ECONOMY

MARKET WATCH

FPIs INVEST ₹6.5K CR IN FEB

New Delhi: Foreign portfolio investors (FPIs) invested only Rs 6,554 crore in Indian markets on net basis in February, as they adopted a cautious stance amid coronavirus scare, subdued economic data and disappointing corporate earnings. **PTI**

PHARMA WATCH
GENERIC MEDICINES

Pact inked by Mylan allows new Hep C drug to be made in India, but no sales in local market

PRABHA RAGHAVAN
NEW DELHI, MARCH 1

DRUGMAKER MYLAN Laboratories in India recently signed an agreement to develop, manufacture and supply the first generic version of a crucial drug for Hepatitis C patients, especially those who don't respond to existing treatment. The catch, however, is that the drug can be manufactured in India, but patients in the country will not get access to it.

Some health activists feel the development could set a potentially dangerous precedent for other companies to use India as a manufacturing and export hub for medicines, while excluding patients here from the benefits. The drug in question, a combination of glecaprevir and pibrentasvir (G/P), was developed by US biopharma company AbbVie and is sold in America under the brand name Mavyret.

The World Health Organisation included it in its (WHO) model list of essential medicines last year as a recommended Hep C treatment.

According to the sub-licence signed by Mylan with United Nations-backed public health organisation Medicines Patent Pool (MPP), India is listed as a "manufacturing-only" country, and is the only country to be listed in this category. India also does not figure in the 96 countries listed under the category 'Territory', which are eligible to access the drug.

Pursuant to MPP's own licence with AbbVie, Mylan has been granted a "non-exclusive, non-transferable license under the AbbVie Patents to manufacture and develop the licensed compounds and licensed products in the manufacturing-only countries solely for the purpose of commercialization of licensed products in the field and in the territory." Nearly half of Mylan's global manufacturing capacity is in India, and it employs around 15,000 people here.

Queries sent to Mylan, AbbVie and MPP about the development remained unanswered by press time on Sunday. Excluding India from the list of eligible territories could leave thousands of patients in need of salvage treatment in the lurch, as patients in various parts of the country have stopped responding to regular Hep C treatment.

"Failure rate of existing therapies in cirrhotic patients is around 10 per cent, while patients without liver damage have better success, so their failure rate is around 4 per cent," said Dr Praveen Malhotra, head—gastroenterology, Post Graduate Institute of Medical Sciences (PGIMS), Rohtak.

"It may be sounding a little less but, with the prevalence of Hep C coming out across certain belts in the country, the number is actually more. For instance, around five per cent of the population of Haryana would have Hep C, according to our estimates," he told *The Indian Express*.

"This is an extremely flawed and unethical licence. You are using India as a manufacturing country in order to produce these drugs and you're not even giving them to Indian patients," said Leena Menghaney of the Médecins sans Frontières (MSF) Access Campaign. The body, in the past, attempted to procure the drug for compassionate use in India but was denied permission by AbbVie, she said.

"The model ... being built for India is that you can do business with Indian companies and have these agreements, where you can get these drugs manufactured here, but you leave the very people living here out of it. In this case, it's one treatment, but if this model is allowed to be replicated by the MPP in other therapeutic areas, it can completely undermine access for Indian patients in the future," she added. "This would need to be challenged by the Indian government "more vigorously", Menghaney said.

Hep C is more prevalent in states like Haryana, Punjab, Uttarakhand, and the North East as well as certain parts of Maharashtra and Andhra Pradesh. PGIMS Rohtak has treated around 25,000 patients as part of a dedicated screening programme since 2013, making the number of patients estimated to have failed such treatment around 1,450 in Haryana alone.

Malhotra also expects a rising number of patients developing resistance to first- and second-line treatment. "There is a good chunk of patients across the country who would require this drug (Mavyret generic)," he said.

From 2011 to 2018, AbbVie also submitted five patent applications related to the drug in India. However, one of the applications was opposed in June 2019 by the Delhi Network of Positive People and Initiative for Medicines, Access and Knowledge, Inc, claiming it was "unmerited".

These patent applications, if granted, would allow AbbVie to drag to court any company wanting to make a generic G/P in India without a similar licence to Mylan's as well as those making it for the Indian population, said a pharmaceutical lawyer.

'DANGEROUS PRECEDENT'

- **The drug, a combination of glecaprevir and pibrentasvir, was developed by AbbVie**
- **Activists feel the development could set a potentially dangerous precedent for other companies to use India as a manufacturing and export hub for medicines, while excluding patients here from the benefits**

JANUARY NON-FOOD CREDIT GROWTH DECELERATES TO 8.5%

Credit growth to industry, farm sector falls despite RBI rate cuts

GEORGE MATHEW
MUMBAI, MARCH 1

WITH SLOWDOWN in the economy taking a toll and the central bank policy rate cut not fully getting transmitted to productive sectors, non-food credit growth in the banking system has declined to 8.5 per cent as of January 2020, as against 13.1 per cent in the same period last year. While most of the sectors — including industry, agriculture and housing — showed a fall in credit growth, credit card outstandings registered a 31.6 per cent growth.

