

Together

Volume – 8
Spl. Issue

No. – 97

Sept- Oct. 2019

The Indian slowdown 2019

visit at: www.imis.ac.in Private Circulation

THIS ISSUE

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Indian economy has indeed hit a rough patch. Be it the recent collapse of the automobile sector or the rising number of non-performing assets or the sluggish consumer demand or failing manufacturing sector, all have contributed to the economic slowdown.. At present the economy is battling a growth recession with a severe demand slowdown and liquidity crunch. This has resulted in economic growth rate falling to a six-year low of 5% in the June quarter, while growth in private consumption expenditure slumped to an 18-quarter low of 3.1%.

Needless to say, the crisis brewing within the Indian economy has gained unanimous acceptance by now. IMF's new managing director Kristalina Georgieva recently said that, the global economy is witnessing a 'synchronized slowdown' & its effect is more pronounced in emerging markets like India & Brazil. Moody's Investors Service also has lowered its 2019-20 growth forecast for India to 5.8% from 6.2%, the most pessimistic so far. Last week, the Reserve Bank of India also cut its growth projection for the economy by 80 basis points to 6.1% for 2019-20. There is also an indication of tougher times ahead.

It is important to understand that, the growth of the Indian economy had been predominated by consumption. As consumption spending has declined, output, employment levels & prices have also declined. Lower prices, when unable to recover the costs, has reduced output, employment & earnings further. Another major component of India's GDP is investment, induced by both -- private and government sectors. Capital Investments are long-term gains that generate profitability by improving operational efficiency & boosting innovation. It goes without saying that slackening of investment has contributed in a big way to the current economic slowdown. Apart from these factors, the slump in the economy also has been affected by the various exogenous factors. A leading dampener among these is the US-China trade war, which has intensified over time contracting world trade & in turn, Indian exports. Also, high rates of GST, liquidity crisis in NBFCs, and lower savings are some other factors.

But is this economic slowdown going to be a long term problem? The answer lies in the fact that, this growth recession can be short-lived if corrective actions are taken immediately, failure of which can have a prolonged effect on the health of the economy. Amidst the news of slowdown, rise in FDI inflows from \$12.7bn (FY19) to \$16.3 bn (Q1 FY20) brought respite for the government. In a welcoming move, government revised GST for the automobile sector, opened up FDI in contract manufacturing sector & even announced the recapitalization of the banking sector. Further, structural shifts over the long run can be achieved through tapping into the health & education sectors that long for quality improvements. Only such long-lasting structural changes can lead to holistic growth of the Indian economy & deter the possibility of three slowdowns within the short span of a decade.

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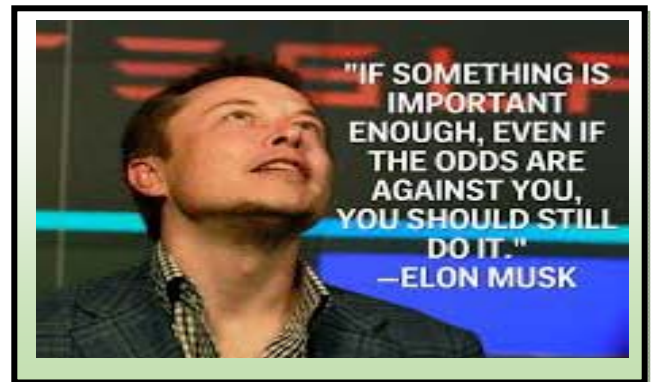
MANAGEMENT QUIZ- 36

MANAGEMENT QUIZ NO. 36 Task Ahead



1. Over 80,000 mobile phones & other small electronic devices have already been donated directly to the Tokyo Metropolitan Government (TMG) building alone. What will TMG do with the mobile phones?
2. It is a Chinese multinational major appliance & electronics manufacturer headquartered in Qingdao, China. Official sponsor of 2018 FIFA World Cup. Identify the company.
3. Established in Mumbai in the year 1942 by the late Shri Ranchodbhai Vitthalbhai Patel, the brand is the largest manufacturer of dermatological OTC pharma products in India. Identify the company.
4. Who owns the quarterly magazine titled- 'Grow'?
5. Which brand was invented by an industrial chemist Thomas Mayne out of concern of children under nourishment? The brand is named after a 6th century Greek wrestler of Crotona who was famous for his strength?
6. Which designer has a range of crockery named 'Chidambaram'?
7. Oberoi may name their first urban resort in BKC, Mumbai as Oberoi Anantvilas... Why Anant & what is the connection?
8. Which city in Tamil Nadu having a tradition of making handmade locks and has over 5000 small units making locks got GI tag recently?
9. Which Indian oil major has decided to set up a 1 GW battery plant for making batteries for electric vehicles in partnership with a global company?
10. Which stock has replaced India Bulls Housing Finance in the Nifty 50 Index?

Students are required to send answers of Management Quiz No. 36, to the Email: usha@imis.ac.in latest by 10th Nov. 2019, to win prizes for all correct answers.



HOW TO IMPROVE YOURSELF

- **LIMIT YOUR TV TIME**
- **LEARN A NEW LANGUAGE**
- **READ A BOOK EVERY DAY**
- **HAVE A WEEKLY EXERCISE ROUTINE**
- **LEARN TO DEAL WITH DIFFICULT PEOPLE**
- **SET A GOAL AND LIST STEPS TO ACHIEVE IT**

