IN BRIEF

Axis Bank CFO Jairam Sridharan resigns

PHOTO: JAGADISH CHALKE

Axis Bank's Group Executive and Chief Financial Officer Jairam Sridharan *(pictured)* has resigned from the post. He will be serving a notice period of three months. In a statement sent to the exchange, the private lender said, "This is to inform you that Shri Jairam Sridharan…has today informed the bank that he would like to pursue other career opportunities and as such has resigned from the services of the bank." The bank has also told the exchanges that it has started looking for a replacement of Sridharan. **BS REPORTER**

ED directed to file final affidavit in BPSL assets matter

The National Company Law Appellate Tribunal (NCLAT) on Friday asked the Enforcement Directorate to file a final affidavit containing developments related to attachment of Bhushan Power & Steel assets. A two-member NCLAT Bench asked the ED to clarify its role after the attachment of assets of the company.The appellate tribunal was hearing a batch of petitions, including one filed by JSW Steel, against the attachment. **PTI**

Citizenship Bill set to be tabled in Lok Sabha next week

The contentious Citizenship (Amendment) Bill is expected to be tabled in the Lok Sabha on Monday for consideration and passage. According to the Bill, members of Hindu, Sikh, Buddhist, Jain, Parsi and Christian communities, who come from Afghanistan, Bangladesh or Pakistan facing persecution there, will not be treated as illegal immigrants but given Indian citizenship when the proposed amendments to Citizenship Act come into effect. **PTI**

Andhra Bank to redeem bonds exercising call

State-owned Andhra Bank on Friday notified exchanges that it would exercise the call option and redeem its Tier II bonds worth ₹280 crore, but willl continue with its additional Tier 1 (AT1) bonds worth ₹500 crore. The bank will also redeem its subordinated bonds worth ₹320 crore upon maturity. The bank had earlier notified exchanges that it wished to withdraw its perpetual AT1 bonds that has a coupon of 9.55 per cent, using a call option on 26 December. However, the Board decided to continue with the bond, it said. **BS REPORTER**

Centre disbursed ₹36,000 crore under PM-KISAN

The Centre has so far disbursed around ₹36,000 crore to beneficiaries under the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) programme that aims to boost farmers' income, the Parliament was informed on Friday. Under the scheme, the Centre is providing ₹6,000 annually in three equal installments to 14 crore farmers. **PTI**

Coal India gives 10-day credit window to non-power firms

AVISHEK RAKSHIT
Kolkata, 6 December

In a relief to customers from non-regulated sectors such as steel, cement and aluminium, among others, Coal India has decided to allow them a credit period of up to 10 days. Earlier, these customers had to pay the full amount upfront, prior to any despatch. This way, Coal India believes that it will not only help it to increase offtake, but also address working capital constraints of consumer firms.

According to a Coal India official, working capital blockage in coal movement by railways, of late, had also impacted the financial health of consumers. This could be addressed by giving them more time to pay back. Earlier, significant amount of money deposited by non-power sector consumers against coal despatched through railways was locked in the form of advances. These amounts could not be utilised by steel and other non-power companies in subsequent coal purchases.

Under this mechanism, coal consumers from non-regulated sectors need to furnish a bank guarantee of the amount of purchase. This amount has to be replenished from time to time as despatches are made.

Markets see ₹80K-crore extra govt borrowings

ANUP ROY
Mumbai, 6 December

IN THE AFTERMATH

- RBI waiting for Budget numbers has surprised the bond market
- 10-year yields could rise to 6.75% by end of December
- Fiscal deficit can go to 3.6–3.7%
- Revenue shortfall and delay in privatisation are major concerns
- The market is suspicious about the completion of Air India sale in this financial year
- Small savings mobilisation is quite robust

The Reserve Bank of India's (RBI's) decision to take a temporary pause, preferring to wait for Budget numbers to come first, seems to have convinced the market that the central bank suspects the fiscal deficit numbers would be breached by some margin and there would be extra borrowing.

