BANKING WATCH

CHANDOK TO HEAD ICICI SUBSIDIARY

New Delhi: Private lender ICICI Bank on Saturday said Vijay Chandok will be the MD and CEO of its subsidiary ICICI Securities with effect from May 7, 2019. Chandok presently is the Executive Director of ICICI Bank. **PTI**

DESPITE SYSTEMWIDE LIQUIDITY IMPROVEMENT

Raising funds tough for lower-rated firms as credit costs increase sharply

SUNNY VERMA & SANDEEP SINGH
NEW DELHI, MARCH 30

EVEN AS systemwide liquidity has improved, lower-rated companies are still finding it difficult to raise funds as credit costs for them have risen sharply in the last six months.

Sources said heavy borrowings by public sector companies and aversion in bank lending to non banking finance companies (NBFCs) are other reasons liquidity remains an issue for lower-rated companies.

The credit spread in borrowing between higher rated and lower rated companies has widened in the last six months. This is one of the reasons banks are unable to pass on benefit of lower interest rates. Despite the Reserve Bank of India cutting rates by 25 basis points, banks have not reduced their lending rates.

A $5 billion rupee-dollar swap window by the Reserve Bank of India has improved system-wide liquidity but haven't resulted in easing of lending rates. "System liquidity is not as bad as it was three months back, but it's not that every institution is getting money. While NBFCs operating in retail segment are getting money, many are still struggling," said Amit Tripathi, Chief Investment Officer-Fixed Income, Reliance Mutual Fund. As NBFC funding has reduced, it is having an impact on consumption-linked sectors such as automobiles and consumers goods among others.

Another reason liquidity is not easily available is heavy borrowings by state-owned companies. To ease pressure of government's market borrowings, many PSU are funding their capital expenditure by borrowing directly from the market. Industry sources said instead of line ministries raising funds to support capex, PSU companies such as IRFC and NHAI are directly raising funds from the market. "So there is both crowding out of private funding as well as risk aversion that has been persisting since IL&FS started defaulting on debt papers. Both these factors mean liquidity is not easily available in the market," a banking industry official said.

The government Friday announced plans to borrow nearly 62.3 per cent of its next year's gross borrowing in the first six months of the fiscal. The government will borrow Rs 4.42 lakh crore in first half (April-September) of fiscal 2019-20. Its total borrowings will be Rs 7.1 lakh crore in 2019-20.

These factors also mean that banks are unable to cut their lending rates, even though the RBI has changed the monetary policy direction towards a lower interest rate regime. The Monetary Policy Committee of the RBI is meeting next week to take a call on policy rates and other developments.

Housing sector is another area where risk aversion is still persisting. Despite some easing in credit conditions after the IL&FS crisis, real estate companies continue to find it most challenging to raise debt. "Real-estate loans may be a casualty if the current risk aversion towards non-bank financial institutions persists. The liquidity squeeze – following the default of a large non-bank in September 2018 – has eased but rollover risk for real-estate borrowers persists as they have been heavily funded by non-banks in recent years (7 per cent of total non-bank loans).

Non-banks depend on banks and the debt market for their funding, and account for 7 per cent of total banking-sector loans. Banks' asset quality can be susceptible (2.3 per cent of bank loans to real estate) if the current risk aversion translates to one or two large defaults in the real-estate market," Fitch Ratings said in its report on banking sector.

EXPLAINED

Easy availability of liquidity continues to be a challenge

DESPITE A number of measures by the Reserve Bank of India and the government, easy availability of liquidity continues to remain a challenge for companies with lower credit ratings. Credit costs for such companies have also risen in the last six months, despite the RBI cutting policy rate and indicating the need for better interest rate transmission.

Heavy borrowings by state-owned companies as well as risk aversion towards sector such as real estate and segments of non banking financial companies (NBFCs) are being seen as among the reasons for tighter credit conditions.

Public equity markets' mop-up down by 68% in FY19 as IPOs see sharp slide

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 30

A TOTAL of Rs 56,440 crore was raised through the public equity markets in FY'19, a year marked by volatile stock market trends alongside underlying sluggishness in corporate investments. This amount was 68 per cent lower than Rs 1.75 lakh crore that was raised in the preceding year, according to Prime Database.

The drop in the cumulative equity numbers was primarily on account of a sharp slowdown in fundraising through IPOs — a drop of 81 per cent from Rs 83,767 crore raised in FY'18 to just Rs 16,294 in FY'19. Significantly, of the total IPO amount of Rs 56,440 crore, the amount raised through fresh capital was only Rs 22,255 crore, or 39 per cent of the total, with the remaining Rs 34,185 crore being offers for sale.