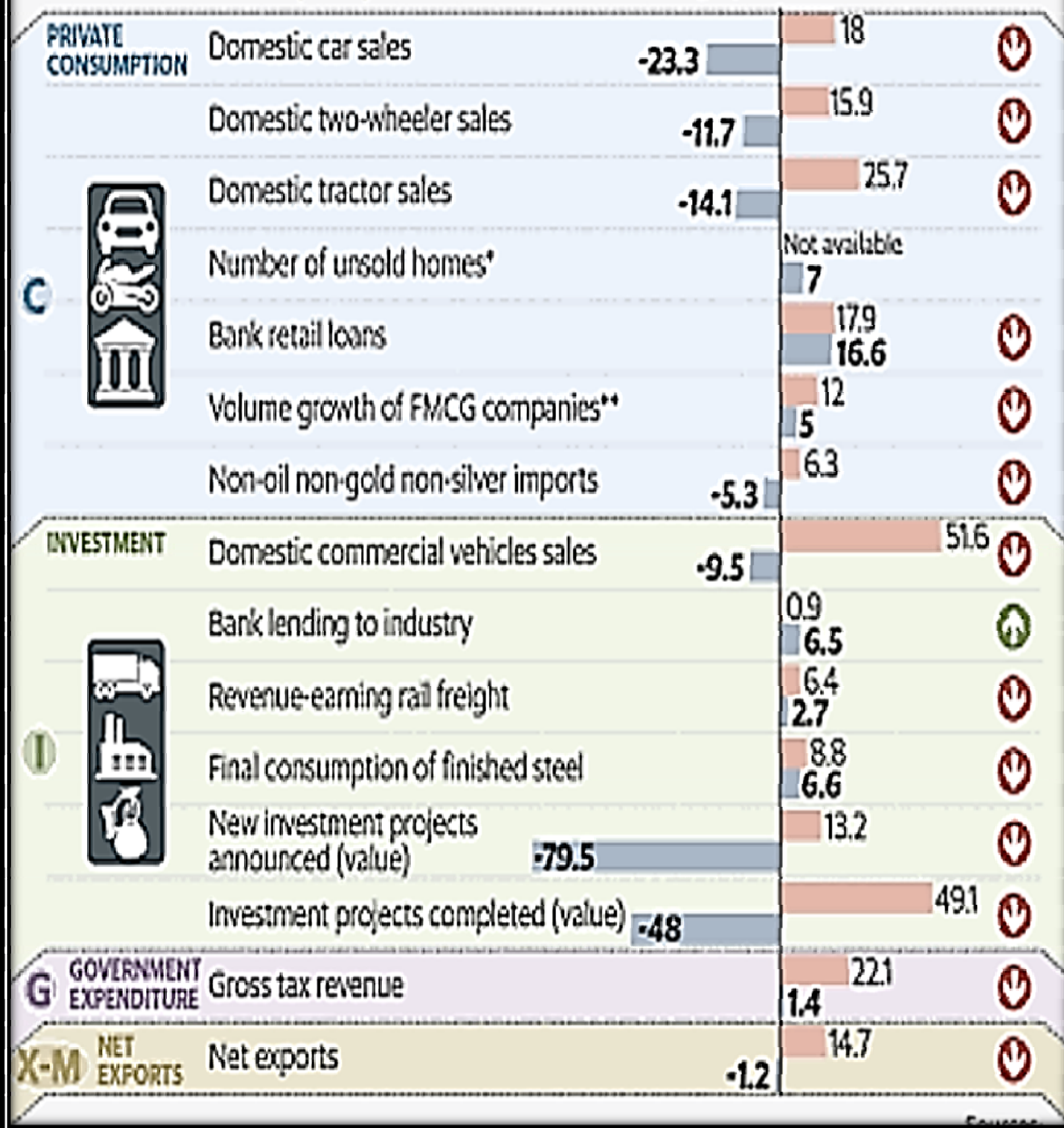
THE GREAT INDIAN SLOWDOWN

LOWEST GROWTH IN 4 YEARS

The GDP growth during January to March 2019 slowed down to 5.8%. Looking at economic activity in the period April to June 2019, it is safe to say that the GDP growth would have slowed down further.

$$GDP = C + I + G + (X-M)$$

Growth during Apr to Jun (in %) 2018 2019





GROWTH RATE OF 8 CORE SECTORS DROPS TO 0.2% IN JUST 1 YEAR

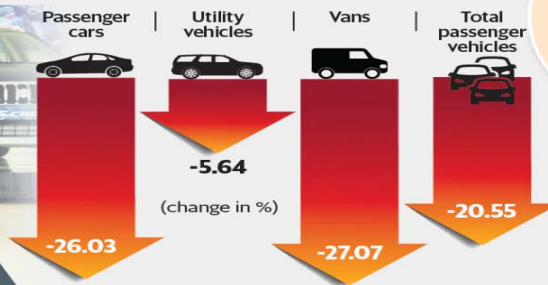
AUTO SALES DOWN



MINT GRAPHITI

LOSING THE WAY

Sales of passenger vehicles fell for a seventh straight month in May, the longest stretch of declines since 2014. Passenger car sales dropped 26%.



Commercial vehicles
-10.02

Three-wheelers
-5.76

Two-wheelers
-6.73

What's driving down sales

LOWER discretionary spends due to poor sentiment amid economic uncertainty.

REDUCED government spending during polls, weak rural demand due to lower food prices.

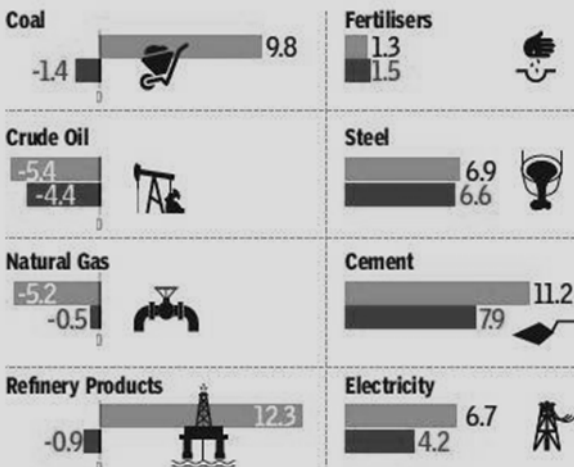
HIGHER insurance costs on new vehicles because of the revised regulations by Irdai.

