faster Adoption and Manufacturing for Hybrid and Electric Vehicles (FAME II), offers higher incentives to higher powered products. It excludes lead acid battery-powered two-wheelers and mandates that e-scooters should have 80 km per charge and a minimum top speed of 40 kmph, with at least 50 per cent localisation in manufacturing. This has left a large share of two-wheelers out of the incentive, says CRISIL Research.

Recently, Union minister Prakash Javadekar told Parliament about 285,000 buyers of electric/hybrid vehicles had been supported by a subsidy of ₹360 crore under FAME.

Sohinder Gill, director-general, Society of Manufacturers of Electric Vehicles (SMEV), said, "The year 2019 was full of turmoil for the EV industry. Sudden policy shock by the government in March 2019 led to a decline in sales of electric two-wheelers under FAME II. It has made companies becoming less dependent on government subsidies."

The number of electric two-wheelers sold under FAME in the first six months of this financial year (April to September) saw a 94 per cent decline to



around 3,000 units, from 48,671 units in the same period last year. The number sold without FAME incentive in the period went up to around 49,000 units, 2019, from around 10,000 during the same period last year, said SMEV.

Low-speed lithium battery vehicles without the FAME incentive cost around ₹55,000. The high-speed electric two-wheeler costs around ₹80,000 after the incentive applied, said sources.

The number of electric cars within the FAME scheme of under ₹15 lakh cap sold during April to September almost halved to 340. They do not include the numbers of Hyundai's Kona, launched in July, according to the Society. Reports say only around 1,500 electric cars for personal use have been sold so far during the financial year.

Some of the positive devel-

opments were entry of leading players into the EV business, state governments announcing

policies and customers becoming more aware of the benefits of such vehicles.

The goods and services tax (GST) for EVs was cut from 12 per cent to five per cent in July. The GST rate on charger or charging stations for EVs was also reduced from 18 per cent to 5 per cent. The central government also announced additional income tax deduction of ₹1.5 lakh on interest paid on a loan to buy an EV, apart from duty exemptions for some parts.

## 2020

"In 2020, we might see the re-birth of electric cars, with their positive image driving sales. It could become part of a customer's lifestyle statement. Though the numbers could be less, the excitement among citizens would be more," hoped Gill.

In the two-wheeler category, there was entry of Bajaj, TVS and Revolt in the market, hitherto driven by established players like Hero Electric and Ather. People could become more brand conscious.

# Enforcement of share pledging in Reliance General null & void: Irdai

SUBRATA PANDA  
New Delhi, 29 December

The Insurance Regulatory and Development Authority of India (Irdai) has cancelled the invocation of pledge and transfer of shares of Reliance General Insurance by the trustees as "null and void", Reliance Capital (RCap) informed the stock exchanges.

Earlier, on November 19, RCap announced that the company's shareholding in its wholly owned subsidiary, Reliance General Insurance Company has been transferred to IDBI Trustee Services, upon invocation of pledge by the trustee.

RCap had alleged that the

trustee acted on behalf of two parties — Credit Suisse and Nippon MF — claiming against the company under certain guarantees, while another lender filed a suit in the Bombay High Court, claiming that the shareholding in Reliance General of RCap comprises security for all secured lenders of the company.

Irdai has now restored 100 per cent shareholding of Reliance Capital in Reliance General Insurance and has further directed the trustee not to give effect to any encumbrance or transfer or any change in the shareholding of the Reliance General Insurance.

Irdai had also said that its

prior approval was not taken for the transfer and that the enforcement of pledge so it was in violation of applicable provisions of law.

"Irdai ruling has protected the interest of all lenders and debenture holders of RCap. This will now help RCap to monetise its stake in RGIC and to reduce its debt", the company said in a statement.

Reliance Capital believes that the order by Irdai will protect the interest of all lenders and debenture holders of the company. It will also help the company to monetise its stake in Reliance General Insurance and to reduce its debt.

# 'Only SC can give AGR relief to non-telecom firms'

After sending out notices to firms such as GAIL for crores of rupees in past dues, the Department of Telecommunications (DoT) has said that any relief to non-telecom companies from payment of enhanced levies can come only from the Supreme Court.

The Telecom Department is "examining" the replies given by the non-telecom corporations on the AGR dues, a senior official said. There are certain cases where players were parties in the court and in those cases the companies are bound by the court order. Some parties have also filed review petition, the official noted.

PTI



# A day in the life of solar-powered farmers

The first of a three-part series takes stock of how solar-powered pumps are changing lives in four water-deficient districts of Rajasthan and Haryana

JYOTI MUKUL  
Jaipur/Chomu/Deroli Ahir, 29 December

For Jagdish Prasad Yadav, 45, the sun never sets. Only one of three brothers to stick to farming, he works hard to make his 4.5-hectare land productive year-round. A keen learner of new agricultural practices, he is a regular at meetings of farmers.

"Let me click a selfie of all of us. I will put it on our farmer WhatsApp group and tell them about your visit," he exuberantly says while coming out of his polyhouse where he grows hybrid cucumber, often referred to as 'Chinese kheera' by city vendors. Two harvests of the salad vegetable from the 0.4-ha polyhouse gives him ₹16 lakh.

The Rajasthan government gives 70 per cent subsidy for setting up polyhouses, provided the farmer follows micro irrigation methods across his entire holding. This entails building ponds for collecting rainwater if the holding is above half a hectare, for which a separate subsidy is given, apart from using sprinklers, drip irrigation, mulching and tunnelling. Micro irrigation is also a requirement for getting the government's solar pump subsidy.

Yadav of Itawa Bhopji village in Chomu tehsil of Jaipur district is a model farmer, who has taken the benefits of government schemes to increase his farm yields but he has one suggestion: "The govern-

ment should allow me to use the three-phase power connection that I have from the solar water irrigation pump to also draw power for the household, by permitting conversion to single-phase as well. This will help to bring down my home power bill."

Rajasthan currently has 44,242 solar power irrigation pumps installed; Haryana has 3,542. Both the states have high solar radiation and have been giving subsidies for farmers for such pumps, provided they do not have grid connections for irrigation. To get around this, however, farmers take solar connections in the name of kin who do not power connections in their name.

For Ram Prasad, 81, of Deroli Ahir village in Haryana's

Mahendragarh district that borders Rajasthan's Jhunjhunu, there are some basic challenges. For instance, he has to sleep beneath the solar plates installed in his farm, to prevent theft. Unlike Rajasthan, where most farmers have houses inside their fields and solar installations are nearby, houses are far from farms in Mahendragarh. "Could you ask the power department to allow installation of these plates on rooftops? It will save loss caused by wandering animals and thieves," Prasad, who is hard of hearing, tells this correspondent, while shivering in the unusually cold December.



For Ram Prasad (left), 81, of Deroli Ahir village in Haryana, there are some basic challenges. Jagdish Prasad Yadav of Itawa Bhopji village in Jaipur takes the benefits of schemes to raise yields



Under Haryana government guidelines, off-grid solar water pumping systems are provided to farmers, gaushalas (cow sheds), water user associations and community or cluster-based irrigation systems at 75 per cent subsidy (inclusive of both state and central allocations).

The Centre's soon to be launched PM KUSUM (Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhiyan) scheme lays emphasis on promoting solar-powered irrigation in areas where feeders supplying power from the grid have been segregated, based on agriculture and non-agriculture load. However, distribution companies in most of Haryana and Rajasthan differentiate between electricity uses in rural areas, through three-phase and single-phase connections. "We call it virtual segregation.

For three-phase connections, we give power for six hours in the day or nine hours at night. For single-phase, we try to give power all day long. This saves the cost of separating feeders," says Kunji Lal Meena, principal secretary (power) in the Rajasthan government.

The state has a target of 1,300 feeders under the UDAY programme. It has met about 90 per cent of this target.

The KUSUM programme has three components — decentralised renewable energy (RE) plants, solar agricultural water pumps and solarisation of existing grid-connected agricultural pumps.

Under Component A, 10,000 Mw of decentralised ground or stilt mounted and grid-connected solar or other RE-based power plants are to be set up. Component B involves installation of 1.75 million stand-alone solar agriculture pumps and Component C is for solarisation of a million grid-connected agriculture pumps.

While Component B will be fully implemented, with total central support of ₹19,036 crore, A and C will be run on an experimental basis, after which the total central support will be ₹15,385.5 crore. The three components are targeting 25,750 Mw capacity by 2022.

## States

The five states of Punjab, Uttar Pradesh, Madhya Pradesh, Rajasthan and Maharashtra have proceeded to get demand applications from developers under Component A.

Rajasthan, in fact, is finalising a rate of ₹3.14 a unit (kilowatt/hour) at which the state's distribution companies (discoms) will buy power from decentralised units, while ₹3.44 is likely to be the rate under Component C, where extra power from solarised pumps will be bought by the discoms.

Haryana is following a different system. Two power feeders have been installed in Yamunagar and Karnal districts, to take in power from farmers under Component C of KUSUM, says T C Gupta, the government's additional chief secretary (power). The state has invested

₹225 crore in installing solar-powered pumps, ownership of which will remain with Haryana Renewable Energy Development Authority or state discoms for the initial five years. "Farmers will be paid for the surplus power injected into the grid at ₹1 a unit," says Gupta.

Though the launch of KUSUM has been delayed after the Union Cabinet's approval in July 2019, Energy Efficiency Services recently finalised a list of pumpset suppliers for five national zones through a bulk tender. Within a fortnight, formal launch of the programme from Haryana is likely, setting the sun rolling for many more like Yadav and Prasad who want to harness RE for a better harvest.

