

FINANCIAL EXPRESS

READ TO LEAD

VOL. XLV NO. 287, 26 PAGES, ₹10.00 (PATNA ₹9.00, RAIPUR ₹10.00) PUBLISHED FROM: AHMEDABAD, BENGALURU, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI, NEW DELHI, PUNE

SENSEX: 40,723.49 ▼ 190.33 NIFTY: 11,962.10 ▼ 73.70 NIKKEI 225: 23,205.18 ▲ 227.43 HANG SENG: 26,312.63 ▼ 136.50 ₹/\$: 71.36 ▲ 0.14 ₹/€: 78.74 ▲ 0.05 BRENT: \$58.49 ▲ \$0.20 GOLD: ₹40,694.00 ▼ ₹23.00

IN THE NEWS

GST collection crosses ₹1.1L cr in January

GOODS AND SERVICES tax (GST) collection crossed ₹1.1 lakh crore mark in January, sources said, reports PTI. This is in line with the target set by revenue secretary Ajay Bhushan Pandey after high-level meetings with senior officials of the tax department. In January, domestic GST collection was around ₹86,453 crore. Around ₹23,597 crore was collected through IGST and cess collection, the sources said. These are provisional figures, they added.

Name removed from DGFT blacklist: Airtel

BHARTI AIRTEL on Friday said its name has now been removed from the denied entry list for non-fulfillment of export obligation under an export promotion scheme, reports PTI. The removal of Bharti Airtel's name from the Directorate General of Foreign Trade (DGFT) blacklist is expected to come as a relief to the telco, which is otherwise staring at billions of dollars in past statutory dues.

Delhi polls: BJP promises wheat flour at ₹2/kg

THE BJP on Friday released its manifesto for the Delhi assembly polls, promising wheat flour at ₹2 per kg for the poor, cycles and scooters for girl students, as well as a 10% increase in the health and education budget annually, reports PTI. The BJP, in its 'Sankalp Patra 2020' (manifesto), also said it would focus on women empowerment, traders, infrastructure development and housing for all by 2022.

ECONOMIC SURVEY 2019-20

'Banks still risk-averse, find G-secs easier investments'

Recommends counter-cyclical policy, FY21 GDP growth seen at 6-6.5%

FE BUREAU New Delhi, January 31

CITING THE TREND length of business cycles in India, the Economic Survey 2019-20 tabled in Parliament on Friday hoped a resurgence in growth might commence in the second half of the current fiscal but chose to be more guarded than the previous (July 2019) survey as it pegged the FY21 real GDP growth at 6-6.5%. The lower end of that range was closer to 5.8% growth estimated by the IMF for the country recently.

In the previous survey, India's economic expansion in FY20 was forecast to be 7%, but that proved to be widely off the mark. Even with the National Statistics Office revising FY19 GDP downwards on Friday, the FY20 growth would be just 5.7%, the slowest since FY13.

The survey's forecast of FY21 GDP could mean Saturday's

EXPOSING GOVERNMENT MYTHS



CEA VS EX-CEA

Survey says there is no overstating of growth

FE BUREAU New Delhi, January 31

THE SURVEY UNDER chief economic advisor (CEA) Krishnamurthy Subramanian has rejected the contention of his predecessor Arvind Subramanian that the country's economic growth has been massively overstated, arguing that it finds no such evidence.

"The models that incorrectly over-estimate GDP growth by 2.77% for India post-2011 also mis-estimate GDP growth over the same time period for 51 other countries out of 95 countries in the sample," it said. "The magnitude of mis-estimation in the incorrectly specified model is anywhere between +4% to -4.6%, including UK by +1.6%, Germany by +1%, Singapore by -2.3%, South Africa by -1.2% and Belgium by -1.3%."

The basic premise is that countries differ among each other in various observed and unobserved ways. Therefore, cross-country comparisons are fraught with risks of incorrect inference due to various confounding factors that stem from such inherent differences.

