THE HINDU BusinessLine
TUESDAY, JULY 4, 2017

Shaky foundations

The NPA problem is worsening, but whether the factors at work are financial or economic, is not clear

The latest bi-annual Financial Stability Report of the Reserve Bank of India (RBI) not only makes for grim reading, but also leaves many things unexplained. Broadly speaking, the gross non-performing assets of scheduled commercial banks may increase from 9.6 per cent of total advances in March 2016-17 to 10.2 per cent in March 2018. More alarmingly, under the "assumed baseline scenario" the capital to risk weighted assets ratio of two banks may slip below the Basel III threshold of 9 per cent by next March. Six banks may slip below the 9 per cent threshold if "macro conditions deteriorate". Curiously enough, there is no cogent explanation for why NPAs are continuing to rise, except for the suggestion that restructured stressed advances are now being revealed as NPAs — and rightly so. With the new insolvency code just off the blocks, it will take at least another year-and-a-half for the positive effects — since debt realisation has to be completed in 270 days, after which liquidation will begin — to show on the books. In the interim, it appears that bank finances will make for dismal reading, more so if NPA-induced credit contraction from the supply side is made worse by a demand contraction due to macro-economic factors.

At the end of the day, implementation of the insolvency code may bring in the desirable results. This is because, while the RBI has identified a dozen top entities which have to be brought to book, the top 100 accounts alone account for 25.6 per cent of the NPAs of scheduled commercial banks. A process begun by former RBI governor Raghuram Rajan to clean bank books is expected to begin yielding results. However, there is still no clarity on concepts such as creation of a bad bank or the manner in which the seized assets will be priced and sold.

A grey area in the discussion on cleaning up banks is the extent to which the larger macro-economy has played a part — and the FSR does not clear the air. While the balance sheets of banks and corporates are, in a way, mirror images of each other, that does not explain the malaise as it is evolving — whether a credit squeeze by banks, thanks to their debt overhang, is compounding the woes of the corporate sector, or whether the corporates are not servicing their loans because of a fall in revenues. As for the first hypothesis, corporates have got around the inability of banks to lend at desirable rates (credit policy has been unusually hawkish, of late) by tapping into commercial paper and mutual funds. Meanwhile, banks are constrained by the high 'base rate', and as a result unable to work up their income stream. Base rate and marginal rate policies need to be tweaked not only to help clean up the books of banks, but also to enable them to actively promote growth.

OTHER VOICES

theguardian

Donald Trump in Europe: an edgy welcome awaits

Last time Mr Trump came to the continent, a NATO meeting and a G7 summit ended in full-on acrimony. Will this time be any better? Just as he is almost everywhere else, Mr Trump is unpopular across Europe. Mr Trump's unpredictability is matched by European discomfort in how to approach him. The EU is on the upswing, with better economic prospects hovering into view. Trump has often castigated Germany and its chancellor, most recently over trade surpluses. Merkel for her part sees the US president as a disrupter of the global order, and a threat to Europe's interests. LONDON, 2 JULY 2017

The New York Times

Bank health, imperiled

The Federal Reserve announced last week that all the nation's big banks are healthy. Credit belongs in large part to reforms enacted after the crisis. And it is precisely those reforms that are in the crosshairs of the Trump administration. The stated rationale is that regulation has impeded bank lending and, by extension, economic growth. That's wrong. Bank lending has expanded at a decent pace in recent years; economic growth has suffered largely from Congress' failure to provide fiscal support. What the banks want is a return to the days when excessive risk-taking led to outsize profits. NEW YORK, JULY 2 2017

DAWN

Hockey woes

Pakistan's nightmarish run at the recently concluded World Hockey League in London has been enough to convince even diehard fans that it is the end of the road for the game in the country. From being one of the best sides in the world in the 1970s and 1980s, Pakistan has slipped to the point where a lightweight team such as Canada can give it a royal thrashing (6-0). Remedial measures on all counts are desperately needed. KARACHI, 3 JULY 2017

Dealing with GST's unfinished business

Now that the Goods and Services Tax has finally been launched, it's time to grapple with what remains to be done

VS KRISHNAN

As I write the country has moved to a GST regime. This represents the culmination of a journey that began with the release of the first discussion paper on GST in November 2009. With all its warts, this is an audacious tax reform built on consultation and consensus of 29 States and seven Union Territories: truly a triumph of cooperative federalism and Team India.

