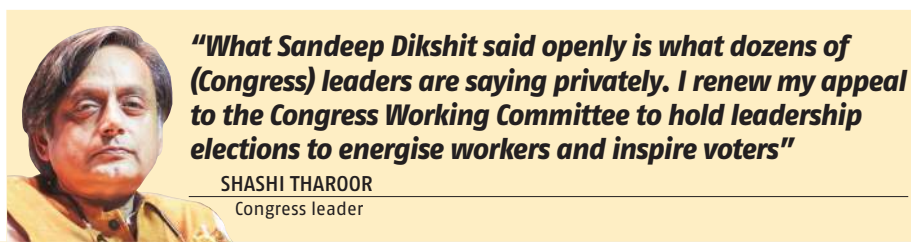




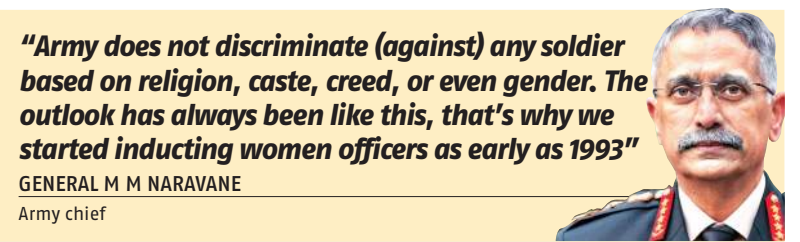
"In all fairness, the Chinese have slowed down. It is India that is an even bigger problem (in climate change fight). Nobody is doing anything about it"

MICHAEL BLOOMBERG US presidential contender and ex-New York mayor



"What Sandeep Dikshit said openly is what dozens of (Congress) leaders are saying privately. I renew my appeal to the Congress Working Committee to hold leadership elections to energise workers and inspire voters"

SHASHI THAROOR Congress leader



"Army does not discriminate (against) any soldier based on religion, caste, creed, or even gender. The outlook has always been like this, that's why we started inducting women officers as early as 1993"

GENERAL M M NARAVANE Army chief

IN BRIEF Westinghouse to sign N-pact with India during Trump visit

US energy firm Westinghouse is expected to sign a new agreement with state-run Nuclear Power Corporation of India for the supply of six nuclear reactors during US President Donald Trump's visit next week, officials said, aiming to kickstart a long-running project. The agreement will lay out timelines and the lead local constructor for the reactors to be built at Kowada in Andhra Pradesh and also address lingering concerns over India's nuclear liability law. The United States has been discussing the sale of nuclear reactors to energy-hungry India since the 2008 civil nuclear energy pact and last year the two governments announced they were committed to the establishment of the six reactors.

'Trump's popularity rises in India'

The popularity of US President Donald Trump in India is on the rise but some of his policies and trade attitudes do not garner the same warm reception, a latest Pew Research survey said on Thursday ahead of his maiden presidential trip to the country. In the 2019 Global Attitudes Survey of 2,476 respondents conducted from June 24-October 2, 2019, in India, Pew said the majority of Indians have confidence in Trump to do the right thing when it comes to world affairs. "And while Trump himself receives positive marks from the Indian populace, Indian public opinion toward some of his specific policies and trade attitudes do not garner the same warm reception."



LPG prices may come down next month, says Pradhan

Union Minister Dharmendra Pradhan on Thursday said LPG prices may come down next month. Last week, cooking gas LPG price hiked by ₹144.5 per cylinder due to spurt in benchmark global rates of the fuel. He also directed SAIL to draw up an action plan to enhance production and ensure safety at its plants.

India gives licences for importing 500k tonnes of palm oil

India has issued about 70 licences for importing about 500,000 tonnes of refined palm oil from three countries - Nepal, Indonesia and Bangladesh, sources said.