In contrast to the sluggish sentiment in the equity markets, public bonds saw renewed momentum, with 26 issues raising Rs 36,715 crore — marking a five year high. The amount mobilised in FY'19 was seven times higher than the Rs 5,167 crore raised last year. The equity figures include IPOs, FPOs, OFS issues, QIPs, InvIT, ReITs and IDRs

Fund raising in 2019-20 is going to be significantly impacted by the outcome of the general elections, according to Pranav Haldea, Managing Director, Prime Database. "While there are 64 companies holding SEBI approval wanting to raise over Rs 63,000 crore and another 8 companies wanting to raise about Rs 7,600 crore awaiting SEBI approval, as we have seen in the past few months, this pipeline can vanish quickly in case markets are volatile and a bearish sentiment is prevailing," Haldea said. Already in FY'19, nine companies that were looking to collectively raise Rs 6,495 crore let their SEBI approval lapse, despite approvals being valid for a period of one year. According to Haldea, if the elections throw up a fractured mandate, many more companies are likely to allow their approval to lapse.

FY'19 saw fundraising through IPOs drop by a huge 81 per cent from Rs 83,767 crore in the previous financial year to just Rs 16,294 in 2018-19. 14 main-board IPOs came to the market collectively raising Rs 14,674 crore* (during FY'18, 45 IPOs raised Rs 81,553 crore). The largest IPO, according to the data, was from HDFC Asset Management for Rs 2,800 crore. The average deal size was a high Rs 1,048 crore. Offers for sale by promoters at Rs 9,458 crore accounted for a further 64 per cent of the IPO amount.

Out of the 14 IPOs, 9 companies had anchor investors, which collectively subscribed to 26 per cent of the total public issue amount. The domestic institutional investors played a significant role as anchor investors, with their subscription amounting to 13 per cent of the amount, same as the 13 per cent from FPIs.

The response to IPOs was further affected by poor listing performance of IPOs of the year, Haldea said. Of the 13 IPOs that got listed, only 2 gave a return of over 10 per cent (based on closing price on listing date). HDFC Asset Management gave a return of 65 per cent followed by RITES at 15 per cent. The year, again, witnessed significant activity in the SME platform — there were as many as 106 SME IPOs, which collectively mobilised a total of Rs 1,620 crore (previous year 154 IPOs for Rs 2,213 crore).

In the public bonds market, the largest issues were Dewan Housing Finance (Rs 10,945 crore) followed by Shriram Transport Finance (Rs 3,649 crore) and Tata Capital Financial Services (Rs 3,373 crore).

MAINBOARD IPOs

Year	No. of Firms	Amount (₹ crore)
2018-19	14	14674
2017-18	45	81553
2016-17	25	28225
2015-16	24	14500
2014-15	8	2770
2013-14	1	919

Source: primedatabase.com

SME IPOs

Year	No. of Issues	Amount (₹ crore)
2018-19	106	1620
2017-18	154	2213
2016-17	80	825
2015-16	50	311
2014-15	38	250
2013-14	37	286

Source: primedatabase.com

BRIEFLY

'Branches of Vijaya, Dena to be BoB outlets'

Mumbai: Branches of Vijaya Bank and Dena Bank will function as Bank of Baroda outlets from April 1, the RBI said Saturday. Merger of Vijaya Bank and Dena Bank with Bank of Baroda, will be effective from April 1. **PTI**

Tata Motors arm transfers aerospace biz

New Delhi: Tata Motors Saturday said it has sold its stake in subsidiary TAL Manufacturing Solutions Limited to sister concern TASL for Rs 625 crore for the aerospace business. Tata Motors also said it has acquired non-aerospace business from TAL Manufacturing Solutions Limited for Rs 10 lakh.

5G coverage: Shanghai first district in world

Beijing: Shanghai claimed on Saturday that it has become the world's first district using both 5G coverage and broadband gigabit network, the state-run China Daily reported. **PTI**

Regulators urged to probe Nokia patents

Brussels: German carmaker Daimler has complained to European Union antitrust regulators about Nokia patents essential to car communications. **REUTERS**

'FOREX KITTY CONTINUES TO SWELL, CROSSES $406.7 BN'

India's foreign exchange reserves continued to surge for the third week in a row, adding $1.029 billion at $406.667 billion in the week to March 22, according to the Reserve Bank of India data

$3.6 bn
Forex reserves had increased by $3.6 billion to $405.6 billion in the previous reporting week driven by an increase in foreign currency assets

$402.03 bn
Forex reserves had increased by $258.8 million to $402.035 billion in the week to March 8

$1.031 bn
foreign currency assets: For the week to March 22, foreign currency assets — a major component of the overall reserves — increased by $1.031 billion to $378.805 billion

WHAT IS FOREIGN currency assets: Expressed in the greenbacks, foreign currency assets include the effect of appreciation/depreciation of non-US units like the euro, pound and the yen held in the reserves

$0.7 million
Special drawing rights with the International Monetary Fund dipped by $0.7 mn to $1.460 bn

$2.993 billion
India's reserve position with the Fund, too, came down marginally by $1.5 million to $2.993 billion

LIFE-TIME HIGH: The reserves had touched a life-time high of $426.028 billion in the week to April 13, 2018. Since then, the reserve kitty has been sliding as the rupee came under pressure

RISE IN foreign funds inflow: But since March this year it has been increasing on the back of rising foreign investors' play in domestic equities

GOLD: Gold reserves were unchanged at $23.408 billion in the reporting week, according to the data

No hike in motor third party insurance premium for now

ENS ECONOMIC BUREAU
MUMBAI, MARCH 30

Insurers were expecting TP premium, currently regulated by the IRDAI, to rise by 20-30 per cent going by the last 6 years' trend. Over the last 6 years, third party premiums increased by 29 per cent for car and 23 per cent for two-wheelers

THE INSURANCE Regulatory Authority of India (IRDAI) has decided not to increase the annual premium for Third Party (TP) policies until further orders.