Source: Siam, Mint research

7 OUT OF 8 SECTORS WORSE OFF THAN LAST YEAR

Output Growth (In %)

■ Jul 2018 ■ Jul 2019



All categories of banks slowed lending to rural India

The worst affected was lending by public sector banks, which serve the bulk of the rural population

■ Second half FY16 (Between 30 September 2015 and 31 March 2016)

■ Second half FY17 (Between 30 September 2016 and 31 March 2017)



Source: RBI

CORE SECTOR GROWTH SLIPS TO 52-MONTH LOW

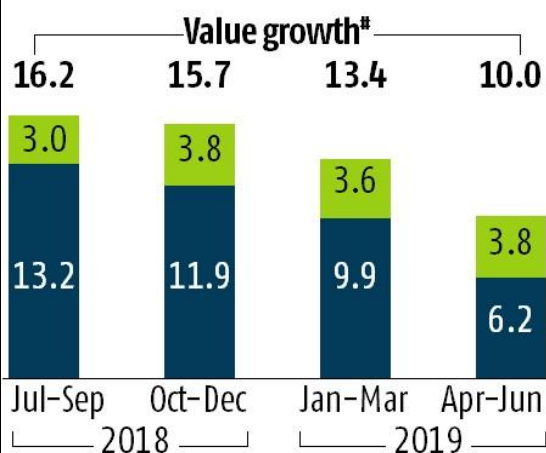


Steady slowdown in FMCG growth



Steady slowdown in FMCG growth

■ Volume growth ■ Price-led growth
(% YoY growth)



Subdued growth in rural market contributed 57% to slowdown

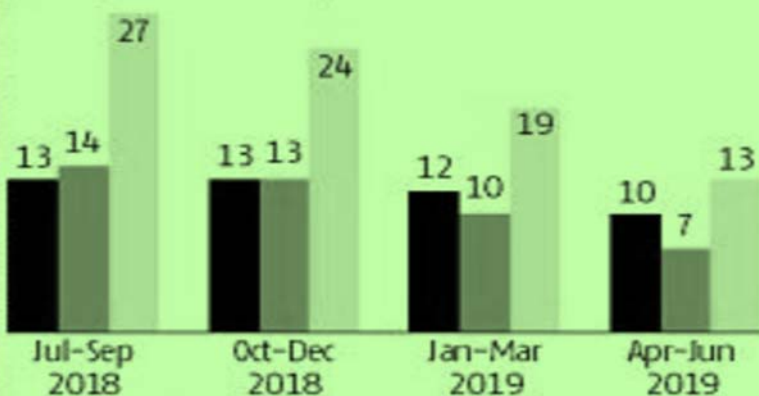
■ Volume growth ■ Price-led growth (% YoY growth)



Slowdown of Manufacturing

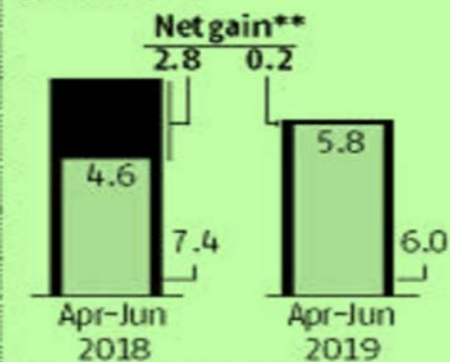
Poor growth in small & medium firms contributed 67% to overall slowdown

■ Large (revenue > ₹600 cr) ■ Medium (revenue ₹100-600 cr)
■ Small (revenue < ₹100 cr)



Fewer number of small manufacturers entering market due to slowdown

■ New entrants ■ Exits
growth (in ,000)



**Net gain = new entrants - exits

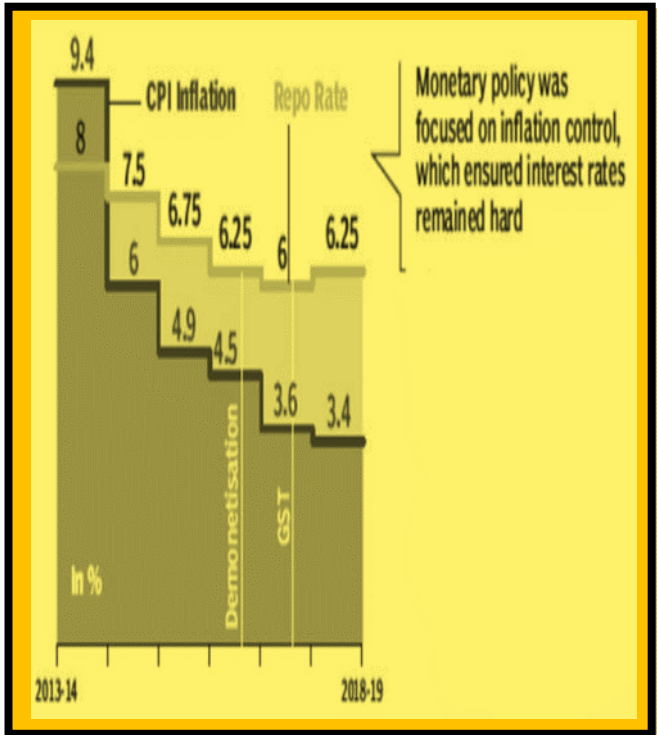
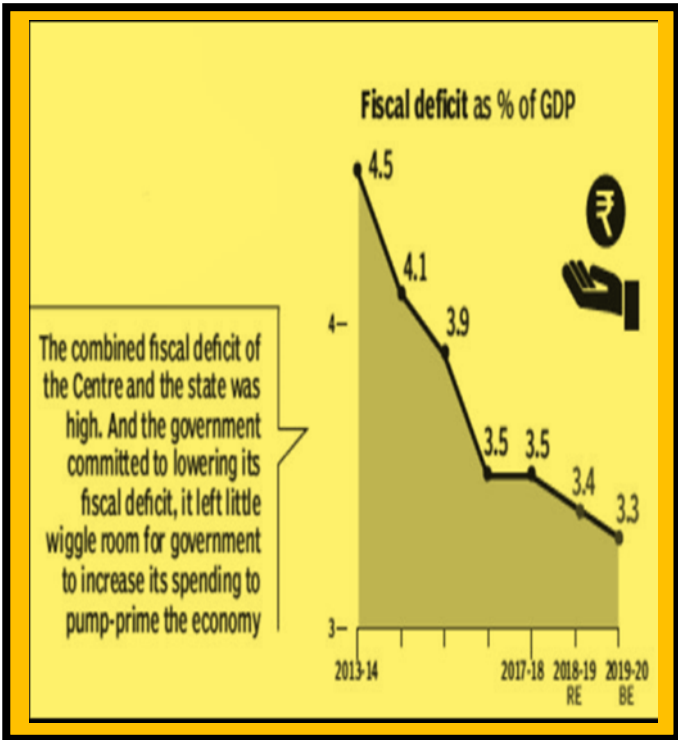