HDFC Bank's SME book doubles to ₹1.48 trn in under 3 years

Private sector lender HDFC Bank doubled its SME book to over ₹1.48 trillion by December 2019 from ₹74,000 crore in March 2017, cornering over 9 per cent of the around ₹16-trillion market, at a time when credit flow to the segment has been tepid. The RBI data shows the system-wide SME loan book stood at ₹15.7 trillion as of June 2019, up 10 per cent over the 12-month period. With a loan book of over ₹1.48 trillion, HDFC Bank is the clear No. 2.

India ranks 77th on sustainability index: UN report

India ranked 77th on a sustainability index that takes into account per capita carbon emissions and ability of children in a nation to live healthy lives and was placed 131st on a ranking that measures the best chance at survival and well-being for children, according to a UN-backed report.

DoT to bar foreign telecom vendors in tit-for-tat response

The Department of Telecom (DoT) will bar telecom vendors of those countries that would disallow or exclude Indian suppliers from providing network gears used for wifi, fixed line and cellular networks, including 5G services, in their respective local markets, according to an official order. The order is part of the government's Public Procurement (Preference to Make in India) order 2017 which envisages to source domestically manufactured products to encourage 'Make in India'. "Any foreign government which is not allowing Indian suppliers to participate and/or compete in procurement of telecom equipment, provision of clause 10 (d) of Public Procurement (Preference to Make in India) order 2017 be invoked in relation to the aforesaid telecom items," the order sent by the DoT to all central government departments and public sector units on February 19 said. This includes wifi access points, routers, optical fibre cable, enterprise routers and related technology, integrated broadband systems, broadband transmission equipment, modems etc. The section 10 (d) of the order states that if nodal ministry finds that Indian suppliers of an item are not allowed to participate or compete in procurement by any foreign government then it may restrict or exclude bidders from that country from eligibility for procurement of that item and other items relating to that nodal ministry. The Department of Industry and Internal Trade identifies DoT as the nodal department for implementing the provisions related to procurement of goods, services or works related to the telecom sector.

MPC paused to get max impact from future cuts

Minutes of the meeting show Das felt economy needs more monetary stimulus as inflation outlook remains uncertain

When the Monetary Policy Committee (MPC) members met earlier this month they decided to keep the policy repo rate unchanged as they wanted to maximise the impact of any future rate cuts, show minutes of the meeting. The MPC, which met on February 4 and announced its decision on February 6, focused on having banks pass on the past rate cuts and letting the economy show signs of improvement following the growth-supportive measures of the government. Unlike the previous policies, the six members of the MPC were not unduly alarmed on the inflation front, and took comfort in the fact that inflation expectation surveys showed households expected moderation in prices. The members also deliberated on the coronavirus outbreak and its economic risks. Even though the consumer price index inflation spiked to 7.35 per cent in December, much higher than Reserve Bank of India's (RBI's) comfort level of 6 per cent, it was largely because of onion prices rising 328 per cent, which alone accounted for a 210 basis-point (bp) increase in headline inflation despite its small weighting (0.64 per cent) in the overall basket, the members noted. According to the RBI survey, "the three-month ahead inflation expectation is expected to moderate by 60 bps and one year by 70 bps". The members also noted the government measures and the tax cuts would help the economy, but not in the short term.



"CONSIDERING THE OVERALL EVOLVING GROWTH-INFLATION SITUATION, IT WOULD BE PRUDENT TO CONTINUE THE FOCUS ON GROWTH IN THE CONTEXT OF THE EXPECTED MODERATION IN INFLATION"

SHAKTIKANTA DAS RBI governor



"THE ENDEAVOUR NOW SHOULD BE TO IMPROVE TRANSMISSION OF THE CUMULATIVE 135-BP RATE REDUCTION EFFECTED SINCE FEBRUARY 2019 AND SEIZE THE OPPORTUNITY WHEN IT OPENS UP TO ACT JUDICIOUSLY AND EFFECTIVELY TO SUPPORT THE ECONOMY"