What the FM needs to fix

All growth-engines stuck

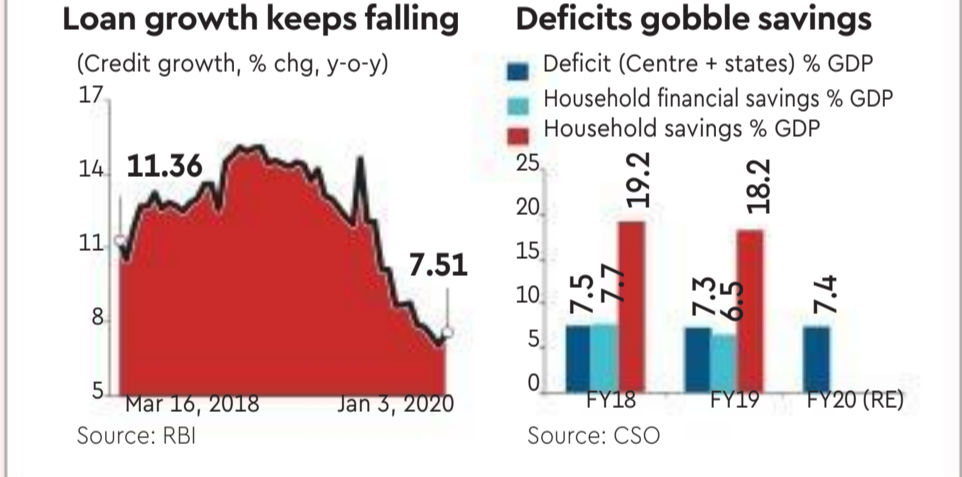
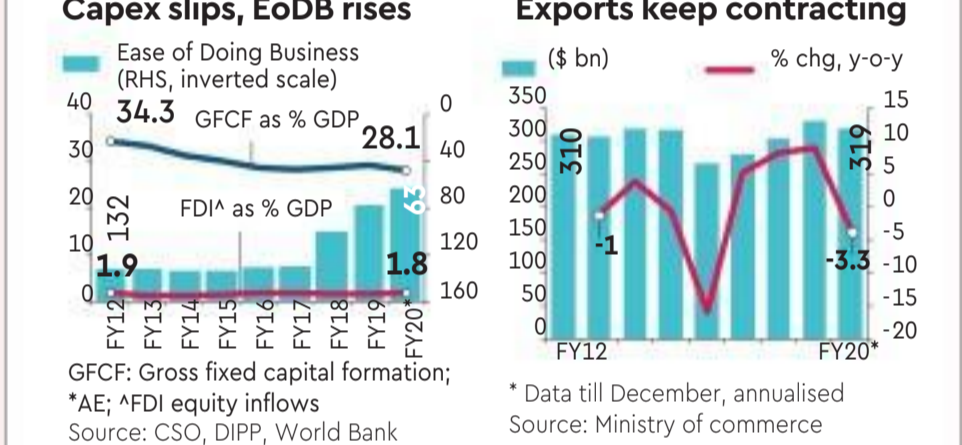
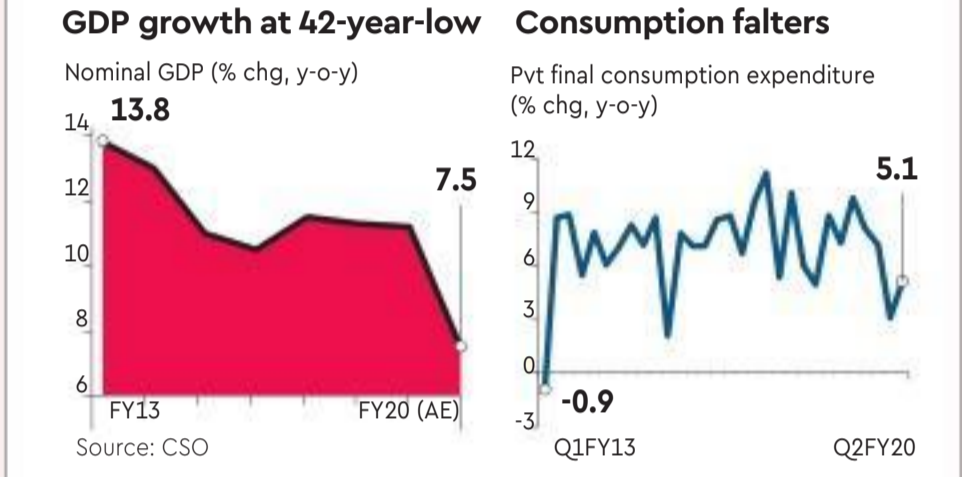
FINANCE MINISTER Nirmala Sitharaman has a tough job later today. Almost no growth engine is firing; consumption is slowing with new jobs difficult to find, capex continues to slip despite the famed Ease of Doing Business improving and exports are actually contracting due to India's lack of competitiveness and big infra-bureaucratic bottlenecks.

