GOLD ₹41,748 | RUPEE ₹71.38 | OIL $58.02 | SILVER ₹47,506

*Indian basket as on January 31, 2020

SENSEX: 39,872.31 ▲ 136.78 NIFTY: 11,707.90 ▲ 46.05 NIKKEI: 22,971.94 ▼ 233.24 HANG SENG: 26,356.98 ▲ 44.35 FTSE: 7,311.54 ▲ 25.53 DAX: 13,000.58 ▲ 18.61

*International market data till 1900 IST

Since FY15, banks write off ₹6.66L cr, over twice the amount infused by govt in PSBs

Recoveries, however, are on upswing; public sector banks recover ₹3.83L cr during April 2014 to June 2019

ANIL SASI
NEW DELHI, FEBRUARY 3

SCHEDULED COMMERCIAL banks have cumulatively written-off an amount of Rs 5.85 lakh crore in the five years since 2014-15, according to government data for 76 public sector, private and foreign banks operating in the country.

Add to that the Rs 80,893 crore that public sector and private banks wrote-off during the first six months of current financial year 2019-20 (April 1-September 30), the cumulative write off amount crosses Rs 6.66 lakh crore.

To put the write-offs in perspective, this number is well over twice the Rs 3.13 lakh crore infused by the government in PSBs since April 2014 to recapitalise them.

The amount written off by banks during the five-and-a-half-year period — the 21 PSBs that account for around 70 per cent of the total banking assets contributed over 80 per cent of the total write-offs — is nearly four times the Rs 1.71 lakh crore allocated in Budget 2020-21 for the healthcare, education and skill development sectors on a cumulative basis.

The only silver lining: the progress by the government on resolution and recovery, primarily on account of the enactment of the Insolvency and Bankruptcy Code (IBC) and other recovery related reform measures. As a result, public sector banks (PSBs) are reported to have recovered Rs. 3.83 lakh crore over the period from April 2014 to June 2019, including record recovery of Rs. 1.27 lakh crore claimed in the last financial year, according to government estimates.

Recoveries take place on the total cumulative write-off and not only on write-off for a specific period. In 'Technically Written Off' accounts, loans are written off from the bank books, without foregoing the right to recovery. Further, write-offs are generally carried out against accumulated provisions made for such loans. Once recovered, the provisions made for those loans flow back into the profit and loss account of the bank.

WRITE-OFFS BY SCHEDULED COMMERCIAL BANKS

YEAR	TOTAL
2014-15	55,149
2015-16	67,037
2016-17	1,01,886
2017-18	1,48,129
2018-19	2,12,485
2019-20*	80,893

(All figures in ₹ crore)

Write-off amount from FY15 to FY19 is for 76 scheduled commercial banks (PSBs, private and foreign banks)

**Data for FY20 is provisional and only for PSBs and private banks for the April 1-Sept 30, 2019 period*

Source: Government data

According to a senior government official, the decision to write off loans, either fully or partially, is a business decision taken by banks to clean up their balance sheets, based on various viability factors such as scope of upgradation of an non-performing asset (NPA) into standard category, chances of recovery from such assets, market conditions, availability of security, and its valuation. At times, such decisions are taken keeping in view the available taxation benefits and also to manage the level of NPA ratios of banks. In case of technically written-off accounts, the recovery efforts "continue as usual", an official said.

While the government has been trying to shore up PSB books through equity capital infusion and other measures, stressed assets have registered a steady rise since 2011. However, when it comes to NPAs, the growth was muted until 2014, followed by a dramatic rise since, particularly after 2015-16 because of the Reserve Bank of India (RBI) undertaking an Asset Quality Review of banks in 2014. This led to the recognition of many bank loans as NPAs, considered by banks as standard assets till then.

As a result, the gross NPAs of PSBs, according to RBI data on global operations, rose from Rs 2.79 lakh crore as on March 31, 2015, to Rs 6.85 lakh crore up to March 31, 2017 and Rs 8.96 lakh crore by March 31, 2018.

Since then, the NPA numbers are reported to have declined to Rs 7.27 lakh crore till September 30, 2019, primarily on account of recoveries made under IBC.

Alongside action through the IBC, PSBs have also been directed to created Stressed Asset Management Verticals to focus on recovery, segregated monitoring from sanctioning roles in high-value loans, and entrusted monitoring of loan accounts of above Rs 250 crore to specialised monitoring agencies for "effective monitoring". They have also been asked to also create online end-to-end One-Time Settlement platforms for timely and better realisation, an official said.

DoT may toughen stance, push for contempt against telcos

AASHISH ARYAN
NEW DELHI, FEBRUARY 3

THE DEPARTMENT of Telecommunications (DoT) is of the view that the telcos who failed to pay their share of the adjusted gross revenue (AGR) dues by January 23 are in "contempt of court". It is likely to take this stand when the case will be heard by the Supreme Court, senior officials from the Ministry told *The Indian Express*.