Tomorrow: Aspiring for a solar connection

## KUSUM IN NUMBERS

Components

526 Mw micro grids installation

173,700 solar water pumps

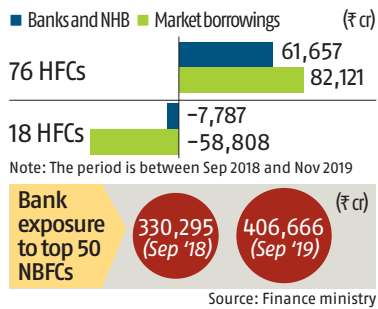
100,000 solarisation of grid-connected pumps

# NBFC slowdown due to low demand, lack of funding: RBI

An internal analysis done after the IL&FS crisis broke shows the paucity of funds is because market is differentiating between good and not-so-good entities

## FLOW OF FUND

Increase/decrease in govt support and market borrowings to HFCs



Note: The period is between Sep 2018 and Nov 2019. Source: Finance ministry



SOMESH JHA  
New Delhi, 29 December

The slowdown in the non-banking financial companies (NBFCs) is mainly due to lower demand in the economy and non-availability of market funding, a recent analysis of the post-Infrastructure Leasing & Financial Services (IL&FS) crisis conducted by the Reserve Bank of India (RBI) showed.

An internal analysis, done by the RBI's department of supervision, showed that the non-availability of funds among NBFCs from market and banks is not across the board and the "market is differentiating between good and not-so-good entities".

The NBFCs are under stress

primarily due to two reasons: crisis in the real estate sector and the asset-liability mismatch.

Separately, the finance ministry put out an official set of data on Saturday to emphasise that there is a course correction taking place among NBFCs and housing finance companies (HFCs), which it said is now "stabilising". "The market is clearly distinguishing between the better managed and not-so-better managed entities. Everyone is moving towards a new normal," Finance Secretary Rajiv Kumar said in a press conference on Saturday after attending a meeting chaired by Finance Minister Nirmala Sitharaman with public sector banks (PSBs).

The cash crunch among robust NBFCs is mainly due to a financial support from market

instruments, rather than from the lenders.

The regulatory data showed bank exposure to NBFCs increased by 17.5 per cent between September 2018 and September 2019. Of this, the exposure to 107 large NBFCs, with a market share of around 67 per cent, grew 31 per cent. However, market financing to NBFCs increased by 4.2 per cent during this period, which was growing robustly at around 30 per cent in the corresponding period last year. The analysis showed that 'good' NBFCs or HFCs "are able to raise funds from market at (borrowing) rates less than from the pre-IL&FS period (August 2018)".

"After the IL&FS default, assets of NBFCs have grown by 12.8 per cent from ₹28.3 trillion to ₹31.9 trillion, added significantly by govern-

ment support, and assets of 211 larger NBFCs with 81 per cent of market share have grown at an even higher rate of 19.7 per cent," the finance ministry said in a press statement on Saturday.

Coming to the HFCs, the analysis showed that the stress is even more isolated among a few firms. The ministry said in a press statement that after the IL&FS crisis broke in August 2018, "76 of the 101 HFCs with 82 per cent of market share have shown a positive asset growth of 18 per cent" from ₹8.45 trillion in September 2018 to ₹10 trillion in November 2019. The HFCs have, however, been pulled down mainly by nine large HFCs whose asset size reduced by 26 per cent from ₹2.94 trillion in September 2018 to ₹2.17 trillion in November 2019.

## Economy may rebound in 2020 on govt measures: CII

PRESS TRUST OF INDIA  
New Delhi, 29 December

India's economy is expected to rebound in 2020 on the back of measures taken by the government and the RBI coupled with easing of global trade tensions, the Confederation of Indian Industry (CII) said on Sunday.

The chamber also suggested a flexible fiscal policy that will set a central government's target for the deficit in the range of around 0.5 to 0.75 per cent, and said it was likely to have a significant multiplier effect on the economy.

It said that as we are set to enter the new year, there are nascent signs that the economy is on a better footing than what it was in the year gone by.

"With the proactive measures taken by the government and the Reserve Bank of India (RBI), industry believes that the slowdown will be overcome, and a gradual recovery will soon be in place," said CII President Vikram Kirloskar.

"Nascent signs of recovery are noted in the form of improved PMIs (Purchasing Managers' Index) of manufacturing and services, jump in passenger air traffic, sharp moderation in the decline in sales of passenger cars, among others," he added.

He said that though the economy may continue to see a subdued GDP print in the third quarter as well.

## STATSGURU Slowdown in growth grips banks, too



The slowdown in the Indian economy has cast a shadow on the credit growth of lenders. The Financial Stability Report (FSR), released by the Reserve

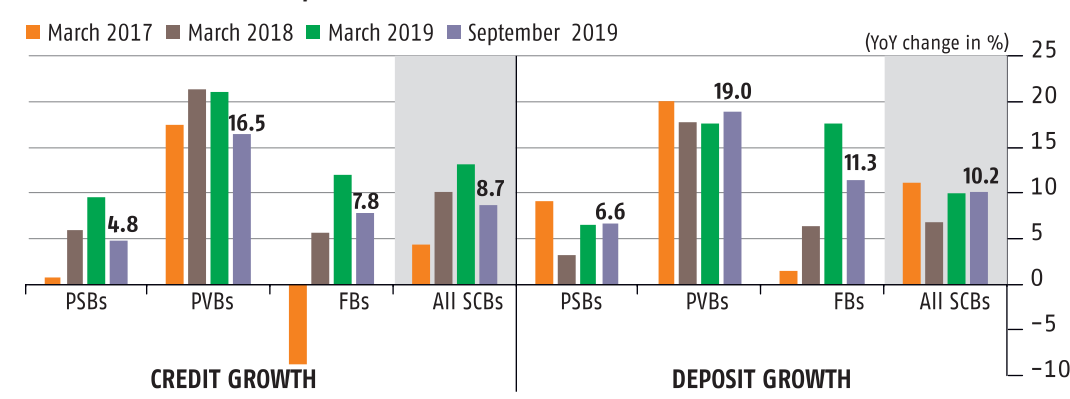
Bank of India (RBI), says credit growth moderated to 8.7 per cent on a year-on-year (y-o-y) basis in September 2019 from 13.2 per cent in March 2019. In the same period, however, deposit growth improved to 10.2 per cent from 9.9 per cent, thereby exceeding the credit growth. This is for the first time since Q2 of FY17 that the credit growth has fallen below the deposit growth.

On the profitability front, public sector banks profitability ratios were muted because of weak credit growth as well as slow resolution of bad assets. Similarly, private banks profitability ratios also declined whereas foreign banks showed an improvement.

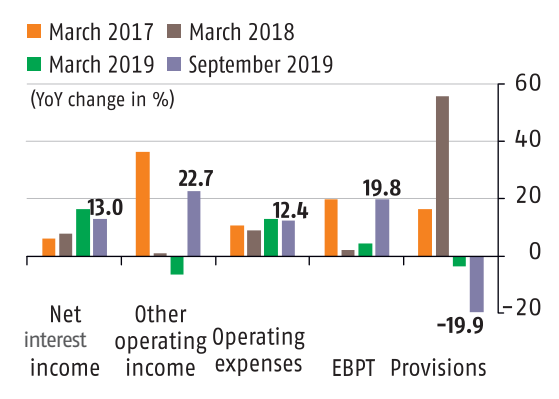
While the asset quality of banks remained stable in September 2019 as compared to March 2019 with gross NPAs at 9.3 per cent, however, the FSR report of the RBI says that the bad loans may rise in the coming months and reach 9.9 per cent by September 2020. While the GNPA ratio remained unchanged at 9.3 per cent between March and September 2019, the provision coverage ratio (PCR) of all banks rose to 61.5 per cent in September 2019 from 60.5 per cent in March 2019, implying increased resilience of the banking sector.

The asset quality of agriculture and services sectors deteriorated in September 2019 as compared to March 2019, though slippages in the industrial sector declined during this period. Among the sub-sectors within industry, the slippage ratios of textiles, rubber and construction industries increased during the period. SUBRATA PANDA

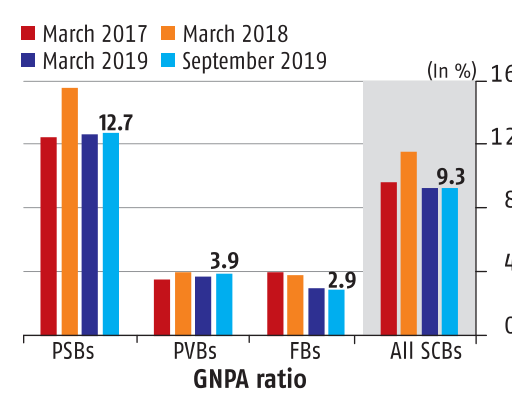
### 1: MUTED CREDIT GROWTH; DEPOSITS GREW AT HEALTHY PACE



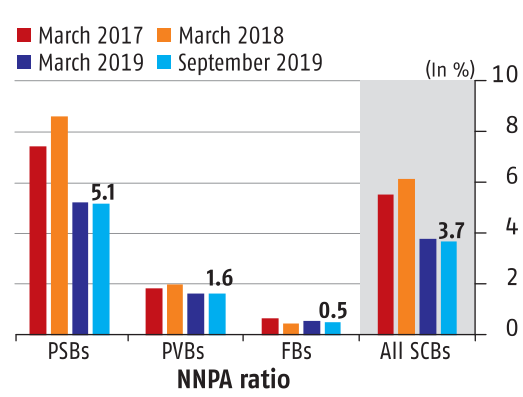
### 2: KEY METRICS OF BANKS REMAINED SUBDUED



