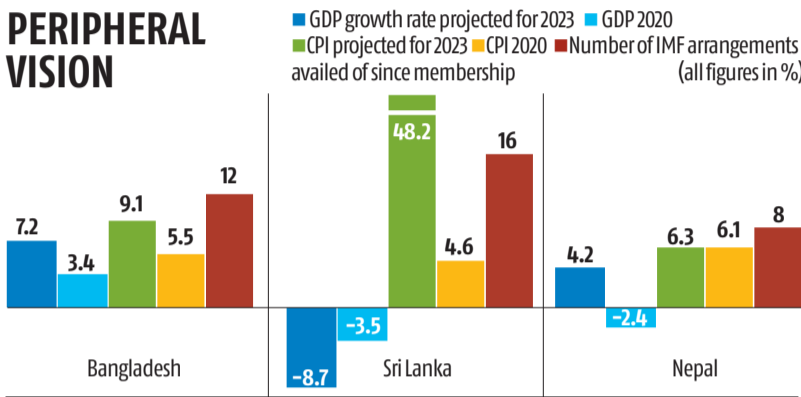


Crises in the neighbourhood

Sri Lanka, Bangladesh, and Nepal are facing economic risks that appear to be worsening



Source: IMF

SUBHOMY BHATTACHARJEE
New Delhi, 2 January

The New Year looks decidedly gloomy in India's political neighbourhood. Three key countries with which India has economic ties — Sri Lanka, Bangladesh and Nepal — are facing risks that appear to be worsening. Political headwinds have intensified in Dhaka; Kathmandu has finally got a government almost two months after general elections but Sri Lanka's crisis continues. Pakistan has intensified its problems, having its sovereign rating reduced to CCC-plus last week by Standard & Poor's, which puts it deep in junk grade. But leaving Islamabad aside for the moment, looking as it remains in a politico-religious struggle, the travails of Colombo, Dhaka and Kathmandu seem more the fallout of development bets gone awry. Covid-19, Ukraine war and the oil prices have dealt a near-fatal blow to the development trajectory of these countries early last year.

Sri Lanka was the first to be hit in June 2022, and it was expected that by the end of the calendar year, the much-needed International Monetary Fund (IMF) loans — a combination of Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) — will materialise. But there was a condition attached. Sri Lanka will have to reach a deal with its bilateral creditors, principally, India, Japan and China that the terms of their loans do not work at cross purposes with the IMF loan. This conditionality has proven difficult to sort out. Last week, Shehan Sema-singhe, finance minister of Sri Lanka, acknowledged that the IMF approval for a \$2.9-billion loan was going to be delayed deep into 2023. He said he was hoping to get the deal "by the first quarter of next year". China accounts for 19.6 per cent of the island's external debt, Japan 9 per cent and India 2 per cent.

On the relatively brighter side, consumer price inflation is expected to come down from the back-breaking 70 per cent recorded in October. Nandalal Weerasinghe, the central bank governor, has become confident enough to hope that it will ease to a stable range of 5 per cent by the end of 2023, a Bloomberg news report noted. All of these will, however, need the IMF loan to materialise quickly for a country that was once already seen as a middle-income economy in South Asia several years ago.

Joining company with Sri Lanka in

economic trouble is Bangladesh. The country has just signed a 42-month arrangement in November to secure a \$3.2-billion IMF loan under ECF and EFF, with another \$1.3 billion under the climate-linked Resilience and Sustainability Facility (RSF).

For months this year, AHM Mustafa Kamal, the Bangladesh finance minister, debated whether a loan from the IMF was necessary. He had reason to hesitate, since the country, earlier viewed as a basket case of poverty, had worked its way up to an astonishing level of growth on the back of the textile export industry. All the country's social indicators have surged ahead — sometimes bettering India — giving hopes that Bangladesh will drop its tag of least developed nation by financial year FY26.

The collapse of global trade, on which the economy is acutely dependent, and stratospheric oil prices have hit the economy hard. With every passing month, the news has become dire. The IMF staff assessment issued in November notes there is "sharp widening of the current account deficit, rapid decline of foreign exchange reserves, rising inflation and slowing growth".

