GOLD	RUPEE	OIL	SILVER
₹41,508	₹71.30	$54.31	₹47,396

*Indian basket as on February 7, 2020

SENSEX: 40,979.62 ▼ 162.23 NIFTY: 12,031.50 ▼ 66.85 NIKKEI: 23,685.98 ▼ 142.00 HANG SENG: 27,241.34 ▼ 162.93 FTSE: 7,451.12 ▼ 15.58 DAX: 13,489.35 ▼ 24.46

*International market data till 1900 IST

SALES OF PVs DOWN 6.2%, TWO-WHEELERS 16%, CVs 14%, SHOWS SIAM DATA

Auto sales continue downhill race in Jan; weakness across PVs, CVs, two-wheelers

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 10

THE INDIAN automobile sector continued to reel under pressure with all major categories — passenger vehicles (PVs), two-wheelers and commercial vehicles (CVs) — announcing a decline in their domestic sales last month.

As the economy continues to undergo a slowdown and consumer sentiment remains weak, vehicle sales across all categories registered a year-on-year decline of 13.8 per cent to 17,39,975 units in January 2020.

The domestic PV sales for the industry declined 6.2 per cent in January 2020, over the corresponding period last year even as the market leader Maruti Suzuki India announced a marginal growth in its domestic sales. The decline came as other major manufacturers including Hyundai Motor, Honda Cars India, Mahindra & Mahindra and Tata Motors announced decline in their domestic sales for the month.

According to data released by Society of Indian Automobile Manufacturers (SIAM), PV sales last month stood at 2,62,714 units against 2,80,091 units in corresponding month last year.

Two-wheelers — which are considered a barometer of consumer demand in rural area — also witnessed a sharp decline as their domestic sales declined by 16 per cent to 13,41,005 units last month.

While the year-on-year sales of Bajaj Auto fell 22.4 per cent, that of Hero MotoCorp and Honda Motorcycle & Scooter declined 14.3 and 6.6 per cent. Sales of TVS Motor Company also fell 28.7 per cent during the month.

On the other hand, the CV segment — which is an indicator of industrial activity in the country — also witnessed a 14 per cent decline in sales for the month of January.

For the 10-month period between April 2019 and January 2020, while the total vehicle sales has declined by 15.5 per cent, the PV segment and two-wheeler segment is down 15.3 per cent and 15.8 per cent, respectively.

The CV segment has seen a 20 per cent decline in the 10-month period over the corresponding period 2018-19.

"Sales of vehicles continue to be stressed due to rising cost of vehicle ownership and slower growth in GDP," SIAM president Rajan Wadhera said.

Vehicle prices have gone up as manufacturers gear up for the transition to stricter emission norm BS-VI from BS-IV beginning April 1. Besides, many companies had increased prices in January citing rising input costs.

Wadhera further said, "We are hopeful that the recent announcements by the government on infrastructure and rural economy would support growth of vehicle sales going forward, especially in commercial vehicles and two-wheeler segment."

Three-wheelers was on the only category that witnessed growth in demand in January as its sales rose 12.69 per cent to 60,903 units.

For the 10-month period, the sales of three-wheelers is down 1.25 per cent.

Commenting on the overall sales performance, SIAM director general Rajesh Menon said wholesales declined in all segments, barring three-wheelers.

Among passenger vehicles, he said post-festive season sales decline has been less, although the industry is still in the negative territory.

"We are hopeful that the response that we have received to the ongoing Auto Expo will help further improve consumer sentiment. Already there have been 70 unveils and launches so far," Menon added.

EXPLAINED

Slowdown, rising input cost keep pressure on

THE CONTINUING slowdown and rising manufacturing costs kept auto sales growth muted in January. But the industry is pinning its hopes on the recent Budget announcements to bolster infrastructure and rural economy, which could support vehicle sales, specifically commercial ones and two-wheelers.

Further, with the ongoing Auto Expo 2020 — where 70 new models were launched or unveiled — seeing a positive response, the industry expects consumer sentiment to improve this year.