"While the telcos were at liberty to approach the court anytime they wanted to, the deadline for payment of AGR was never extended. That stands at three months from October 24. So in my view, they are in contempt of court," one of the officials quoted above said.

The stand taken by DoT is in contrast to an earlier decision of not pursuing any coercive action against telcos for not paying the AGR dues in time. On January 23, when the three-month SC deadline to pay AGR dues was about to end, the Licensing Finance Policy Wing of DoT had sent out a letter stating that no action should be taken against telcos.

The DoT had then also said that any decision on initiating a contempt against the telcos would be taken in due course of time as there was no question of "immediate contempt".

"Not even once did the companies come to the DoT to sort out the issue. Once the case has gone to the SC, and there is an order from them, there is precious little we can do. The judgment is binding on all," an official said.

Apart from pushing for holding telcos in contempt of SC's orders, it is also unlikely that the DoT will give them any major relief as far as payment of the dues is concerned.

Senior Ministry officials in the know said the decision has been reflected in the Budget for financial year 2020-21.

In the Budget for the next fiscal starting April, the government has estimated revenue of Rs 1.33 lakh crore under the 'other communication services' head.

This amount is nearly 125 per cent higher than Rs 58,989.64 crore mentioned by the government in its revised estimate of 2019-20.

The government defines receipts from 'other communication service' mainly as license fees from telecom operators and receipts on account of spectrum usage charges. The DoT collects recurring licence fees from various telecom service providers for spectrum usage and the AGR is calculated depending upon the quantum assigned for their network.

Most experts have estimated that this higher payout could be a part of the AGR that the government is expecting to receive as soon as it gets appropriate directions from the apex court.

Ministry officials in the know said they wanted to push for a part of the payment, which may include the payment of AGR principal, while deferring the penalty and interest on penalty part to the next fiscal.

A "concrete decision" on that issue, and whether non-telecom companies will also be asked to pay the entire amounts had, however, not been taken so far, an official said.

The SC had, on October 24 last, while upholding DoT's definition of AGR, given the licensees three months time to pay all the dues which included the principal amount, interest on principal amount, penalty and interest on penalty due to delay in repayment.

The three-month deadline ended on January 23, before which the telcos had unsuccessfully tried to persuade the Telecom Department to give them more time to pay the dues. Having failed there, the telcos again approached the apex court seeking a review of the October 24 judgment, which was also turned down.

EXPLAINED

E.

AGR dues: Telecom Dept may seek at least principal amount

THE GOVERNMENT is of the view that the telcos should have approached the Telecom Department for negotiations on the AGR dues issue, instead of moving the courts. With the Supreme Court now ruling that the telcos will have to pay the dues, the ball is now completely in DoT's court, which has nearly firmed up its mind on seeking at least the principal payment.

MARKET WATCH
VOLATILE SESSION

Post Budget Day fall, Sensex rises on DII support; FPIs continue to sell

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 3

AFTER A volatile trading session, the benchmark Sensex ended Monday with a gain of 136 points, or 0.34 per cent, after a sharp fall of 988 points on Saturday, as the Indian markets witnessed strong support from domestic institutional investors (DIIs) even as foreign portfolio investors (FPIs) continued to sell for the second consecutive day since Budget announcement on Saturday.

The Sensex was volatile on Monday. While it hit an intra-day high of 40,014, it touched a day's low of 39,563, before closing at 39,872. While FPIs sold equities worth a net of Rs 1,200 crore on Monday, DIIs made up for it with net investments of Rs 1,286 crore, as per provisional data provided by the stock exchanges.

On Saturday, after Finance Minister Nirmala Sitharaman's Budget presentation for 2020-21, FPIs sold domestic equities worth a net of Rs 4,375 crore, resulting in a sharp decline of 2.4 per cent in the BSE Sensex and 2.5 per cent in Nifty at the National Stock Exchange.

Even as markets fell sharply on Saturday, the FM had expressed confidence that the Budget will have a positive impact on stock market on Monday, when it is fully open. Her optimism found the markets endorsement on Monday.

While the Sensex rose 0.34 per cent, mid and small cap indices were up 1.1 per cent and 0.1 per cent, respectively. While the total number of companies traded at BSE stood at 2,645, the advance to decline ration stood at 945 to 1,522.

Meanwhile, at a FICCI conference on Monday, to a query on why Sensex was not happy on Budget day, Sitharaman said, "But I see them being happy today … Monday's is the true working mood and today's mood is that they are happy. Aren't they, today they are happy, not exuberant, but happy somewhat."

The Indian markets rose on Monday even as major Asian indices traded under pressure, amidst growing concerns over coronavirus and its impact on the economy. While the Shanghai Composite in China fell 7.7 per cent, Nikkei 225 in Japan fell 1 per cent. Even the SET Composite in Thailand and Straits Composite in Singapore fell 1.2 per cent.