The fiscal deficit can go to 3.6-3.7 per cent of gross domestic product (GDP), and not 3.3 per cent as budgeted, given the current conditions. The extra borrowing could be in the range of ₹50,000-80,000 crore to bridge this deficit, the market expects.

Even as the short-term money market rates have fully reflected the 15-basis-point (bp) rate cut, the 10-year bond yields have transmitted 89 bps because of fiscal deficit concerns, say bond dealers. The 10-year bond yields rose again 5 bps, after jumping 15 bps on Thursday, to close at 6.66 per cent on Friday.

"The 10-year yield had factored in a 25-bp cut. It wouldn't have reacted much if there was a cut. Furthermore, given that inflation is going to remain above 5 per cent in the coming two-three months, it is almost certain that the RBI will not have any scope to cut," said a bond dealer, requesting anonymity. "Prospects of future cuts are also nixed. The yields will adjust to that as well. By the end of December the 10-year yields could rise to 6.75 per cent."

There are lots of moving parts in the equation, and bridging the fiscal deficit depends upon planned and possibly additional disinvestments, as well as collections from small savings scheme. But with only four months left in the fiscal year, the market is finding it difficult to fathom if the government would be able to pull off a sale of Air India, even as BPCL and other planned privatisations could be achievable. There are also concerns about the valuation — whether it would be justifiable for these assets if done in a hurry. "The trend for tax collections — both direct and indirect — is significantly lower than budgeted, leading to fears of extra borrowing," said Badrish Kulhalli, head of fixed income at HDFC Life Insurance.

MONETARY POLICY

"Some of the shortfall can be covered by small savings collections, beyond the budgeted amounts. Rest could be financed either through additional disinvestment, if possible, or some one-off source, with the balance being bridged through extra borrowing," Kulhalli said, even as he didn't want to hazard a guess about the possible extra borrowing numbers at this point.

Given a shortfall in direct tax collections, estimated at ₹1.6 trillion, as well as in goods and services tax (GST) at ₹1.2 trillion, the bond market is sure that the government will be dependent on extra dividend from the public sector undertakings (PSUs), as well as robust mobilisation from small savings instruments.This is also a reason why the government is unwilling to reduce rates on small savings even as the RBI in its December policy clearly said there was a need "for greater flexibility in the adjustment in interest rates on small saving schemes".

However, not all in the market are expecting huge extra borrowing by the government. And even if there is, the market has enough appetite to absorb that. "The liquidity surplus is such that any extra borrowing can be easily absorbed," said Harihar Krishnamurthy.

"There can be a fiscal breach, but the market also wants the government to spend more. That will attract more GST collections. A little OMO (open market operation) support from the RBI, dividend from PSUs, BPCL sale and possible Air India privatisation can comfortably match the government's arithmetic," Krishnamurthy said.

New RBI norms may help MFIs become SFBs

NIDHI RAI
Mumbai, 6 December

To give a fillip to its financial inclusion programme, the Reserve Bank of India (RBI) has issued final guidelines on on-tap bank licensing after consulting various stakeholders.

These norms may form the basis for small finance companies and micro-finance institutions (MFIs) to transform into small finance banks (SFBs), bankers and analysts said.

"This move will accelerate financial services penetration in the country. The move to enable urban co-operative banks (UCBs), desirous of voluntary transformation into small finance banks (SFBs), would lend greater stability to these banks and protect depositors," said Rajeev Yadav, managing director and chief executive officer, Fincare Small Finance Bank.

The fact that SFBs open paths to universal banks is assuring to some market players

Some of the names, experts believe, which can give a shot in the SFB space are Svatantra Microfin, Fusion Microfinance, Spandana Sphoorty Financial, Annapurna Finance and Satin Creditcare.

One non-banking financial company (NBFC) official told *Business Standard*, "Yes, I would consider this option (of an SFB) because it gives me access to deposits which I don't have right now. But it is too early for us to say that we are going to apply for a licence. We are working on other things right now and will do a proper analysis before making any move."

The RBI had earlier issued guidelines for licensing of SFBs in November 2014 that led to granting of in-principle approval to 10 applicants.