'Fear over virus impact on auto parts supply'

New Delhi: The Indian automotive industry is apprehensive about coronavirus outbreak disrupting component supplies from China, but a clear picture will emerge only in the next few days after factories in the country reopen, SIAM said Monday.

SIAM said it will be collecting information and data from its members in the next couple of days. PTI

Amazon moves Karnataka HC for stay on CCI probe

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 10

AMAZON ON Monday moved the Karnataka High Court seeking a stay on the Competition Commission of India's (CCI) order last month asking its director-general to investigate allegations that the e-commerce giant's business practices entail "deep discounting, exclusive arrangements and preferential listing of sellers".

In its petition, which was reviewed by *FE*, Amazon said: "... the present impugned order has been passed without prima facie application of mind and will cause serious prejudice to the petitioner. Its findings are perverse, arbitrary, untenable in law".

It said an interim stay on the proceedings directed by CCI should be granted as "the balance of convenience for the stay lies in favour of the petitioner as a bona fide company". The CCI investigation would also cause "irreparable loss and injury" to the company and its reputation. Further, "no harm or injury would be caused to the Respondent no. 1 (CCI) if a stay is granted," Amazon said. Amazon's petition is likely to come up for hearing on Tuesday or Wednesday.

Following a plea by Delhi Vyapar Mahasangh (DVM), CCI in January had directed its director-general to investigate Amazon and Flipkart over alleged charges of deep discounting, exclusive arrangements and preferential listing of sellers. Amazon refused to comment on the matter as the subject is sub judice.

In its order, the fair trade regulator had stated that "... it needs to be investigated whether the alleged exclusive arrangements, deep discounting and preferential listing by the Ops (opposite parties — Flipkart and Amazon) are being used as an exclusionary tactic to foreclose competition".

Amazon and Walmart-controlled Flipkart together command close to 80 per cent market share in the country's e-commerce sector, according to analysts. Traders have been lodging country-wide protests against Amazon and Flipkart over predatory pricing. They also claim that the deep-pocketed firms have been flouting foreign direct investment (FDI) norms for the e-commerce sector laid down by the government.

Praveen Khandelwal, secretary general, CAIT said since a caveat was already filed by DVM in the high court in anticipation of such a move by either Amazon or Flipkart, the court will have to give a hearing to DVM before passing any order on the matter

A year ago, the government had revised its FDI norms for the e-commerce sector which bar online firms having foreign investment, like Flipkart and Amazon, from selling products of the entities in which they hold stake or whose inventory they control. It disallowed them from asking a seller to sell any product exclusively on their platforms.

Separately, the government is also in the process of devising an e-commerce policy to create a level-playing field between online and offline players. FE

PROBE INTO AMAZON'S BUSINESS PRACTICES

- **CCI last month asked its director-general to probe allegations that Amazon's business practices entail "deep discounting, exclusive arrangements and preferential listing of sellers"**
- **In its petition in the SC, Amazon said an interim stay on the proceedings directed by CCI should be granted as "the balance of convenience for the stay lies in favour of the petitioner as a bona fide company"**

IOB Q3 loss at ₹6,075 cr as provisioning for bad loans more than triples

ENS ECONOMIC BUREAU
MUMBAI, FEBRUARY 10

PUBLIC SECTOR lender Indian Overseas Bank (IOB) has reported a higher net loss to Rs 6,075 crore in the third quarter ended December 2019 as against a net loss of Rs 346 crore during the corresponding October-December period of 2018-19.

Its total income during the December 2019 quarter also fell to Rs 5,197.94 crore from Rs 5,688.59 crore in the year-ago quarter, IOB said in a regulatory filing. Provisioning for bad loans jumped to Rs 6,663.94 crore, compared to Rs 2,075.28 crore a year ago. The bank's total loss in the last three quarters amounts to Rs 8,671 crore.

IOB's gross non-performing assets (NPAs), however, dropped to 17.12 per cent of the gross loans at the end of December 2019, from 23.76 per cent a year ago. Net NPAs fell to 5.81 per cent from 13.56 per cent. In value terms, the gross NPAs were valued at Rs 23,733.86 crore as against Rs 35,786.57 crore previously. Net NPAs were Rs 7,087.09 crore from Rs 17,987.92 crore a year ago.