According to the Reserve Bank of India's (RBI) latest sectoral data, total non-food credit outstandings amounted to Rs 89,00,136 crore as of January 2020. Credit growth to agriculture & allied activities decelerated to 6.5 per cent at Rs 11,53,386 crore in January 2020 from 7.6 per cent in January 2019.

The RBI had slashed the repo rate by 135 basis points (bps) in 2019, but the cut was not fully transmitted into productive sectors. The one-year median marginal cost of funds-based lending rate (MCLR) declined by just 55 bps during February 2019 and January 2020. The weighted average lending rate (WALR) on fresh rupee loans sanctioned by banks declined by only 69 bps and the WALR on outstanding rupee loans by 13 bps during February-December 2019.

The RBI data shows that credit growth to industry decelerated to 2.5 per cent (Rs 28,17,525 crore) in January 2020 from 5.2 per cent in January 2019. With new investments yet to take off, loan offtake growth by the large industry segment declined to 2.8 per cent at Rs 23,37,662 crore from 6.1 per cent a year ago. Within industry, credit growth to paper & paper products, rubber plastic & their products and construction accelerated. However, credit growth to textile, food processing, chemical & chemical products, basic metal & metal products, all engineering and infrastructure decelerated/contracted. The medium industry showed only 2.8 per cent credit growth against 7 per cent a year ago.

The data further said credit growth to the services sector decelerated to 8.9 per cent (Rs 24,31,975 crore) in January 2020 from 23.9 per cent last January. However, personal loans grew by 16.9 per cent in January 2020, the same rate as January 2019.

Significantly, credit card outstandings shot up by over Rs 26,000 crore to Rs 1,10,864 crore, showing a growth of 31.6 per cent as against 29 per cent a year ago.

RBI Governor Shaktikanta Das had recently said the overhang of non-performing assets (NPAs) "remains relatively high which is weighing on credit growth". "In view of subdued profitability and deleveraging by certain corporates, risk-averse banks have shifted their focus away from large infrastructure and industrial loans towards retail loans," Das had said.

Rating agency Crisil said the prolonged slowdown in bank lending may be bottoming out this fiscal, with gross credit offtake set to rise 8-9 per cent on-year in FY21, a good 200-300 bps over the 6 per cent likely growth in FY20.

"A gradual pick-up in economic activity, continuing demand for retail loans, and strong growth in lending by private sector banks should drive the uptick. As for this fiscal, some growth momentum is expected in the fourth quarter, after a subdued three quarters – due to traditional fiscal year ending growth. The RBI's move to exempt banks from cash reserve ratio requirement for incremental credit to certain sectors for up to five years will also support lending. Incremental net domestic credit this fiscal up to December 2019 is just a fifth of what it was a year ago," Crisil said.

The RBI had recently announced Rs one lakh crore of long-term repo operations (LTRO) to boost credit growth. Analysts said LTRO is a bold measure which would help banks kickstart credit growth and help them reduce their cost and improve margins.

LTRO has led to a rally in the short end of the gilt yield curve post monetary policy in February. The RBI has been increasingly focusing on improving monetary transmission to boost bank credit to productive sectors using unconventional measures.

E. EXPLAINED

LTRO could boost credit growth to productive sectors

RBI GOVERNOR Shaktikanta Das had recently remarked that banks have shifted their focus away from large infrastructure and industrial loans towards retail loans, which is in line with the slowing growth seen in credit to industry.

However, the long-term repo operations (LTRO) announced by the central bank to boost credit growth could give a leg-up to productive sectors in times of slowdown.

FM: Direct benefit transfer, GST being talked about as silent revolution

Finance Minister Nirmala Sitharaman at the 44th Civil Accounts Day function at Ambedkar Bhawan, in New Delhi, on Sunday. *Prem Nath Pandey*

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 1

FINANCE MINISTER Nirmala Sitharaman Sunday asked civil accounts officers to focus on bringing in more efficient and adaptive technologies to further smoothen the working of the Public Financial Management System. PFMS is designed to help government agencies in processing payments, tracking, monitoring, accounting and reconciliation. It tracks funds disbursement and ensures that state treasuries are integrated with the Centre to ensure money is sent as and when required.