In this journey, the GST Council has emerged as an important institution which, if properly nurtured, can strengthen Indian federalism. Lots of credit for this must go to the Finance Minister who has gone the extra mile to accommodate the views of the States. The question that now arises is 'what next?'

Inclusions remain

The next step has to be to improve the design of GST by bringing in the sectors left out. This could be done after the transitional issues are sorted out and the revenue picture becomes clearer. Crude petroleum and petroleum products are part of GST but five items – crude oil, petrol, diesel, aviation turbine fuel and natural gas – have been kept out temporarily. The law provides that the items can be brought under the GST at any time with the approval of the GST Council. The Ministry of Petroleum has also supported this idea because the revenue hit for the petroleum sector is significant due to the sector getting fragmented into GST and non-GST segments. Even if this is not immediately possible natural gas could be considered for inclusion because this is an industrial intermediate and GST input credits can be passed on to the final products which are within the GST.

The other steps should be to include electricity and then buildings and real estate. Electricity is a very important item but the States have been resisting its inclusion in the GST on the mistaken premise that this inclusion would raise tariffs for the consumers. Even without any central duty the embedded taxes in the electricity stream are estimated to be around 8-9 per cent of the taxable value. This increases the cost of manufacture.

A fillip to renewable energy

Bringing electricity into the GST net is easy as there are no legal impediments. Traditionally, electricity was part of the central excise tariff and a nil rate was prescribed in the tariff itself. Bringing electricity under GST would provide seamless credit of input taxes and also a clear idea of the true incidence of taxes on all segments in the electricity sector. This move may particularly benefit the renewable segment where a lot of new capacities are being set up and the capital investment are huge, with capital goods credit now available at one shot. This will also boost manufacturing and the 'Make in India' effort.

Scan & share
https://goo.gl/68ggL5

The other important segment left out is land and real estate. This is a glaring omission as its non-inclusion defeats the whole idea of GST, which is to transfer burden of taxation from intermediate and capital goods to final consumption goods. The collateral benefits of the inclusion are huge. It will clean up the land markets and strike a blow against black money. This can be done without subsuming stamp duty in the GST. Earlier it was presumed that inclusion of land and real estate would require an amendment to the definition of 'goods' in the constitution. The debates thereafter have brought much needed clarity on this. It is now clear that supply of land can be treated as a supply of services by treating it as a supply of the 'right to land'.

Realty check Bringing construction into the GST net will cleanse land deals and stem the spread of black money B JOTHI RAMALINGAM

Today an artificial distinction is made between 'work contracts' service and services related to 'construction of residential buildings'. This artificial distinction prevents availing of tax credits on input materials such as iron and cement by developers. Today the levy of GST stops at the construction stage whereas logically it should be taken forward to the stage of final construction of residential buildings. This measure would require an amendment to Schedule III of the CGST law (entry incorporated here treats supply of land and buildings as neither a supply of goods nor supply of services). Further, an amendment would also be required to the input credit rules where there is a bar on availing input credit in relation to land and buildings. The revenue benefit may not be considerable on the GST side because the developer may declare a level of transaction just enough to utilise the tax credit available. The real benefit will come from enhanced revenues on the direct tax side. The monitoring is now facilitated by the fact that the GST registration number has embedded in it a 10-digit PAN code. Inclusion of land and building in GST by treating them as a supply of service will make what is now a good GST a great GST.

Deciding disputes

A very important institutional measure which can help to reduce disputes is the creation of a Technical Secretariat in the Centre and the States. A conceptual distinction needs to be made between "assessment cases" and "offence cases". While "offence cases" can be left to field officers to adjudicate, assessment cases relating to classification, valuation and eligibility of input credits should be decided centrally and the instruction issued should be binding on the field officers. This will help in ensuring uniformity of assessment practices across the country. This will be especially beneficial to the States in the area of service tax, for States would require some hand-holding. (Hitherto service tax was only levied and collected by the Centre). The creation of a Technical Secretariat will help to bring Central and State officers together to discuss and resolve technical issues. It would forge the bonds of federal fraternity and also minimise the disputes across the country.

The measures to enhance the taxable base of GST by bringing electricity, petroleum and land and real estates would improve revenue buoyancy and also help the Government to reduce the number of rates. Revenue comfort can facilitate rate simplification. Similarly, the creation of a Technical Secretariat is an institutional innovation which can provide relief to taxpayers. This is eminently possible – the necessary legal backing is already available in the GST legislation.