MICHAEL PATRA RBI deputy governor

Governor Shaktikanta Das said some green shoots were visible. "Monetary transmission and bank credit flows have improved, but they need to become stronger. While the macroeconomy needs further monetary stimulus, the inflation outlook continues to be uncertain," said Das. He added barring the intensification of global risks, there was policy space that needs to be timed optimally and opportunistically to maximise its impact on growth. RBI's executive director and newly

inducted member in the MPC, Janak Raj, said the recent rise in food prices should boost rural wages and help strengthen rural demand. While the stress in the automobile sector seems to be gradually receding, the real estate sector remains stressed. If the coronavirus crisis prolongs and spreads, "it will have ramifications for the global economy and its net impact on the Indian economy might be negative even if oil and other global commodity prices decline", Raj said. "Weak demand conditions warrant



further monetary policy easing, while elevated inflation and the highly uncertain inflation outlook call for a cautious approach. More data are needed for greater clarity," Raj said. Deputy Governor Michael Patra said there was no definitive evidence that the downturn is bottoming out. According to external member Chetan Ghate, the September corporation tax cuts did not result in any discernible increase in net profits in the third quarter across several firms in RBI's Industrial Outlook Survey. The profit margin expectations for the fourth quarter were also pessimistic. "If growth hasn't revived with a 135-bp cut, and a tax stimulus amounting to 1.2 per cent of GDP, then the need of the hour is more structural reform," Ghate said. Another external member Pami Dua said while there were some signs of a modest revival, overall economic activity continues to remain weak. External member Ravindra Dholakia favoured preserving policy space for action at an appropriate time.

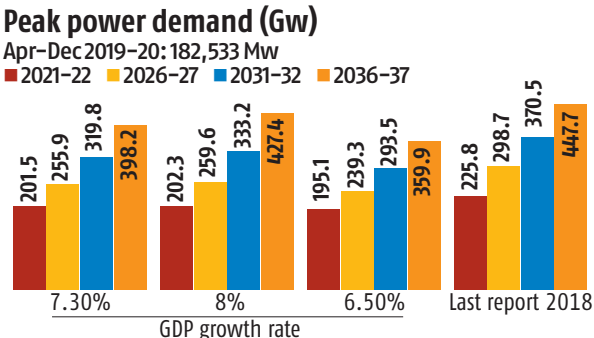
Govt won't make power demand data official

CEA report says demand is set to grow at 5%, lower than previously projected

The Ministry of Power has refused to acknowledge a report by the Central Electricity Authority (CEA), its technical arm, which estimates around 20 per cent lower growth in demand than earlier forecast, sources said.



This is after the demand estimates were revised and calculated using another 'econometric' methodology to arrive at more accurate results. Under the Electricity Act, 2003, the CEA is tasked with formulating Electric Power Survey (EPS), which forecasts short- and long-term electricity demand. Every two years, the CEA revises the demand forecast in the EPS. The revisions are done based on the prevalent economic situation in the country. The last EPS came in 2016 and has been revised since. The current one was supposed to be released between March-May 2019, but was delayed as the findings were not accepted by the ministry of power, said an official. The CEA changed the methodology and finalised it in August 2019. However, the ministry of power did not make it public. This was a deviation from previous practice because in the past the ministry released the survey with the addition of its own comments on the findings. The report was, however, made available on the CEA website recently. "But the ministry has not acknowledged it officially," sources said. According to senior government sources, the ministry has decided not to accept the report as it did not want to give the numbers official sanction. A questionnaire sent to the ministry did not elicit any response. The new report, prepared by the CEA along with consultancy KPMG, has calculated India's energy requirement to grow at 5.22 per cent from financial year 2021-22 (FY22) to FY27. This is at an optimistic GDP growth rate of 8 per cent over this period. The report has pegged India's energy demand at 1,477 billion units (BU) in FY22, and 1,905 BU in FY27. In an earlier report, which was also not accepted by the Centre, the energy demand was 1,566 BU and 2,047 BU for the same period. During April-December 2019, India's energy demand was 951 BU. The last EPS revision in 2016 led to infighting between departments as it predicted a fall in demand. The CEA had then reduced the projection to 239 Gw by 2022 from earlier 289 Gw. While the 2018 report