Speaking at the 44th Civil Accounts Day function, Sitharaman said PFMS has saved Rs 1 lakh crore for the country and left a real and lasting impact on public service delivery system. She said the accounts officers are not only competent accounts persons but also competent technology professionals.

"Even as we are talking of technology, that itself is a challenge. Every day it changes, newer versions come in, rapid changes are happening and therefore, to keep on top of it is a big exercise. You have to constantly keep changing the milepost, bring in more and more efficiency and adaptive technology," she said.

The minister added technology-driven PFMS has empowered India to be accountable, responsive and transparent. "Today all over the world, DBT (direct benefit transfer) and GST (goods and services tax) are being talked about as one of the silent revolution that democracy can show off to the world," she said, adding that officers have shown that public finance is not opaque, but efficient and responsive to the public. "This is the biggest revolution. The Rs 1 lakh crore you have saved through DBT, these are not just symbolic."

She added these savings are through efficient use of technology, and have proven that corruption and wrongdoing can be removed from the system.

Speaking at the function, Expenditure Secretary TV Somanathan said the integration of PFMS with railways, defence and postal service needs to be taken forward. I am aware that in most of these systems, there are multiple agencies involved and you are often at the tail end and the delay can be for various reasons beyond your control. But there is one element of the system which is in your control and what I would like you to do is to make sure that that element of system is never a source of delay or complaint," he added.

In 2019-20, a total of 64 crore transactions, amounting to Rs 19.64 lakh crore, were executed via PFMS. DBT payments worth Rs 1.53 lakh crore were done through the PFMS. PM-KISAN is one of the major schemes being implemented through the PFMS.

"Till date, the total amount of benefit paid is Rs 49,250.77 crore through 24.63 crore transactions covering a total number of 8.12 crore farmers. On 2nd January, 2020 at Tumakuru (Karnataka), the Prime Minister announced the release of an additional tranche of Rs 12,000 crore to cover 6 crore farmers' families," the Finance Ministry said in a statement.

'India's crude steel production drops 3.26% to 9.28 MT in Jan'

At 9.288 million tonnes (MT), India's crude steel production registered a decline of 3.26 per cent in January this year, according to World Steel Association (worldsteel)

84.3 MT OUTPUT OF CHINA, THE WORLD'S LARGEST STEEL PRODUCING COUNTRY, IN JANUARY; A RISE OF 7.2 PER CENT COMPARED TO A YEAR-AGO

8.2 MT PRODUCTION OF CRUDE STEEL BY JAPAN IN THE PERIOD UNDER CONSIDERATION, FALLING 1.3 PER CENT FROM JANUARY 2019

5.8 MT SOUTH KOREA'S CRUDE STEEL PRODUCTION IN JANUARY 2020, POSTING A DECREASE OF 8 PER CENT FROM THE YEAR-AGO MONTH

~85% SHARE OF WORLD'S STEEL PRODUCTION ACCOUNTED FOR BY MEMBERS OF WORLD STEEL ASSOCIATION

COMPOSITION OF WORLDSTEEL:
- More than 160 steel producers across the world
- 9 of the 10 largest steel companies
- National and regional steel industry associations
- Steel research institutes

Source: worldsteel/PTI

9.591 MT: *Crude steel produced by India during corresponding month last year*

154.4 MT: *Crude steel production for the 64 countries reporting to worldsteel in January 2020, a 2.1 per cent increase compared to January 2019*

Feb GST mop-up rises 8% over last yr, but below Jan figures

Compliance rate was at the same level as last month, with total number of GSTR-3B returns filed for the month of January — till February 29 — being recorded at 83 lakh

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 1

GROSS GOODS and services tax (GST) collections stood at Rs 1.05 lakh crore for February (for sales in January), a rise of 8 per cent over last year but lower than Rs 1.10 lakh crore in January, a Finance Ministry release said Sunday. Compliance rate was at the same level as last month, with total number of GSTR-3B returns filed for the month of January — till February 29 — being recorded at 83 lakh, the release said.

GST revenues from domestic transactions for February posted a growth of 12 per cent over the same month last year, while GST revenue from imports posted a contraction of 2 per cent as against February 2019. With this, the total gross GST revenue now stands at Rs 11.25 lakh crore as against the approximate full year aim of Rs 11.26 lakh crore.

"The gross GST revenue collected in the month of February, 2020 is Rs 1,05,366 crore of which CGST (Central GST) is Rs 20,569 crore, SGST (State GST) is Rs 27,348 crore, IGST (Integrated GST) is Rs 48,503 crore and cess is Rs 8,947 crore," the release said.

The government has settled Rs 22,586 crore to CGST and Rs 16,553 crore to SGST from IGST as regular settlement.

"The total revenue earned by Central Government and the State Governments after regular settlement in the month of February, 2020 is Rs 43,155 crore for CGST and Rs 43,901 crore for the SGST," the release stated.