The writer is Senior Advisor, Tax Policy Group, EY. The views are personal

Not in my name – at long last

Mob lynchings and targeting of minorities have gone too far. Hence the outpouring to civilise our public spaces all over again

RASHEEDA BHAGAT

Eid has come and gone, but 16-year-old Hafiz Junaid, who set out from his home in a Haryana village, with elder brother Hashim (19) and ₹1,500 in his pocket to buy new clothes and shoes for the festival, won't return home. Ever. Because he has become one of the latest victims of mob violence or lynching in the name of 'beef eating'.

The terrifying lynching of Muslims, all in the name of *gau raksha*, has finally got the condemnation it deserves, not only from Prime Minister Narendra Modi, but from the citizens of India. The 'Not in my Name" protests, begun entirely through social media and word of mouth, have at long last given a voice, however feeble it might appear in the face of its vituperative lambasting by the hate-filled Hindutva brigade, to such hateful mob violence.

Because if we remain silent when a minuscule minority of Indians is trying to destroy the rich social, cultural and secular fabric of this country, future generations are not going to forgive us. Not that this fabric is so fragile or frayed that it will crumble at the first assault. But the violence and murderous hatred unleashed by the so-called cow vigilantes has to be matched with a much stronger, more determined, and yet non-violent response.

More dangerous than riots

Because such lynching of Muslims, stray, one or a few at a time, and spread across various regions, is much more dangerous than a communal riot of any dimension, which gets consistent and focused media coverage.

Because the targeted killing of one, two or 10 citizens, for whatever reason, holds out the danger of gradually deadening our sensibilities and being accepted by our collective psyche. After all, don't people die in road accidents? Or of cancer? Or of obesity brought about by negligence and over-indulgence? And a hundred other reasons?

The Indian media, already compromised in every which way, most of the time "crawling when they were asked to bend", to recall the famous quote of BJP leader LK Advani after the Emergency, is fast losing the confidence of the general public, when it comes to reporting the truth without fear or favour. And hence more and more people, who are interested to know the truth, and non-biased coverage, are turning to foreign publications. And thanks to that great equaliser, the social media, these publications are no longer available only to the elite.

Multi-city protests Against gau rakshaks and others AFP

Inspiring image

But, thankfully, the 'Not in my Name' protests in the major Indian cities got wide coverage in the Indian media too. After all, it was an important movement, and it had to be reported. And so, when the image of the visibly ill 79-year-old celebrated playwright, actor and movie-maker Girish Karnad, leading the protest in Bangalore, hit the headlines, it made a huge impact. One voice on twitter voiced the feeling of many when it said: "This picture has broken my heart into a thousand pieces".

But trolls lashed out at every such sympathetic or supportive voice. They condemned Karnad and other prominent social figures who participated, for all kinds of reasons. The main sentiment expressed was of incidents from the past when a Muslim had wronged/thrashed/killed a Hindu in the past.

Karnad said that any "kind of injustice against fellow Indians" had to be protested. "We have a Constitution, we have law and order and it is terrible that it is happening. We know why it is happening, it is happening for political purposes. It is not for religious purposes."

This may not be entirely true, because religion is, of course, being used to demonise and terrorise an entire community.

If such lynching goes unchecked, anybody can use the excuse of cow slaughter or "beef eater" to kill a person to settle personal scores.

After all, the lynching of Junaid, the trigger for the 'Not in my Name' protests, is reported to have begun with a dispute over seats in the train.

As the fight started, he and his brother were dubbed "beef-eaters", (reports say, ironically, that Junaid loved soyabean biryani) attacked by a group of bloodthirsty fellow travellers, thrashed and thrown out of the train. Junaid bled to death on Hashim's lap.

What is petrifying is that those who killed Junaid did not even wear the label of professional or self-appointed *gau rakshaks*. The kind of encouragement and enthusiasm such a killing can give anybody who has a troublesome or "unlikable" Muslim neighbour, or a rival in matters of the heart, business and trade, or a keen competitor in school, college or the sports field, is terrifying.

Call him or her a beef eater, and do away with the rivalry/competition. As simple as that. Blood-curdling, isn't it?

Prime Minister Modi has condemned such violence in the name of *gau raksha*.

He has done it earlier too, but without much impact. Unless his government acts decisively, and ruthlessly, to punish the perpetrators, his words will remain empty rhetoric.