Source: Long-term energy demand forecasting report by Central Electricity Authority

constructing 20 Gw of coal-based capacity. Besides, there is an envisaged capacity 175 Gw of renewable power that is sought to be built by 2022. Investment in India's power sector is at a standstill. It is, instead, saddled with ₹2-trillion worth of non-performing assets. At the same time, barely any state has signed long-term power purchase agreements in the past decade owing to financially sick status of their power distribution companies (discoms). The National Infrastructure Plan of the government has estimated ₹1.5-trillion investment in renewable energy and ₹1.1 trillion in thermal power by FY21. "Downward revision in power demand is a clear indication of slowing economic growth and thereby will impact investment in the sector," said an expert, who has not read the report. He, however, said the peak demand would also flatten in coming years because of increasing share of renewable projects as they have low plant load factor or operating ratio. Clarifying on the data, the report said while the policies and schemes such as Make in India, dedicated freight corridor, and power for all are likely to dramatically increase electricity consumption, rooftop solar programme, Perform, Achieve and Trade (PAT), Bachat Lamp Yojana (BLY), and Standards & Labeling programme may reduce demand for grid electricity. "Other advanced technologies such as electric vehicles could alter demand. Also, with growing global concerns due to climate change, there has been increasing focus on gradually reducing dependence on fossil fuels and raising the share of renewable energy sources in the energy mix," it said. The report also cited the share of off-grid renewable such as solar pumps, which would decrease demand for grid electricity in the future.

DHFL reports pre-tax loss of ₹167 crore in Q3

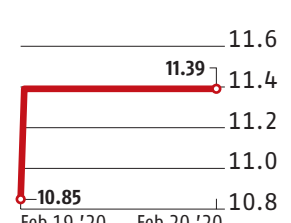
But lender sees net profit of ₹934 cr from tax adjustment of ₹1,973 cr

Subrata Panda Mumbai, 20 February

Troubled mortgage lender Dewan Housing Finance (DHFL), which is under insolvency proceedings, has reported a pre-tax loss of ₹167.80 crore in the third quarter (Q3) of 2019-20 (FY20), compared to a pre-tax profit of ₹471.5 crore in the year-ago period. In the September quarter, the company had reported a pre-tax loss of ₹7,584.43 crore. However, the company has reported a net profit of ₹934.35 crore in the quarter ended December 2019 (Q3FY20), compared to a net profit of ₹313.6 crore in the year-ago period on account of a tax adjustment to the tune of ₹1,973 crore for the first nine months of FY20.



STOCK JUMPS 4.98% Price in ₹



The company, however, said it has not provided for interest of ₹527.62 crore on borrowings since insolvency commencement based on the opinion of legal advisors. "Under the insolvency and bankruptcy code, the treatment of creditors under the resolution plan is according to debts due as on the insolvency commencement date and therefore, no interest is accrued and payable after this date. If the interest was accrued on borrowings, the profit for the quarter and nine months would have been lower by ₹392.39 crore," said the company. The interest income of the lender declined 28 per cent to ₹2,384.12 crore in Q3FY20, compared to ₹3,314.49 crore in Q3 of 2018-19. Similarly, income of the company dropped 26.8 per cent to ₹2,436.90 crore in Q3FY20, compared to ₹3,331.93 crore in the year-ago period. The company has said its wholesale loan portfolio aggregating to ₹48,347.57 crore has been 'fair valued', based on internal valuations at ₹42,361.51 crore, thereby resulting in a fair value loss aggregating to ₹5,986.06 crore. Of the total fair value loss of ₹5,986 crore, ₹4,852.06 crore has been accounted up to September 30, 2019, and balance loss of ₹1,133.99 crore has been charged to the statement of profit and loss for the quarter ended December 31, 2019. "The recoverability or otherwise of these loans is yet to be ascertained and hence, the appropriate provision has been made as a prudent measure," the company said in an exchange filing. The auditors have pointed out that with the company incurring losses to the tune of ₹6,089.12 crore during the nine months ended December 2019, the net worth has eroded substantially. The auditors have also expressed that there exists a mismatch to the extent of ₹3,018 crore that is yet to be identified and mapped to individual parties and the underlying securities available, if any, out of the available surplus security cover. Also, investigations relating to financial irregularities are ongoing. The SFIO and the ED are investigating the matter.

