

BANKING WATCH

Non-Performing Assets

Despite overall fall in commercial bad assets, MSME bad loans on the rise

GEORGE MATHEW

MUMBAI, JANUARY 9

BAD LOANS in the small and medium enterprises are rising despite the overall decline in bad loans in the commercial lending business of the banking sector. Non-performing assets (NPAs) of medium, small and micro enterprises (MSMEs) have risen 50 basis points (bps) to 12.2 per cent as of September 2019, as against 11.7 per cent in September 2018, according to data from a credit information company TransUnion CIBIL.

However, the overall NPAs of commercial lending declined 20 bps to 16.8 per cent in September last, marginally lower than 17 per cent in September 2018, the report said.

The Reserve Bank of India's Financial Stability Report had last week indicated the worst may not be over for banks on the bad loan front, as their gross NPA ratio may rise to 9.9 per cent by September 2020 from 9.3 per cent in September 2019. Gross NPA ratio of banks stood at 9.3 per cent in March 2019, the report said.

The CIBIL study said that the bad rate on MSME borrowers, who were hit badly by demonetisation and GST implementation, rose to 3.02 per cent in the quarter ended September 2019 from 2.94 per cent in the September 2018 quarter. "Major factor contributing to this marginally higher bad rate is the increase in the share of lending towards lower vintages and high risk borrowers in Q2 of FY19. Study on vintage distribution of borrowers acquired in Q2 of FY19 shows that there is a significant increase in the acquisition of lower vintage borrowers (with credit history of 1-4 years)," CIBIL said.

Commercial entities with aggregate credit exposure of Rs 1 crore are classified under micro segment; between Rs 1 crore and Rs 15 crore are considered small; and those with credit exposure between Rs 15 crore and Rs 50 crore are classified as medium-sized enterprises. MSME segment, with aggregate credit exposure of up to Rs 50 crore, forms Rs 18.3 lakh crore outstanding (28 per cent of commercial credit outstanding). Large corporates, with aggregated credit exposure of over Rs 50 crore, account for Rs 46.7 lakh crore (72 per cent of commercial credit outstanding).

The proportion of borrowers with high bad rate peaks in the lower (1-4 years) vintage bucket, as compared to newly acquired (0-1 years) vintage bucket and higher vintage buckets (4 plus years). Also, the proportion of borrowers acquired in highest risk segment (CMR-7 to CMR-10) has risen

NPAs OF MSMEs UP 50 BPS

■ NPAs of MSMEs have risen 50 bps to 12.2% as of September 2019, as against 11.7% in September 2018, as per TransUnion CIBIL.

■ Overall NPAs of commercial lending fell by 20 bps to 16.8% in September last, from 17% in September 2018

from 13.5 per cent to 15.7 per cent, contributing to the rise in bad rate. CMR is a credit risk rank — with CMR 1 and 2 being the lowest risk and CMR 7 to 10 at highest risk — for MSMEs that predicts the probability of an MSME becoming NPA in the next 12 months.

"At a time when commercial credit growth was slowing down, growing 8.1 per cent over the year, gross NPA has increased by only at 6.8 per cent resulting in lowering of NPA rate by 20 bps. The gross NPA amount increased from Rs 10.2 lakh crore in September 2018 to Rs 10.9 lakh crore in September 2019," it said. NPA rate in commercial lending was at a peak of 17.5 per cent in June 2018, but due to various reform measures, it fell to 16.8 per cent, Cibil said.

According to the TransUnion CIBIL MSME Pulse Report, commercial credit — which had been steadily growing over the past few years — has slowed in the recent quarters. The year-on-year (y-o-y) commercial credit growth stood at 8.1 per cent in the quarter ended September 2019, significantly lower than the annual credit growth rates of previous quarters. Credit growth measured 16.2 per cent during December 2017 to December 2018, 12.6 per cent during March 2018 to March 2019 and 14.8 per cent during June 2018 to June 2019 period. In the MSME segment, y-o-y growth stood at 7.7 per cent, 4.6 per cent and 1.9 per cent for micro, small and medium enterprises, respectively, for the period from September 2018 to September 2019.

Satish Pillai, MD and CEO, TransUnion CIBIL, said: "We know that the industry level credit exposure trends are driven by either growth or slowdown in fresh loan disburseals, changes in utilisation levels of existing limits or changes in the percentage of exits of existing limits and we are examining the contribution of each element at a sectoral level to help lenders find the risk and opportunities as well as possible solutions to drive sustained growth."

