

ET Q&A



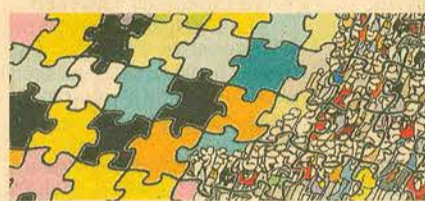
K SUBRAMANIAN
CHIEF ECONOMIC ADVISER

'Macro Stability is Non-Negotiable'

Chief economic advisor Krishnamurthy Subramanian says you cannot flirt with macro-economic stability pointing why a big fiscal stimulus was avoided. Edited excerpts from an interview with Deepshikha Sikarwar and Vinay Pandey.

In the run-up to the budget, there was much debate over the need for stimulus. Apart from the ₹40,000-crore savings for taxpayers, there isn't much in the budget. Why did you not go for the 2008-09 type of stimulus to revive growth?

I am glad you bring up 2008-09. We actually need to learn from that experience that when we increased fiscal deficit indiscriminately what we had in 2013 was a taper tantrum where India became part of the fragile five. We have learnt from that experience. If you looked at the first part of the budget speech, there was a 16-point plan on the agriculture allied and rural development sector. ₹2.83 lakh crore are actually allocated for the rural. The marginal propensity to consume is far greater in the lower half of the income pyramid than in the top half. So, when actually money is given in the rural areas, the impact on consumption can be far greater. The other important point being a 21% increase in the capital expenditure. It creates assets public assets, but also crowds in private investment. So, I would emphasize that, the growth impetus has been given within the ambit of maintaining fiscal prudence.

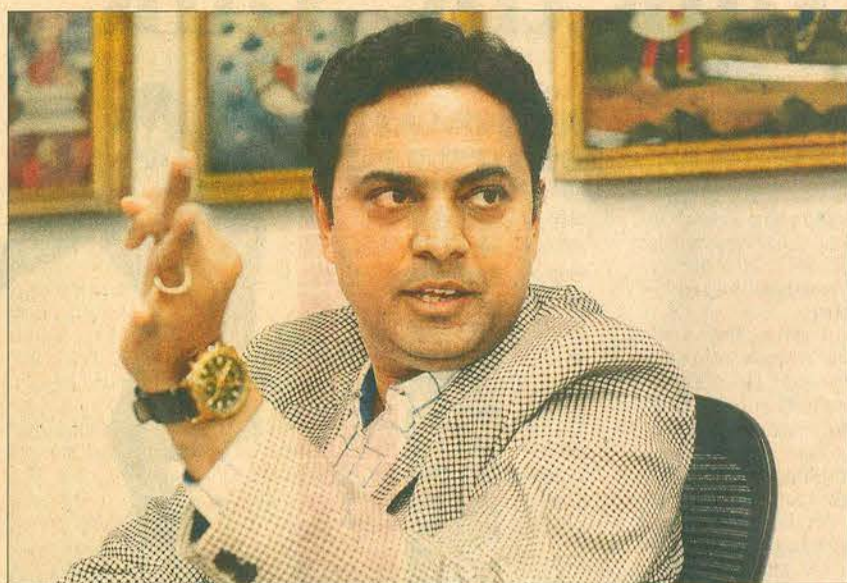


SPENDING PROPENSITY

The marginal propensity to consume is far greater in the lower half of the income pyramid than in the top half

So, would it be right to say you do not want risk macroeconomic stability?

I think this is something which both economists, policymakers and the general readers need to understand is that macro-economic stability is non-negotiable. If you talk to any economist or policy maker you don't want to flirt with macro-economic stability. So, it has to be that whatever is required within basically the constraint of ensuring systemic stability internally and

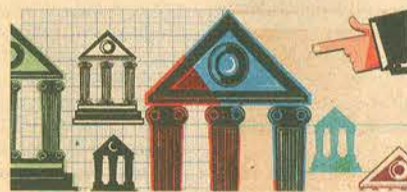


macro stability externally. If you look at one more aspect of the 2008-09 episode, the quality of lending was just went completely through the window, the drag due to that we're facing for so many years. And by the way, this is something which is shown across countries that whenever financial sector problems start they take a long time for them to basically to unwind and they basically drag growth down for a long while. A large part of the decline in growth is before the financial sector problems. If you recall, I showed in the Economic Survey that the corporate credit basically peaked at 2013 and has declined since and as that declining credit itself is responsible for decline in private investment, the decline in private investment itself is accounting for basically the impact on growth with a lag.