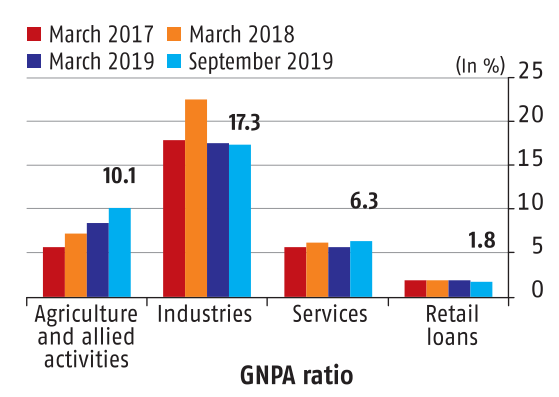
### 3: BAD LOANS STABLE BUT MAY RISE



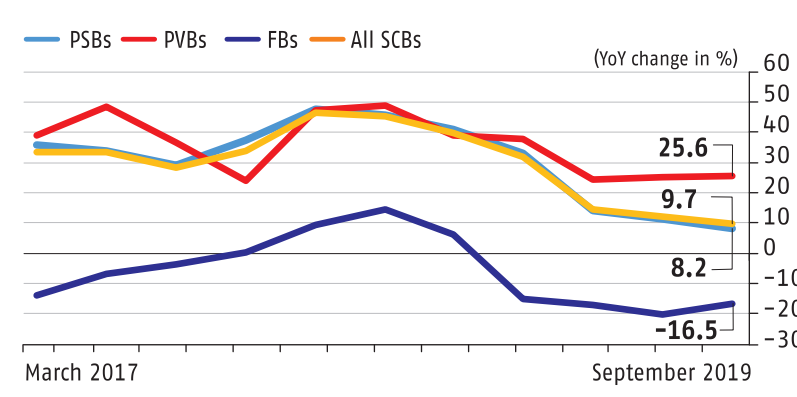
### 4: NET NPAs FALL ON ACCELERATED PROVISIONING



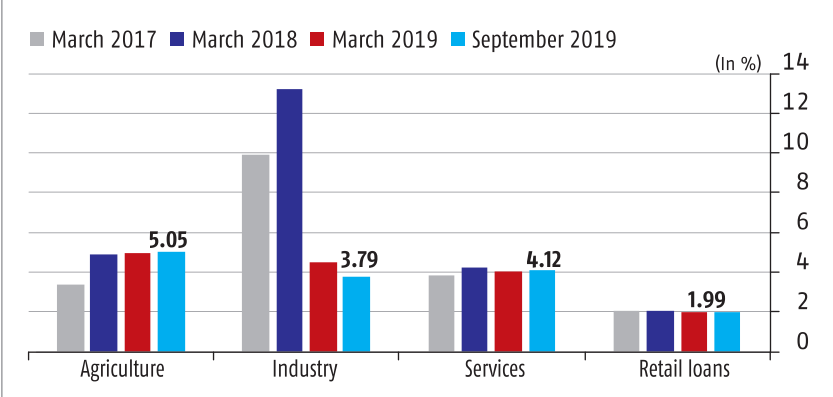
### 5: AGRI, SERVICES SEE ASSET QUALITY DROP



### 6: GROWTH IN PROVISIONING FOR BAD LOANS BY BANKS



### 7: SLIPPAGES IN THE INDUSTRIAL SECTOR DECLINED



Note: PSBs: Public sector banks; PVBs: Private banks; FBS: Foreign banks; SCBs: Scheduled commercial banks; EBPT: Earnings before provisions and taxes; GNPA: Gross non-performing assets; NNPA: Net non-performing assets

# Railways stares at weak finances

Operating ratio has already crossed 100% in FY20, while share of internal resources in capex is down to 3.5%

SHINE JACOB  
New Delhi, 29 December

The Indian Railways is increasingly depending on extra budgetary resources (EBR) for capital expenditure (capex) as the share of internal resources in capex shrinks, shows the national transporter's annual plan, amid talks of restructuring of the Railway Board.

The operating ratio (ratio of operating expenses to operating revenue) of the railways has already crossed 100 per cent during the current financial year (2019-20, or FY20). This indicates that the Railways has spent more than what it earned so far. The operating ratio was at 97.3 per cent during 2018-19 compared to 98.4 per cent in 2017-18.

Based on the actuals of 2018-19, the share of internal resources in capex came down to 3.5 per cent, compared to 18 per cent in 2015-16. On the other hand, the dependency on EBR went

## HEALTH DERAILED

- ₹40,000 crore: Annual pension liability
- ₹79,000 crore: Staff cost
- ₹1.6 trillion\*: Capex. Of this, ₹83,571 crore is expected to come via EBR route
- Operating ratio has crossed 100% in FY20
- It was at 97.3% during FY19, compared to 98.4% in FY18

\*Based on the Budget Estimates for 2019-20



Corridors (DFCs), where an assured return can be expected.

The trend of the declining share of internal resource generation in the annual plan is mainly because of static freight and passenger traffic and subsidising of passengers through freight.

To tide over this, passenger fares are expected to increase by at least 40 paise per kilometre across all categories soon, said an official, though a railway spokesperson added rationalisation of tariff may not mean an increase in fares.

The total earnings from April 1 to December 10, 2019, saw a marginal 0.5 per cent drop to ₹1.22 trillion compared to ₹1.23 trillion during 2018-19.

The earnings from its goods business dipped 2.94 per cent to ₹79,297 crore during the period under review, compared to ₹81,697 crore in 2018-19.

"Operating ratio was affected by the Seventh Pay Commission on ordinary working expenses and pension expenditure and subdued growth in traffic earnings, too. The decline in freight revenue is also owing to an overall trend in the economy," said an official.

up from 42 per cent to 57 per cent of the planned capex during the same period.

It is expected to further increase in 2019-20. The major components of EBR include borrowings by the Indian Railway Finance Corporation (IRFC) and institutional finance through players like Life Insurance Corporation (LIC) of India.

"The share of internal generation was as high as 35-40 per cent in 2006-07. The fact that it has declined to

3.5 per cent is alarming. A major reason for this is the reluctance of successive governments not to go for a hike in passenger fares, starting from Mamata Banerjee's time," said R Sivadasan, former finance commissioner with the Railways.

He said increased borrowing is a necessity under the current economic circumstances. This money could be a kind of stimulus, if the money is used in projects like Dedicated Freight

# Year closes on a gloomy note



## EXIM MATTERS

T N C RAJAGOPALAN

This year comes to a close on a rather gloomy note for the Indian economy. Export, import, private investment, domestic demand, direct tax revenue and indirect tax collection all show a declining trend. Many steps the government has taken are yet to show tangible result. So, great expectations ride on the Union Budget to be presented next month-end and the new Foreign Trade Policy, expected later.

During the year, the government streamlined the mechanism for refund of Goods and Services Tax (GST) on export goods. Applications for refund of unutilised input tax credit on account of export without GST payment can be now filed electronically.

Thus, the refunds come through quickly, helping exporters improve their working capital. Even so, merchandise export fell by one per cent during April-November, the first eight months of this financial year, indicating erosion of our competitiveness. And, services export has not grown significantly. During the same April-November period, import went down by a drastic 8.9 per cent, reflecting severe lack of demand and investment.

The government has taken a number of steps to improve ease of doing business, protected producers with quantitative restrictions, increased the import duty rates on select items and imposed non-tariff barriers. However, these have not helped revive the economy. The United States government withdrew tariff concessions for Indian-origin goods under the Generalized System of Preferences. The government downplayed the

impact. At the World Trade Organization (WTO), a panel ruled that India should remove the subsidies being granted under many export promotion schemes. The Indian government has appealed but the WTO appellate body does not presently have enough members to hear it, thanks to the US blocking the appointment of new members. So, the panel ruling is not binding for the present.

The government had announced that the Merchandise Exports from India Scheme (MEIS) would be discontinued by this year-end, to be replaced with a new scheme termed Refund of Duties and Taxes on Export Products. However, till now, no notifications have been issued to this effect and it appears MEIS will continue till March-end, when the new FTP will be announced.

The scheme of Refund of State and Central Taxes and Levies for select textile products continues but the benefit of MEIS is being withdrawn for such products from the beginning of next year. In July, the Customs drastically simplified regulations for manufacture in a bonded warehouse.

The foreign exchange reserves of Reserve Bank of India rose to a record level of over \$450 billion, indicating sterilisation of speculative inflows from foreign institutional investors in the equity markets. This helped somewhat in stemming the rupee's appreciation but it is still overvalued. To that extent, the competitiveness of exporters and Indian producers and Customs revenue have been hit adversely.

India decided not to go ahead to join the Regional Comprehensive Economic Partnership, a proposed free trade agreement in the Asia-Pacific region between 16 countries. It conveyed lack of confidence in our ability to cope with competition from these economies. Given the context, prayers for 'achhe din' are more apposite than parties when we usher in the new year.

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# States likely to step up borrowing in 4th quarter for social expenditures

SUBHOMY BHATTACHARJEE  
New Delhi, 29 December

Despite the lower availability of money from goods and services tax this year, key states have not significantly lowered their spending on social sector expenditure. In financial year 2019-20, when the growth rate of the Indian economy has come off the highs, this data is comfortable news for the poor. Millions of them depend on the spending by the states through various schemes as crucial income support. Any cut back here could have disastrous impact on their lives.

But for the markets, this could mean a rise in borrowings by the states in the last quarter of the year. Almost all states have raised much more debt than at the same time last year, except Maharashtra. Possibly due to the state election cycle, Maharashtra has hardly borrowed. This trend is likely to be reversed soon. If all states maintain their rate of spending on social sectors, which happens to be their largest spending category after interest payments and wages to government staff, there could be much larger draw on the markets by them,

between January and March 2020. The numbers have a bearing on whether people are at risk of being pushed back into below poverty levels, because of the growth slowdown.

The data is from the progressive monthly accounts of income and spending of states for the period April to November (for a few states, the data has been finalised till October). It shows that compared with the level of expenditure made by the states for the past year, the numbers are holding up. This is impressive, since the states made no cut back in their budget estimates for expenditure for FY20. This means the comparisons hold across years.