LETTERS TO THE EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Fix demonetisation, GST flaws

With reference to 'Collapse of credit poses growth risk' (July 3), the issue gains relevance at a time when there are contrary views about the impact of GST on inflation. The pressures are mounting with loan waivers and pay panel largesse. Even as the government sets fiscal deficit targets, economists assert that key indices matter as much as inflation does, and there is less risk adding to government debt till interest and inflation rates begin to rise above normal levels, or the stock market plunges. All three factors being benign on date, inflation and key rates ought to be lesser concerns.

The priority must be the speedy correction of glitches of both demonetisation and GST in the next quarter or two and revisiting key rates after the economy tends to a new equilibrium. If demonetisation disrupted small traders, daily wage earners and farmers, GST could now affect small business and industry to then influence the big ones. In a resultant period of uncertain business climate, a tweak in key rates may well skew the already uneven economic pattern.

R Narayanan
Ghaziabad

Restructuring Air India

Air India is believed to be carrying a whopping debt burden of close to ₹50,000 crore, which is clearly unsustainable. It is also believed to be spending ₹4,000 crore every year only on servicing debts. The real problem started with the merger of Indian Airlines with the Air India few years ago. The government is reported to have rightly approached the Tatas, perhaps one amongst the very few business enterprises that has the characteristics of both the public and private sectors. Yet, it is doubtful if the carrier would be able to effect a turnaround given its debt burden. Alternatively, the Government, apart from Tata as the main one, can also think of inducting a few more strategic partners including some of the existing private airlines with proven experience so that the entire debt burden will not fall on any one partner.

Srinivasan Umashankar
Nagpur

GST: Educate traders, consumers

Revenue Secretary Hasmukh Adhia has done well to bust certain myths about GST and clarify certain points. Though initial reports suggest that the rollout of India's boldest reform has been hassle-free, the situation on the ground appears to be different. Many traders with big inventories of old stocks are still clueless whether to proceed with the new tax regime or stick to the previous taxation system. The consumer appears to be the worst affected, having to pay through his nose for drugs, eating out, film tickets, cosmetics, jewellery and more. Keeping tabs on implementation and educating the traders and consumers would help overcome initial hiccups.

NJ Ravi Chander
Bengaluru

Can it help the poor?

As the government celebrates the rollout of GST as if a new era has dawned, it would be worthwhile to look at the exercise from a poor man's perspective, a criterion prescribed by Gandhiji to decide the desirability or otherwise of an action.

Will GST ensure a square meal a day to the poor? Will it ensure at least safe drinking water in all villages? Will it put an end to the death of malnourished Adivasi children?

All these will depend on the political direction of the economy and how tax collections will be used.

Manohar Alembath
Kannur

India-Israel ties

Referring to "Ties with Israel poised for strategic take-off", the Prime Minister's visit is indeed significant. Our clear stand towards Palestine's creation and a transparent policy with regard to West Asia would certainly help take this relationship in a positive and much needed direction. Israel has always supported India in times of duress, especially during the Kargil conflict, by providing military support. It is imperative that we make this bilateral relationship more meaningful. The writer has rightly mentioned that our Make in India programme can immensely benefit from Israel's participation.

Bal Govind
Noida

Published by N. Ram at Kasturi Buildings, 859 & 860, Anna Salai, Chennai-600002 on behalf of KASTURI & SONS LTD., and Printed by D. Rajkumar at Plot B-6 & B-7, CMDA Industrial Complex, Maraimalai Nagar, Chengleput Taluk, Kancheepuram Dist., Pin: 603209. Editor: Raghavan Srinivasan (Editor responsible for selection of news under the PRB Act). ISSN 0971 - 7528

China's labour market conundrum

Has China's labour market reached a point where long years of high growth have led to demand for labour outstripping supply, resulting in a sharp rise in wages?


CP CHANDRASEKHAR JAYATI GHOSH

MACROSCAN

All economic discussion on China, whether on the sustainability of its growth or the vulnerability of its financial system, tends to be controversial, with strong arguments expressed on both sides. One issue under discussion is the current state of its labour market and the implications that has for wages, export competitiveness and consumption demand in China. Many observers have argued that China has reached the Lewis turning point, at which a country no longer has access to an elastic supply of labour at a given, low wage. In this view, with the demand for labour outstripping supply, growth, especially in the non-farm sector, could be constrained by both the availability of labour as well as its cost.