RUPEE RISES 48P AGAINST US DOLLAR ON UPBEAT SENTIMENT

Cooling of US-Iran tensions pushes Sensex up 600 points

ENSECONOMIC BUREAU

MUMBAI, JANUARY 9

GLOBAL MARKETS and currencies Thursday staged a comeback after the US and Iran appeared to be backing off from a wider military conflict. The Sensex rallied 635 points while the Nifty reclaimed the 12,000-mark as investors came back with renewed fervour amid expectations of more reforms to bring the economy back on the rails. The rupee gained 48 paise to close at 71.21 against the US dollar, as sentiment turned buoyant in the currency market.

The BSE Sensex opened on a strong note and maintained its momentum throughout the day, finally closing at 41,452.35, up 634.61 points, or 1.55 per cent. Similarly, the NSE Nifty rose 190.55 points, or 1.58 per cent, to 12,215.90. Vinod Nair, head of research, Geojit Financial Services, said, "Expectation for initiatives to bring growth in the upcoming Budget and easing tensions in the Middle East seems to cheer in-

EXPLAINED

For short term, Q3 results expected to boost sentiment

EXPECTATION FOR initiatives to bring growth in the upcoming Budget and easing of tensions in West Asia seem to have cheered investors. The Centre is poised to bring initiatives and policy measures to support growth to benefit equities for long term. Meanwhile, the short-term market trend will be driven by events like Q3 results, which are expected to show some improvement due to low base.

vestors. Government is poised to bring initiatives and policy measures to support economic growth to benefit equities for long term." Investors' wealth rose by Rs 2.25 lakh crore to Rs 157 lakh crore in the buying euphoria. On January 6, the Sensex plunged 787.98 points, the biggest single-day drop since July 8, to 40,676.63.

Analysts said equities gained after US President Donald Trump said the US is "ready to embrace

peace with all who seek it", a day after Iran fired rockets at American military bases in Iraq in response to the killing of top Iranian general Qassem Soleimani. Reports said there were no US or Iraqi casualties in the Iran strike.

The risk sentiment received a further boost after China said its Vice Premier Liu He will visit Washington next week for the signing of the much-awaited interim trade deal with the US.

At pre-Budget meeting with FM, BJP leaders seek incentives for black money disclosure

LIZ MATHEW

NEW DELHI, JANUARY 9

AT THE pre-Budget consultation with BJP functionaries Thursday, Finance Minister Nirmala Sitharaman was urged to take steps to increase liquidity in the market, tax sops for infrastructure sector and specific schemes on irrigation projects. The party leaders also suggested that the government, which had taken a number of steps to curb black money, could announce some incentives for disclosure of unaccounted money, which, they said, could remove the hesitation and apprehension in the market, sources said.

"There was a suggestion that the government should take some urgent measures to get more capital in the market. Because the apprehension that there's too much monitoring has made many people hold back their money, leaders said if the Budget could allay those fears, it will improve the money flow," said a source.

FM Nirmala Sitharaman held four rounds of meetings with BJP leaders at the party headquarters here

The leaders also pointed out that "the impression that there are too many restrictions" has choked the capital flow as well as investments. "Participants in the meeting said people are not disclosing black money because there are not much incentives for it. If the government declares some incentives, more disclosures would be there," the source added.

Some participants were of the view that in the current atmosphere, people have reduced cash transactions and digital transactions have not picked up in the way it was expected.

The pre-Budget consultation was held in the backdrop of the Prime Minister Narendra Modi-led government coming under se-

vere criticism for its failure to take steps to improve the slowdown in the economy. The sliding growth rate as well as intensifying joblessness have worsened the situation. The first full Budget, after the Modi government returned to power with a massive popular support, is looked at with great expectations, said a party leader.

Party leaders expressed confidence that a "pro-people" Budget will be presented on February 1. Sitharaman held four rounds of meetings with BJP leaders at the party headquarters here, taking feedback for the Budget.

BJP working president JP Nadda, general secretaries BL Santhosh, Bhupender Yadav and Arun Singh were among those in attendance. "The Finance Minister met various sections of the party for consultation. We are confident that a pro-people Budget will be presented," Arun Singh said.

The BJP has been holding a series of meetings with various stakeholders, including business leaders, farmer bodies, trade

unions and professional bodies such as ICAI among others, as part of its pre-Budget dialogue, party spokesperson Gopal Krishna Agarwal said. The idea behind these meetings is to seek suggestions for the Budget, he added.

Agarwal, BJP's spokesperson for economic issues, who is coordinating the meetings, said 11 meetings have been planned, of which seven have already been held at the party office. "One meeting for each specific sector is being held. The report of every meeting is being submitted to working president JP Nadda," he said.

The meetings began on December 19 and would conclude on January 14. The party will have a comprehensive view from stake holders of all sectors, he said.