Yet, as the data shows, there are massive shortfalls in the SGST and IGST shares the states have got. The shortages are quite large for Andhra Pradesh, West Bengal, Kerala, and Chhattisgarh where there are non-BJP governments, but also for states where they are in power including Uttar Pradesh and Gujarat. Surprisingly, while Punjab, too, has protested, data shows it is one of the rare states that have been over compensated.



## SOCIAL EXPENDITURE

Punjab	128,998.59
Maharashtra	63,545.65
Uttar Pradesh	58,513.52
Karnataka	47,717.92
AP	46,052.72
Gujarat*	36,488.3
West Bengal	35,856.01
Kerala	24,247.44
Chhattisgarh	16,661.49

(₹ cr)  
\*State sales tax Source: CAG, state accounts

The state budgets have fortunately been shored up by the impressive collections from state excise duties. Most of it is incidentally from liquor, which possibly explains why there are no inter-year variations. Where the states have enforced prohibition, their budgets have taken a hit. The only exception to this trend is Gujarat, since it has diversified its taxes into other areas over the past few decades.

As a *Business Standard* report pointed out, the finance ministers of many of the Opposition-ruled states have strongly criticised the Centre for the shortfall in their GST receipts. In response, ahead of

the GST Council meeting this month, Finance Minister Nirmala Sitharaman had released ₹35,298 crore, due till October this year, as pending compensation.

The states have reasons to be critical. The data prepared by the Comptroller and Auditor General (CAG) shows the borrowing costs of the states rose sharply. This could get aggravated if the current trends continue. Some of them like Chhattisgarh, Karnataka, Gujarat, and Uttar Pradesh have already spent more than their monthly targets on social sector budgets. But others, too, have kept up the pace. The only

outlier is Andhra Pradesh. Its sharp cut back of spending and yet the excessive borrowing that comes on top of its overhang from the past fiscal shows chief minister Y Jaganmohan Reddy could soon be staring at a major financial mess.

States spend most on the social sector through various anti-poverty schemes. The chief among them is under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). In MGNREGA, the states contribute 25 per cent of the total budget. The cost of the other schemes is shared in various ratios with the Centre. The Centre, however, always picks up the larger share. There have often been complaints that the states have delayed releasing the payments for their share of the schemes. The data from CAG shows, despite the resource crunch, the release of funds by the states have held up this time.

A CARE Ratings analysis on the subject notes: "From the point of view of states, GST is a major source of revenue and, hence, any shortfall will have a bearing on their ability to spend with capex being possibly affected in case of absence of funding."

# No decision on passenger, freight fare hike: Rly Board

PRESS TRUST OF INDIA  
Ballia (UP), 29 December

Railway Board Chairman Vinod Kumar Yadav has said no decision has been taken to increase passenger and freight fares.

On Thursday, Yadav had said the railways was in the process of "rationalising" its passengers and freight fares.

He told reporters here on Saturday the railways will work towards providing better facilities to its passengers and would run more trains.

"No decision has been taken to increase the passenger and freight fares. In the New Year, the Railway will try to give better facilities to its passengers and also focus on running of more trains," Yadav said.

The railway board chairman further said that efforts are on to ensure that after next five years, passengers do not have to face difficulties due to waitlisted tickets. He also informed a private train operator is needed on Delhi-Mumbai and Delhi-Kolkata rail sections.

FROM PAGE 1

## RBI to flag...

It will be 20 per cent on the outstanding amount six months after the review period, and another 15 per cent after a year. The six-month period and a one-month grace period come to an end on January 7, 2020, and cover about 40 large stressed accounts.

While the June 7 circular, on issuance, covered only stressed exposures of ₹2,000 crore and above, it is to apply to those between ₹1,500 crore and ₹2,000 crore, effective January 1, 2020, even as it remains silent on its application to stressed credits lesser than ₹1,500 crore. This, sources said, "is only a matter of a follow-up notification" — the point being made here is that the circular will cover such loans soon.

An altogether fresh burden is the telco loans following the SC order and the payout



of ₹1.33 trillion to the Centre. This came on top of telephony operators' accumulated losses of ₹1.4 trillion and outstanding debts of around ₹4.9 trillion in 2018-19 (FY19), making lenders worry about the debt-servicing capacity of these companies. Already several firms have either shut down, or have been referred to the National Company Law Tribunal, making debt repayment difficult in such cases.

Finance Secretary Rajiv Kumar, had on Saturday, said, "It (the RBI's report) is contrasting its earlier report released a few days back, which showed that NPAs are on a declining trend. You should also look at the stressed assets-to-total assets ratio, which has come down significantly."

The central bank in its Report on Trend and Progress of Banking in India had said net NPAs fell to 3.78 per cent in FY19, from the 6 per cent in FY18; GNPAs fell to 9.1 per cent, from 11.2 per cent in this phase. While this appears to contradict its position in the FSR, the RBI had in the Trend and Progress report also made specific mention that "the overhang of NPAs remains high; further improvements in the banking sector hinge around a reversal in macro-economic conditions".

In FY19, banks recorded a synchronised decline in all the special mention accounts (SMA) accounts (SMA-0, SMA-1, and SMA-2), restructured standard advances, and GNPAs, attesting to the broad-

based improvement in asset quality.

The central bank qualified this in its Trend and Progress report, and stated: "Yet, these accounts — which constituted 53 per cent of gross loans and advances — contributed 82 per cent of GNPAs at end-March 2019." Furthermore, stress in large borrowal accounts has been on the rise for both state-run and private banks in the first half of FY20. Likewise, the FSR also said that in the large borrower accounts, the proportion of funded amounts outstanding with any signs of stress (including SMA 0, 1, and 2 restructured loans, and NPAs) rose to 21.2 per cent in September 2019, from 20.9 per cent in March 2019. SMA-2 loans increased by about 143 per cent during this period. And the top 100 large borrowers accounted for 16.4 per cent of gross advances and 16.3 per cent of GNPAs. What is also playing in the background are the proposed mergers of four sets of state-run banks. A host of issues like exposures to firms within a consortium have to be sorted out, even as post-merger these banks will have to deal with them as a single entity. The magnitude of the proposed mergers is huge as these banks collectively have a market share of 24.1 per cent. Senior bankers opined that the additional provisioning aspect of the June 7 circular has the potential to impact their books. The four sets of merging banks are Punjab National Bank, Oriental Bank of Commerce, and United Bank of India; Canara Bank and Syndicate Bank; Union Bank of India, Andhra Bank, and Corporation Bank; and Indian Bank with Allahabad Bank. The mergers are slated to come into effect from April 1, 2020.

## GDP growth...

For October-March 2019-20, the RBI is now projecting real GDP growth in the 4.9-5.5 per cent range, while for the first half of the next fiscal year (April-September FY21), it sees GDP growth of 5.9-6.3 per cent.

The central bank has also revised its consumer price index-based inflation (CPI) projections upwards. It is now forecasting CPI inflation of 5.1-4.7 per cent for the second half of FY20 and 4-3.8 per cent for the first half of FY21. Higher inflation means a higher deflator.

The GDP deflator is sometimes consid-

ered a better measure of inflation than retail or wholesale inflation. It is the ratio of the value of goods and services an economy produces in a particular year at current prices to that of prices that prevailed during the base year. This ratio helps show the extent to which the increase in GDP has happened on account of higher prices rather than increase in output.

## Drug trade...



For scheduled products, the trade margins are 8 per cent to the stockist and 16 per cent to the retailer. For non-scheduled products, it is 10 per cent and 20 per cent, respectively. At present, the pharma price regulator, the National Pharmaceutical Pricing Authority, fixes the prices of scheduled drugs, while non-scheduled drugs are allowed to go up by up to 10 per cent every year. Around 19 per cent of the ₹1.3-trillion domestic pharma market is under price controls at the moment.

The trade margins are quite standard and it is an established industry norm between the drug firms and the trade to have them at around a 30 per cent level.

"As a manufacturer, our discretion is to fix the maximum retail price and then the trade margins for branded generics are standard. However, for promotional schemes, at times, manufacturers offer higher margins to the trade," said the sales head of the cardio-diabetic division of an Ahmedabad-based company.

Rationalisation of trade margins, he said, was a good move that was going to benefit the branded medicine players.

For trade generics, however, the margins vary hugely, up to 80 per cent. Trade generics are the unbranded medicines that are sold directly to the distributor and are not marketed through a field force, i.e., medical representatives. This saves the manufacturer marketing costs. This saving is passed on to the trade to incentivise it to

promote its products. Almost all big pharma in the country, including Cipla, Alkem, Lupin, Cadilla Healthcare, and Sun Pharma have a trade generics business, which helps them to boost their domestic volumes.

Cipla gets almost a fifth of its domestic revenues from trade generics and so a move to cap margins will affect it, particularly as it has undertaken a major restructuring of its domestic distribution network. Ameesh Masurekar, director at AIOCD Pharma-softech AWACS, a market research firm, had told *Business Standard* that for antibiotic injectables, there is some discounting or pricing change at times when a manufacturer sells it to a hospital.

## From part of life...

This enabled faster updates to computing devices — large and small — while triggering the app economy. From buying software patches on disks, upgrades were just a download away. This triggered the rise of wearable devices, which tracked health to virtual assistants you could speak to. Search moved from keyboard to voice.

Behind this magic was the application of artificial intelligence (AI) that anticipated the needs of users. Process automation and IoT was hastened by the combination of cloud computing and AI. The burden of hardware moved to a remote location, while the responsibility of computing fell on quality of connectivity. The world moved from virus protection to cybersecurity. Connected devices and sensors brought AI-driven cybersecurity to each and every consumer.