Tax experts, however, raised concerns saying the recent blocking of input tax credit has led to increase in GST collections and it may not be a sustainable trend. Pratik Jain, PwC India partner & leader—indirect tax, said while the GST collection again looks impressive considering the overall economic scenario, one will have to see how much of it is due to restriction and blockage of input credits which has been happening in the last three months or so.

"The issue of blockage of input credit from the back-end (on account of alleged difference between credit claimed and that disclosed by vendors) is becoming a concern for the industry and the GST Council should look into this. Otherwise, we may see lower collections later, when the credit is actually utilised," Jain added.

EY tax partner Abhishek Jain said one possible significant reason linked to reasonable collections is the differential liabilities discharged by businesses in reference to the observations in GST annual returns and audit for FY 2017-18, which was due in January 2020.

Deloitte India partner MS Mani said with the monthly collections now stabilising at over Rs 1 trillion per month, GST authorities would now go all out to enhance the March collections so that the deficit is reduced to the extent possible.

"These numbers indicate that the GST collections are becoming stable. With new changes like e-invoicing and new returns slated for next month, more stability is expected in future," he said.

Free voice calls no excuse for poor service quality, says Trai Chairman

PRESS TRUST OF INDIA
PUNE, MARCH 1

TELCOS ARE citing free voice calls to duck action on poor quality of service, but that will not pass regulatory muster, Trai Chairman R S Sharma said on Sunday, assuring users that the issue of call drops remains on its agenda. The Telecom Regulatory Authority of India (Trai) head said the watchdog's earlier provision for a penalty on telecom firms for call drops was successfully challenged in the Supreme Court, but the regulator will continue to work for improving the quality of service.

"Most of the telcos are offering voice free, their argument is that if something is free, how much can you (Trai) punish me because I am not getting anything for that, which may not be correct because they are essentially cross-subsidising," Sharma said at the Asia Economic Dialogue here. The comments come amid continuing call drops being experienced by subscribers across the country.

After the entry of Reliance Jio in 2016, voice calling has become virtually free as it is getting embedded in the data plans. This has resulted in entrenched operators losing their biggest revenue stream, which has led to financial troubles.

Sharma acknowledged the problem of call drops and added that "hopefully" the service quality will get better over time.

FUNDS TO BE AVAILABLE FOR ALL DEVELOPING MEMBER COUNTRIES IN UPDATING AND IMPLEMENTING PANDEMIC RESPONSE PLANS

ADB to provide $4 mn to member countries to contain virus outbreak

PRESS TRUST OF INDIA
NEW DELHI, MARCH 1

ASIAN DEVELOPMENT BANK (ADB) will provide a total of $4 million (about Rs 29 crore) to help developing countries in Asia and Pacific to fight the outbreak of novel coronavirus (COVID-19).

The Manila-headquartered multilateral funding agency had earlier in February announced $2 million for fighting the disease and approved another $2 million in late February.

The Asian Development Bank has approved a further $2 million to help developing countries in Asia and the Pacific contain the outbreak of the novel coronavirus and improve resilience to this and other communicable diseases, it said in a release last week.

The funds will be available for all ADB developing member countries in updating and implementing their pandemic response plans.

ADB said the assistance will be for purposes including buying emergency supplies and equipment, assessing health system and economic impacts to improve future resilience, and coordinating better regionally to prevent, detect, and respond to animal and human disease outbreaks.

Medical personnel attend to a patient at a hospital designated for coronavirus patients in Wuhan, China, Sunday. *AP*

The work will be conducted in close collaboration with the World Health Organization.

"The severity of the COVID-19 outbreak is escalating, and past disease outbreaks have had large impacts on social and economic development," ADB Vice-President for Knowledge Management and Sustainable Development Bambang Susantono said.

"ADB's funding will help countries catalyze efforts to mitigate further damage to the health of families and economies and position them to better respond to the current and future outbreaks," he added.

The first tranche assistance was to strengthen the immediate response capacity in Cambodia, China, Laos, Myanmar, Thailand, and Vietnam. The monetary institution said over the longer term, it can be scaled up to focus on supporting pandemic preparedness and building resilience.

ADB also provided a private sector loan of up to Chinese yuan 130 million ($18.6 million) to Wuhan, PRC-based Jointown Pharmaceutical Group Co Ltd to enhance the distribution and supply of essential medicines and protective equipment.

"Past epidemics have shown that impacts can rapidly extend to all areas of a country's economy, triggering fiscal shocks with long-term negative consequences that threaten stability and economic growth," the regional development bank said.

Countries and businesses that rely on tourism are particularly vulnerable. Trade and supply chains also suffer, it added.