'If all goes well, there will be a recovery by end of 2021'

Private-sector lender Lakshmi Vilas Bank (LVB) is exploring avenues to raise capital. While reports stated that investors including DBS Bank, Capri Global, Indostar Capital Finance, and Tilden Park have shown an interest in the bank, LVB interim Managing Director and Chief Executive Officer S SUNDAR told TE Narasimhan a couple of investors had shown an interest but nothing had been finalised. Edited excerpts:

TE NARASIMHAN Chennai, 20 February

The fresh slippages in Q3 were lower than the recoveries.

How do you see that? If you look at the non-performing assets (NPAs) in the third quarter, there was an addition of ₹257 crore and the recoveries were ₹267 crore. We were very confident of recovering another ₹200 crore. Unfortunately, due to some reason,



S SUNDAR Interim MD & CEO, LVB

we could not achieve that, but hope to recover it this quarter. I am confident that I should be able to complete the deal (with investors) and raise a portion of capital during the current year.

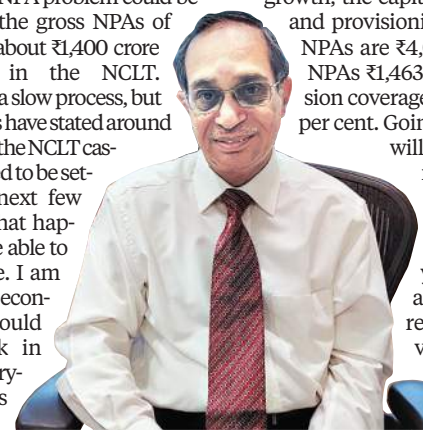
The RBI has put LVB under prompt corrective action (PCA). When do you see a turnaround? Since 2018 the bank has received ₹1,435 crore as capital. Provisions for NPAs were ₹2,500 crore during the same period. The existing

capital and funds raised have gone on to meet the provisioning requirements and that created problems. We will be able to recover a substantial amount. If that happens, the NPA problem could be arrested. Of the gross NPAs of ₹4,081 crore, about ₹1,400 crore should be in the NCLT. Insolvency is a slow process, but media reports have stated around 60 per cent of the NCLT cases are expected to be settled in the next few quarters. If that happens, I will be able to recover more. I am confident the economy should bounce back in 2020-21. If everything goes well, there

will be a recovery by the end of 2021.

How much capital do you need?

We need ₹1,500-2,000 crore for growth, the capital adequacy ratio, and provisioning. Current gross NPAs are ₹4,081 crore and net NPAs ₹1,463 crore. The provision coverage ratio is almost 69 per cent. Going by my records, I will be able to recover more than this level of net NPAs, maybe in one or two years. In two years, these accounts will not require me to provide further.



You have been in

talks with some investors. What is the status? What kind of fund raising are you looking at?

The board has authorised us to have discussion with prospective investors. These talks could cover not only raising capital through rights, preferential issues, or qualified institutional placements, it can even extend to a merger, or offering a controlling interest. Either we should get a huge chunk of capital coming in, or else a merger could be a better proposal. That was why the Indiabulls Housing Finance merger was considered. Had it been through, these problems would have been solved. We are analysing all the proposals. There has been a lot of enquiries and talks at different stages. We are trying to see some reasonable capital coming in before March 31, though not the entire quantity.