## 4G for everything

None of the above would have been efficient, responsive or popular, with the omnipresence of 4G connectivity. Server farms that connect us to everything, instant searches for food and fashion, guides to travel and commute happen because of the megabits of data that zap through 4G mobile networks. Our impatience level with connectivity has reduced to a few seconds. A half a second delay in find direction on Google Maps triggers anger. Such is our dependence on 4G. Launched in the December of 2009, 4G sped across the world in the last 10 years, offering 10 times the speed of third-generation mobile connec-

tivity. Phonemakers rapidly upgraded devices, while traditional business models were decimated as online commerce grew by leaps. From \$1.3 trillion in 2014 to a projected figure of \$6.5 trillion in 2023.

4G helped millions of consumers across the world cut the cable as entertainment moved from satellite to streaming. Already the imminent launch of 5G is being anticipated as the next big change.

## Sharing business

Connectivity created the sharing economy and the sharing society. Uber triggered it and then there was Uber of everything. Ridesharing became an industry by itself, while product and service aggregation has developed into a business model.

Airbnb brought the next big shift by allowing people to share their homes. Millennials jumped in by preferring to share rather than own. Cars, furniture, homes, and even workspaces are now shared, not owned. WeWork brought busted the concept of cabin-filled offices by creating shared desks. In our social behaviour, sharing is omnipresent.

The share icon is an icon by itself. Any online offering without a sharing icon is incomplete. Sharing is not just about services but views, opinion, and ratings. This is driving services and customer engagement across virtually all consumer industries.

Booking.com, TripAdvisor, and GoodReads allow the democratisation of reviews, moving it from experts to users. Every product and services now are ruled by online ratings which are public and shared by users. The size of the sharing or gig economy is projected to be \$455 billion by 2023, where services and assets will be collectively used. The big shifts of the last decade will stay with us for the next century. Concepts of sharing and cloud computing enabled by AI (and related tech) will grow further as connectivity speeds grow by leaps. The future will be 5G.

The ever-slimming devices may just dematerialise. An X-ray machine may just be an app like a camera on our phones. Laptops may disappear into projected keyboards. The next decade will bring many unanticipated surprises. Hopefully the experience of the last decade would have prepared us for an unimaginable future.

## BS SUDOKU

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Hard: ★★★★★

Solution tomorrow

## HOW TO PLAY

Fill in the grid so that every row, every column and every 3x3 box contains the digits 1 to 9

# Mass surveillance

Face recognition technology and its use in surveillance by sundry governments is deeply contentious



## TECH-ENABLED

DEVANGSHU DATTA

The ongoing protests and the response have led to a focus on face recognition. In multiple places, police have taken photographs using drones, and then used facial-recognition software to identify individuals in crowds, including many minors. This raises concerns about all-pervasive state surveillance.

India may soon have one of the largest facial recognition databases. In June, the National Crime Records Bureau (NCRB) tendered out for tech-

nical help to build a database for the police match "persons of interest" with pictures, including pictures from sources like newspapers, social media and TV grabs, etc.

The system should allow the police to carry out "fast and accurate face recognition" in a "live environment", according to the tender. The NCRB says this would help to identify missing persons. The face-recognition database would not, according to the NCRB, be integrated with Aadhaar, which includes photographs and other biometric data.

The NCRB also said, in a written response to the Internet Freedom Foundation, that the system would not use images from CCTV in public places unless a crime was committed. The data would be hosted on a centralised application "made available for access to only police".

The protests are likely to lead to an accelerated adoption of such systems. It's anyone's guess if the NCRB will actually abide by its commitment not

to link to other databases like aadhaar. In addition to that database, CCTVs are up and running in both public spaces and closed environments. It's likely that your image is being captured multiple times on a normal day on multiple CCTV cameras, with the data stored and processed by multiple organisations. The police already uses CCTV images to levy traffic fines.

This ambitious surveillance programme would be considered overreach in democratic countries. It involves collection and processing of private personal data without consent. However, India's proposed Personal Data Protection Bill, which has not yet been passed in Parliament, does not contain specific protections against this. It proposes to give all government agencies and organisations an open licence to collect and process data, without consent.

The original draft contained a provision that government agencies should only collect data without consent, when it was necessary and pro-

portionate. That was deleted in the draft circulated to the Lok Sabha in early December. That means there are currently zero checks and balances against state surveillance and if the Bill is passed as is, there will continue to be zero checks and balances.

Digital photographs of people are among the easiest things to collect without consent, or knowledge. In the Eurozone, where this is considered private personal data, the "right to forget" clause of the General Data Protection Regulation can be invoked to ask for erasure of such data. It is not clear if such a request could be made under the proposed Personal Data Protection Bill, 2019 although it does contain a right to forget clause.

Face recognition technology comes in many types, for many purposes. There are one of one matching systems, such as laptops or mobile device, which stores the digital picture of one individual and matches faces of users upon login. There is one versus few, such as a small database of employees in a given organisation. In both these cases, there is consent which can be withdrawn.

One from many matches occur when the police match a picture of a person of interest (or a corpse), versus a large database. There are also many from many systems when the police

take pictures of large crowds and match every face versus other large databases. There may not be consent, or knowledge in either of these.

Fooling modern facial recognition programs isn't easy, though these do throw up both false positive and negatives. An air-filter mask may not fool a modern face-recognition program. Make up streaked in odd lines can work, but is conspicuous. A scarf, or earrings, or anything worn close to a person's real face, with images that look like a face may confuse the software. Special baseball caps with LED /infrared lights can work while being invisible to the human eye. So can privacy visors, which look like normal sunglasses but reflect light back in odd ways.

Face recognition technology and its use in mass surveillance by sundry governments is deeply contentious. It has been banned in several jurisdictions. It also has technical flaws — for example, false positives lead to innocents being harassed. Courts and judges may not be sufficiently techno-savvy to understand the limitations, or the scope for framing and digital forgery if this is used for police work. However this is now widely prevalent in India and it will remain legal and all-pervasive, going by the data protection bill.

## CHINESE WHISPERS

### Phule going solo

Savitribai Phule, the Dalit leader of Bahraich district of Uttar Pradesh, who joined the Congress after leaving the Bharatiya Janata Party (BJP) ahead of the 2019 Lok Sabha polls, has resigned from the grand old party. The Congress had given the ticket to Phule to contest from the Bahraich parliamentary constituency but she lost to the BJP nominee. Following her defeat, Phule was left in the political wilderness as the Congress became busy restructuring its state unit. After resigning from the Congress, a sulking Phule is gearing up to hold a convention in Lucknow next month when she is expected to announce her next move.

### Money platter



Legend has it that a man prayed for money and then became rich by growing multiple plants from one — giving the plant its name. Not sure if that was the case here, officials in Odisha over the weekend unearthed property worth over ₹1 crore in the possession of a gardener-cum-horticulture extension worker employed by the state government. On a tip-off officials raided the house of one Udhav Behera and that of his relatives in Mayurbhanj and Balasore district and found a neat stash. Besides the cash, Behera owned a three-storey house, 12 plots of land, a poultry farm, three two-wheelers, big-ticket deposits and investments in banks plus a huge amount of gold ornaments.

### Hyperlocal promise



Election is tough competition, even if it is of local bodies. In Tamil Nadu, where panchayat elections are taking place in two phases — one was held on December 27 and the next

is scheduled for December 30 — a candidate took the traditional way to win over people's trust. During her door-to-door campaign, Padmavathi, a candidate in Mylambadi village, Erode district (where the election is to be held on December 30), handed over a betel leaf and nut to prospective voters, promising to fulfil every promise made in her manifesto. Touching the betel leaf and nut is a traditional way to guarantee something and gaining trust.

# Indian banking: Challenges in the new decade

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



## BANKER'S TRUST

TAMAL BANDYOPADHYAY

Today, the Reserve Bank of India (RBI) will conduct the second phase of Operation Twist by simultaneous buying and selling of government securities. It will buy long-term bonds and sell short-term ones to bring down the bond yields and flatten the curve, narrowing the term premium. The 10-year bond yield, which rose to 6.8 per cent in the recent past fearing higher government borrowing to bridge the widening fiscal deficit, is now hovering at 6.5 per cent.

Operation Twist "manages" bond yields, brings down the cost of borrowing for the government and saves banks from treasury losses. Banks, in fact, can make money trading bonds but nobody knows how long the RBI would continue the exercise and how much it would buy. Therein lies the challenge for the banks. What are their challenges in the new decade?

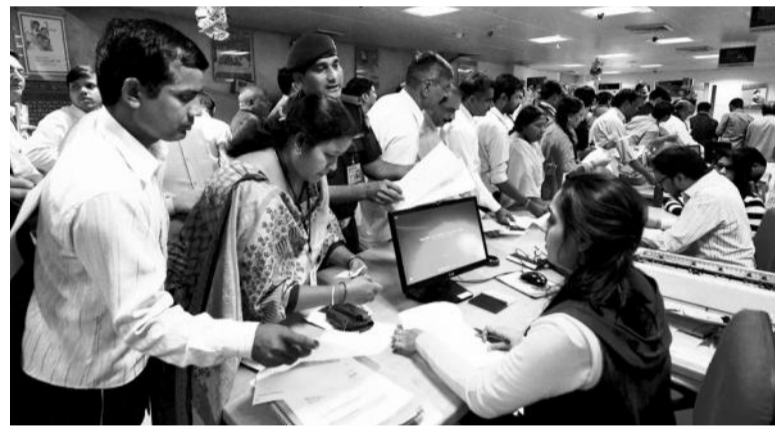
For the record, a decade ago, the 10-year bond yield was 7.59 per cent and 11.22 per cent in December 1999. The gross annual government borrowing fig-

ures for fiscal year 2000, 2010 and 2020 have been ₹99,630 crore, ₹4.92 trillion and ₹7.1 trillion respectively.

