

High food prices keep retail inflation above 6% in Aug

Wholesale inflation rises above 0 after 4 months

ABHISHEK WAGHMARE & SUBHAYAN CHAKRABORTY
Pune/New Delhi, 14 September

The consumer price index (CPI)-based inflation came in at 6.7 per cent for August, from 6.73% in July, courtesy food inflation refusing to soften below 9 per cent.

India's economy now struggles to cope with low growth and high inflation five months into the Covid-19 pandemic.

The retail inflation has now remained above the upper band set by the Reserve Bank of India of 6 per cent for nine consecutive months, though not successfully for three financial quarters yet. Core inflation, too, has been inching up in the pandemic era, approaching 6 per cent now, from 4 per cent earlier this year.

Experts said consumers would continue facing higher prices than the previous year due to supply and production bottlenecks as economic activity struggles to come back to normal. Nomura's India Business Resumption Index had hovered between 70 and 75 per cent in August, and stands at 82 per cent in mid-September. This hardening of consumer inflation above 6 per cent makes a further rate cut difficult in RBI's monetary policy committee meeting in the first week of October, suggesting that the rate-cut cycle to propel growth may be paused. Aditi Nayar, principal economist at ICRA, said the RBI could take a cautious step in terms of monetary stance, in addition to a pause in repo rates, as inflation is unlikely to recede meaningfully this month. "The CPI inflation is likely to print sub-4 per cent only in December 2020-February 2021, based on which a continuation of the accommodative stance appears doubtful," she said.

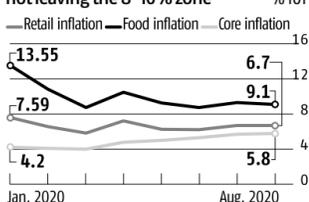
However, favourable base effect will come into play in the upcoming months. As retail inflation had inched up above 7 per cent towards the end of 2019, it is set to moderate in upcoming months.

Experts are factoring in a favourable harvest of the kharif crop, owing to good rains. "With favourable monsoon and prospect of good kharif and rabi crops, India Ratings expects that food inflation will ease from here on," Sunil Kumar Sinha, principal economist at the agency said in a note. Inflation in vegetables, pulses, eggs, and meat remained above 10 per cent in all these food categories. For the staples, rice and wheat, it dipped below 6 per cent after four months.



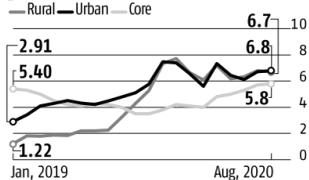
FOOD PRICES HOLD STEADY ABOVE 9%

Core inflation on the rise, food inflation not leaving the 8-10% zone



HEADLINE AND CORE INFLATION CONVERGE

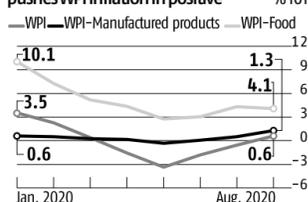
Core inflation reflects weak demand, as opposed to the time when it lifted general inflation



*Retail inflation in August **Communication

WHOLESALE INFLATION RESURRECTS ITSELF

After 4 months of deflation, manufacturing pushes WPI inflation in positive



RISE ACROSS SUB GROUPS, FOOD OR CORE

Clothing and recreation mellow, but protein food items climb, along with mobile data and travel

Item	% YoY*	Item	% YoY*
Fruit	1.0	Transport & comm**	11.1
Clothing & footwear	2.8	Vegetables	11.4
Recreation	4.1	Pulses	14.4
Health	4.7	Personal care	14.5
Cereal	5.9	Meat & fish	16.5

Source: National Statistical Office, commerce ministry, CRISIL

As consumer inflation remained hard, the wholesale price index (WPI)-based inflation made a comeback in August, with a marginal 0.16 per cent rise after four months in deflation. Wholesale inflation had reached a 4.5-year low of negative 3.4 per cent in June 2020, after which it has been consistently rising.

It was pulled up at the agency said in a note. Inflation in vegetables, pulses, eggs, and meat remained above 10 per cent in all these food categories. For the staples, rice and wheat, it dipped below 6 per cent after four months.

animal oils, fats saw a sudden uptick in their prices. However, seven of the 14 components within the manufactured products segment have recorded a contraction in the latest month.