Demonetisation happened in November 2016, dealing a severe blow to consumption, leading to a vicious cycle of job loss and lower income, which led to further drop in demand (what economists call the multiplier effect)

Next shock came in the form of a reform – when GST was rolled out in July 2017. This had a knock-on effect on exports growth in the year of implementation because of delay in refunds to exporters

Just as the effects of DeMo & GST were petering out, the IL&FS crisis triggered the NBFC credit crunch in 2018

By 2018-end, weakening global trade and GDP growth, led by US-China tariff wars, had caught up





FM's roadmap to boost economy

IMMEDIATE MEASURES

- 1 Leave **more disposable income in the hands** of individuals; more investible surplus in the hands of businesses
- 2 Force banks to **transmit repo rate cuts** (only 1.1% of the 2.6% cut has been passed on) to consumer and industry
- 3 Tinker with **GST and other tax rates** as far as possible (auto industry asking for 18% GST instead of 28%)
- 4 New Direct Tax Code and **corporate tax at 25%** across the board
- 5 An **economic stimulus** with a combination of the above
- 6 An **investment allowance** (deductible against tax) to encourage fresh investment in plant and machinery
- 7 Accelerate **public investment into infrastructure**

SHORT TERM MEASURES

- Make GST simpler; bring liquor, fuel in GST ambit as well
- Make IBC simpler and time bound
- Relax FDI rules
- Get RERA implemented across the country to resurrect real estate
- Reform banking
- Introduce Investment allowance for a few years

STRUCTURAL REFORMS IN LONG TERM

- Judicial reforms to disperse the 3.5 crore cases pending in various courts across the country
- Government, the biggest litigator with half the pending cases in courts, must exercise caution in appeals
- Labour reforms that compress 40-odd labour codes and reduce compliance time and costs
- Land reforms to make land available to industry on-tap
- Ease compliance burden/ease of doing business across the country; not just in Mumbai and Delhi



'BUY' or 'SELL' ideas from experts for Thursday, 26 September, 2019

26 Sept, 2019, Economic Times

Domestic equity market is likely to open higher on Thursday tracking Nifty futures on the Singapore Stock Exchange (SGX Nifty) and mixed Asian cues. At 8:25 am the SGX Nifty was 22.50 points or 0.20 per cent higher at 11,497.50. HUL is a 'Buy' call with a target price of Rs 2090 and a stop loss of Rs 2040. Axis Bank NSE 2.37 % is a 'Sell' call with a target price of Rs 682 and a stop loss of Rs 704.

Why September is crucial for bond market

5 Sept, 2019, Economic Times

About Rs. 35,000 crore of NBFC bond repayments are due in September, the most in a month since last October, testing the resilience of a sector that has struggled to raise funds since leading infrastructure financier IL&FS defaulted last autumn. Chances of refinancing or roll-overs look slim as investors are risk averse. Multiple NBFCs will have to repay a total of Rs. 34,868.77 crore this month, Prime Database statistics showed.

The dynamics of India's growth slowdown

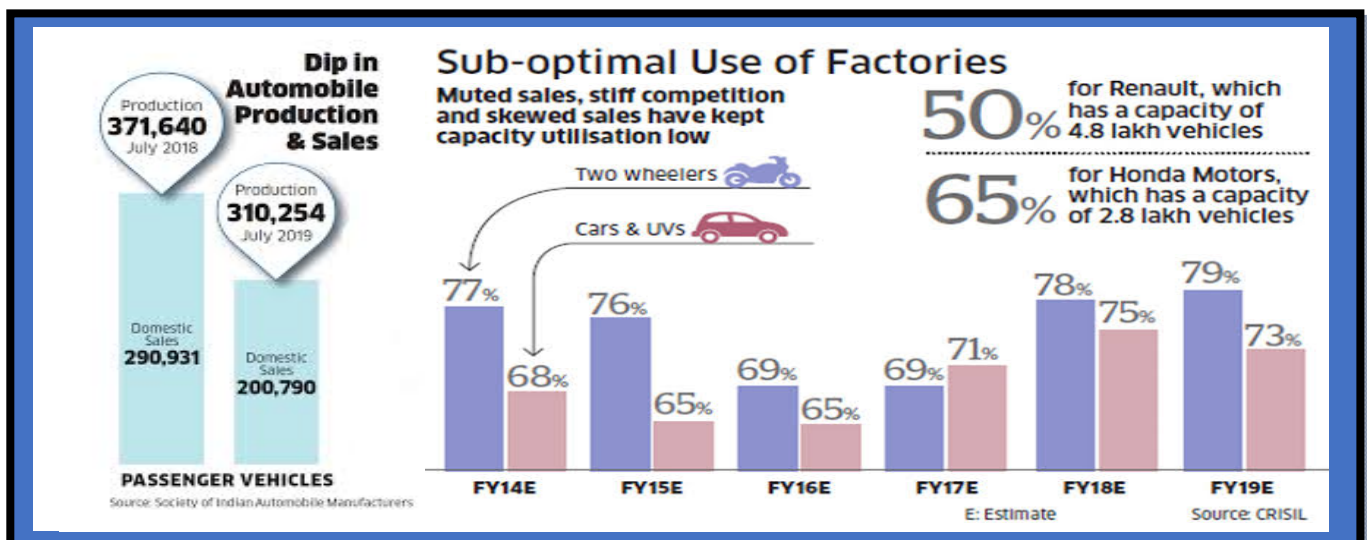
9 Sept, 2019, Economic Times

The crisis brewing within the Indian economy has gained unanimous acceptance by now. Even the latest annual report of the RBI for the fiscal year 2018-19 (or FY19) confirmed that the Indian economy has indeed hit a rough patch. The GDP growth rate of the economy has slipped to 5 per cent in the first quarter of FY20, the lowest in over six years. This is an indication of tougher times ahead. Be it the recent collapse of the automobile sector or the rising number of non-performing assets (NPAs).