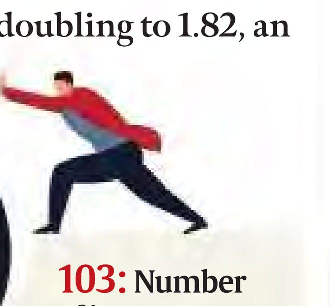
Despite rising on Monday, experts say that the Indian markets may remain under pressure. "We believe absence of any major announcements in the Budget may weigh on the investor sentiments in the short-term and we may continue to witness volatility ... Rising concerns regarding coronavirus may continue to cause uncertainty in the markets," said Ajit Mishra, VP—research, Religare Broking.

'Corporate downgrades more than double in first 3 quarters'

Credit profile of companies has also sharply deteriorated in the first three quarters, with the downgrades-to-upgrades ratio more than doubling to 1.82, an India Ratings & Research (Ind-Ra) report said

DOWNGRADES-TO-UPGRADES RATIOS DURING FIRST THREE QUARTERS OF FY20:

Q1: 1.59
Q2: 2.03
Q3: 2.75



188 Number of issuers downgraded till December in FY20

103: Number of issuers upgraded till December in FY20

MAIN REASONS FOR RATING DOWNGRADES IN OVER HALF THE CASES:

- Sharp drop in private consumption
- Increasing working capital intensity and resultant drop in profitability
- Continuing low investments

₹1.53 LAKH CRORE: Rated debt that downgrades amounted to

₹49,600 CRORE: Rated debt that upgrades amounted to

5% GDP forecast for current fiscal, revised down from 7.5 per cent, which also sharply increased corporate rating downgrades during this period

4.9% of all issuers: Percentage of defaults among all issuers, rising from 2.9 per cent last year

The extent of the sharp and sudden changes to macroeconomic parameters resulted in higher-than- expected deterioration in the credit profiles of leveraged entities across sectors. Not only did the downgrades-to-upgrades ratio increase to one of the highest levels, the ratio also rose with every passing quarter, as GDP kept heading south: Report

30% Increase in ratings volatility in first three quarters, from 24 per cent last year

Source: Ind-Ra/PTI

Manufacturing PMI at 8-yr high in Jan amid rise in production, hiring

ENS ECONOMIC BUREAU
MUMBAI, FEBRUARY 3

THE ECONOMY seems to be showing signs of a revival with India's manufacturing sector activity climbing to a near eight-year high in January, driven by sharp rise in new business orders amid a rebound in demand conditions, leading to a rise in production and hiring activity.

Despite the downturn in the economy, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) jumped from 52.7 in December to 55.3 in January, its highest level in just under eight years.

Last month saw growth of new business, output, exports, input buying and employment following a sharp improvement in demand. Simultaneously, business sentiment strengthened and there were softer rises in both input costs and output charges. "Manufacturing sector growth in India continued to strengthen in January, with operating conditions improving at a pace not seen in close to eight years," said Pollyanna de Lima, principal economist, IHS Markit.

India's annual growth in gross domestic product (GDP) fell to 4.5 per cent for the quarter ended September 2019, down from 5 per cent in the previous three months and 7 per cent for the corresponding period of 2018. Many experts had criticised Finance Minister Nirmala Sitharaman's Budget, unveiled on February 1, for lack big announcements for revival of the economy. The Economic Survey 2019-20 projected India's economy to grow in the range of 6-6.50 per cent in the 2020-21 financial year.

While analysts were surprised by the sudden jump in manufacturing PMI, it is for the 30th consecutive month that the manufacturing PMI has remained above the 50-point mark. In PMI parlance, a print above 50 means expansion, while a score below that denotes contraction.

IHS Markit said companies noted the strongest upturn in new business intakes for over five years, which they attributed to better underlying demand and greater client requirements.

We are putting money where assets will be created: Sitharaman

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 3

FINANCE MINISTER Nirmala Sitharaman Monday said the government has tried to maintain a fine balance between being fiscally prudent and ensuring that additional resources being spent go into asset creation and capital expenditure, which has a multiplier effect on improving growth in the economy. Speaking at a FICCI conference, she said the government is willing to support the industry and Budget has tried to improve the trust between the taxpayers and the government.

"Although the Budget has not given you anything sector specific, it has worked with the macro picture…we are putting money where assets will be created," she said.

It is better to use the additional leeway available under the FRBM law to push spending towards asset creation, she said. Capital expenditure is set to rise 18.1 per cent to Rs 4.12 lakh crore in Budget Estimate for 2020-21 over 2019-20 revised estimate. Government has also announced a pipeline of infrastructure projects to be done over the next five years.

"The money being raised through disinvestment will go towards infrastructure creation," she said.