There's been a lot of commentary on more should have been done to clean up your financial sector, or create a bad bank or whatever to allow growth to go on. In your survey also you only suggested an index and not gone whole hog...

Look, in the economic survey, we have actually gone full hog on what is possibly the most important today for banking, which is the use of artificial intelligence machine learning and FinTech. Our public sector banks really need to dig deep into it. For instance, we showed in the economic survey as well, look at so many leading indicators for default. For any bank, the growth is basically the accelerator, and risk is a brake. Now, when they press the accelerator too much, then actually after some time there have press the brake. The way to get out of this accelerator brake phenomenon is to actually use a lot more analytics. Make the

screening of loans and the monitoring of loans based a lot more on data analytics, artificial intelligence, machine learning, etc. Now to your other part of the question, which a



BANKING NEEDS

Our banking sector, which includes both public sector and private sector needs to ramp up

kind of bad bank. See, when we did not have the IBC at that time, a bad bank something that possibly made sense. There's been research for instance in Italy, where they tried a bad bank and even today they are dealing with some of the problems. So, the idea of bad bank panacea is actually not really there. Lots of trade-offs involved with that as well, because the presence of a bad bank also create moral hazard.

Has the NPA problem bottomed out and when does recovery start?

2014 is when the clean-up started but from then on credit started declining. So, we've actually looked at it six and a half years and clearly NPAs have bottomed out for the banks. Very good performance that SBI recorded this quarter shows that clearly these problems, I

think especially on the bank side, are those that are behind us. On the recovery, I think credit has already started picking up.

You've maintained silence of the ownership of public sector. What is your take?

If you look at the entire banking sector, it's not as if we have private sector banks that are in the top hundred either, right. So, what we are saying is there are actually solutions there that actually that can be used within the ambit of the of the current framework. The broader point is that our banking sector, which includes both public sector and private sector needs to ramp up to be able to become to the size of the economy.

Over the past few years, since you've advocated globalization, last four or five years we've seen consistently rise in our import bills, how does it play out? I mean, we are tampering with the whole market economy concept?

In the fifth chapter on exports what we've shown is if we want to enable exports, then we basically need to be enabling imports of intermediate goods and raw materials. So, while it is okay for unfinished goods, but if we really need to trade and export more, we need to be enabling a lot more of the intermediate and raw materials. The other point to actually also keep in mind is that, after the global financial crisis, that has been actually a backlash against finished goods, everywhere. I think it's reflected in India as well. The trade policy should be focused on basically enabling our GDP growth, and job creation, we are a very labour intensive country. And for example, integrating assemble in India, we can create a lot of jobs, which is what we showed in the economic survey as well. And for that we therefore have to enable trade policy so that imports of components and imports of actually, those that go into enabling exports are encouraged. Contrary to the wisdom that we've had for a while that trade agreements have not worked for India, you have backed the trade agreements, showing that they are beneficial. As a scholar, as an economist who works on this, my job is to separate from correlation and causality, it seems like we have basically benefited from FTA.

Should India then go for RCEP? So, in that context, what do you have to say for us?

I have only pointed out the economic evidence. I'm sure this and other evidences will be taken into account and all the factors will be considered in taking the right call. My role is to actually show the economics of this and what we are showing is that it seems like we have benefited. I would let it rest at that.

Will Meet ₹2.1L Cr Target: DIPAM Secy

Proceeds from strategic divestment in Air India, BPCL, Concor, others

Gulveen Aulakh & Deepshikha Sikarwar

New Delhi: The Department of Investment and Public Asset Management (DIPAM) is confident of achieving the ₹2.1 lakh crore in FY21 with big-ticket strategic divestment lined up, such as in Air India, Bharat Petroleum Corporation, Concor and others, secretary Tuhin Kanta Pandey told ET.