While many suggest she hike government spending, the massive tax shortfall makes this difficult and, with the deficit exceeding

financial savings of households, this will just raise interest rates that will further crimp private investments.

Though government has consciously stayed away from the idea of a 'bad bank', with NPA resolution taking time and likely to rise again due to NBFC debt getting worse, this needs to be pushed; else, credit flows will take even more time to normalise.

Ideally, Budget should not push too many new ideas, government must just focus on fulfilling old promises and genuinely easing doing of business.



PAGE 9 WEALTH CREATION: PSUs GET PRIVATISATION BOOST

Privatisation unlocked CPSEs' potential to generate wealth. CPSEs post-privatisation showed better results on net worth and net profit. Government ownership restricts tech up-gradation and efficient management.

PAGE 6 NBFCs: THRESHOLD ON WHOLESALE FUNDING

THE SURVEY has suggested setting up of prudential thresholds on the extent of wholesale funding allowed for shadow banks. The survey highlighted over-reliance of shadow banks on short-term wholesale funding that led to the sector's liquidity crisis.

PAGE 7 TEMASEK-LIKE BODY TO BOOST DIVESTMENT GAINS

THE SURVEY has called for creation of a sovereign investment arm on the lines of Singapore's Temasek Holdings and transfer its stakes in listed firms to infuse professionalism in the divestment scheme to boost returns on investment.

PAGE 7 PSBs LOST ₹1.4 LAKH CR IN M-CAP DURING 2019

Public sector banks (PSBs) lost ₹1.4 lakh crore of taxpayers' money in 2019 invested in them, the survey noted while contrasting their performance with new private banks (NPBs) — banks licensed after liberalisation in 1991.

Special Features

BMW brings Andy Warhol's Art Car to India



Quick Picks

SBI Q3 profit soars 41% on lower provisions, bad loan recoveries

THE COUNTRY'S largest lender State Bank of India (SBI) on Friday reported a 41% jump in consolidated net profit to ₹6,797.25 crore in the October-December quarter compared to ₹4,823.29 crore in the year-ago period, helped by recovery in bad loans and lower provisions, reports PTI. On a standalone basis, the lender reported a 41.18% increase in its net profit to ₹5,583 crore for the December quarter. P12

Indiabulls to exit realty space, merge projects with new entity

AS PART of its move to exit the realty sector, Indiabulls Group will merge over a dozen remaining assets of Indiabulls Real Estate (IBREL) with a new entity that will be led by Embassy Group and Blackstone in an all-stock deal, reports PTI. On Friday, the IBREL board approved a proposal to merge 12-13 ongoing, completed and planned residential and commercial projects, each being held by it as well as the Embassy Group, into a new entity yet to be named, IBREL sources told PTI. P4

ITC Q3 net profit rises 29% at ₹4,047.87 crore

FMCG MAJOR ITC on Friday reported a 29.03% increase in consolidated net profit at ₹4,047.87 crore for the third quarter ended December 2019, reports PTI. The company had posted a net profit of ₹3,136.95 crore in October-December quarter of the previous fiscal. Net sales during the quarter under review rose 5.71% to ₹13,220.30 crore as against ₹12,506.05 crore in the corresponding period in previous fiscal, ITC said in a regulatory filing. PAGE 4

2018-19 GDP growth rate revised downwards to 6.1%

Deceleration in mining, manufacturing and farm sectors

PRESS TRUST OF INDIA New Delhi, January 31

THE GOVERNMENT ON Friday revised downwards the economic growth rate for 2018-19 to 6.1% from 6.8% estimated earlier, mainly due to deceleration in mining, manufacturing and farm sectors.

"Real GDP or GDP at constant (2011-12) prices for the years 2018-19 and 2017-18 stand at ₹139.81 lakh crore and ₹131.75 lakh crore, respectively, showing growth of 6.1% during 2018-19 and 7.0% during 2017-18," the

■ During 2018-19, at constant prices, the growth rates of primary, secondary and tertiary sectors have been estimated at 1.0%, 6.0% and 7.7%, as against 5.8%, 6.5% and 6.9%, respectively, in the previous year

■ Nominal net national income at current prices for 2018-19 stands at ₹167.89 lakh crore as against ₹151.50 lakh crore in 2017-18, showing growth of 10.8% during 2018-19 as against 11.2% in the previous year

National Statistical Office said in revised national account data released on Friday.

Under the first revision

released in January 2019, real GDP or GDP at constant (2011-12) prices for 2017-18 was pegged at ₹131.80 lakh crore, showing a growth of 7.2%.