The kitty of bank credit, which is ₹99.25 trillion now, was ₹29.42 trillion in 2009 and ₹4.15 trillion in 1999. The credit pile grew 609 per cent in the first decade and less than half of it in the current decade. The deposit portfolio of banks, which is ₹1.31 trillion now, has grown 213 per cent in the current decade, roughly half the growth in the first decade (from ₹791 trillion in 1999 to ₹41.84 trillion in 2009). How has the economy been growing? In 2000, it was ₹20.13 trillion and in 2010, ₹64.78 trillion (both 2004-05 series). The estimated size of the Indian economy in 2020 is ₹211 trillion (2011-12 series).

Finally, a look at the pile of bad assets. In March 2019, the gross non-performing assets (NPAs) of the Indian banking sector was 9.1 per cent of the loans, the highest among emerging markets. It may rise to 9.9 per cent next year. The figure was 2.39 per cent in March 2009 and 14.6 per cent in March 1999. After making provisions, the net NPAs of the industry in March 2019 was 3.7 per cent, higher than 1.12 per cent in March 2009 but much lower than 7.5 per cent in March 1999.

The current decade started with enormous fiscal and monetary stimulus to ward off the feared impact of the collapse of US investment bank Lehman Brothers Holdings Inc. The government went all out spending money and the RBI followed an ultra-loose monetary policy, flooding the system with liquidity and bringing down the policy rate to its historic low. That sowed the seeds of



Has the central bank been too aggressive in cleaning up the system?

the problems that plagued the financial sector for an entire decade, threatening to spill over to the next.

Former RBI governor Y V Reddy — initially a much-disliked central banker for his refusal to open up the banking sector — turned into a hero after the Lehman collapse for ring-fencing the Indian economy by not opening up the sector. In the current decade, there has been partial opening up but that is not the reason for the enormous pain that the Indian financial sector has been experiencing. Unlike in the past when only the banking sector bore the brunt, the problem has spread across the financial system — to non-banking finance companies, mutual funds and rating agencies. There is a clamour for fiscal stimulus even as monetary easing continues.

How did we get into the mess? Probably, each decade has its own contribution. Some are blaming the abolition of development financial institutions

(DFIs) in the 1990s that forced banks to lend for projects without the core competence. They are extremely slow learners of the tricks of the trade; the leisurely development of the corporate bond market also did not help the cause.

A few are holding the Reddy regime responsible for the current troubles as the economy grew at over 9 per cent for three successive years then and the credit growth was phenomenal, leading to overheating. Then, of course, there was the exaggerated response to the global crisis in the aftermath of the Lehman collapse. And, finally, there are others who are blaming former Prime Minister Manmohan Singh and former RBI governor Raghuram Rajan for the mess. India presents a unique case study of financial sector woes spilling over to the real sector. And there is no Lehman or East Asian crisis to blame. It is self-inflicted.

In the past too, Indian banks were

saddled with bad assets but there has never been such a crisis of confidence (which forced the RBI to issue a release saying depositors' money is safe in the banks). Has the central bank been too aggressive in cleaning up the system? Should it and the government have thought of the solutions before raising the red flags? When bankers are hounded by investigative agencies for credit decisions going wrong and defaulters are treated like outcasts, who will borrow money and who will lend?

The endgame in the politician-banker-corporate house nexus has not played out yet. Once it does, the new landscape for the Indian financial system will emerge. In some sense, the Indian banking story has remained unchanged for decades. Banks have kept on changing their assets — from steel to infrastructure to telecom to retail — and corporate India kept on leveraging up even as the regulator was generous in offering forbearance to banks. Periodically, new currency in the form of the treasury gains has been used to clean up banks' balance sheets. How long can it continue? At some point, there won't be anybody to lend barring the government — the last bastion. This is a classic story of debt stagnation and fiscal dominance.

In the new decade, we will see the emergence of large banks through consolidation; probably better-governed public sector banks with a smaller market share; the entry of many small banks; and even the return of DFIs in some form. Let's hope and pray that we also see the closure of the bad loan saga.

The writer, a consulting editor with Business Standard, is an author and senior adviser to Jana Small Finance Bank Ltd. Twitter: TamalBandyay

## INSIGHT

# Data protection law: Enhancing the ecosystem



MANISH SEHGAL

The chatter on data privacy is slowly growing into a heated discourse as technologies at the forefront of innovation are pitted against the fundamental right of individuals to protect their privacy. Harnessing data lies at the core of the digital revolution, thus earning it the moniker "oil of the 21st century". Data and the ability of corporations to leverage data is fuelling economies across the globe and giving rise to differentiated businesses and business models. India's commercial ecosystem has immensely benefited from this data revolution. India has close to 500 million internet users and these users are aggressively using internet-based services ranging from food delivery to online shopping. The proliferation of e-commerce platforms and the many start-ups that are providing services and goods over the internet are relying heavily on the collection of personal data. At present, the Information Technology Act is the framework available for organisations to integrate data protection within their processes and prospectively, the Data Protection Bill of 2019 (PDPB) will subsume the requirements governing personal data.

The Bill proposes controls that include the concept of consent manager wherein individuals may use it to give or withdraw consent to the organisation collecting their data and transparency requirement to provide notices to individuals subjected to data processing activities in addition to conducting data protection impact assessments.

A raging debate around the implementation of data privacy laws is that it will be a drag on innovation. Rather than a threat, such laws should be perceived as enablers. Innovation and privacy are like the two sides of a coin — seemingly on opposite sides but only hold value when together. The key value proposition for a host of e-commerce companies and fintech operating in the financial services space is the ability to harness customer data in order to provide clients with more customised solutions. An attempt to create "wow" moments along the customers' journey. Data becomes central to understanding a client's proclivities and accordingly fashioning the desired solutions. However, the concern around data privacy laws strangling innovation is largely unfounded. Data privacy does not mean that corporations and start-ups will not have access to data and will thus not be able to innovate. It only means that there will be more accountability for the data that they collect, process and store. At its core, the concept of privacy also empowers the data owner, that is, the individual. It promotes the individual to have control over how his/her personal data is being collected and/or used. The traditional relationship between a corporation and an individual was skewed in favour of the corporation. Data privacy laws simply level the playing field by empowering the consumer.

Scalable innovation cannot be done without adequate privacy safeguards and data privacy laws have the potential to encourage innovation by enabling an ecosystem where things are done in the right way. A case in point is the State of California, home to the Silicon Valley and widely considered as the innovation hub of the world. The California Consumer Privacy Act which became the California law in June 2018, is one of the strongest legislation on data privacy in the United States. Technology and e-commerce businesses in the state continue to evolve as they gear up to comply with these new laws. The aim of such laws is to curtail the activities of those who are exploiting data for more than its intended use and put the reins in the hands of the data owner as per her preference — this goes a step beyond consent and lets the individual decide how his data is going to be harnessed.

The question is, "Whom does the data belong to?"

Corporations should consider their role as a custodian of individual's personal data similar to how banks are custodian of an individual's money. The money that we deposit in banks cannot be used by the banks as per their whim or requirements. Banks cannot choose to invest our money in the equity market or even open a fixed deposit without our explicit consent. At the same time, they have a duty to protect our money.

Corporations in the digital world have a similar responsibility. As custodians of our personal data, they do not have the authority to leverage our data as per their preferences. They should be held responsible for protecting our data from cyber infringement and misuse. Structured and well-defined laws on data privacy can help preserve the sanc-

tity of data and deter its misuse.

The consumers are clear winners as data privacy laws ensure that they have a say in the way their personal data is being harnessed. Corporations stand to benefit as well. In 2017, India experienced the second-highest number of data breaches across the world (₹37 per cent of the overall data breaches). Enterprises face a significant risk of data breach by "insiders", that is, employees or third-party vendors with access to data. The economic and reputational cost of data breaches can be high. Corporations can avoid this by complying with the prevailing data privacy laws and building new systems that allow them to safely explore, validate and analyse data. On the other hand, one must concede that data (personal) may no longer be as easily and freely available as in the past. Businesses need to ensure that their operating environment is enhanced and change the way they deal with an individual's data. Thus, corporations should strive for a "privacy-enabled environment" and not just a "privacy-compliant environment". The former can help businesses create a competitive advantage as individuals may prefer them and feel safe to transact and engage with such business.

Far from stifling innovation, privacy requirements and regulations are designed to give an impetus to the data economy and provide organisations with innovative ways to engage with customers, address the mushrooming trust deficit and build a competitive advantage. The successful organisations will be those who can see beyond the regulatory constraint and use it as a catalyst for digital transformation and for creating an enduring competitive advantage.

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## LETTERS

### Things can only better

As the year comes to a close, it's a good time to reflect on the impactful events that the year has witnessed. From Narendra Modi's emphatic victory to Balakot that marked a discernible shift in our security policy, Modi 2.0 wasted no time in taking big political decisions. The abrogation of Article 370 and the bifurcation of the state of Jammu and Kashmir into two union territories caught everyone by surprise. The government could muster support in Rajya Sabha and got the Triple Talaq Bill passed. And towards the end of the year, the Citizenship Amendment Act happened. Clearly, the ruling dispensation, riding on the back of a huge mandate, is not shy of taking its political belief to its logical conclusion. On the economic front, the year hasn't been kind to us. Despite the stimulus announced by the government, signs of recovery are not yet visible. That said, everyone likes to believe that the slowdown has bottomed out and it can go only up from here. It is hoped that the year 2020 would bid goodbye to the economic crisis bringing growth back on track.

**Sanjeev Kumar Singh** Jabalpur

### Scope for improvement

This refers to "Time running out for PSBs" (December 27). It is true that

private banks have a stronger capital base and less of non-performing assets (NPA) in contrast to public sector banks. The former also laid emphasis on customer satisfaction and service quality to attract and shore up business unlike the lackadaisical approach of many public sector banks. Nevertheless, the significance of public sector banks cannot be overlooked. What is required is meaningful — and not merely target-oriented lending — to improve asset quality and prevent capital wastage.