Fortunately, consumer price inflation has eased sharply to 8.85 per cent in November, from almost double digits a month ago. This is very necessary as political disturbances on the streets have begun to gather steam. Sri Lanka has demonstrated how sustained shortages can transform into a crippling political challenge. Ironically, at the height of the crisis in Sri Lanka in June, Bangladesh had sent a potato consignment as relief supplies. There could be more twists to this tale in 2023, with Opposition parties mobilising huge rallies to protest against the three-year spell of Sheikh Hasina Wazed.

Bangladesh is lucky that the incumbent government was in place as the IMF loan was negotiated. One of the reasons Sri Lanka had problems was there was no acknowledged leadership through most of 2022, a problem that has now come upon Nepal.

While the IMF has already provided a 38-month duration ECF of \$395.9 million in January 2022, Nepal's cause has not been helped by the political difficulties from November. The general elections had led to no clear verdict. In Christmas, the country finally got a new government in place with a left-wing orientation.

The reasons why the outgoing Nepali Congress did badly was the state of the economy and the repair work made necessary by the IMF loan. The immediate problem for a new government of Pushpa Kamal Dahal, leading the Communist Party of Nepal (Maoin Centre) is that the electorate will want all those repairs rolled back. The IMF prescription always insists on cutting back on government expenditure. Also, in a poor economy, the current inflation rate of 8.08 per cent is not good news at all but the population will read the reasons differently from what shall be expected from the government.

2022 was a year of a supply shock-led crisis in South Asia, harshly highlighting the policy missteps of different governments. Those missteps have led to IMF support programmes, which will force a difficult period of adjustment in the economies. How far the population in these countries will accept these as inevitable will determine how 2023 pans out for the region.

ON THE JOB

EPFO data shows employment dip



MAHESH WAS

This finding, however, is at odds with the regular monthly flow of EPFO data. We hope to explain this mystery in the following paragraphs.

The regular publication of EPFO "payrolls" data is a relatively new initiative of the government. It began in early 2018. It provides data from September 2017. The objective of this initiative is to measure employment in the formal sector. This "payroll" data is, in fact, the net addition of EPFO subscribers in a month. This is the gross additions less exits but including re-subscription of exited members every month. The EPFO is, in fact, a savings scheme applicable to a section of salaried employees and not a (non-farms) payroll database as is usually understood in other countries where the term is used to measure employment. But that is a different problem.

This monthly data release suggests that net addition to EPFO subscriptions grew by 77 million in 2020-21 and by another 12.2 million in 2021-22. This implies a 20 million net increase in EPFO subscribers. This is dramatically different from the annual reports placed in Parliament that suggest a fall of 2.6 million in the same period.

The monthly data released by EPFO are always provisional, and are released with a lag of less than two months. The latest release is dated December 20, 2022, and the latest data it provides is the provisional estimate for October 2022.

The first release of the data undergoes revisions in subsequent releases for a maximum of

12 months. Or, it may not be revised at all. Whether an initial estimate will be revised or not or how often it will be revised depends on the month. We will return to this in a bit. First, let's examine the revisions.

The revisions are substantial. We examine revisions to the estimates of April 2021. The first estimate of net addition to EPFO subscribers in April 2021 was 12,75,729. This estimate was released in June 2021. It was revised downwards in each subsequent release till the release dated May 2022. By then, the April 2021 estimate fell by a massive 45 per cent to 698,876.

Similarly, the first estimate for May 2021 released in July 2021, which was 919,772, dropped to 441,760 by May 2022. This was a 52 per cent downward revision in 11 months.

The revisions seem to be systematically and substantially downward. Ergo, reading the initial releases of the EPFO can be significantly misleading.

The twist in these revisions is that they are available for a month till all the monthly data for its financial year are released. So, the first release of April sees 11 revisions in as many subsequent months, May sees 10 revisions, June sees 9, and so on till the March release, which never sees a revision. This is strange, and an unsatisfactory position because it produces a monthly time series of net EPFO subscriptions that has data of varying levels of reliability. Given that the revisions are very substantive and the revisions are incomplete, the time series is rendered almost useless for

any analysis or to draw any meaningful inference of the trend.

When the March data are released, the EPFO releases the annual estimate for the year ended in that March. These annual estimates are never revised. This implies there were no revisions to the data once the last month of the data is released. But, this is implausible. If monthly estimates of April and May can be revised to less than half their original values, then March estimates may also be getting revised in subsequent months. But, the EPFO monthly releases do not oblige with these revisions.