One set of numbers from the Ministry of Human Resources and Social Security in China suggests that this assessment could be right. They show that the demand-supply ratio in city labour markets, which was fluctuating between 0.65 and 0.75 in the early 2000s, rose continuously to cross the unity mark in early 2010, signalling that the "turning point" had arrived.

Since then and going on to March 2017, the ratio has consistently been above 1. Needless to say, this figure would differ across cities, with numbers for major metros such as Beijing, Shanghai and Chongqing being well above unity in recent quarters.

Hitting wages

This demand supply imbalance could have a salutary effect on wages in a country where inequality has reportedly been on the rise. However, it is not just demand and supply in the labour market that determines wage levels and working conditions. The bargaining power of workers, the legislative framework, and the nature of intervention by the state can be crucial in influencing labour market outcomes. One countervailing tendency in China preventing wage increases has been the dramatic shift in the structure of labour demand. This is reflected in the collapse of employment in the state-owned enterprises (SOEs), especially in the manufacturing area, and the growing role of employment in private enterprises and in self-employment.

As Chart 1 shows, total employment in the SOEs, which had peaked at 112.6 million in 1995, had fallen to a low of 61.7 million by 2016. The fall has been particularly sharp in manufacturing, where employment in SOEs has fallen from 34.8 million in 1991 to 11.9 million in 2001 and 1.8 million in 2015. Since the SOEs provided permanent lifelong employment with a reasonable wage and good working conditions, they served as the upper benchmark for employment characteristics in other sectors. The collapse in the volume of SOE employment would have limited improvements in labour market outcomes.

If despite this collapse the demand-supply balance in urban labour markets points to a significant tightening of labour market, this was clearly the result of increases in private and individual (self) employment. As Chart 2 indicates, Urban Private and Individual Employment rose from 6.7 million in 1990 to 34 million in 2000, 105.4 million in 2010 and a huge 207.1 million in 2016. Increases in private employment occurred in manufacturing as well, though the rate of growth there was much lower than displayed by the aggregate.

Those who are left out

If much of the increase in employment has been in the private and self-employment sectors and if workers are being absorbed in sectors other than manufacturing, which in urban areas must be predominantly in services, the implications for wages and working conditions need not be all positive. Moreover, a large proportion of those employed in the urban sector have been migrant workers who under the hukou system are not eligible for the same rights as registered urban residents.

The lower bargaining power of the migrant worker comes through in the differential in wages earned by urban workers on average and the migrant workers in particular. While the average monthly wage of an SOE worker stood at RMB 6045 at the end of 2016, that for a Private Enterprise worker stood at RMB 3569 and for a migrant worker at RMB 3483. In sum, the availability of migrant workers and the lower wage paid to them kept private sector wages in general down.

Tall order Meeting labour demand

Despite all this, the tightening of labour market conditions has resulted in increases in real wages in both the SOE and Private Enterprise sector. This should not be belittled and stands out in comparison with many other emerging markets. According to Euromonitor International, quoted in the *Financial Times*, average hourly wages in China's manufacturing sector trebled between 2005 and 2016 to $3.60, whereas over the same period manufacturing wages fell from $2.90 an hour to $2.70 in Brazil, from $2.20 to $2.10 in Mexico, and from $4.30 to $3.60 in South Africa.

The wage gap

But as is clear from Chart 3, for the years in which data for both public and private sectors In China are available, the rate of increase was higher in the SOE sector and the gap in real wages between the SOE sector and the private enterprise sector has been widening. Clearly, despite the recent spate of strikes in China, the collective bargaining strength of non-agricultural workers has not increased to allow them to fully exploit the benefits of the increase in labour demand that resulted from long years of relatively high growth.

Moreover, the government has not come out clearly in favour of the workers. This is indicated by the fact that the monthly minimum wage even in Beijing and Shanghai stood at RMB 1890 and RMB 2190, which is well below even the wages paid out to migrant workers.

Anecdotal evidence on some of the new jobs in urban China — such as couriers servicing the booming e-commerce activities or domestic workers catering to the newly rich professional and middle classes — also points to the possibility that many of the new jobs available especially for younger and less skilled workers, are of poorer quality in terms of both wages and working conditions.

This means that growth of employment in itself need not be a harbinger for significantly better conditions of work.