The government has sought to double the disinvestment target for FY21 in the budget to support higher capital expenditure.

The divestment in THDCIL and NEEPCO will conclude before March, proceeds from which—along with upcoming offers for sale and public listings—will help it reach the revised estimate of ₹65,000 crore for FY20, Pandey said. "We've already done ₹35,000 crore... THDCIL and NEEPCO will conclude before March. IPO of Indian Railways Finance Corporation is coming up, request for proposals has been issued," he added.

Proceeds of ₹16,500 crore from equity exchange traded fund will get accounted for in February. "Some of the strategic disinvestments will fructify in the next financial year. So put together, ₹1.2 lakh crore from CPSEs in the current fiscal, we will be able to handle it," he added.

The budget has proposed ₹2.1 lakh crore target for DIPAM in FY21, of which ₹90,000 crore is slated to come from selling government stake in public sector banks and financial institutions. The FY20 target has been lowered from ₹1.05 lakh crore to ₹65,000 crore.

An official added that expression of interest for BPCL will be issued within this week. In case of Concor, Pandey said that a clear policy is being chalked out with the Ministry of Railways to sort out land



leasing issues, after potential investors raised concerns.

On the financial sector side, public listings of IDBI and LIC have been proposed in the budget. Pandey said that DIPAM will work closely with the Department of Financial Services on LIC and preparatory work will begin in some time.

DIPAM has approved a panel of international property consultants to monetise land parcels of public sector enterprises such as MTNL & BSNL, as part of its non-core asset monetisation programme. "Land in Mumbai will go for sale, that's part of the revival package plan," he said.

Govt. of India
CFTI MSME-TECHNOLOGY DEVELOPMENT CENTRE CFTI
(CENTRAL FOOTWEAR TRAINING INSTITUTE, AGRA)
(MINISTRY OF MICRO SMALL & MEDIUM ENTERPRISES)
C-41 & 42, Site "C", Industrial Area, Sikandra, Agra- 282007

TENDER NOTICE (e-tender)

The tender are invited under double bids System from intrastate manufactures/authorized suppliers/agencies for procurement of Machineries, Equipment's & Software for the CFTI, Extension Center at Kolkata. The details of specification tender documents EMD etc can be downloaded from www.cftiagra.org.in

(www.eprocure.gov.in/eprocure/app)
Tender Reference Number :- CFTI/PUR6(11)2019-20(6-13)
The last date of submission is 17.02.2020 by 03:00 pm and to be opened on 18.02.2020 by 03:00 pm.

DIRECTOR
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ADVERTORIAL

KINECO all geared up to showcase its ingenuity at DEFEXPO India 2020 in Lucknow



Founder and Managing Director of Kineco Limited, Mr. Shekhar Sardesai (extreme right) with Hon. Raksha Mantri, Union Minister of State for Defence and other dignitaries & officers of the Indian Navy at New Delhi.

One of India's leading composite technology provider and the fastest growing companies in the Composite Industry, Kineco Limited, a Goan Company is all geared up to impress upon the Defence Industry, its legacy of two and a half decades and the uniqueness of its Products.

The DEFEXPO India 2020 - a mega defence exhibition, is being held in the Land of Nawabs - Lucknow from 5th to 9th Feb 2020. It provides an opportunity to professionals and the defence industry to find a common global platform for showcasing and developing Indian military industrial enterprises. The Special theme of the DEFEXPO India 2020 is "Digital Transformation of Defence" where one can witness the present and future of India's defence ecosystem.

Kineco, along with its Subsidiary - Kineco Kaman Composites India Private Limited will demonstrate, its indigenously developed innovative products which bears a distinct flag of "Make in India" in Defence. Two months back, on December 4, 2019, Kineco was honored by Hon. Raksha Mantri, Union of India, Shri Rajnath Singh along with Hon. Union Minister of State for Defence, Shri Shripad Naik, for its significant contribution to 'MAKE IN INDIA' in Defence, at New Delhi on the occasion of the Indian Navy Day.