The presentations also raise a doubt whether the April 2021 estimate that was last revised in May 2022 was the final estimate or were there more revisions that were never released.

So, what has the new initiative, that was much hyped when it was first released, achieved? Its first estimates are unreliable by a huge margin as the reality could easily be half of the estimate. Its time series is meaningless because it contains different levels of substantial revisions. Its annual estimates are frozen and never revised when it seems these should be revised.

As a result, the monthly EPFO data releases have only misled. The good old EPFO Annual Report tabled in Parliament with a lag of about 9 months is still the best provider of this data. And, it suggests that employment fell in the formal sector during 2020-21 and stagnated in 2021-22.

The writer is MD & CEO, CMIE P Ltd

TATA POWER DELHI DISTRIBUTION LIMITED
A Tata Power and Delhi Government Joint Venture
Regd. Office: NDPL House, Hudson Lines, Kingsway Camp, Delhi 110 009
Tel: 66112222, Fax: 27468042, Email: TPDDL@tatapower-dtl.com
CIN No.: U40109DL2001PLC11526, Website: www.tatapower-dtl.com

CORRIGENDUM / TENDER DATE EXTENSION Jan 03, 2023

Tender Enquiry No. / Work Description	Previously Published Date	Revised Due Date & Time of Bid Submission/ Date & time of opening of bids
TPDDL/PVing/Tender/Banking-2022/02 Notice inviting bids for banking of upto 500 MW RT-C power on firm basis for the period of 01.04.2023 to 31.03.2024	14.12.2022	10.01.2023 at 15:00 Hrs / 10.01.2023 at 15:30 Hrs

Complete tender and corrigendum document is available on our website www.tatapower-dtl.com → Vendor Zone → Tender / Corrigendum Documents
Contracts - 011-66112222

ESAB INDIA LIMITED
CIN: L29290TN1987PLC058738
Regd. Office: Plot No. 13, 3rd Main Road, Industrial Estate, Ambattur, Chennai 600 058.
Telephone No: 044-4228 1100 | Email id: investor.relations@esab.co.in

NOTICE OF LOSS OF SHARE CERTIFICATES

NAME OF THE SHAREHOLDER	Folio No.	Certificate No.	Distinctive Nos.	Shares
GOVIND RATHI MANMOHAN DAMANI	G02209	137964 9253	5359287 - 5359386 2919311 - 2919410	100 100

The public are hereby warned against purchase or dealing in any way with the above said share certificates. Any person(s) who has/have any claim(s) in respect of the said share certificates should lodge such claim(s) with the company at its registered office at the address given above within 15 days of the publication of the notice after which no claim will be entertained and the company will proceed to issue the duplicate share certificate(s).

Place: Chennai
Date: 2 January, 2023

For ESAB India Limited
G. Balaji
Company Secretary

— TENDER CARE — Advertorial

MAJOR PRODUCTION MILESTONES ACHIEVED BY GRSE : ONE FPV DELIVERED AND TWIN KEELS OF ASWSWC LAID

The last day of 2022 turned out to be yet another Red-Letter Day for Garden Reach Shipbuilders and Engineers (GRSE) Ltd with the shipyard delivering an in-house designed warship to the Indian Coast Guard and laying the keels of two yet again in-house designed ASWSWCs for the Indian Navy within a span of a few hours.

The day started with the delivery of ICGS Kamla Devi, the 5th Fast Patrol Vessel (FPV) of its class built by GRSE to the Indian Coast Guard. Later in the day, keels were laid at the Rajabang Dockyard (RBD) in Kolkata for the 5th and 6th Anti-Submarine Warfare Shallow Water Crafts (ASWSWCs), being built by GRSE for the Indian Navy. The important milestone heralding the start of a ship's construction at site was achieved in the presence of Shri Giridhar Aramane, Defence Secretary, GoI. Vice Admiral Kiran Deshmukh, AVSM, CMD, Controller of Warship Production & Acquisition, Cmde PR Hari IN (Retd), Chairman and Managing Director, GRSE, Shri R K Dash, Director (Finance), GRSE, Cdr S Bose, IN (Retd), Director (Shipbuilding), GRSE, other Senior Officials of GRSE and Indian Navy also witnessed the ceremony.