Out of these, eight were MFIs and only AU Small Finance Bank was an NBFC. Capital Small Finance Bank was a local area bank in Punjab. Some market players also believe that the condition of completion of five years of operation to become an SFB is a bit stretched.

However, the fact that SFBs open paths to universal banks is also assuring.

Mahesh Ramamoorthy, managing director, banking solutions, Fidelity Information Services, said, "The condition for a payments bank to complete five years of operations before seeking an SFB licence seems a bit long. The RBI's reiteration that SFBs will have a path to a universal banking licence is a positive news."

It is too early to say if NBFCs and MFIs will lap up the opportunity. But they will look at this because the biggest merit of an SFB licence is that it gives permission to take deposits.

"I don't think anyone will jump on this, but yes, they should consider it. It gives them an edge. Right now, NBFCs want to focus on their own model rather than jumping ship and you have to agree that the SFB market is already very competitive," said an expert.

'Snooping without authorisation is illegal'

Justice Srikrishna says data privacy does not give anyone the right to keep data where they want

PEERZADA ABRAR
Bengaluru, 6 December

Former Supreme Court judge and the main architect of India's privacy Bill, Justice B N Srikrishna *(pictured)*, on Friday said the use of spyware such as Pegasus by the government to snoop on citizens without legal backing is unconstitutional.

Srikrishna headed a committee to prepare the Personal Data Protection Bill (PDP), which has been approved by the Cabinet and is slated to be tabled in Parliament. He said that assuming the draft Bill comes out as it is — there are sections that begin by stating that "no data would be collected by government agencies but except under the authority of Parliament legislation".

"The moment you say this (and) if they (government) collect data tomorrow without an Act permitting it, then it is illegal and they are answerable under various laws including this (data protection) law. Once Parliament passes (the Bill), it cannot give them a blanket cheque...under the name of data security. If they did it, it would be unconstitutional," said Justice Srikrishna at Carnegie India's Global Technology Summit.

He was responding to a question on the role of the PDP Bill for dealing with hacking incidents, and making a distinction between national security and political surveillance. The co-panellists included Bhairav Acharya, public policy manager at Facebook; and Rahul Matthan, partner at law firm Trilegal.

The proposed PDP Bill is said to have provisions that could trigger far-reaching implications for big tech firms such as Google and Facebook that operate out of India. These entities have been arguing that the proposals will shoot up their operating costs and in some cases, prohibit delivering some internet services.

"Data privacy does not give you the right to keep the data where you want. Data privacy only gives you the right not to share it with anybody without your (users') consent. Now, if there is another law that says whoever you give it to, must keep it in India under a valid law, you are also (bound) by that law," said Srikrishna.

He was replying to a question on whether one's right to informational privacy includes the ability to choose to keep the data overseas and not in India.

To another question about why Facebook does not have a data centre in India despite having many of those in Singapore and the US, Srikrishna said that earlier there was no control mechanism (in India). "They thought, it was not worthwhile; you can sit in America, Singapore and carry on with it. Now the writing on the wall is very specific. They also know there is this difficulty where the data centre has to be located. Now they are thinking about it, and (as per the law) they will have it in India too."

Srikrishna said the idea behind the Bill was that the critical data would remain only in the country, and sensitive personal data could be kept anywhere else abroad, but with a live mirror copy here. The reasoning was that, the usual process like mutual legal assistance treaty (MLAT) would take 18-24 months. MLAT is an agreement between two or more countries for the purpose of gathering and exchanging information.

"Sometimes you need it (information) at the drop of a hat. That was one of the biggest worries," said Srikrishna. "When you keep your servers in foreign countries, it is subject to their jurisdiction. There are countries where the law makes it obligatory for the data to be revealed to an investigative agency there. (The data of the) citizen of this country is lying somewhere else in the foreign country, open to authorised access by the investigative agencies, but my own investigative agency has no access to it," said Srikrishna.

During the discussion, Bhairav Acharya of Facebook said there was a need for some form of global interoperability of privacy data regimes, given the danger of competition between regimes.