The Budget 2020-21 presented Saturday announced an ambitious disinvestment agenda, aiming to raise Rs 2.1 lakh crore through stake sales next year, including plans to sell part of the Centre's stake in the country's largest insurer Life Insurance Corporation (LIC) through an initial public offer (IPO).

"Although the Budget has not given you anything sector specific, it has worked with the macro picture...we are putting money where assets will be created ... The money being raised through disinvestment will go towards infrastructure creation"

NIRMALA SITHARAMAN
FINANCE MINISTER

The Centre also proposed to sell the government's equity in the stressed IDBI Bank to private, retail and institutional investors through the stock exchange.

For the current year, the government has revised down the disinvestment target to Rs 65,000 crore in RE from Rs 1.05 lakh crore in BE.

Even as the government has taken additional leeway to expand the deficit by 0.5 percentage points, it is not splurging money like it was done in the past (2008-09) when the previous government expanded the deficit massively, she said. The entire Budget has tried to ensure that the steps are completely thought through and there is a blueprint to revive growth.

The government breached the fiscal deficit target by 0.5 percentage points to 3.8 per cent of GDP for 2019-20. For the next financial year, it is pegged at 3.5 per cent of the GDP as against the earlier estimate of 3.4 per cent.

On boosting trust between the taxpayer and the taxmen, she said the government has over the years expanded the usage of technology to make the tax system objective. Earlier, speaking at the same event, Finance Secretary Rajiv Kumar also stressed that the Budget making process was based on promoting a trust-based environment and that the government did not go overboard in making any projections. He said the direct tax dispute resolution scheme has been designed to end litigation with government and that directions have been issued to banks to differentiate between genuine business failure and fraud.

Elaborating on details of the Budget, Department of Economic Affairs Secretary Atanu Chakraborty said that the Union Budget has not considered the adjusted gross revenue (AGR) of telecom companies while making the budget calculations.

SHANGHAI COMPOSITE INDEX PLUNGES NEARLY 8 PER CENT — ITS BIGGEST DAILY FALL IN MORE THAN FOUR YEARS

Coronavirus fears wipe $393 bn off China's stock market despite govt intervention

WINNI ZHOU & NOAH SIN
SHANGHAI/HONG KONG, FEB 3

INVESTORS ERASED $393 billion from China's benchmark stock index on Monday, sold the yuan and dumped commodities as fears about the spreading coronavirus and its economic impact drove selling on the first day of trade in China since the Lunar New Year.

A nearly 8 per cent plunge on the Shanghai Composite index was its biggest daily fall in more than four years. The Chinese yuan blew past the 7-per-dollar mark, Shanghai-traded commodities from palm oil to copper hit their maximum down limits.

The wipeout came even as the central bank made its biggest cash injection to the financial system since 2004 and despite apparent regulatory moves to curb selling.

The total number of deaths in China from the coronavirus rose to 361 as of Sunday. It had stood at 17 when Chinese markets last traded on January 23.

"You wanted to know what a real decoupling from China might look like, or what a 'what if everyone just stayed at home and didn't buy anything?' economic thought-experiment looks like? Well here you are, folks," Rabobank strategist Michael Every said in an afternoon note.

An electronic board showing the Shanghai and Shenzhen stock indexes, on Monday. *Reuters*

The yuan began onshore trade at its weakest this year and was down 1.2 per cent by the afternoon, sliding past the symbolic 7-per-dollar level to 7.0155. The new virus has created alarm because it is spreading quickly, much about it is unknown, and authorities' drastic response is likely to drag on economic growth.

More than 2,500 stocks fell by the daily limit of 10 per cent. The Shanghai Composite closed down 7.7 per cent at 2,746.6, its lowest since August and a modest recovery from being down nearly 9 per cent in early trade.

Hong Kong's Hang Seng, which shed almost 10 per cent in two weeks, was steady.

Amid the selldown, the PBOC had injected 1.2 trillion yuan ($173.81 billion) into money markets through reverse bond repurchase agreements, the largest such move since 2004 according to DBS analysts. **REUTERS**

Oil falls as virus hits demand

REUTERS
LONDON, FEBRUARY 3

OIL PRICES fell on Monday, dragged down by concern over demand in China after the coronavirus breakout, though the possibility of deeper crude output cuts by OPEC and its allies offered some price support. Brent crude was down $1 at $55.62 a barrel by 1434 GMT, its lowest since January last year.

US West Texas Intermediate (WTI) crude fell 58 cents to $50.98 after hitting a session low of $50.42, also the lowest since January last year. As the coronavirus outbreak hit fuel demand in China, the world's biggest crude oil importer, refiner Sinopec Corp told its facilities to cut throughput this month by about 600,000 barrels per day (bpd). The OPEC and its allies are considering a further 500,000 bpd cut to their oil output, sources said.