Whether the overall evidence of a tighter labour market translates into more widespread "decent work" ultimately does not depend only on economic conditions: it is also very much a result of the interplay of political and social processes, policy decisions and regulations that affect labour markets. In China, the eventual outcome is still to be revealed.

Chart 1

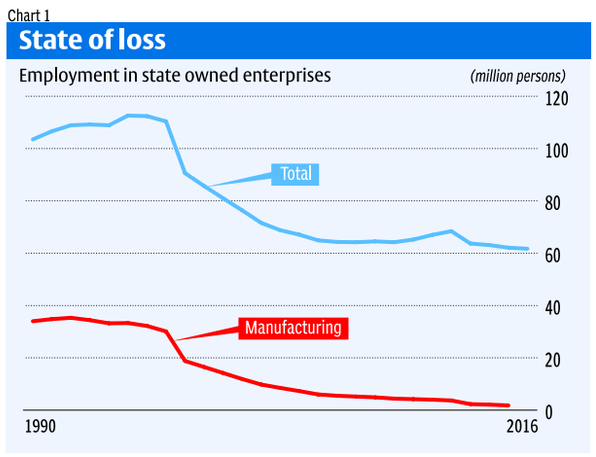


Chart 2

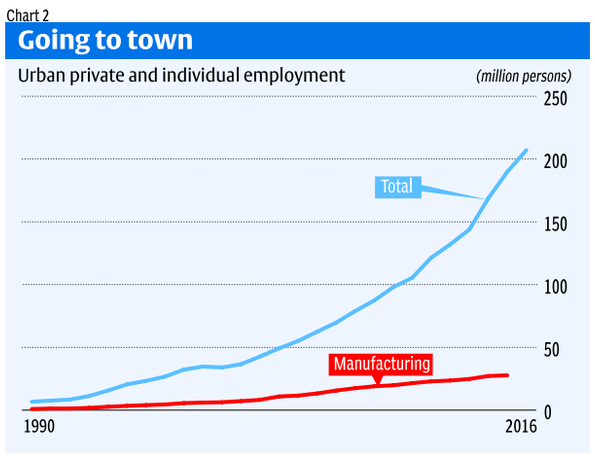
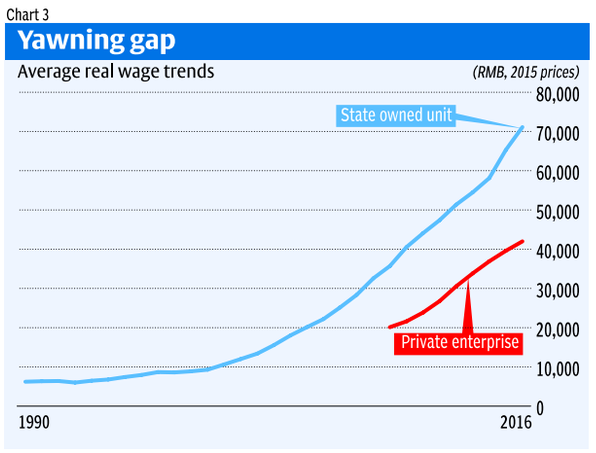


Chart 3



5 THINGS to WATCH OUT for TODAY

- **GTPL Hathway**, which has concluded its ₹485-crore initial public offer, will make its debut on the stock exchanges today. The IPO was subscribed 1.53 times during the June 21-23 offer period. The category reserved for qualified institutional buyers was subscribed 1.48 times, non-institutional investors 2.85 times and retail investors 99 per cent.

- **Prime Minister** Narendra Modi is to embark on a visit to Israel on July 4-6. He will be the first Indian PM to visit the Jewish state. The visit is taking place to mark 25 years of diplomatic ties between both countries.

- **The Election** Commission will notify the election of the Vice-President today. Nominations can be submitted by July 18. The poll for the post of Vice-President will be held on August 5. If polling is required, it will take place on August 5 and counting will also take place on the same day.

- **Today,** Americans celebrate the Independence Day of the United States. The federal holiday marks when the US won independence from the British Empire after the Revolutionary War. July 4 also commemorates the adoption of the Declaration of Independence 241 years ago.

- **The Deputy** PM of Vietnam Pham Binh Minh and Singapore's senior minister Maliki Bin Osman will be among the leaders who will attend the 9th India-ASEAN ministerial dialogue today. The event aims to intensify political, strategic and economic cooperation in the region.

All you wanted to know about...