"A harmonious regime is the way forward," said Acharya. He said it would be good if India interacts peacefully with Europe and the US, and "I am glad to say the (draft) Bill does that. It does put in place a regime that harmoniously interoperates with other countries and also recognises the interests of Indian users," said Acharya.

From Dec 16, you can use NEFT 24x7

SUBRATA PANDA
Mumbai, 6 December

The RBI on Friday said that round-the-clock availability of National Electronic Funds Transfer (NEFT) facility will be made available from December 16.

Currently, the NEFT payment system operated by the RBI as a retail payment system is available for customers from 8 am to 7 pm on all working days of the week (except 2nd and 4th Saturdays of the month). The RBI has told member banks that payment system will be available on all days of the year, including holidays. There will be 48 half-hourly batches every day. The settlement of first batch will commence after 00:30 hours and the last batch will end at midnight.

And, the existing discipline for crediting beneficiary's account or returning the transaction within 2 hours of settlement of the respective batch to originating bank will continue.

A 50 per cent slump in CV sales has dealt a death blow to informal workers in the sector. The fourth part of the series looks at how the medium and heavy commercial vehicle industry is reeling from stress

Truck body builders struggle to survive economic slump

ABHISHEK WAGHMARE
New Delhi, 6 December

The dingy office in Abdul Qadeer's truck building workshop on the Delhi-Uttar Pradesh border has an old, shabby desk and a Koryo television set that costs ₹10,000. Though his preferred brand is Samsung, Qadeer went for the cheaper brand of television because the slump in his business is forcing him to cut costs wherever he can.

A truck cabin maker named Ravi, one of his service providers, comes in to check if there is any new work order. Until last year, Ravi, who charges ₹4,500 per cabin assembly, used to turn out five cabins a month. These days he works on a single cabin for a month and clubs it with some daily wage work, as and when he gets it.

"In my 25 years in this business, I have never seen such a drop in demand. Last summer, the entire yard was filled with new commercial vehicles (CVs), and now we just have one truck," exclaims 39-year-old Qadeer, who joined his father's business when he was barely out of school.

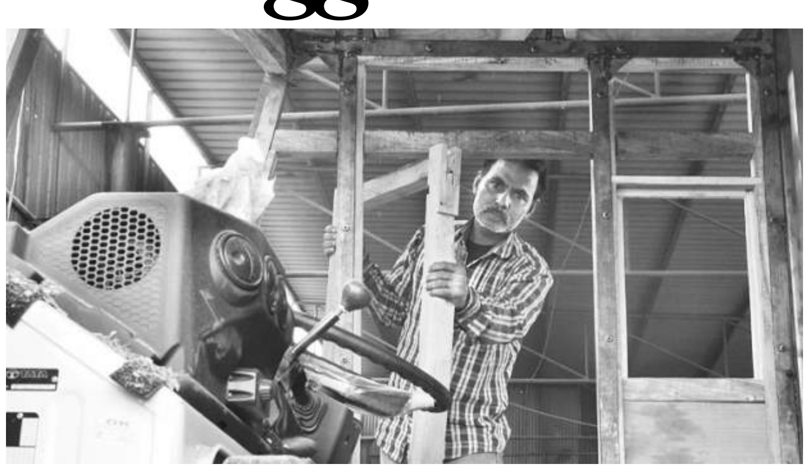
The slump that Qadeer is facing is a direct fallout of the decline in the sales of commercial vehicles, especially medium and heavy CVs (M&HCVs), which generally do not come as fully built trucks for retail buyers, and hence require external body building. M&HCV sales dropped more than 50 per cent in September and October this year, while their vehicle registrations declined by nearly 20 per cent.

If we look at macro indicators, the index of industrial production of automobiles contracted by 25 per cent in September, while that of capital goods, including CVs, declined by 20 per cent. All the forward linkages of CVs are thus under severe economic stress, including thousands of informal workers who work at these units.

SLOWDOWN: A REALITY CHECK PART-IV

Tata Motors, India's largest manufacturer of M&HCVs, says that fully-built vehicles account for more than 90 per cent of their rollout. "However, in the multi-axle rigid trucks, many customers still buy cowl chassis and build bodies through local body builders," says Girish Wagh, president at the commercial vehicles business unit at Tata Motors.