ITC may feel the heat as GST shortfall could lead to higher taxes on tobacco

15 Oct, 2019, Economic Times

CLSA has trimmed weight on ITCNSE 1.43 % in its model portfolio to 'neutral' on concerns a shortfall in revenues from GST could lead to an increase in taxes on tobacco and coal. ITC shares ended almost flat at Rs 244.2 on Monday. The brokerage said a potential GST excess increase for coal would be negative for Coal India NSE 0.55 %.



Indian auto leaders rank among world's most pricey

15 Oct, 2019, Economic Times

Maruti Suzuki, TVS Motor NSE 3.17 %, Tata Motors, Bajaj Auto NSE 1.82 % and Hero Moto-Corp figure among the top 15 most expensive global auto stocks based on their price to estimated earnings for the current fiscal year, show Bloomberg data. The median P/E of the five Indian automakers was 23 times the projected earnings, nearly double of the global average.

Reliance Jio begins charging for calls to other networks

10 Oct, 2019, Times of India

Three years after it began services with the game-changing promise of free voice calling, Reliance Jio will start charging customers for calls made to networks of other operators such as Airtel and Vodafone-Idea. Jio which has raced to become the largest mobile company in India in three years, after from being the only profitable telecom venture, said it would charge customer at the rate of 6paise per minute.

Vodafone Idea, DHFL among top losers on BSE

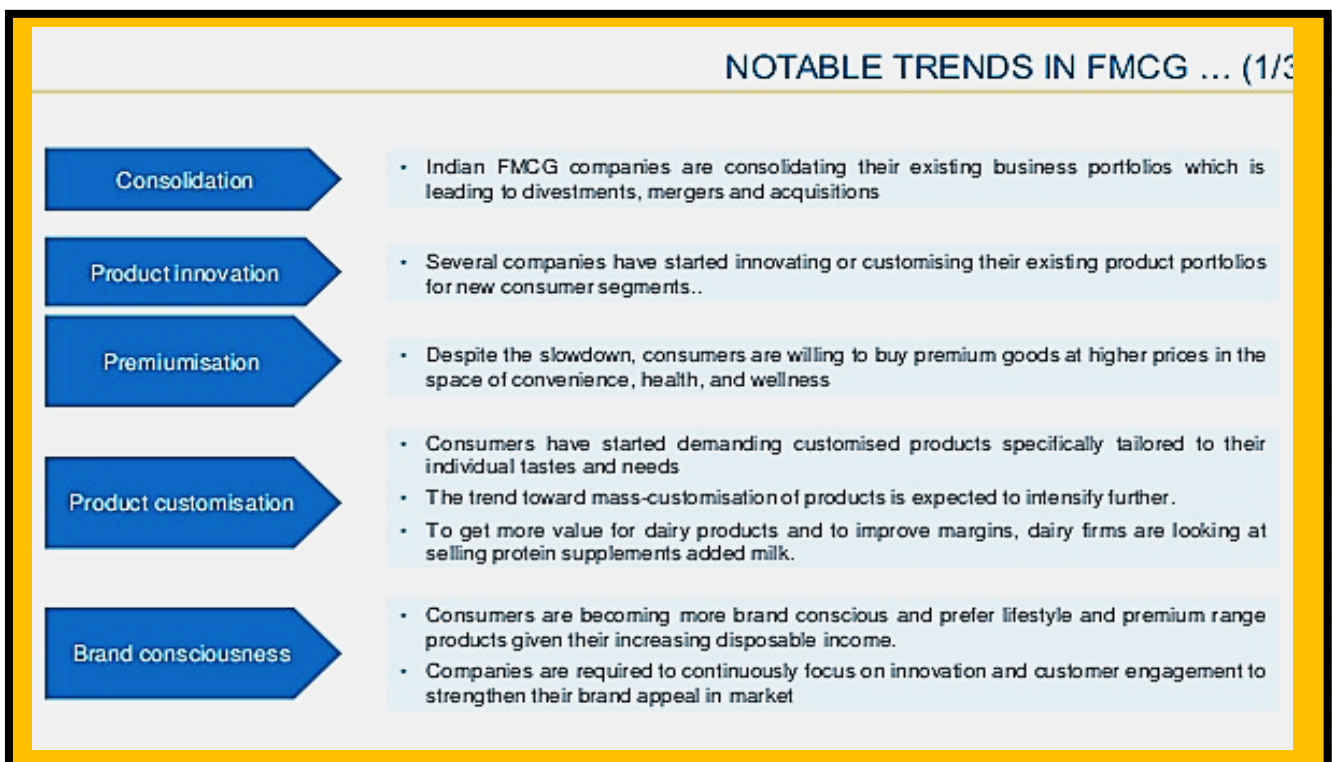
11 Oct, 2019, Economic Times

Shares of Modex International (down 20 per cent), Virat Industries (down 17.10 per cent), Weizmann Ltd (down 15.40 per cent), Rama Pulp Paper (down 12.84 per cent), SuditiInd (down 12.82 per cent), Beardsell Ltd (down 12.18 per cent), Hariyana Ship (down 11.71 per cent), PadmanabhIndustrie (down 9.98 per cent), DHFL (down 9.81 per cent), Suich Industries (down 9.78 per cent) and Vodafone Idea NSE -3.91 % (down 5 per cent) were among the worst performers.

FMCG shares mixed; HUL rises nearly 2%

Oct 10, 2019, Economic Times

Shares of Hindustan Unilever (up 1.59 per cent), United Spirits NSE 0.28 % (up 1.51 per cent), GlaxoSmithKline Consumer Healthcare (up 1.22 per cent) and United Breweries (up 1.16 per cent) were the top performers in the index. Emami (down 0.88 per cent), ITCNSE 1.43 % (down 0.77 per cent), Britannia Industries (down 0.71 per cent) and Dabur India (down 0.36 per cent) were trading lower.