Stricter systems and procedures are essential to regain customer confidence after a series of frauds. Private banks already have taken care of this aspect. Capital infusion can be restricted but not abolished in public sector banks given their compulsion to implement social welfare programmes. The spate of mergers and acquisitions reflect poorly on them. Growth in challenging times is key to survival. Public sector banks have to adopt new technologies and security measures to project a better image and make themselves less vulnerable and globally competitive.

**C Gopinath Nair** Kochi

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## HAMBONE



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## Bring banks on track

Credit market ecosystem needs better governance and oversight

The banking sector is showing signs of a turnaround, though challenges remain. The latest Financial Stability Report (FSR) of the Reserve Bank of India (RBI) says that gross non-performing assets (GNPA) of scheduled commercial banks could rise from 9.3 per cent in September 2019 to 9.9 per cent in September 2020, largely due to change in macroeconomic conditions, marginal rise in slippages, and declining credit growth. Slower economic growth is a risk for both the banking and non-banking financial sectors. Nominal growth in the Indian economy slipped to 6.1 per cent in the second quarter of the current fiscal year — the lowest in about two decades. Lower nominal growth will affect revenues of businesses, which will have a bearing on their ability to service debt.

Apart from NPAs, the macroeconomic and policy environment can make things difficult for banks, especially those in the public sector. Credit growth is now lagging deposit growth. While part of the banking system is not in a position to expand its balance sheet, Indian companies are increasingly borrowing from abroad. As a recent report in this newspaper showed, fundraising through dollar bonds jumped nearly five-fold to \$23.6 billion in 2019. Monetary policy accommodation in advanced economies has eased conditions in global financial markets. The slower pace of transmission in the Indian banking system, which has not allowed companies to fully benefit from lower policy rates of the RBI, also made borrowing from abroad more attractive. The rise in foreign currency borrowing, apart from affecting the banking system, could also complicate policy management for the central bank.

Even though the macro environment is not favourable, a good deal can still be done to improve the resilience of the banking and financial system. RBI Governor Shaktikanta Das has rightly emphasised the need for improving governance, including in private banks, in the foreword to the FSR. In fact, there is a need to review governance standards in the entire credit market ecosystem. For instance, as the FSB has highlighted, it has been noticed that credit-rating agencies provided indicative ratings without written agreements. As these indicative ratings are not disclosed by rating agencies, it is difficult to track the possibility of rating shopping. However, the pattern of withdrawal of ratings by one agency and provided by another does indicate the possibility of rating shopping because the new ratings are often the same or better than the earlier ratings. Since ratings play an important role in credit screening, compromised evaluation by rating agencies could affect lending decisions. The Securities and Exchange Board of India recently fined rating agencies in the IL&FS issues. This should help send a message about the importance of following regulations.

Nonetheless, rating agencies are only one part of the ecosystem. The health of the banking system, to a large extent, also depends on the government and the central bank itself. The RBI has not been able to detect governance failure in several cases, both in banks and non-banking financial companies. Again, IL&FS is a case in point. Improvement in the oversight capacity of the regulator will help strengthen financial stability. Further, the government needs to implement governance reform in public sector banks to improve efficiency, so that they are not a drag on the financial system and overall economic growth.

## Liquidity-driven rally

Lack of earnings revival will test investors' faith

The most striking change that has happened in the equity markets in the past decade is the coming of age of individual investors. They have kept faith even as returns have been subdued. The Sensex and Nifty have been making new highs, but the 10-year compounded return at 9 per cent a year has not compensated for equity risk, given that real returns have been 2-3 per cent annually. But that has not bothered foreign and domestic investors, and valuations have only climbed to new highs this year.

While foreign investors have liked the fact that India is among the fastest-growing large economies, the behaviour of domestic retail investors has seen dramatic changes. In the past, retail investors used to enter the market towards the end of the bull run and end up taking the hit. But in recent times, retail investors have kept their mutual fund investments going through systematic investment plans (SIPs) of equity mutual funds. Such accounts have gone up from about 6 million in 2014 to 29.4 million now. Investors put in about ₹8,000 crore in SIPs every month — of the ₹76 trillion equity assets with mutual funds in November, they account for ₹3.1 trillion. Ten years ago, mutual fund equity assets were under ₹2 trillion. With most of the money coming in the past five years, mutual fund returns have also been as uninspiring as the broader market. But what investors at the aggregate level have done is to continue their SIPs while reducing their monthly commitment.

The decade began in the aftermath of the global financial crisis and thanks to the quantitative easing in advanced economies, a lot of money found its way into stocks, globally. The US market has been in a bull run with the broad-based S&P 500 index returning about 11 per cent a year — among the best-performing global markets. The India story, however, has sputtered due to a variety of reasons — whether it was the policy paralysis in the United Progressive Alliance government in the first half of the decade or the slowdown that has hit during the National Democratic Alliance government in the second half. In the stock market, there has been a wave of polarisation, both in the US and India, where high-growth companies with a first-mover advantage or quality managements have been valued more than others. While India's internet companies have shielded away from raising funds in the public markets, some financial institutions and consumer companies trade at expensive price-earnings multiples for consistent and predictable growth.

At a broader level, even after a decade of financial crisis, it is still the monetary policies of developed countries that drive flows into equity markets, globally, and would remain an important determinant of foreign investment. However, for domestic investment to keep flowing into the market, the revival of economic growth will be critical. If economic growth and earnings fail to revive over the next few quarters, the patience of retail investors investing through SIPs could be tested. SIP flows have provided stability to Indian stock markets and a reversal could result in significant volatility. In absence of earnings revival, a liquidity-driven rally could further push up valuations and risk.

## Sun Tzu redux



### BOOK REVIEW

DWIGHT GARNER

The most electric war plan in semi-remote American literature appears in "A Run Through the Jungle," a story by the much-missed Thom Jones. Here is that plan in its entirety: "Infiltrate Hanoi, grab Uncle Ho by the goatee, pull off his face and make a clean escape." Because warfare is rarely so simple, books of strategy are consulted.

The most venerable of these, alongside *On War* (1832), by the Prussian general Carl von Clausewitz, is Sun Tzu's *The Art of War*, written

some 2,500 years ago. There have been many translations of *The Art of War*, and a new one, by Michael Nylan, will not be the last. It's a book that seems perpetually useful because it's a work of philosophy as much as tactics. Doves and hawks (even vultures) can approach it for meaning. The book suggests that the real art of war is not to have to go to war.

I've read Sun Tzu several times, in different translations. I'm not sure why I return to it: It's short, it's a classic, it's there. The book's lessons in deception seem not to stick with me. In my mind, I'm the least devious person in the world, my motives there for all to see. But that is what a devious person would say, isn't it?

Ms Nylan is a professor of early Chinese at the University of California at Berkeley, and the author of several well-regarded scholarly works. Her translation is the first in any modern

language by a female scholar. (Her first name is no tactical feint, but if it were she would have Sun Tzu's admiration.)

Sun Tzu's more recent admirers include Tony Soprano and Bill Belichick. How much they have memorized of *The Art of War*, as opposed to merely name-checking it, is uncertain. A high name can be a fig leaf for low deeds.

Sun Tzu is a favourite of Steve Bannon's, Ms Nylan reminds us. Sebastian Gorka had a licence plate that read "Art War." Ms Nylan gives us former Secretary of Defense James Mattis's contextualising words about the book: "You've got to know Sun Tzu and Carl von Clausewitz, of course. The Army was always big on Clausewitz, the Prussian; the Navy on Alfred Thayer Mahan, the American; and the Air

Force on Giulio Douhet, the Italian. But the Marine Corps has always been more Eastern-oriented. I am much more comfortable with Sun Tzu and his approach to warfare."

Mr Nylan suggests General Mattis put Sun Tzu's lessons to imperfect use while manoeuvring in Donald Trump's White House. Ms Nylan

further reminds us in her introduction that after Nancy Pelosi defied Trump's demands for billions for a border wall, a congressional colleague, James Clyburn of South Carolina, referred to her as the Sun Tzu of our day.

This book gets off to an uncertain start. Ms Nylan's introduction is logy. A typical sentence: "Whenever we innovate, or whenever irregular,

unpredictable or unprecedented situations arise, as they do so often in modern life, we take the plunge, whether we welcome it or not, trying to find our way to a constructive outcome." Sun Tzu says armies should avoid salt marshes. Ms Nylan leads her unwitting readers into them.

Nylan's translation of *The Art of War*, however, is marvellously pointy and plainspoken. Each sentence is a struck match. Her version of one well-known section begins: *Warfare is the art of deception. So when you can, feign incapacity, and when deploying troops, appear to have no such plans. When close, seem to them to be far away, and when far away, seem near.*

Sun Tzu's admirers seek to apply his lessons in everyday life. More than once, I have heard the "seem to be far away" admonition applied to flatulence. Ms Nylan continues: *If the enemy commander is avid for advantage, use it to lure him in; if he is volatile, seize upon that; if he is solid, prepare well for battle;*

*If he is strong, evade him. If he is angry, rile him. If he is unpresuming, feed his arrogance.*

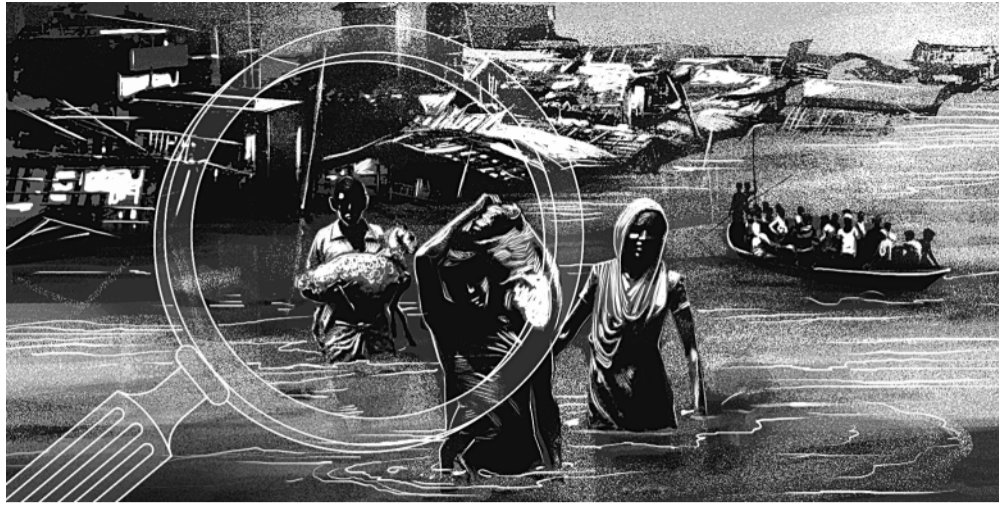
Ms Nylan ran her successive drafts past "an international group of scholars drawn from multiple disciplines," including a former military officer and a poet, she writes in her introduction. Like the wisest commanders, she sought criticism and synthesised the best of it. Her translation is insightful and alert.