On NPA divergence for 2018-19, the bank said there was a gap of Rs 358 crore in gross bad loans, as the bank had reported it to be Rs 33,398 crore while the Reserve Bank of India assessed it to be at Rs 33,756 crore.

Net NPAs divergence was of Rs 358 crore and the divergence for provision came in at Rs 2,208 crore. Thus, overall loss during 2018-19 was adjusted to Rs 5,999.90 crore from the earlier reported Rs 3,737.90 crore.

The provision coverage ratio improved to 86.20 per cent, IOB stated, adding that it posted a net loss of Rs 2,254 crore for September quarter.

Total recovery, including technical write-offs, stood at Rs 7,085 crore achieved for the quarter ended December as against Rs 6,720 crore achieved for the September quarter, while the total fresh slippage (other than debits to existing NPA accounts) for quarter ended December was Rs 1,648 crore as against Rs 1,795 crore for the previous quarter.

Total deposits marginally increased to Rs 2,21,290 crore as against Rs 2,20,311 crore as of December 2018.

The bank has reduced the concentration of bulk deposits and high cost deposits and increased retail term deposits to have stable and sustainable deposit profile and reduce the cost of funds.

Union Bank Q3 standalone net profit up 276%

Mumbai: State-owned Union Bank of India Monday said its standalone net profit for the December quarter of 2019 rose 276 per cent to Rs 574.58 crore due to fall in provisioning for bad loans and higher recoveries as against a profit of Rs 153.21 crore in October-December 2018.

The bank has reduced the three-month MCLR rate by 5 basis points (bps) to 7.80 per cent from 7.85 per cent. One-year MCLR capital now stands at 8.10 per cent. The revised rates will come into effect from February 11. This is the eighth consecutive rate cut announced by the bank since July 2019. It had recently reduced its home loan interest rates for different categories of borrowers by up to 30 bps from 8.20 per cent to 7.90 per cent.

Its stock closed at Rs 50.95 on the BSE, up 4.19 per cent from the last close. ENS

'Long airport queues to continue at least till 2023'

Given the slow progress on the ongoing Rs 38,000-crore capacity expansion at the top four metro airports, and also the surging traffic, long queues will continue at least till 2023, according to a Crisil report

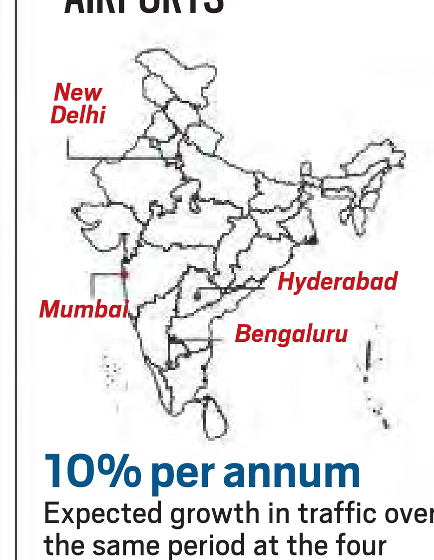
50%
Share of traffic accounted for by the four largest airports

130%
above installed capacity: Operations at these four airports, expected to rise further in the next 12 months

90%
above installed capacity: Utilisation levels at these four airports by financial year 2023, if operationalisation of capacities is done in upcoming two fiscals

65%
Cumulative increase in capacity at these four airports by FY2023; from 138 million now to 228 million annually

FOUR LARGE AIRPORTS



10% per annum
Expected growth in traffic over the same period at the four airports

Source: Crisil/PTI

FACTORS THAT WILL DRIVE HIGHER UTILISATION:

- Pent-up demand accumulated in 2019 as traffic was impacted with the grounding of Jet Airways
- Issues with new aircraft of certain airlines
- Improving connectivity to lower-tier cities
- Reducing fare difference between air and rail

RBI's MSME recast scheme, relaxation for certain real estate projects are dilution of norms, moral hazard: Fitch

ENS ECONOMIC BUREAU
MUMBAI, FEBRUARY 10

GLOBAL RATING agency Fitch has come down on the Reserve Bank of India's extension of the one-time restructuring scheme for micro, small and medium-sized enterprises (MSMEs) and the relaxation in asset classification for certain real estate projects, saying they mark a "further dilution" of the regulator's drive to enhance loan recognition and such a regulatory forbearance will "perpetuate moral hazard".