Auto shares in the red; Tata Motors dips 3%

Oct 10, 2019, Economic Times

Shares of Tata Motors (down 2.80 per cent), Exide Industries NSE 1.52 % (down 2.23 per cent) ,Mother son Sumi Systems NSE 2.88 % (down 2.11 per cent) and Eicher Motors (down 1.86 per cent) were the top losers in the index.TVS Motor Company (down 1.75 per cent) , Mahindra & Mahindra (down 1.73 per cent) , Bharat Forge (down 1.17 per cent) and Apollo Tyres (down 1.01 per cent) too were trading lower.

LIC dominance of India's life insurance market nears three-fourth mark

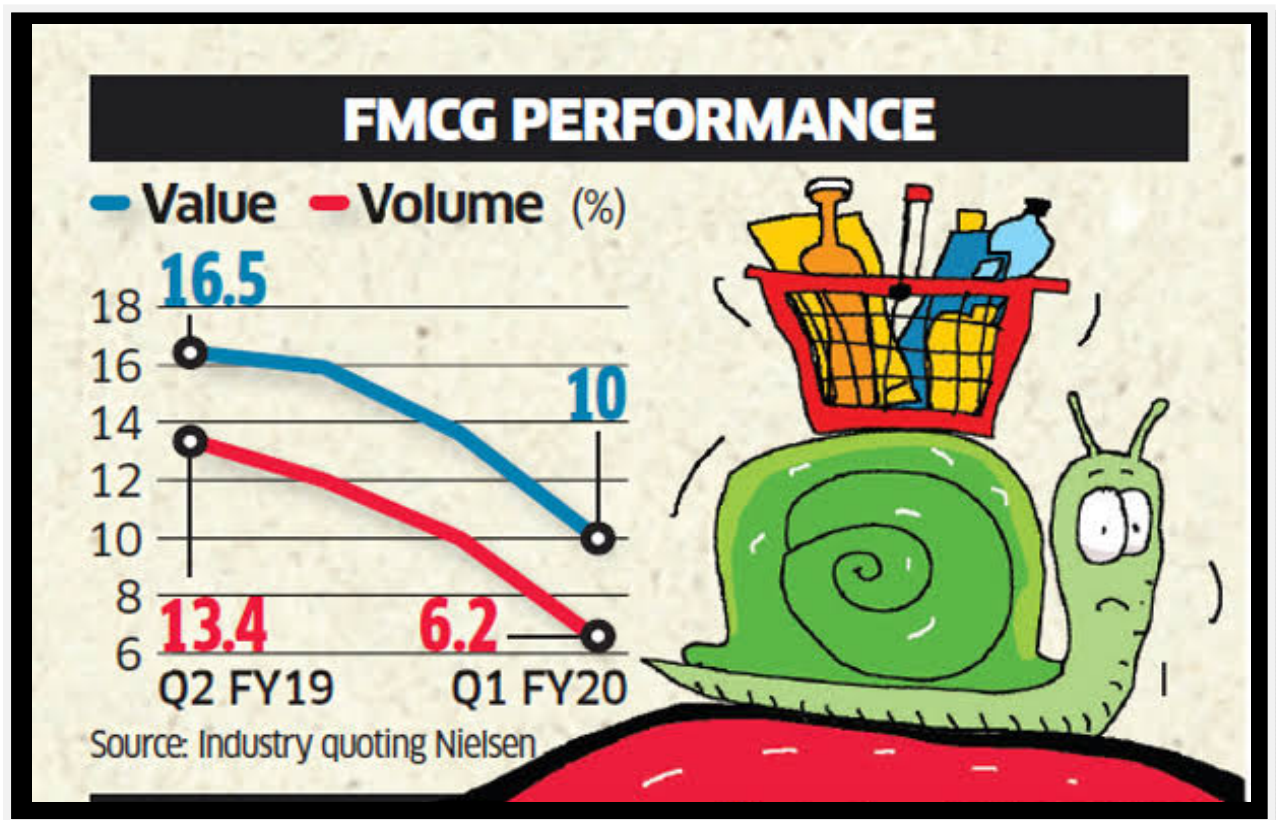
Oct 14, 2019, Economic Times

State-run insurance giants, Life Insurance Corporation (LIC) has further increased its dominance in India's life insurance market with a six percent jump market share between April to September. The insurance giant's share in the overall pie now stands at 72 percent in a market where several state-run life insurers are increasingly outdoing their private competitors in getting new businesses.

Realty market sentiments sink to demonetisation period level

Oct 17, 2019, Economics Times

The outlook for Indian real estate fell to a 42 low in the quarter to September from a preceding quarter, a level previously seen during the heightened uncertainty period of pre-election in the first quarter of 2014 and the demonetisation period, found a jointly conducted survey by industry lobby FICCI, National Real Estate Development Council (Nardec) and real estate services firm Knight Frank.





Sebi takes guard against security threats, plans to hire agency

Sept 29, 2019, Economic Times

Markets regulator Sebi plans to rope in an agency to identify and classify security holes in its entire information technology infrastructure and suggest measures to mitigate such risks. Sebi said the selected bidder would be responsible for carrying out an assessment of threat and vulnerabilities in the regulator's information technology infrastructure.

Bank unions defer 2-day strike; operations to be normal on September 26-27

Sept 26, 2019, Economic Times

Officers' unions of public sector banks have deferred the proposed two-day strike following an assurance from Finance Secretary Rajiv Kumar to look into their concerns. Four unions of bank officers had threatened to go on a two-day strike from September 26 to protest against the consolidation of 10 state-run lenders into four.