Speaking at the Twin Keel laying Ceremony, Commodore PR Hari, IN (Retd), Chairman and Managing Director, GRSE mentioned, "The first ship of the series of 8 Shallow Water Crafts was launched just 10 days back and Keels of 5 more are being laid including these two. We are indeed on the right track and we are very confident that we will meet the expectation of our most valued customer- The Indian Navy.

AJAY KUMAR SRIVASTAVA ELEVATED AS MD AND CEO OF IOB

Ajay Kumar Srivastava has been elevated as Managing Director and CEO of Indian Overseas Bank with effect from 1st January 2023 from his current posting as Executive Director since 9th October 2017. He started his banking career as Probationary officer in 1991 with Allahabad Bank where he worked in various capacities in different parts of the country. After successful completion of about 27 years in Allahabad Bank he was elevated as Executive Director by Government of India and he joined Indian Overseas Bank on 09.10.2017. At Indian Overseas Bank as Executive Director, he had a very challenging journey. Bank was incurring losses since 2014, was in PCA since 2015 and Financial parameters were in bad shape besides many other challenges. He made strategies for each of the key areas and successfully implemented them at the ground level with the support of the Board. He served the Bank as Executive Director for more than five years and handled all the departments and portfolios during the period. The highlight of his stint as Executive Director has been playing a very key role in bringing the Bank out of loss in March 2020 and out of PCA in September 2021. Moreover, he was the only Executive Director in the Bank for about 14 months during 2020-2021. He was appointed as Director on the Board of India Infrastructure Finance Company Limited by GOI for two years.

INDIAN BANK, BERHAMPUR, ORGANIZED ROAD SHOW

Road show was conducted on 22 Dec 2022 for a Term Deposit of "IND SHAKTI 555 DAYS" An early morning road show was organized on 22 Dec, 2022 at Berhampur by Indian bank zonal office, Berhampur for popularizing a new deposit scheme "IND SHAKTI 555 DAYS" and a special salary product "IND SHAKTI SURAKHYA" in which ZM Uchhab Chandra Patra and DZM Sashi Bhusan Mishra participated. This special term deposit scheme offers general public interest @7% (quarterly compounding) and for senior citizens @7.15% (quarterly compounding) for a period of 555 days.

EIL EXECUTES MOA WITH NRL FOR COLLABORATIVE TECHNOLOGY DEVELOPMENT

Engineers India Limited (EIL) and Numaligarh Refinery Limited (NRL) have inked a Memorandum of Agreement (MoA) to jointly develop technology for 'Production of aqueous Ammonia from Ammonia rich sour gases' and demonstrate at NRL site.

The collaboration agreement was executed on 29th December, 2022 by authorised representatives of EIL and NRL in New Delhi in presence of Vartika Shukla, CMD, EIL, Ranjit Rath, Chairman, NRL & CMD, Oil India Limited and Bhaskar Jyoti Phukan, MD, NRL.

This MoA shall pave the way for demonstration of technologies jointly developed by EIL and NRL. This endeavour will generate a win-win scenario for both EIL, with a rich experience in the knowhow in development, design & engineering, and NRL, having vast experience in the operation of SRU towards commercialisation of indigenous technologies. Development of technology for production of Ammonia from the sour gases shall be addressing the issues related to processing of ammonia in SRU besides generating value from the waste stream.

Commenting on this development CMD, EIL, Vartika Shukla said "This collaborative arrangement with NRL is one of major steps taken by the company for indigenous technology development and deployment leading to Atranirbharta in the energy sector providing impetus to EIL's diversified portfolio of supplying technological and proprietary engineered items/ products".

FOUNDATION STONE LAID FOR REDEVELOPMENT OF BHUBANESWAR RAILWAY STATION

Union Minister of Education and Skill Development & Entrepreneurship Dharmendra Pradhan, Hon'ble Union Minister of Coal, Mines & Parliamentary Affairs Pralhad Joshi and Union Minister of Railways, Communication and Electronics & Information Technology Ashwini Vaishnaw laid the foundation Stone for much awaited public central vital Railway project "Redevelopment of Bhubaneswar Railway Station" proposed to be a World-Class infrastructure at Bhubaneswar Railway Station and flagged off Puri-Jaleswar-Puri MEMU, on 29.12.23. Speaking to the gathering, Union Minister Dharmendra Pradhan and Pralhad Joshi praised Railway Minister Ashwini Vaishnaw for utilising Electronics & Information Technology in Railways and speeding up the infrastructural Development in the country by laying new lines and redeveloping the Stations and also providing amenities for the benefit of the people. Union Minister of Railways Ashwini Vaishnaw in his speech said that, priority is being given for the development of Railways in Odisha.