On the other hand, food inflation rose 3.8 per cent, lower than July's 4.1 per cent. The modest decline in food inflation was driven by the downtrend in items such as cereals, pulses, vegetables, and milk. Experts said the sudden inflationary pattern in August indicates an improvement in purchasing power of manufacturers, and bodes well for economic recovery.

Non-thermal assets taking over loan book of PFC, REC

SHREYA JAI
New Delhi, 14 September

Two leading power sector financiers in the country — Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) — are witnessing a marked shift in their lending portfolio. This is owing to stress in the thermal power generation segment, along with lack of any new private investment in this space.

Renewable energy and transmission & distribution (T&D) segments have witnessed record growth in lending from these two institutions.

PFC's lending to the T&D segment has grown by 387 per cent in the past five years, while for REC, the increase is by 43.12 per cent. In comparison, growth in loan assets in thermal power generation has been 16.56 per cent and 67 per cent for PFC and REC, respectively, during the same period.

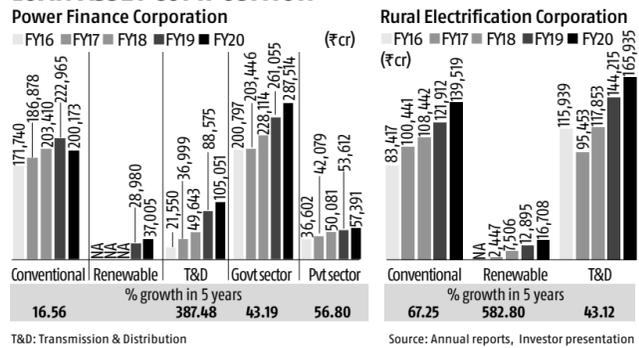
For REC, which started lending to the renewable segment before PFC, the growth of renewable assets in four years was 582 per cent in 2015. PFC ventured into the renewable energy segment with separate lending schemes in 2017.

With an aim to attract an array of projects, the lending agency also decreased its rates in the range of 9.5-11 per cent for renewable projects. While the growth is slow, PFC's loan basket of renewable energy assets, at ₹37,005 crore, is larger than REC's.

The shift by the two lenders comes at a time when the renewable energy segment is scouting for domestic funds. Executives said a lot of renewable project developers are looking at these two lenders for refinancing their assets.

Cumulative PFC and REC lending to the renewable segment was at ₹53,713 crore during 2019-20 (FY20). It is higher than the sanctioned loan amount by the Indian Renewable Energy Development Agency (IREDA) — a dedicated financ-

LOAN ASSET COMPOSITION



T&D: Transmission & Distribution

Source: Annual reports, investor presentation

ing body for the segment. IREDA disbursed ₹11,191 crore during 2018-19 (FY19). The FY20 data has yet not been made public by the company.

"Considering that new lending opportunities would be limited in view of the Covid-19 situation, the ₹90,000 crore discom credit package is a good business opportunity for PFC to maintain its loan asset growth. In addition to this, our focus would continue to be on the renewable business," the PFC management said in its investor call for FY20.

Last year, the Ministry of New and Renewable Energy (MNRE) had urged PFC and REC to design specialised lending schemes for the renewable segment. REC, in its latest investor presentation, said it is a major player in the renewable energy segment and the "creation of India's Green Energy Corridor" — which is a dedicated transmission network for renewable energy projects.

For the two lenders, the gradual shift towards new areas makes sense, as it continues to bear the brunt of non-performing

assets (NPAs) in the conventional power generation space. At the same time, private investment in thermal power is on the decline as no new projects are in the pipeline. "In renewable, most of the funding is to private borrowers. In conventional generation, it is a mix, but majority to the government sector only," said the PFC management in the call.

State-owned NTPC has 20 gigawatt of coal-based power generation projects at various stages of development. "Renewable is a good opportunity. We are getting a lot of renewable re-financing proposals. Of course, discoms and transmission are there. Then, we are diversifying into smart cities and e-vehicles," said the PFC management in the June investor meet.

PFC, in March 2019, acquired the central government's 52.63 per cent paid-up share capital in REC, along with managerial control. The total acquisition cost was about ₹14,500 crore. With this merger, the Centre met its disinvestment target of ₹85,000 crore for FY19.

Make advance tax ruling system more comprehensive, SC recommends

INDIVIAL DHASMANA
New Delhi, 14 September

The Supreme Court has recommended that the Centre make the current advance tax ruling system more effective and comprehensive as a tool for settlement of disputes.