Hit hard by the downturn, transport companies are also cutting costs. "Our trips are not recovering even the operating costs. We have had to do layoffs. Forget fleet addition, it is now difficult to pay the interest on loans for recently bought trucks," says H P Singh, vice president, north India, at Agarwal Packers and Movers.



Ravi earns only a fourth of his usual income nowadays, because of slowdown

PHOTO: SANJAY K SHARMA

Says Qadeer, "Truck owners used to line up at our yard. Up until 2018, they would urge us to give them preferential treatment. But now they are holding back their orders, leaving chassis unbuilt till their transport orders grow."

The pain gets amplified when it comes to the workers. Even last year, Qadeer employed more than 30 skilled workers in his yard. Today, he has only four workers and even they don't have much to do. One worker has returned to his hometown in Bihar to save on food and rent. Qadeer has lent him ₹5,000, which will be deducted from any future payout.

However, Ravi is staying on. "*Welding painting wale mil jaate hain, cabin ka specialist hota hai* (Welders and painters are available in plenty, cabin making is a special skill)," he says

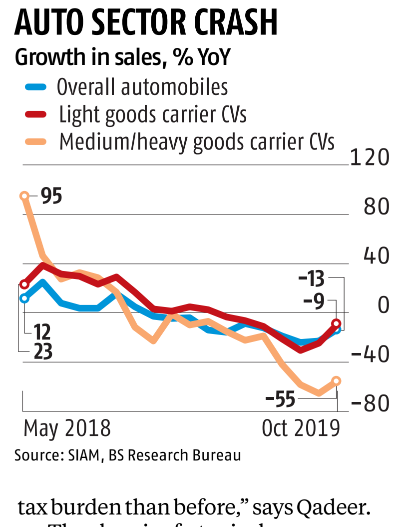
The Goods and Services Tax (GST), implemented in 2017, is also giving a hard time to people like Qadeer. In the pre-GST regime, the excise duty on the CV chassis was paid by the CV maker. The body builder would charge a flat rate according to the size of the chassis and levy service tax at 12 per cent, which later rose to 15 per cent.

Now, GST at the rate of 18 per cent needs to be recovered from the trucker. "This shows up on the bill as a higher tax burden than before," says Qadeer.

The chassis of a typical trailer/container truck costs around Rs 20 lakh for a new model. The cost of body building is about ₹3 lakh, or nearly 10-15 per cent of the price of the truck. "We end up paying ₹54,000 as GST for a work order of ₹300,000. We lose the input-tax credit in many cases where buyers are non-compliant," says another CV body building player.

Other truck builders in the area, who did not wish to be identified, reveal that illegal practices are flourishing once again. For example, agents are getting a body-built CV registered at the regional transport office without the mandatory invoice from the builder.

HEAVY TRUCKS DOMINATE AUTO SECTOR CRASH
Growth in sales, % YoY



Source: SIAM, BS Research Bureau

Also, while input costs to run a transport business have risen, there is a tendency to short-change the transport bills due to weak demand.

The high cost of diesel is also a factor. "Diesel is costlier now, after deregulation and the hike in excise duty. *Tel ke daam gire hain lekin diesel pehle se mehenga padta hai*," says Qadeer.

Around 20 miles away, at the Delhi-Haryana border, is the Sanjay Gandhi Transport Nagar, which houses many wooden truck body builders. Ram Narayan, who supplies the raw material for a truck cabin, laments that only 10 vehicles are being readied and rolled out of the hub per month. "At most 2-3 trucks are being done per week now, where there used to be 4-5 trucks done per day," he tells *Business Standard*.

Qadeer does not know when the slowdown will end. "Only if people demand more clothes, more two wheelers, more refrigerators, will the transporters get orders. It is only then that they will buy new container trucks, and I will get an opportunity to build a few of them," he says.

Ravi, on the other hand, is worried about making ends meet for his family. He is borrowing money to meet some of his expenses.

"If the slowdowndoes not end soon, I will start selling socks at Dilshad Garden metro station," he says with hopelessness.