In 2012, Kineco was selected as an Industry Partner on a competitive basis and was awarded a prestigious development contract for the development of its first indigenous 'Sonar Dome'. A Sonar Dome is critical component of a warship which houses the Sonar (Sonar Navigation and Ranging) Array which is considered as the eyes and ears of a Warship or Submarine. The first prototype built by Kineco was unveiled by the then Hon. Raksha Mantri Late Shri Manohar Parrikar at DEFEXPO India 2016 held in Goa. After several stringent validation tests it successfully qualified for usage not only on P15 Alpha (Kolkata Class) but also P-15 Bravo (Vishakhapatnam Class) warships.

Recently Kineco bagged a large and prestigious order for 7 Sonar Domes from Mazagaon Dock Shipbuilders Limited which will be installed on both classes of warships of the Indian Navy, thereby mitigating India's dependency on imported Sonar Domes and contributing to the 'Make in India' Defence Initiative. Shekhar Sardesai, the Founder and Managing Director of Kineco said, "I believe Kineco's success with Sonar Domes and many other defence indigenous projects act as a flag bearer for the 'Make in India' in Defence Mission. We are truly

grateful to R&D Engineers (DRDO) and Mazagaon Dock Shipbuilders Limited, with whose support such mammoth tasks were made possible. Our spirits stand ignited to continue to innovate and make many such significant contributions to India's Defence Infrastructure".

Kineco has demonstrated an immense potential in Public- Private synergies towards the Make in India mission through its success in various indigenously developed defence projects. India's first 'Carbon Fiber Bridge', a light weight rapidly deployable helicopter bridge for military and disaster management applications will be showcased by Kineco at the DEFEXPO along with its other ingeniously innovative products. Kineco is also working with Vikram Sarabhai Space Centre (VSSC) to develop high pressure pyrogen igniter cases for GSLV and PSLV launch vehicles.

Through its subsidiary, Kineco Kaman Composites India Private Limited - a successful Joint Venture with a NYSE Listed Kaman Aerospace Group, Inc. (USA), Kineco has also contributed to India's Aerospace program through the successful development and delivery of Dual Helix Array Antenna to VSSC that supports the Indian Regional Navigation Satellite System (IRNSS). Three of these Antennas have already been launched in space. Some of the other ambitious projects by Kineco Kaman include Radomes for Satellite Communications (SATCOM) antenna for strategic defence applications.

With its passion for innovation & technology and credentials of two and half decades in developing world class composite products to discerning customers in Aerospace, Defence, Railways and Industrial markets, Kineco has emerged as India's most diversified and fastest growing company in its field. You can meet Kineco & Kineco Kaman in Lucknow at DEFEXPO India 2020 in Hall 3, Stand S5 & S6 from 5th to 9th February 2020.

KINECO
WORLD OF COMPOSITES

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Landspace to Aerospace



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EXTRACT OF THE FINANCIAL RESULTS IN Rs. CRORES

	Quarter Ended		Nine Months Ended
	Dec.2019	Dec.2018	Dec.2019
1) Total Income/Revenue from Operations (Net of Discounts)	193.25	174.70	527.91
2) Net Profit for the period before Tax (before Exceptional and/or Extraordinary items)	30.30	18.89	85.38
3) Net Profit for the period before Tax (after Exceptional and/or Extraordinary items)	30.30	18.89	85.38
4) Net Profit for the period after Tax (after Exceptional and/or Extraordinary items)	22.49	12.46	63.12
5) Total Comprehensive Income for the period [Comprising Profit for the period after tax and Other Comprehensive Income (OCI) after tax]	22.62	12.47	63.52
6) Paid up Equity Share Capital	5.29	5.29	5.29
7) Reserves, excluding Revaluation Reserve (as shown in the preceding year-end Balance Sheet)	113.33	104.53	113.33
8) Earnings Per Share in Rs. (Per share of Rs. 10 each, Basic and Diluted)	42.52	23.56	119.38

NOTES: The above is an extract of the detailed format of the Financial Results filed with BSE Ltd. under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, for the Quarter/Nine Months ended December 31, 2019. The full format of the said Quarterly/Nine Months ended Financial Results is available on the BSE Ltd. website www.bseindia.com and the Company's website www.hawkinscookers.com.

Mumbai
February 3, 2020

For Hawkins Cookers Limited, Sudeep Yadav
Executive Director-Finance & Administration

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