The apex court's suggestion comes during the hearing of a case of the National Cooperative Development Corporation (NCDC). The point of dispute between the Corporation and the income-tax (I-T) department was whether grants disbursed from the common pool fund, which consisted of capital receipts received from the Centre and interest income earned through the idle funds parked in fixed deposits, by the NCDC during 1976-77 was a deductible revenue expenditure or not. The court said: "Which pocket of the government should be enriched has taken 44 years to decide — a classic case of what ought not to be." Noting that the petition rate of the tax department with the SC is 87 per cent, the court opined that "a vibrant system of advance ruling can go a long way in reducing taxation litigation".

The SC said contrary to the expectation that a ruling would be given in six months (according to the Section 245R (6) of the I-T Act), the average time taken is stated to be around four years. This is primarily because of the large number of vacancies and delayed appointment of AAR members, the court said.

RBI pulls up banks for delay in automation of NPA recognition process

Sets June deadline to conform to norms

ABHIJIT LEE
Mumbai, 14 September

The Reserve Bank of India (RBI) has pulled up banks for delay in automating the process of identifying non-performing assets (NPA), provisioning, and filing returns with banking regulator. It has asked the banks to comply with the guidelines by June 30, 2021.

Banks were advised in August 2011 to have an appropriate IT system for identification of NPAs and generation of related data/returns, both for regulatory reporting and banks' own MIS requirements.

In a communication to bank chief executives, the RBI said it was observed that process in many banks is not yet fully automated. Banks are still found to be resorting to manual identification of NPAs and over-riding the system-generated asset classification by manual intervention in a routine manner.

All accounts (borrowing), including temporary overdrafts (irrespective of size, sector, or types of limits), should be covered in the automated system within the new deadline. Banks' investments shall also be covered under the system. Asset classification rules should be configured in the system, in compliance with the regulatory stipulations, the RBI said.

Banks' NPAs in large industry, services fall 31% in 2 years

Banks' non-performing assets (NPAs) in large industry and services declined 31 per cent in over two years to about ₹4.36 trillion in June this year, Parliament was informed on Monday. On whether the NPAs of big industries and corporate houses have increased sharply as compared to small businesses due to non-repayment of loans to banks during the last three years, Minister of State for Finance Anurag Singh Thakur replied in the negative. He said a number of steps had been taken for recovery of loans from corporate houses, which enabled banks to recover ₹5.48 trillion during the past five financial years.

For process of calculating of provisions should also be System based as per pre-set rules for various categories of assets, value of security. Also in addition, income recognition and de-recognition of impaired assets (NPAs/NPIs) will be system driven. The amount required to be reversed from the income account should be obtained from the system without any manual intervention.

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CIN :- L51900MH1979PLC021914
Extract of Unaudited Financial Results for the first quarter and three months ended June 30, 2020 (Rs. in Lakhs except per share data)

Sl. No.	PARTICULARS	Quarter ended June 30, 2020 (Unaudited)	Three Months ended June 30, 2020 (Unaudited)	Quarter ended June 30, 2019 (Unaudited)
1.	Total Income from Operations	8.85	8.85	14.75
2.	Net Profit / (Loss) for the period (before Tax, Exceptional and / or Extraordinary items)	0.69	0.69	0.66
3.	Net Profit / (Loss) for the period before tax (after Exceptional and / or Extraordinary items)	0.69	0.69	0.66
4.	Net Profit / (Loss) for the period after tax (after Exceptional and / or Extraordinary items)	0.69	0.69	0.66
5.	Total Comprehensive Income for the period [Comprising Profit / (Loss) for the period (after tax) and Other Comprehensive Income (after tax)]	0.69	0.69	0.66
6.	Equity Share Capital (Face value (F.V.) of Rs. 10 Per Share)	5.00	5.00	5.00
7.	Reserves (excluding Revaluation Reserve) as shown in the Audited Balance Sheet of the previous year	50.57	50.57	43.60
8.	Earnings Per Share (of Rs. 10/- each) (for continuing and discontinued operations)			
	1. Basic :	1.39	1.39	1.33
	2. Diluted :	1.39	1.39	1.33

