

# 20 ECONOMY

**CRUDE WATCH**  
**OIL POSTS BIGGEST DAILY LOSS IN 11 YRS**  
*New York:* Brent slid to its biggest daily loss in over 11 years, after Russia balked at OPEC's proposed steep production cuts to stabilise prices hit by economic fallout from the coronavirus, and OPEC responded by removing limits on its own output. **REUTERS**

**BAD LOANS HAD JUMPED FROM ₹46,627 CR IN SEPT 2017 TO ₹1,22,170 CR IN A YEAR**

## Regulatory measures, resolutions help reduce NPAs in energy sector in 2019

**GEORGE MATHEW**  
 MUMBAI, MARCH 7

AFTER A big surge in non-performing assets (NPAs) of the troubled energy sector in 2018, NPAs declined in 2019, aided by a host of regulatory measures and resolution initiatives of the banking sector.

Gross NPAs in the energy sector fell to Rs 1,06,908 crore as of September 2019 from Rs 1,22,170 crore in September 2018, the Reserve Bank of India (RBI) has said.

In its reply to a query made by *The Indian Express* under the Right to Information Act, the RBI said as much as 18.03 per cent of the energy sector exposure as of September 2019 is still classified NPA, but it has fallen from 20.3 per cent in September 2017 to Rs 1,22,170 crore in a year, a rise of 162 per cent.

A loan is classified as NPA if the principal or interest or both are due for repayment for over 90 days.

While total loan outstand-

### EXPLAINED **E** Cost overruns of over 65% in thermal projects

THERMAL POWER projects have witnessed significant cost overruns on account of delay in receipt of clearances, land acquisition and financial closure. In certain projects, there has been cost overruns of over 65 per cent, leading to loan defaults.

In certain projects, there have been cost overruns of over 65 per cent, resulting in project cost escalating to Rs 7.5 crore/MW as compared to initially envisaged Rs 4.5 crore/MW.

ing of the energy sector amounted to Rs 5,93,052 crore, State Bank of India accounted for a major share of the exposure at Rs 1,97,359 crore. Among other banks, Bank of Baroda has an exposure of Rs 36,588 crore, Canara Bank Rs 32,915 crore, Bank of India Rs 31,272 crore, PNB Rs 31,070 crore and HDFC Bank Rs 29,866 crore, according to the RBI data.

Banks are now wary of funding power and telecom projects. "In the case of power, whatever exposure we have,

that has already been recognised. Some of the exposures in power have been recognised as NPA. Resolutions of two or three major ones will be before March 31. We are not taking fresh exposure in power. In the thermal sector, there won't be any more exposure and, in hydel, it will be to a certain extent. This is because of the lessons we have learnt ... so no exposure to both telecom and power," said the CEO of a nationalised bank.

In June 2019, the RBI relaxed

its February 12 circular on the resolution of stressed loans, after the Supreme Court termed the circular as unconstitutional. The new circular relaxed several provisions, including norms related to consent of lenders and offers more freedom to lenders in implementing the asset resolution plan. Several defaulting power projects got a temporary reprieve following this development.

Several companies in the power, as well as the sugar and fertiliser sectors, had challenged the circular as ultra vires on the grounds that it wrongly classified them as wilful defaulters. They argued that they were stressed because of extraneous reasons beyond their control and could not be treated as wilful defaulters.

An estimated 17,000 MW of under construction power plants are classified as having been stalled for an over three-year period, indicating a huge blockage of funds. Further, there is the issue of capacity around 19,000 MW (43 per cent of total capacity) yet to ink power purchase agreements (PPAs), which is causing the

stress in thermal power sectors causing economic slowdown.

As per the 37th Standing Committee Report on Energy (2017-18), of the scheduled commercial banks' exposure of over Rs 5.9 lakh crore, power generating companies accounted for 86 per cent of the gross loans and advances. The committee had identified 34 stressed power assets, with a total exposure of Rs 1.75 lakh crore (32 per cent of total exposure in power sector).

Power projects are highly capital intensive and have a long gestation period. As a result, experts point out that completion of projects in a time-bound manner is extremely critical for developers to avoid huge time and cost overruns.

In the past, thermal power projects have witnessed significant cost overruns on account of delay in receipt of clearances, land acquisition and financial closure. In certain projects, there has been cost overruns of over 65 per cent, resulting in project cost escalating to Rs 7.5 crore/MW as compared to initially envisaged Rs 4.5 crore/MW.