DURAIVEL GUNASEKARAN

SLATE

The Indian pharmaceutical industry has been through a tough time. One major pain point is regulatory clampdown, especially from the US FDA (Food and Drug Administration). Issuance of Form 483 observations, warning letters and import alerts from the FDA poses a key risk for Indian pharma companies exporting drugs to US. Form 483 is generally the first indication of trouble.

What is it?

The FDA exercises authority for inspections of facilities in foreign countries which supply pharma products to the US. So, pharma plants in India that export to the US must adhere to the cGMP (current good manufacturing practices) as per FDA guidelines. FDA officials often visit the facilities to check compliance with the rules.

FDA issues Form 483 at the completion of inspection. If it finds deviations from cGMP, it is mentioned in the Form 483. The form specifies areas in which the facility fell short of regulatory expectations. It is then presented and discussed with the management of the company. Along with the Form 483, the FDA also issues an Establishment Inspection Report (EIR) which specifies whether action is required to be taken.

The FDA calls for a response to the Form 483 observations within 15 working days. Though a written response is not mandatory, it is preferred so that a warning letter can be avoided. The company has to respond to the observations in detail with reasons for the shortcomings and corrective action plans. Each observation should be addressed individually.

If the management does not convincingly address the Form 483 observations within the specified time period, the FDA issues a warning letter. Sometimes, if the observations are of a severe nature, the FDA may issue a warning letter even without issuing Form 483. Unsatisfactory response to the warning letter could lead to further action including import alert for products or the facility, withholding of product approval, and suspension or cancellation of manufacturing license.

Why is it important?

The US of A is the major market for several Indian pharma companies. In the not-too-distant past, many Indian pharma companies grew strongly, thanks to high exports to the US. In fact, Indian companies have become dominant players in the US generic drugs space. Many pharma companies in the country have made major investments in facilities with the hope of continuing export growth to the US. But over the past few years, there has been an increase in the issue of Form 483s which further led to warning letters. Over the past four years, India received the highest number of warning letters issued to a single country. Also, the number of warning letters received by Indian companies has increased over these years. The timeline for problem redressal and re-inspections have also lengthened.

If the regulatory crackdown continues, it could put a question mark on the growth story of many such companies. Quick, satisfactory redressal of Form 483 observations is therefore important to stop further escalations to warning letters and more.

Why should I care?

If you have invested in pharma stocks, it makes sense to keep a close watch on FDA inspections and outcomes. Many pharma stocks have taken a beating in the recent past due to adverse Form 483 observations and their escalations into warning letters and import alerts. On the other hand, getting FDA clearances after re-inspection of facilities have seen pharma stocks rally sharply.

The bottomline

Prevention is better than cure for pharma to get back to form.

A weekly column that puts the fun into learning

BusinessLine TWENTY YEARS AGO TODAY

JULY 4, 1997

Ban on wheat product exports to be lifted

After a gap of over a year, the Government is all set to lift the ban on the export of wheat products. Resumption of exports would commence with exporters being allowed to sell packaged wheat flour. The Food Ministry had given its assent to the Commerce Ministry's proposal seeking resumption of wheat flour exports in consumer packs up to 10 kg. It would, however, be subject to the caveat that exporters would import a matching quantum of wheat to fulfil their commitments. A notification would be issued once the proposal was formally cleared by the Cabinet.