CSB Bank gets Sebi's go-ahead for IPO

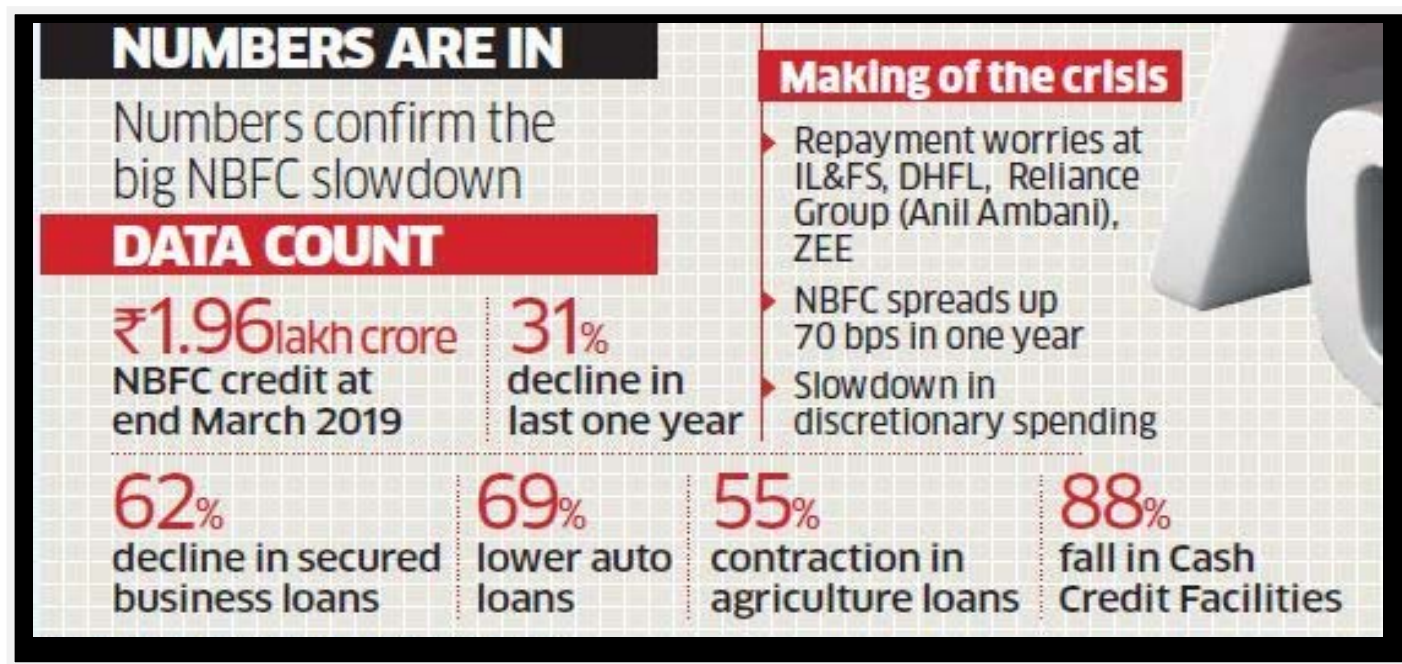
Oct 14, 2019, Economic Times

Kerala-based CSB Bank, formerly known as Catholic Syrian Bank, has received Sebi's go-ahead to float an initial public offering. The private sector lender, which filed draft papers with the markets regulator in August, received its observations on October 1, latest update with the Securities and Exchange Board of India (Sebi) showed.

RBI allows banks to lend to Investments

Oct 14, 2019, Economic Times

Banks will now be allowed to lend to Infrastructure Investment Funds, however, the sanctioning of these loans would be subject to tighter parameters of scrutiny such as having board-approved policies on exposures, compliance with prescribed leverage ratios and tighter underwriting norms for SPV linked funds.



RBI rejects proposal to merge Laskhmi Vilas Bank, Indiabulls Housing Finance

Oct 9, 2019, Business Today

The Reserve Bank of India (RBI) has denied approval for amalgamation of private sector lender Lakshmi Vilas Bank with Indiabulls Housing Finance (IHF) and its entirely-owned subsidiary Indiabulls Commercial Credit Limited. The lender had sought approval for the merger from the central bank on May 7, 2019

Muthoot Finance to raise up to USD 2 bn from foreign markets to fund biz growth

Oct 10, 2019, Economic Times

Gold loan financier Muthoot Finance NSE -1.42 % Ltd on Thursday said it proposes to raise USD 2 billion (around Rs. 14,200 crore) from foreign market to fund its business growth. The board of the company approved the establishment of a Global Medium Term Note Programme for raising up to USD 2 billion through issuance of foreign currency bonds or rupee denominated bonds overseas on public/private basis in international markets subject to market conditions and regulatory approvals, Muthoot Finance said in a statement.

L&T Finance Holdings shares trade flat





Oct 7, 2019, The Hindu

Shares of L&T Finance Holdings gained marginally in opening deals on Monday to Rs 81.15 or 0.7 per cent, after Crisil assigned its Rs. 500-crore non-convertible debentures an 'AAA/Stable' rating & reaffirmed the Crisil A1+ for its Rs. 1,500-crore commercial paper.

Finance ministry suggests closure of BSNL, MTNL

Oct 9, 2019, Money control

The cost of closing the two state-run companies would not be as high as Rs 95,000 crore, a number put out by the Department of Telecommunications (DoT), the report said. The sum of Rs 95,000 crore factored in a voluntary retirement scheme (VRS) for all 1.65 lakh BSNL employees and its debt repayment, the report shares of Indiabulls Housing Finance (up 7.43 per cent), Edelweiss Financial Services NSE 4.10 % (up 4.82 per cent), Indiabulls Venture sNSE 4.97 % (up 3.86 per cent) and Cholamandalam Investment & Finance Company (up 3.70 per cent) were trading in the green.

Measures to Boost Economy	
Banks/NBFCs/MSMEs	
5 Additional Credit expansion through PSBs 	<ul style="list-style-type: none">• Upfront release of Rs. 70,000 Cr., additional lending and liquidity to the tune of ~ Rs 5 Lakh crore by providing upfront Capital to PSBs• This will benefit Corporates, Retail borrowers, MSMEs, small traders, etc
6 Banks to effect timely rate cuts 	<ul style="list-style-type: none">• Banks have decided to pass on rate cuts through MCLR reduction to benefit all borrowers
7 Banks to launch Repo rate /external benchmark linked loan products 	<ul style="list-style-type: none">• Reduced EMI for housing loans, vehicle and other retail loans by directly linking Repo rate to interest rates. Working capital loans for industry will also become cheaper
8 Customer Ease 	<ul style="list-style-type: none">• To reduce harassment and bring in greater efficiency, PSBs to ensure mandated return of loan documents within 15 days of loan closure.• Benefit: Borrowers who have mortgaged assets

Nifty Financial Services index rises; Indiabulls Housing Finance jumps 7%

Oct 17, 2019, Economic Times

The Nifty Financial Services index was up with its components trading higher in Thursday's afternoon session. Shares of Indiabulls Housing Finance (up 7.43 per cent), Edelweiss Financial ServicesNSE 4.10 % (up 4.82 per cent), IndiabullsVenturesNSE 4.97 % (up 3.86 per cent) and Cholamandalam Investment & Finance Company (up 3.70 per cent) were trading in the green.