'Interest rates nearly peaked, may go up by another 25 bps'

UCO Bank was the first lender to have received the Reserve Bank of India's approval to open a special Vostro account for trade in rupee. SOMA SANKARA PRASAD, managing director and chief executive officer of the Kolkata-based lender, tells Manojit Saha in an interview that he expects strong interest for the rupee trade from several nations. Excerpts:

UCO Bank has received RBI's approval to open special Vostro accounts for INR trade. Has any transaction taken place yet?

This is a mechanism the Reserve Bank of India (RBI) put in place to internationalise the rupee. This mechanism is country-agnostic. So far, we got approval to open one account, with a Russian Bank-Gazprombank. That account has been opened but no trade or transaction has happened so far.

Is there any country that has approached UCO Bank for opening a similar account?

I do not have the exact details but there may be countries that would be interested in the rupee mechanism for trade, particularly Sri Lanka and Bangladesh, as well as others in the Gulf region and in Africa, where India has a lot of trade. This will take some time to pick up. Going forward, I think we will see strong interest in the rupee settlement mechanism for these countries.

Loan growth was robust till the second quarter. Is the momentum continuing in the third quarter?

Yes, it is. Over a period of time, say by March 2023, it will gradually moderate. For the financial year, we are expecting it to be 15-16 per cent.

Lending rates have gone up sharply in the past eight months. Do you think this can hurt loan demand?

Though, to a certain extent, it is true that loan growth hampers credit demand but not entirely true for a simple reason. During the Covid-19 period, interest rates were historically low. But there was no demand for loans at that point in time. I think loan growth to a large extent depends upon how the economy is growing. We know that India is the fastest-grow-



ing economy and is the lone bright spot in the world, so loan growth is directly linked to economic momentum.

Do you think interest rates have peaked, or are near the peak?

I think interest rates have nearly peaked. Inflation data for November has come below the RBI's comfort level of 6 per cent. We should also remember whatever the repo rate hikes are, the impact is there with a lag. I think interest rates have nearly peaked and they may go up by another 25 basis points — and that will be the terminal rate (6.5 per cent).

Deposit rate is lagging loan growth. Banks have increased deposit rates. Do you see further scope for an increase in deposit rates?

Deposit rates always go up with a lag. Transmission on the lending side happens immediately. It has not happened on the deposit side because banks were flushed with liquidity. With the liquidity situation becoming a bit tighter for the banks, a number of lenders, including us, have increased the deposit rate. Also, if you look

at the inflation data and deposit rates, we have entered an area where the real return is positive. I am not saying deposit rates have peaked, depending on how the liquidity situation pans out and the loan demand, we have to see the impact on deposit flow, depending on which the banks will take a call on whether to further increase them or to hold them at the current level.

UCO's domestic margins were close to 3 per cent in the second quarter. As liquidity tightens, can you hold on to such levels?

I think we should be able to maintain the levels because our credit deposit ratio is only 60 per cent, which is quite low. A lot of our money has gone to government securities when there was a lot of liquidity in the system. So, the deposit rate is pretty high for UCO Bank. Since we have a lot of liquidity in the SLR (statutory liquidity ratio) securities, we can utilise the liquidity by way of sale or borrowing against the SLR securities to reduce our cost of funds. Though the deposit rates have gone up, they will have some impact on the NIMs. But by and large, we expect the NIM to stay between 2.85-3 per cent, going in the next two quarters [Q3 & Q4 of FY23].

At the end of Q2, UCO's capital adequacy ratio (CAR) was 14.3 per cent? Do you plan to raise capital?

We are adequately capitalised. You must remember that we have made a profit of almost ₹625 crore in the past two quarters, and we are projected to earn a net profit of ₹1,500 crore (full FY). This profit will be added back to the capital only at the end of the year. Once it is added back, our CAR will cross 15 per cent.

We are planning to raise ₹1,000 crore by way of Tier-1 bonds for which we will be approaching our board for approval.

Are you looking to sell NPAs to NARCL?

There is a large NBFC account for which NARCL is also a bidder. So, the decision will be taken by the Committee of Creditors based on the bids. Apart from that, we have some small accounts where we are not the leaders (of consortium)].