## Flipkart has potential to launch IPO in the long term, says Walmart CFO

**ENS ECONOMIC BUREAU**  
 NEW DELHI, MARCH 7

FLIPKART HAS the potential to launch an IPO in the long term, officials at parent company Walmart said. The US-based retailer had announced purchase of a 77 per cent controlling stake in Bengaluru-based e-commerce firm Flipkart in May 2018 for \$16 billion, valuing the company at around \$21 billion. Flipkart and Amazon jointly hold 80 per cent of India's e-commerce sector, according to analysts.

Responding to a question on whether at some point it would make sense for Flipkart to be a stand-alone business, Brett Biggs, chief financial officer at Walmart, said: "Yes, we've talked about longer-term that IPO is a potential for that business. I can tell you, it runs pretty independently right now and that's when you buy a business like that, that's what you want it to do." Biggs was speaking at the UBS Global Consumer & Retail Conference held earlier this week. Last month, Walmart said Flipkart led its e-commerce sales in the international segment.

### 'BUSINESS GROWING AT A GOOD RATE'

Walmart CFO Brett Biggs said although Flipkart's losses "will be pretty similar" to losses the firm recorded last year, the business, nonetheless, is "growing at a good rate"

43,615.5 crore on a consolidated basis in the year to March 2019. Losses, although elevated, dipped by 63.2 per cent y-o-y to Rs 17,231.5 crore

Filings by Flipkart Private showed the group's total revenues increased 42.32 per cent y-o-y to Rs

Last month, US-based Walmart said Flipkart led its e-commerce sales in the international segment

ment. E-commerce contributed about 12 per cent of total segment sales in the three months ended January 2020. Net sales at Walmart International increased 2.3 per cent year-on-year (y-o-y) to \$33 billion in Q4FY20. Walmart officials, who were in New Delhi in November last year to attend a company event, had said the firm would continue to invest in its India businesses and build on its growth in India, the 'most important' market for it.

Biggs said although Flipkart's losses "will be pretty similar" to losses the firm recorded last year, the business,

nonetheless, is "growing at a good rate."

Filings by Singapore-based Flipkart Private — the Flipkart group's first financial filing post acquisition by Walmart — showed the group's total revenues increased 42.32 per cent y-o-y to Rs 43,615.5 crore on a consolidated basis in the year to March 2019. Losses, although elevated, dipped by 63.2 per cent y-o-y to Rs 17,231.5 crore.

"PhonePe, I'm really excited about and what that could do longer term. They're really changing how that consumer interacts on financial services," Biggs said. **FE**

### BRIEFLY

**RCom resolution proposal filed before NCLT**

*New Delhi:* RP of Reliance Communications has approached the NCLT with a resolution plan approved by the creditors of the telco under the IBC, as per a regulatory filing.

**Bring Yes Bank under govt control: AIBEA**

*New Delhi:* The All India Bank Employees' Association on Saturday said the RBI must be held accountable and the Centre should start taking all private sector banks under it.

**PhonePe now partners ICICI Bank**

*Mumbai:* PhonePe has connected to second-largest private sector lender ICICI Bank to act as a payment service provider in place of Yes Bank to make it possible.

**Sunil Mathur is chairman of CII Western Region**

*Mumbai:* Sunil Mathur, MD & CEO at Siemens, has been elected chairman and B Thiagarajan, MD at Blue Star, deputy chairman of the Confederation of Indian Industry Western Region for 2020-21. **ENS**

## COVID-19 outbreak: How nations are dealing with the economic fallout

Polymakers have taken a range of approaches to deal with the economic fallout from the coronavirus, from emergency interest rate cuts and big spending packages to a wait-and-see-stance and pledges of action if required. Here is a list of how some of the world's biggest economies and economic blocs have reacted

**CHINA**  
**\$15.9 bn:** It has earmarked 110.5 billion yuan (\$15.9 billion) to fight the epidemic

Beijing has ramped up funding support for virus-hit regions and the country's central bank has cut several of its key rates, including the benchmark lending rate

**INDIA**  
 The Reserve Bank of India plans to infuse fresh cash liquidity into the system through a second round of long-term repo operations (LTRO)  
 The RBI has said it stands ready to act to maintain market confidence and preserve financial stability

**UNITED STATES**  
 The US Federal Reserve cut interest rates by half a percentage point in its first emergency rate move since the height of the 2008 financial crisis

**\$8.3 bn:** The US House of Representatives approved a \$8.3 billion bill to

**SOUTH KOREA**  
**\$9.8 bn:** The government announced a stimulus package of 11.7 trillion won (\$9.8 billion) to cushion the virus' impact

combat the spread of the new coronavirus and develop vaccines for the highly contagious disease, sending it to the Senate for final passage