"The RBI's announcement on 6 February of forbearance towards stressed sectors signifies a gradual shift away from the regulator's earlier effort to enhance the quality and transparency of asset classification in Indian banking system," according to Fitch Ratings.

"There is a risk that such regulatory forbearance will perpetuate moral hazard, as it follows aggressive lending growth and risk-taking in certain sectors in the five years to the financial year ended March 2019 (FY19)," it said in a report.

"It is not clear at the moment whether this forbearance will be extended to non-bank financial institutions (NBFIs) as well, but we believe that the probability of this is high, considering the impact that the NBFI liquidity squeeze and a slowing economy have had on the MSME and real-estate sectors," it said. In recent years, banks have preferred to lend to NBFIs, which lend heavily to the real estate and MSME sectors, as a way to deploy their excess liquidity, while limiting their own direct exposure to these areas.

It is unclear whether the latest announcement marks a substantial shift in the RBI's policy approach. Nevertheless, it is not surprising in the current weak operating environment and is in line with a recent trend to weaken asset recognition standards. "This was among the factors that prompted us to lower our operating environment score for India's banking sector in 2019," Fitch said.

It said these extensions are only likely to defer asset-quality pressures unless there is a sustained improvement in macroeconomic conditions. "Although we expect India's economic growth to pick up in the coming months, to 5.6 per cent in FY21 from 4.6 per cent in FY20, there are still risks to the country's economic outlook."

According to the rating agency, Indian banks have a poor track record with restructuring. The RBI's asset-quality reviews in FY16 and FY18 found that a dominant share of loans restructured post-FY12 had degraded into non-performing loans (NPLs). "In that context, Fitch will make appropriate adjustments in order to objectively assess the performance of the underlying loan book of its rated entities in India to ensure their comparability with those of global peers," it said.

The agency said there is a risk that "regulatory forbearance will perpetuate moral hazard, as it follows aggressive lending growth and risk-taking in certain sectors"

'Reverse CIRP': Realty cos' insolvency to be project-wise, not across group, rules NCLAT

'Once CIRP process is initiated ... no home buyer can approach NCLT, NCLAT for refunds'

AASHISH ARYAN
NEW DELHI, FEBRUARY 10

IN A ruling that is likely to change the Corporate Insolvency Resolution Process (CIRP) followed for real estate and infrastructure companies, the National Company Law Appellate Tribunal (NCLAT) has held that insolvency initiated by a homebuyer or bank or any other financial institution against a real estate company will be limited to a particular project, and not extend to other projects of the group.

"In CIRP against a real estate, if allottees or financial institutions, banks or operational creditors of one project initiated CIRP against the corporate debtor, it is confined to the particular project, it cannot affect any other projects of the same real estate company in other places where separate plans are approved by different authorities," the NCLAT said in its order.

A two-member NCLAT bench headed by Chairperson Justice SJ Mukhopadhaya, which termed the process as "reverse corporate insolvency resolution process", also said that once CIRP is initiated against a real estate company, no homebuyer can approach the National Company Law Tribunal (NCLT) or the NCLAT to seek refunds for the project.

"As we find it is very difficult to follow the process as in normal course is followed in a CIRP, we are of the view, that a 'Reverse Corporate Insolvency Resolution Process' can be followed in the cases of real estate infrastructure companies in the interest of the allottees and survival of the real estate companies and to ensure completion of projects which provides employment to large number of unorganized workmen," the bench said in its order.

In case the homeowners of such projects wish to seek a refund for the particular project of the real estate company which is undergoing CIRP, they are open to sign an agreement, either with the interim resolution professional, or the promoter to find a new buyer and get the money back if and when that flat is sold, it added.

In case of most real estate companies, which work on multiple projects at the same time, there could a slight increase in compliance burden, Ashutosh Limaye, director and head of Consulting Services at ANAROCK Property Consultants, said.