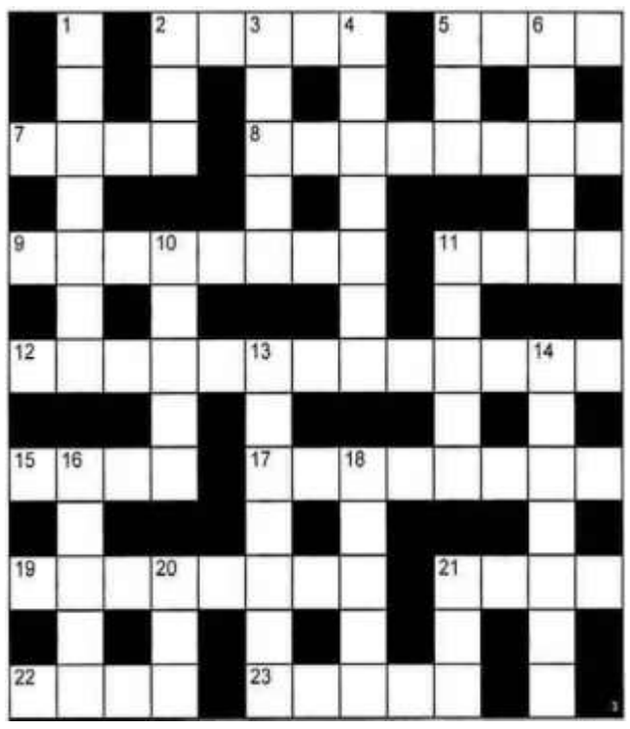
RBI eases rules for forex release

The RBI has relaxed rules for the release of foreign exchange and simplified the procedure for certain trade-related activities. The central bank has also enhanced the powers of authorised dealers in the release of foreign exchange. ADs can now release foreign exchange up to $3,000 per person towards basic travel quota (BTQ), up to $2,500 per person in addition to the BTQ entitlement of $3,000 for going abroad on employment, up to $1,000 per person per year towards gift to relatives and friends, and $1.000 towards donation to charitable/educational/religious/cultural organisations abroad.

Navaratnas may be off CAG, vigilance purview

The Government is considering taking out the nine PSUs identified as 'navaratanas' from the CAG and vigilance purview. While a final decision is yet to be taken, Mr. B.C. Bora, CMD of ONGC, a Navaratana PSU, said the proposal is likely to be included in the autonomy package being prepared for the nine PSUs. The proposal to dispense with the multiple control mechanism prevalent currently, envisages an Audit Committee, attached to the PSU board, as a replacement for the CAG and vigilance regime.

BL TWO-WAY CROSSWORD 885



EASY

ACROSS
02. Uniform dust-colour (5)
05. Nicety in handling (4)
07. Honey-based drink (4)
08. Showing willingness (8)
09. Climbed up (8)
11. Young males (4)
12. Expert in bell-ringing (13)
15. Somewhat cold (4)
17. Paste, gum (8)
19. Judgment, settlement (8)
21. Piece of skeleton (4)
22. Desire with emulation (4)
23. Covetousness (5)

DOWN
01. Old London pottery (7)
02. Hoax, tease (3)
03. Evade, shun (5)
04. One rejecting Christianity (7)
05. Smear with black stuff (3)
06. Boiled sugar sweet (5)
10. Drive out (5)
11. Counterfeit, sham (5)
13. Getting close (7)
14. Learned people (7)
16. Vast expanse (5)
18. For this reason (5)
20. Evergreen clinging plant (3)
21. Cot (3)

SOLUTION: BL Two-way Crossword 884

ACROSS 1. Countenanced 8. Under age 9. Sums 11. Range 12. Gas-lamp 13. Iris 15. Mere 19. Notable 20. Incur 22. Hand 23. Donation 24. Phenomenally
DOWN 2. Olden 3. Nerves 4. Engage 5. Courage 6. Disappearing 7. Guardianship 10. Ash 14. Intense 16. Ebb 17. Before 18. Cicada 21. Chill

NOT SO EASY

ACROSS
02. Uniformly dusty look driver needs, we hear (5)
05. Tour-leader to take part with adroitness in management (4)
07. Drink can make one crazy if about to start exercises (4)
08. Sacrifice one might ignore if very loudly included (8)
09. A little science finished as one got up (8)
11. There are jobs for the sons in nepotism! (4)
12. Expert on changes could come to a clamping so (13)
15. Pass with nothing in it may be considered acceptable (4)
17. Sticky stuff, I've concluded, begins with a sort of hell (8)
19. Determination of the CID is one to be conjured with (8)
21. So idle, one won't work one's finger to it (4)
22. Some of the women vying with the sin they conceal (4)
23. Desire to overtake is settled, not having started (5)

DOWN
01. He gets in a different sort of scale for a pottery-maker (7)
02. Soft leather with which to hoodwink somebody (3)
03. A vacuum one should not have to encounter (5)
04. He doesn't believe in life that may involve Democrat leader (7)
05. He sails and starts triumphing at regatta (3)
06. Sweet tin to dry right away (5)
10. Next spell inner parts that will discharge (5)
11. Counterfeit u-boat about to go up (5)
13. Getting warm in anger anyhow (7)
14. Knowing people take a commercial vehicle in the streets (7)
16. Huge expanse of nothing can be seen around the East (5)
18. For this reason the she-bird is on cue, being heartless (5)
20. Girl may be one that clings (3)
21. Floor of the 16 may be the place for flowers (3)