The Budget session would be held in two phases, with the first phase from January 31 to February 11 and the second from March 2 to April 3.

Economy has strength, capacity to bounce back: PM at NITI meet



Prime Minister Narendra Modi at the NITI Aayog meeting, which was attended by ministers, economists and experts here, on Thursday. ANI

ENSECONOMIC BUREAU

NEW DELHI, JANUARY 9

PRIME MINISTER Narendra Modi Thursday chaired a meeting with leading economists and experts, organised by government think tank NITI Aayog, to discuss a range of issues concerning the economy, social sector and startups. The meeting comes ahead of the Union Budget 2020-21 which will be tabled on February 1.

While top Cabinet ministers including Home Minister Amit Shah, Minister of Road Transport and Highways Nitin Gadkari, Commerce Minister Piyush Goyal and Rural Development Minister Narendra Singh Tomar attended the meeting, Finance Minister Nirmala Sitharaman was not part of the deliberations.

On being asked why the Finance Minister was not part of the deliberations, a North Block official said she could not attend the meeting due to "prior commitments". Sitharaman Thursday held pre-Budget consultations with BJP's national office bearers, spokespersons and representatives of the party's other departments. When contacted, a Finance Ministry official said the letter for NITI Aayog meeting was received in the Minister's office Wednesday, while the meeting at BJP headquarters was fixed a week earlier and so, it was difficult to reschedule it. "The Finance Minister then contacted the Prime Minister and sought permission to recuse herself from the NITI Aayog meeting," the official said.

The PM said at the NITI Aayog meeting that the idea of \$5 trillion economy is not a sudden development and it is based on a deep understanding of the strengths of the country, as per a statement issued by the Prime Minister's Office. "The strong absorbent capacity of

the Indian economy shows the strength of basic fundamentals of the economy and its capacity to bounce back," he said.

NITI Aayog Vice Chairman Rajiv Kumar and CEO Amitabh Kant were present in the meeting that lasted nearly two hours. Sources said a push towards investments in the infrastructure sector as a means to promote overall economic growth came up for discussions. The gross domestic product (GDP) growth rate for the current fiscal is seen slumping to 5 per cent, the lowest since the 2008 economic crisis, according to latest data by the National Statistical Office (NSO). This means that GDP growth rate is expected to rise only marginally to 5.25 per cent during October-March, the second half of FY19-20, from 4.75 per cent in the first half.

The Centre is preparing a Budget amid divergent needs of pushing economic growth, achieving tax targets and staying the course on fiscal consolidation. The PM interacted with top business leaders recently to seek their inputs as his government prepares for the Budget. He has already invited ideas and suggestions from people for the Budget. "The Union Budget represents the aspirations of 130 crore Indians and lays out the path towards India's development. I invite you all to share your ideas and suggestions for this year's Budget on MyGov," read a statement on the PM's official website.

Among the economists and experts who attended Thursday's meeting were Shankar Acharya, former chief economic adviser; Sonal Varma, Nomura's chief India economist; Ashu Suyash, MD and CEO, CRISIL; Sanjay Nayar, member and CEO of KKR India; Pranjul Bhandari, chief India economist at HSBC Securities and Capital Markets; among others.

SABKA VISHWAS SCHEME

Big taxpayers choose legal remedy to clear disputes

SUMIT JHA

NEW DELHI, JANUARY 9

TAXPAYERS WITH deep pockets seem to have weighed the two options of resolving their indirect tax disputes with the Centre under Sabka Vishwas scheme and getting legal remedy, only to mostly choose the latter route. Why else even after nearly 90 per cent of eligible taxpayers opted for Sabka Vishwas, cases related to only a fifth of the total disputed amount of Rs 3.6 lakh crore have been resolved yet? The scheme's original deadline was December 31, but

later deferred to January 15.

Over 87 per cent of 1.8 lakh eligible taxpayers applied for the scheme by Monday, as per officials. The Centre had earlier said 1.6 lakh taxpayers committed to pay Rs 35,094 crore of Rs 79,968 crore claimed by the taxman and settled the disputes. It remains to be seen how much of the committed payments will be made.

Sources say large taxpayers are steering clear of the scheme as in many cases consultants and lawyers employed by them have found that immediate settlements would not be in the best interests of these intermediaries. FE

‘Lenovo was a PC company ... we are beyond it now’

NANDAGOPAL RAJAN

LAS VEGAS, JANUARY 9

"WE WERE a PC company... but today we are beyond a PC company." That is a big statement coming from Ken Wong, president of Lenovo Asia Pacific. But this is a mere statement of fact. For all the cutting edge innovation around the first foldable laptop and 5G laptop the company showcased at the CES as part of the 48 products it announced at the largest consumer tech show in world, just a quarter of its booth is dedicated for the PC segment.