**JAPAN**  
 Bank of Japan Governor Haruhiko Kuroda has pledged to pump more liquidity into markets and step up asset buying.  
 Japan's central bank may also take steps to ensure companies hit by the coronavirus outbreak do not face a financial squeeze before the end of the current fiscal year in March

**EUROPEAN CENTRAL BANK**  
 The ECB, the central bank of the euro zone, has so far avoided cutting interest rate  
 The ECB has asked euro zone banks to review their business continuity plans and the actions they can take to prepare for and minimise the potential adverse effects of the coronavirus

**THE EUROPEAN UNION**  
 The European Union is giving governments fiscal leeway to individually deal with the economic impact of the



A rescue team prepares to go out to transport patients amid the rise in coronavirus cases in South Korea Saturday. *Reuters*

coronavirus and may decide on a more concerted stimulus if the economy suffers severely  
 EU finance ministers, who have ultimate control of the application of EU rules that limit government borrowing, discussed on March 4 a response to the impact of the epidemic on growth

**GERMANY**  
 Divided house: Chancellor Angela Merkel's conservatives are split over whether Germany should rush out a fiscal stimulus package to counter any impact of the coronavirus on Europe's largest economy

**\$18.9 bn:** Budget experts estimate that the government has the fiscal room for additional measures worth at least 17 billion euros (\$18.9 billion)

**10.3 trillion won in treasury bonds will be issued this year to fund the extra budget**

**BRITAIN**  
 Andrew Bailey, the incoming governor of the Bank of England, has said the central bank should wait until it has more clarity about the economic hit  
 Finance Minister Rishi Sunak has asked officials to draw up "further measures to support the public health response, businesses and the economy as needed" and will give an update when he presents his first budget to parliament on March 11

**FRANCE**  
 French Finance Minister Bruno Le Maire has said that Europe needs to be ready to use fiscal stimulus to deal with the impact of the virus  
 The government is allowing companies to suspend payments of some social charges and taxes, and is activating state-subsidised short-time work schemes

## IndiGo waives rescheduling fee for bookings amid virus scare

**ENS ECONOMIC BUREAU**  
 NEW DELHI, MARCH 7

WITH COVID-19 cases in the country on a rise and people postponing travel, India's largest airline IndiGo has decided it will not charge any fee for rescheduling of domestic and international flights booked for March 12-31. The airline also announced zero change fees on fresh bookings made between the said period.

The fee waiver would only apply to change of dates of flights but not in case of cancellation. The waiver would be applicable for both domestic and international flights. "We understand that some passengers are concerned about committing to travel, given the current coronavirus issue. To take this anxiety away and make their

### NOT APPLICABLE ON CANCELLATION

The fee waiver would only apply to change of dates of flights but not in case of cancellation. The waiver would be applicable for both domestic and international flights.

travel hassle-free, we are waiving our normal change fee on all travel during the next two weeks and for all new bookings made in that period," said IndiGo's chief commercial officer William Boulter said.

"Whilst the coronavirus is a very serious challenge for us all, we believe that measures such as this will help alleviate its effect

on India's travel," Boulter added. A passenger would have to pay the fare difference in case of rescheduling the journey to a later date. Also, the customer would have to intimate the airline three days in advance for rescheduling of the journey, the release said.

Online travel agency ixigo has also announced a full refund for all flight bookings to China, France, Germany, Hong Kong, Iran, Italy, Spain, Singapore, South Korea and Japan. The policy is applicable on both one-way and return bookings for travel dates upto March 31, 2020.

Meanwhile, the Directorate General of Civil Aviation of Kuwait announced that all flights to the country to and from India and six other countries — Bangladesh, the Philippines, Sri Lanka, Syria, Lebanon and Egypt — are temporarily suspended.

## Put awareness messages in place of ring tones: DoT

**PRESS TRUST OF INDIA**  
 NEW DELHI, MARCH 7

DIAL ANY number and chances are high that you might get to hear awareness messages on coronavirus, instead of ringing tones.

The move follows an order in this regard from the government which has shared the audio clip of the message with telecom operators. The Department of Telecommunications (DoT) in an email to telecom operators on Friday asked to incorporate audio

clip in the ring back tone till further orders.

One of the telecom operators said the audio clip has not been made available on those numbers where subscribers are paying for caller tones.

Corporates have swung into action to tackle spread of coronavirus. While some of the companies like Paytm, Twitter etc have given their employees the option to work from home, Reliance Jio is learnt to have disabled biometrics system from attendance and asked employees to use an internal app to mark attendance.