"The growth in real GVA (gross value added) during 2018-19 has been lower than that in 2017-18 mainly due to relatively lower growth in 'Agriculture, Forestry & Fishing', 'Mining and Quarrying', 'Manufacturing', 'Electricity, Gas, Water Supply & Other Utility Services', 'Financial Services', 'Public Administration and Defense' and 'Other Services'," it added.

Continued on Page 2

Fiscal deficit hits 132% of Budget estimate till Dec: Page 17

Core sector growth recovers to 1.3% in December: Page 17

CORONAVIRUS OUTBREAK

China locked down 50 m people and has to keep them fed

JOE MCDONALD Beijing, January 31

CARRYING PERMITS DEMANDING "fast passage," truck drivers rushed a 560-tonne shipment of disinfectant from eastern China to Wuhan, the locked-down city of 11 million people at the centre of a vast effort to contain a new viral disease.

Outside the metropolis in central China, the cargo was shifted to local trucks with drivers in masks and protective

suits, part of a tightly controlled flow of food and other supplies through checkpoints that have blocked most access to Wuhan since January 23.

As global anxiety about the new virus rises, authorities have blocked 50 million people from leaving Wuhan and nearby cities at the centre of the outbreak. That in turn requires a massive effort to keep them supplied with food and other necessities.

"Wuhan is not an isolated island," declared a state newspaper, the Yangtze Daily.



NO SAVING GRACE

Household savings dip worries analysts

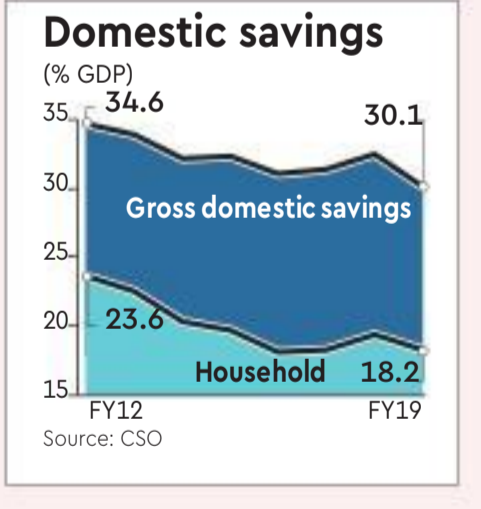
FE BUREAU New Delhi, January 31

GROSS DOMESTIC SAVINGS relative to the GDP dropped to 30.1% in FY19, the lowest level for the new series since FY12, when it had hit a high of 34.6%, according to official data on consumption expenditure, saving and capital formation released on Friday.

The decline in savings rate was driven by household savings, which dropped to 18.2% of GDP for FY19, from 19.2% in the previous fiscal. Private corporate savings also slipped to a six-year low of 10.4% in FY19.

This may buttress the case for personal income tax cuts, which are widely expected in Saturday's Union Budget.

While household savings clocked double digit growth in FY17 and FY18 — the number for FY18 at 17.6% year-



on-year (y-o-y) is highest for new series — FY19 figures show only a rise of 5.2% y-o-y.

A break-up of household savings data throws up more surprises. Despite no upturn in real estate, physical savings have been on the rise. In fact, despite markets performing well and real interest rates rising, financial savings have dipped.

Continued on Page 2

SLOWDOWN BLUES

HUL reports 11.91% growth in net profit

FE BUREAU Mumbai, January 31

HINDUSTAN UNILEVER (HUL) on Friday reported an 11.91% rise in its standalone net profit at ₹1,616 crore for the quarter-ended December 2019, missing Bloomberg consensus estimates. Revenue from operations during the quarter rose 2.62% to ₹9,808 crore, which also was lower than the Bloomberg consensus estimates.

The underlying volume growth during the quarter remained muted at 5% in Q3FY20 — the fourth straight quarter when the company has declared single digit volume growth. The FMCG major indicated demand outlook and market growth will continue to be challenging in the short term while commodities and currency will continue to be volatile.

Sanjiv Mehta, chairman and MD at HUL, said the quarter witnessed an overall challenging market environment, mainly reflecting a sharp slowdown in rural and discretionary spends. "India is so diverse that not everything happens at the same extent everywhere. There are some states where the slow down is more severe — say Punjab, Haryana, West Bengal, parts of UP and parts of greater Maharashtra," Mehta said.

Full report on Page 4