"For most real estate companies, making a special purpose vehicle (SPV) for each project that they start is very normal. That is done to ensure that the liabilities, if any, are limited to that project. However, earlier, while there was compliance at the group level, now the real estate companies will also have to ensure it at SPV level," he added.

The case relates to Gurgaon-based real estate developer Umang Realtech, which was taken to the NCLT by two flat owners, who though wanted to initiate CIRP against the company, did not seek the approval of resolution plan of any other developer.

A promoter of the group, Uppal Housing, offered to "play the role of a lender" to ensure that the pending projects of Umang Realtech were completed on time, which was agreed to upon by all stakeholders.

"It appears none of the stakeholders sought or supported continuation of the CIRP in view of the commitments made by the promoter and the promoter agreed to support the corporate debtor by lending the requisite funds. Faced with such facts, the NCLAT has tried to evolve a solution which appears to put the CIRP into some kind of suspended animation," Manmeet Singh, partner at law firm L&L Partners said.

Other experts said that while the idea behind the 'innovation' of the appellate tribunal may be good, it stretches the "boundaries of IBC and runs the risk of being set aside in appeal if challenged by any stakeholder".

"The evident predicament faced in the matter only shows that the central government had correctly sought to treat real estate companies as a separate class of corporate debtors which should require a threshold of homebuyers for initiation of insolvency," Singh said.

"In CIRP against a real estate, if allottees or financial institutions, banks or operational creditors of one project initiated CIRP against the corporate debtor, it is confined to the particular project, it cannot affect any other projects of the same real estate company in other places where separate plans are approved by different authorities"

NATIONAL COMPANY LAW APPELLATE TRIBUNAL

FISCAL 2021 PLAN PROMISES GOVERNMENT'S DEFICIT WILL CREST ABOVE $1 TN ONLY FOR CURRENT BUDGET YEAR

Trump's $4.8 trillion budget proposal revisits rejected cuts

ASSOCIATED PRESS
WASHINGTON, FEBRUARY 10

US PRESIDENT Donald Trump unveiled a $4.8 trillion election year budget plan on Monday that recycles previously rejected cuts to domestic programmes like food stamps and Medicaid to promise a balanced budget in 15 years — all while leaving Social Security and Medicare benefits untouched.

Trump's fiscal 2021 plan promises the government's deficit will crest above $1 trillion only for the current budget year before steadily decreasing to more manageable levels, relying on optimistic economic projections, lower interest costs, scaled-back overseas military operations and proposed cuts to agency budgets that run counter to two previous budget deals signed by Trump.

The budget "sets the course for a future of continued American dominance and prosperity," Trump said in a message accompanying the document.

"There is optimism that was not here before 63 million Americans asked me to work for them and drain the swamp," Trump said. "For decades, Washington elites told us that Americans had no choice but to accept stagnation, decay, and decline. We proved them wrong. Our economy is strong once more." The plan had no chance even before Trump's impeachment scorched Washington. Its cuts to food stamps, farm subsidies, Medicaid and student loans couldn't pass when Republicans controlled Congress, much less now with liberal House Speaker Nancy Pelosi, D-Calif., setting the agenda.

Pelosi said Sunday night that "once again the president is showing just how little he values the good health, financial security and well-being of hard-working American families."

Trump's budget follows a familiar formula that exempts seniors from cuts to Medicare and Social Security while targeting benefit safety net programs for the poor, domestic programmes like clean energy and student loan subsidies. It again proposes to dramatically slash funding for overseas military operations to save $567 billion over 10 years but adds $1.5 trillion over the same time frame to make his 2017 tax cuts permanent law. Trump's proposal would cut $465 billion from Medicare providers such as hospitals, which prompted howls from Democrats such as former Vice President Joe Biden, who said it "eviscerates Medicare," while top Senate Democrat Chuck Schumer of New York said Trump is planning to "rip away health care from millions of Americans" with cuts to Medicare and the Medicaid health programme for the poor.

Trump's budget would also shred last year's hard-won budget deal between the White House and Pelosi by imposing an immediate 5 per cent cut to non-defense agency budgets passed by Congress.