### ACROSS THE WORLD

**China Jan-Feb exports tumble, imports slow**

*Beijing:* China's exports contracted sharply in the first two months of the year, and imports slowed, as the crisis triggered by the coronavirus outbreak caused massive disruptions to business operations, global supply chains and economic activity.

**G20 finance leaders pledge fiscal actions**

*Washington:* G20 finance ministers and central bank governors on Friday pledged to take "appropriate" fiscal and monetary measures in responding to the coronavirus outbreak and to protect economic growth against shocks.

**FB closes London offices until tomorrow**

*London:* Facebook said on Friday it is closing its London offices until Monday after a visiting employee from Singapore was diagnosed with coronavirus. "An employee based in our Singapore office who has been diagnosed with COVID-19 visited our London offices February 24-26, 2020," Facebook said in a statement. **REUTERS**

## ETHIOPIAN AIRLINES FLIGHT 302 CRASH KILLED 157 PASSENGERS AND CREW

### 'Ethiopian draft report blames Boeing for crash'

**REUTERS**  
 WASHINGTON, MARCH 7

A DRAFT interim report from Ethiopian crash investigators circulated to US government agencies concludes the March 2019 crash of a Boeing Co 737 MAX was caused by the plane's design, two people briefed on the matter said Friday.

Unlike most interim reports, this one includes a probable cause determination, conclusions and recommendations, which are typically not made until a final report is issued.

The US National Transportation Safety Board has been given a chance to lodge concerns or propose changes, the people said, declining to be identified because the report is

### DESPITE BEING INTERIM, REPORT IS DETAILED

Unlike most interim reports, this one includes a probable cause determination, conclusions and recommendations, which are typically not made until a final report is issued

The US National Transportation Safety Board has been given a chance to lodge concerns or propose changes, the people said, declining to be identified because the report is not yet public

not yet public. NTSB spokesman Eric Weiss confirmed the agency had received the draft interim report, but declined to comment on whether the agency would suggest any changes. Boeing on Friday declined to comment to Reuters about the report.

According to *Bloomberg News*, which first reported the

contents of the interim draft, the conclusions say little or nothing about the performance of Ethiopian Airlines or its flight crew and that has raised concern with some participants in the investigation.

The Ethiopian interim report contrasts with a final report into the Lion Air crash released last October by Indonesia

which faulted Boeing's design of cockpit software on the 737 MAX but also cited errors by the airline's workers and crew.

Ethiopian Airlines flight 302 crashed in an open field six minutes after take-off from Addis Ababa, the Ethiopian capital, killing 157 passengers and crew. The Boeing 737 MAX has been grounded worldwide for nearly a year after the two fatal crashes.

Under rules overseen by the United Nations' Montreal-based aviation agency, ICAO, Ethiopia should publish a final report by the first anniversary of the crash on March 10 but now looks set to release an interim report with elements that would normally be included in the final report.

Ethiopian Airlines did not

respond to a request for comment. Ethiopia's Transport Ministry could not immediately be reached for comment.

A preliminary accident report by the Ethiopian Civil Aviation Authority released in April last year said faulty sensor readings and multiple automatic commands to push down the nose of a Boeing plane contributed to the fatal crash and left the crew struggling to regain control.

The US House Transportation Committee on Friday released preliminary investigative findings into the two crashes which faulted the Federal Aviation Administration's approval of the plane and Boeing's design failures, saying the 737 MAX flights were "doomed".

## US financial regulators start contingency planning

**REUTERS**  
 WASHINGTON, MARCH 7

US FINANCIAL regulators are preparing contingency arrangements, including travel restrictions and home-working, to ensure they can effectively oversee the financial markets as the coronavirus closes in on the US capital.

On Friday, US officials said the first three cases of the flu-like disease had been diagnosed in Montgomery County, Maryland, home to thousands of federal workers who travel in to offices in nearby Washington daily.

Agencies including the Commodity Futures Trading Commission (CFTC), the Securities and Exchange Commission (SEC), and the banking regulators also have offices in New York, San Francisco and

New Jersey where other cases have been reported.

As New York banks start triggering their contingency plans, their watchdogs have also begun to take precautions, allowing more home-working, cancelling and limiting travel, calling off conferences, and restricting some external meetings.

"The safety and health of CFTC employees is our top priority," Michael Short, director of public affairs at the agency said on Friday. "The CFTC continues to make all necessary preparations to accommodate scenarios that might arise."

The derivatives watchdog has cancelled some foreign travel and is allowing essential overseas trips on a case-by-case basis, he said. Domestic travel is still permitted, but staff are free to reschedule trips unless it is mission-critical.