There is a lot we do not know about "The Art of War." It is most likely a composite text, rather than the work of one author. The legendary general in the book, Sun Wu, may not have existed.

This is a book that, in chapters as small and neat as Nespresso pods, admires achievements in corpse-making. But Sun Tzu writes: "Winning a hundred victories in a hundred battles is not the best possible outcome. Best is to subdue the enemy's troops without ever engaging them on the battlefield."

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## Households after a natural disaster

The CMIE's CPHS data breaks the preconception of devastation and impoverished households being pushed to spending less

Recent research has uncovered new insights into a major natural disaster, the Chennai floods of 2015. Curiously, there was not much of a change in household income. But household expenditure surged for about a year after the floods. There were sharp increases in expenses on health and on fuel/power. After this period, households reversed themselves and started spending less; they were probably repairing their balance sheets. The expenditure surge was smaller for the less affluent, even though the damage that they suffered is likely to have been worse. More access to borrowing would have helped.

Natural disasters are important phenomena in the life of a nation. Most of us will experience one or more major natural disasters within our life. There is a need to know more about what happens in a local economy after a natural disaster. Traditionally, researchers have camped in a disaster-affected zone and undertaken measurement, but there are two limitations. We have not measured conditions before the disaster, and we are not simultaneously measuring conditions in an unaffected area, which can be used as the comparator (also called "the control").

New possibilities for measurement flow from the Centre for Monitoring Indian Economy's (CMIE's) "Consumer Pyramids Household Survey (CPHS)", which measures 170,000 households every four months. Assuming a disaster typically falls in between two survey dates, we get a four-month peri-

od in which each household is met before the disaster; after the natural disaster takes place, the same households are met again. This measurement is done all over India, so it is possible to identify controls.

In a recent paper (<http://bit.ly/chennai2015>), Ila Patnaik, Renuka Sane, and I study the Chennai floods of 2015, as a test case of this new approach, to measure the impact of natural disasters upon households.

The first question is about income. At first blush, we may think that many firms were disrupted during the floods, street-side vendors could no longer ply their trade, and thus incomes would go down. But we should look deeper. Disruption of kitchens meant

that vendors selling cooked food got a surge in demand. The moment the waters receded, all households were engaged in repair and reconstruction. The government spent a lot of money — about ₹2,000 per head — on relief and reconstruction. All these enhanced expenditures constituted a large demand shock in the local economy, which counteracted the flood-related disruption. As a consequence, the overall change in household income was about zero.

The second question is about expenditure. The traditional preconception is that there is devastation after a natural disaster, and impoverished households are pushed to spending less. This is not what happened in the data. Expenditure surged dramatically, by 32 per cent, during and immediately after the floods. Households were



### SNAKES & LADDERS

AJAY SHAH

## The decade we leave behind and ahead

It's the end of a decade and the start of a new dawn, we hope. In the decade we leave behind — 2010-19 — the world, it would seem, has unravelled and come apart; our leaders are diminished; our economies are in trouble; and, there is conflict and strife everywhere we look. In this decade, we have realised that climate change is not in the distant future. It is happening and its impact will only grow. Every year in this decade has broken a new record — the highest heat and the most extreme weather. But it is not just about weather. It is about how people in the world view their present and think about their future.

We know that the young are restless — maybe more than in any past decade. In the richer world, young people are alarmed and insecure because they don't know how they will survive this increasingly warming world. But I think what worries the young the most is that they feel powerless to make the difference — what is intrinsic and essential in their lives is what is indicted as the problem. How will they change this? The young worry about this. As they must.

In the poorer world, the young want opportunities. But the future prospects look bleak where they live. They want to move — from the village to the city, and from the city to another country. They are not satisfied with the plight of their parents. Even if they don't have enough formal education (because governments have let them down), they are in tune with the present through their mobile telephony. They know about the bright lights; they know that the world is awaiting them. They want it, as they

should. They also see the world around them crumbling — their farmer parents are not able to make both ends meet. The price and the weather risk of growing food increases each day, and each season increases the spiral of debt. They don't want this. Their generation is also different in another way. They are not meek or submissive. They are hungry for more but also impatient.

It is, therefore, no surprise that in almost every part of the world things can go out of hand very quickly. A simple hike in fuel or university fees can topple governments, bring the army on the road, and cause shooting, burning, and looting. It's a tinderbox world, on the boil.

It's also a divided world. Countries do not work together anymore. Every country thinks only of its own interests and nothing more. This is not to say that this was not the case before. But the pretence has gone — and this in an age of extraordinary inter-connectedness and inter-dependence has huge consequences. Let's be clear that in the last three decades — 1990-2019 — growth has stumped the environment; even if local air has been cleaned, emissions have been externalised — leading to this existential threat of climate change. Our inheritors should remember this.

There is other decadal learning as well — in our world, we are seeing unprecedented rates of internal migration and rural distress. I say this, not only because of the massive and often vile discourse over immigrants, but also because we know that our cities are growing in an illegal way and that this growth is

spending more on food, health care, and, most importantly, fuel/power.

In about 10 months, expenditures came back to normal, and after that, spending actually dropped to below the pre-flood levels, as households went back to repairing their balance sheets.

The richest households would have experienced the least destruction of housing stock or assets, and they are also likely to come through relatively unscathed on ill health when the upper floors of a house are not flooded. The richest households also have access to liquid assets and borrowings. So, the ideal response that we might see, for an affluent household, is a short surge of expenditure after which normalcy is restored.

The harm caused by a flood for poor people is greater, through the destruction of housing and assets, and health impact. Ideally, a bigger consumption surge is required after the event to repair the damage. However, in the data, we see a smaller consumption surge for the poor. This may reflect financial constraints, and greater hardships for the poor.

Finance should be a major part of the resilience of households when faced with a natural disaster. However, in the data for Chennai, we see a certain retreat from finance: Fewer households borrowed, saved or purchased assets after the flood. This raises concerns about the extent to which the Indian financial system is able to perform its functions in that moment of need when the average household requires finance the most. It is important to diagnose and identify the policy impediments, which are holding back profit-motivated financial firms from surging the lending to households in a disaster-affected area such as Chennai. These difficulties are consistent with the broader picture of a malfunctioning financial system.

While the floods in Chennai were a terrible event for persons there, at a conceptual level, the post-disaster performance was perhaps as good as it can get in India. Tamil Nadu has high state capacity, Chennai is one of the most affluent places in India, the media reported on the events with great interest, which helped ensure that the government swung into action for relief and reconstruction with alacrity and heft. In other locations in India, we may perhaps expect outcomes to be a bit worse, on account of inferior state capacity, lower household affluence, a reduced presence of financial firms, and reduced scrutiny by the media. The evidence that we see about Chennai can perhaps be interpreted as the frontier and as the best outcomes that are obtained in India when faced with a natural disaster of the magnitude of the 2015 Chennai floods.

The significance of this work lies not just in understanding what happened after the floods in Chennai in 2015. The measurement strategy that has been developed here is general, and not just about the Chennai floods of 2015. Many researchers will be able to conduct such studies by applying these methods, through which a new body of knowledge can develop on understanding what happens to households in India when faced with a natural disaster. Direct comparison between different natural disasters will, however, be limited by the fact that no two shocks are quite the same. As an example, the floods in Kerala were not comparable with the floods in Chennai.

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### DOWN TO EARTH

SUNITA NARAIN

massive and unmanageable.

This is also where the circles close. The fact is that Delhi cannot breathe today — our air is foul and toxic. Our health is compromised. What we must understand is that a large part of the problem of pollution — some 30 per cent — comes from industries that spew emissions into the air. This industry cannot afford to move to a cleaner fuel, like natural gas, because of the expense. It will use the dirtiest of fuels — pet coke — and if it gets banned then coal or anything else that is cheap. But if we in Delhi want clean air, then we cannot export this industry to the next region. The airshed is the same. Air pollution is a great leveller, as I keep saying. We need to ensure that this industrial growth comes without discounting the cost of the environment. We need growth, so that it is inclusive — rural and urban; for the rich and the poor.

This should have also been the lesson for the rich in the rich world. Their governments have worked overtime in successive climate negotiations to erase the very idea of equity and justice. But the fact is it is also a common airshed. If the rich emitted in the past, the poor will emit in the future. We also share a common future and it does not look so good anymore in terms of climate impact.

So, let's please get real in this next decade. If not for our sake, then for the sake of the young, who will inherit this world — polarised, intensely unequal, and now greatly risked because of climate change. No more games. No more procrastination. The decade of the 2020s is the last chance we have to walk the talk. To make it right. Let's not lose it. Not again.

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