- Notes:
- The above is an extract of the detailed format of Unaudited Quarterly and Three Months ended Financial Results filed with the Stock Exchange under Regulation 33 of the SEBI (Listing and Other Disclosures Requirement) Regulations, 2015. The full format of Unaudited Quarterly and Three Months ended Financial Results are available on the website of Stock Exchange at www.bseindia.com and also available on the website of the Company at www.springformtech.com
 - The above financial results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on September 14, 2020, and the statutory auditor have carried out a limited review of the aforesaid results.
 - The Company has adopted India Accounting Standards ("Ind AS") from April 01, 2016 and accordingly these results have been prepared in accordance with the recognition and measurement principals laid down in Ind AS-34, Interim Financial Reporting prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting pronouncement generally accepted in India. Financial results for all the periods presented have been prepared in accordance with the recognition and measurement principle as laid down in Ind AS 34.
 - Reconciliation of Net profit reported on account of transition from Indian GAAP to Ind AS is as under:

Sr. No.	Particulars	First Quarter and Three Months ended on 30.06.2020 (Unaudited)	First Quarter and Three Months ended on 30.06.2019 (Unaudited)
	Net Profit for the period under Indian GAAP	3.34	3.16
1.	On Account of Depreciation & Amortisation	2.65	2.50
2.	On Account of Interest	0.00	0.00
3.	Deferred Tax on above Adjustments	0.00	0.00
	Total	2.65	2.50
	Net Profit for the period under Ind AS	0.69	0.66

- The Company has only one segment, hence disclosure as required under INDAS-108 on "Segment Reporting" is not applicable.
- The spread of COVID-19 pandemic has severely impacted businesses not only in India but across several countries. Due to lockdown and restrictions, business and economic activities have been disrupted and stalled. The Company's operations and financial results for the quarter have been adversely impacted due to this unprecedented situation. The operations resumed gradually with requisite precautions and duly following Government guidelines, although with limited availability of workforce and supply chain. The pandemic situation has negatively affected the normal business operations of the Company with consequential impact on profitability.
- The Company has assessed the impact of pandemic on its financial results based on the internal and external information available up to the date of approval of these financial results. The Company continues to monitor the economic effects of the pandemic while taking requisite steps to bring normalcy in its operations.
- The figures for the previous financial periods/year have been regrouped/reclassified wherever considered necessary.

For Springform Technology Limited
Sd/-
Pankaj Kishor Shah
Managing Director
DIN:00945911

Place : Mumbai
Date : September 14, 2020

Insurers face double whammy from Covid, non-Covid claims

SUBRATA PANDA
Mumbai, 14 September

General insurers and standalone health insurers are facing a double whammy. With exponential rise in coronavirus-positive cases, reported Covid claims have topped 200,000, worth over ₹3,000 crore, and are set to rise further as cases explode. Furthermore, non-Covid claims, which were muted in the initial months of the pandemic, have also picked up pace and are more or less at pre-Covid levels.

Although insurers feel loss ratios in the health segment may get hit, and profitability will take a hit, capital erosion will not take place. "Non-Covid claims are more or less reaching pre-Covid levels. The Covid-19 claims were expected. We have to see how the entire year plays out. There was some benefit of discretionary claims not taking place in the first three-four months of the pandemic," said a chief executive of a private insurer.

"At least for general insurers, capital will not be too much of an issue because the proportion of health is 15-20 per cent and retail health constitutes an even smaller proportion. But there will be dent in profitability in the second half of the year," he said. "The loss ratio is expected to be higher by 8-10 percentage points for the full year if Covid-19 claims keep



multiplying at the current pace," said Bhaskar Nerurkar, head-health claims, Bajaj Allianz General Insurance.

The fear of contracting the virus had resulted in people deferring their planned surgeries and hospital visits, resulting in general and health insurers receiving far lower claims. But that trend has reversed. And, so has the trend for Covid-related claims. At the end of July 31, insurers had received 81,000 claims. But as of September 8, the claims reached 193,000, indicating doubling of claims in just a month's time.

"The absolute numbers look scary as far as claims from Covid and non-Covid ailments are concerned. But insurers are also selling more health insurance policies now," said Amit Chhabra, business head-Health, PolicyBazaar.

The share of health insurance business in the Indian market has grown from 27 per cent to 30 per cent in a very short period (between March and July). And, public awareness on the need for health insurance has grown exponentially in the past few months. This has resulted in the health insurance segment becoming the leading business segment for non-life insurance firms.

KEY TAKEAWAYS

- Non-Covid health claims are more or less reaching pre-Covid levels
- Covid claims, which constitute 10% of health claims, are rising exponentially
- Loss ratios of general and health insurers will get impacted if the trend continues
- There is demand for health insurance policies; it is more so in Covid-19-specific policies, which have a small ticket size