RBI governor faces board queries on financial frauds

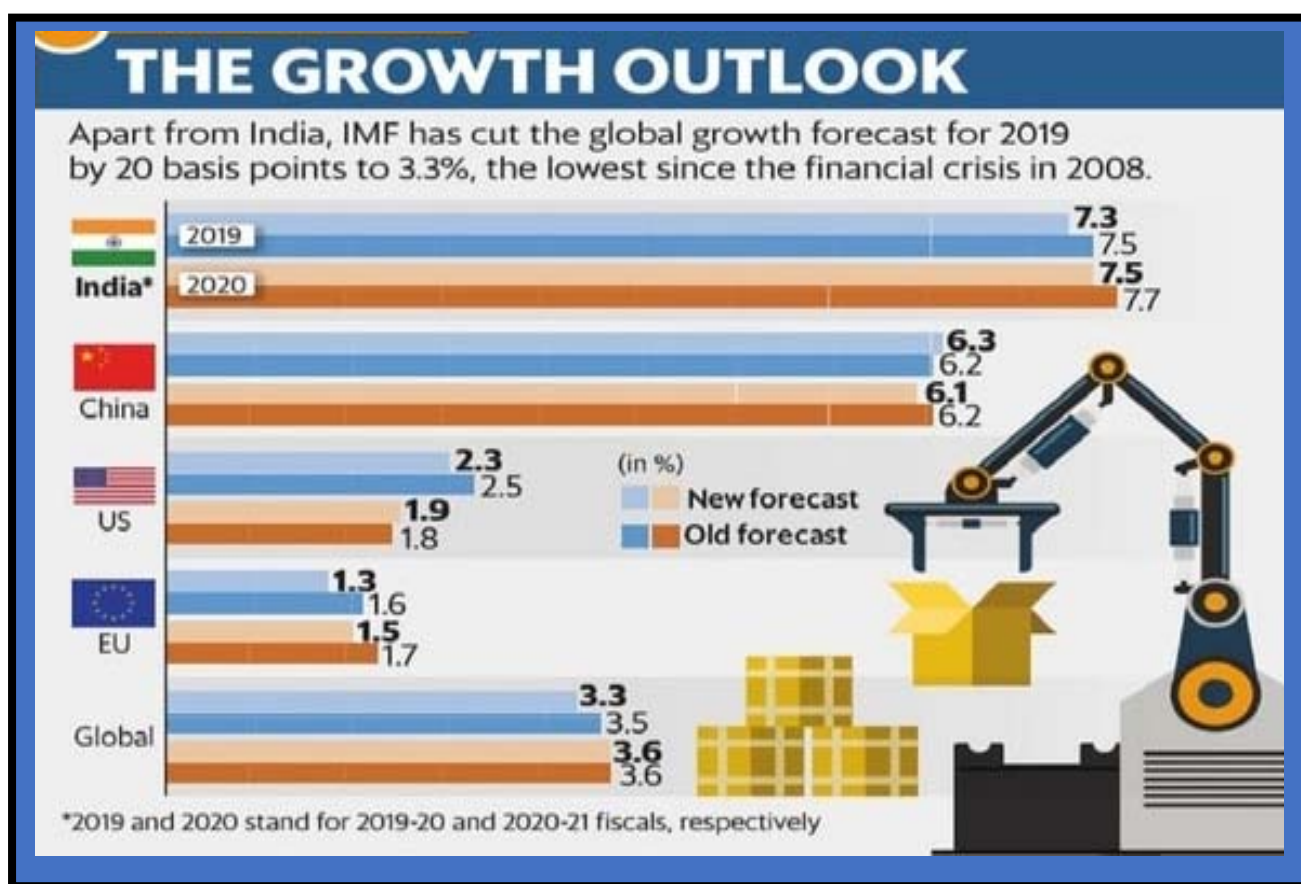
Oct 16, 2019, Economics Times

Reserve Bank of India (RBI) governor Shaktikanta Das came under pressure at the bank's board meeting last week, with two external directors questioning how a string of frauds that have surfaced since 2018 remained undetected for years. The two board members referred to the losses suffered by Punjab National BankNSE 2.96 %, which bankrolled jeweller NiravModi and his uncle MehulChoksi; the multiple irregularities in IL&FS, which came to light after the firm defaulted on payment obligations; and the recent failure of Punjab & Maharashtra Coop (PMC) Bank — 70% of whose loan book was cornered by Mumbai-based realtor HDIL.

Family finance: Navi Mumbai-based Santosh should align investments to achieve goals with ease

Oct 14, 2019, Economic Times

Santosh J. lives with his homemaker wife and three-month-old child in his own house, in Navi Mumbai. He has taken a home loan of Rs. 15 lakh, for which he is paying an EMI of Rs 24,500. He brings in a salary of Rs 55,000 a month, and after considering all expenses, he is left with a surplus of Rs 6,667.



5 Keys to Success

1

BE ON TIME

In fact, arrive early for appointments and meetings. The fastest way to destroy people's trust in you is to waste their time.



2

COMMUNICATE WITH OTHERS

Answer your phone and return phone calls. Listen carefully and completely when people talk to you. Ignoring people is rude and unprofessional.



3

PLAN PROJECTS

Always prepare an agenda for meetings. Send agendas far enough before the meeting so that people have time to prepare. Bad meetings demonstrate an inability to provide leadership.



4

BE COURTEOUS

Find the good in everyone. Compliment others. Avoid starting or listening to gossip. Never ridicule, insult, or make fun of other people. Discourtesy damages all relationships.



5

HELP OTHERS

Be a mentor for newcomers. Share ideas. Teach people skills that will help them excel. Work with a spirit of abundance. Selfish people end up working harder.