"This year our tag line is 'smarter technology for all'. With 5G and the amount of data happening around us, we believe we are in an era of intelligent transformation... some call it the fourth industrial revolution. It is going to change everything upside down," Wong sets the context for this transformation in one of the

largest tech companies in the world. In 2019, Lenovo had a revenue of over \$51 billion with more than 55,000 employees spread over 60 countries and serving customers in over 160 countries.

Three pillars of change

"Our belief is we are the most ready and suitable company to bring smarter technology for all the people around us ... to help them lead in this intelligent transformation."

Wong knows the next question will be on how Lenovo will go about achieving this. "There are three things that we are focusing on. First is Smart IoT, this is the PC, the phone, the head mount device, the smart hub... all the endpoint devices which have not only network connectivity, but also intelligence and understand you better and can perform better without human intervention."

The second is Smart



Ken Wong, president, Lenovo Asia Pacific, said this year the company's tagline is 'smarter technology for all'. Nandagopal Rajan

Infrastructure. "This is coming out from the acquisition of the Intel-based server business from IBM six years ago. So that will have compute power coming out from the server, networking product and storage essential for cloud computing," Wong explains.

"Now, when you add smart devices together with smart infrastructure, with algorithms, then you can come up with something called Smart Solution or smart industry solution. For example, last year we helped one of the largest oil refinery companies on the planet to install sensors and deploy AI and deep learning to help them improve their oil refinery process. This saved them millions of US dollar," he adds.

Wong also sees the role of the chief information officer (CIO) in companies transform as his business changes. "A few years ago, most people will say CIO is more a supporting role. In the past two years or three years, people look at it as one of the most important roles in the corporation. Because, any business today, if they're not able to leverage technology, if they are not able to leverage artificial intelligence and deep learning and big data analytics, there will be a lot of headwind for their

competitiveness."

Still growing in PCs

But is this transformation necessitated by the pressures on the PC industry in most parts of the world? "The driving force for our new strategy is coming from what the customer wants," he says, adding how this is more about equipping customers for the fourth industrial revolution that is on the anvil. "Even in the PC segment, there are pockets of growth in Asia, especially India."

In India, Wong explains, the implementation of GST has led to some kind of automation and technology in SMB segment. "That also created a lot of demand in the market. The second pocket of growth is actually gaming," he says, adding how a revamp in the lineup has propelled Lenovo to the second slot in this segment in countries like India.

(The author is in Las Vegas on the invite of Lenovo India)

Joint property owners can use simple return forms as I-T rolls back order

ENSECONOMIC BUREAU

NEW DELHI, JANUARY 9

SIX DAYS after it mandated filing of detailed income tax returns instead of simple ITR-1 and ITR-4 returns for joint ownership of property and high value transactions for electricity bill payment and foreign travel, the Income Tax Department reversed its decision on Thursday.

In a release, the Department said "concerns have been raised that the changes are likely to cause hardship in the case of individual taxpayers" and hence, it has been decided to allow a person, who jointly owns a single house property, to file his/her return of income in ITR-1 or ITR-4 return. Similarly, for the requirement to file high-value expenses can now be specified in ITR-1 return.

On January 3, notifying two in-

The I-T Department had notified ITR-1 and ITR-4 for AY2020-21 on January 3

come tax returns — Sahaj (ITR-1) or Sugam (ITR-4) — for assessment year 2020-21, the I-T Department made two major changes: first, an individual taxpayer cannot file return either in ITR-1 or ITR-4 if he/she is a joint-owner in house property; second, ITR-1 form was made invalid for those individuals who have deposited over Rs 1 crore in bank account or incurred Rs 2 lakh or Rs 1 lakh on foreign travel or electricity, respectively.

ITR-1 is the income tax return for individual taxpayers having total income upto Rs 50 lakh and includes mainly salaried taxpayers,

while ITR-4 is filed by individuals having business income, HUFs and firms (other than LLPs) having a total income of up to Rs 50 lakh from business and profession and filing return under presumptive taxation scheme.

The Central Board of Direct Taxes (CBDT), in its release, said that in order to ensure that the e-filing utility for filing returns for AY2020-21 from April 1, ITR-1 and ITR-4 were notified and the eligibility conditions were "modified with an intent to keep these forms short and simple with bare minimum number of schedules". Usually, the I-T Department notifies the ITR forms in the first week of April of the relevant assessment year. However, this year, it has notified two ITR forms ITR-1 and ITR-4 for AY2020-21 in the first week of January. The Department is yet to issue a new notification amending the previous notification.