As per an IRDAI circular, the insurance regulator has made it clear that the insurers will continue to charge the current rate of premium for Motor Third Party Liability Insurance from April 1, 2019. "The status quo may be because of elections. Premiums could rise after elections," said an industry official. Insurers were expecting TP premium, currently regulated by the IRDAI, to rise by 20-30 per cent going by last 6 years' trend. Over the last 6 years, third party premiums increased by 29 per cent for car and 23 per cent for two-wheelers on an average.

"Not increasing motor TP premium is the right decision. It is already over-priced and insurers are using it to cross subsidise motor OD and pay enhanced incentives (cleverly concealed) to dealers and intermediaries," said an industry source.

Every year, the regulator decides the third party insurance premium that remains the same across all the insurers. The premium is revised considering the annual claims data of all insurers across different cubic/engine capacity of the vehicle. Under a motor insurance policy, there are two major components: Third-party insurance and Own Damage Insurance. As per The Motor Vehicles Act, 1988, it is mandatory to insure vehicles with at least third-party insurance cover.

Last year, IRDAI had reduced third-party premium for small cars not exceeding 1,000cc. However, it had increased rates for bikes with higher engine capacity. Third-party insurance insures the first party or the vehicle owner against damages caused by the vehicle to third parties. Third parties may include pedestrians, other vehicles, or even someone's property. TP insurance protects insured from any legal liability arising due to damages caused to third parties during road accident.

According to officials, insurers have sought the use of telematics for calculating premium. This means that the premium could vary for customers depending on the driving habits and behaviour. This is done based on the findings of the telematics or black box, which is fitted in the car to monitor the driving habits, quality and distance of roads travelled.

White House calls for Fed to reverse rate hikes

REUTERS
WASHINGTON/NEW YORK, MARCH 30

"Had Fed not mistakenly raised interest rates, especially since there is very little inflation, and had they not done the ridiculously timed quantitative tightening, the 3.0 per cent GDP, & Stock Market, would have both been much higher & World Markets would be in a better place!,"

DONALD TRUMP
US PRESIDENT

US PRESIDENT Donald Trump said on Friday that the Federal Reserve made a mistake by raising interest rates and blamed the central bank for hurting the US economy and stock market.

"Had the Fed not mistakenly raised interest rates, especially since there is very little inflation, and had they not done the ridiculously timed quantitative tightening, the 3.0 per cent GDP, & Stock Market, would have both been much higher & World Markets would be in a better place!," Trump tweeted.

The remarks were part of a new attack the White House has launched against the independent central bank in their unusual public split. The Fed's Board of Governors did not immediately comment. No fewer than five Fed officials this week have touted the underlying strength of the American economy and argued a recent spate of weak data on business activity is more likely to prove fleeting than lasting. None said they currently back a rate cut.

Prior administrations have taken care not to comment on Fed policy, but Trump has railed repeatedly against the US central bank's rate hikes. Friday's comments were uniquely specific about the course of action now favored by the president.

The president's top economic adviser said the White House would like the Fed to reverse some recent rate hikes and stop shrinking its bond holdings to protect the US economy from weakness overseas. Some Fed policymakers and other economists have credited US-China trade tensions or tariffs under the current administration as a factor behind the slowdown and market swings.

Income tax, GST offices to remain open today

PRESS TRUST OF INDIA
NEW DELHI, MARCH 30

TAX OFFICES, for both income tax and GST, will remain open on Saturday and Sunday as the departments race against time to meet revenue collection targets.

"As per past practice, all field offices of CBIC (Central Board of Indirect Taxes and Customs) will remain open during the last weekend of the current financial year also March 30 and March 31, 2019, for assisting the taxpayers in all matters," it said. The Central Board of Direct Taxes asked its field offices to facilitate filing of tax-returns by the taxpayers by opening additional receipt counters on March 30 and 31.

Will be able to clear only remaining Dec salaries of pilots: Jet

ENS ECONOMIC BUREAU
MUMBAI, MARCH 30

Jet's pilots body has called an 'open house' of members in New Delhi and Mumbai on Sunday

UNPAID PILOTS of Jet Airways might go ahead with their call of no pay-no flying from April 1, as the management failed to keep its commitment to clear four months dues till March 29.

Vinay Dube, CEO, Jet Airways, told the pilot union body NAG on Saturday that the airline will be able to clear only the remaining December salaries, which is about 87.5 per cent of the wages for the month.

"We continue to work on an urgent basis on additional funding and shall advise you about the release of the remaining salary arrears as the funds come in. Jet Airways is to receive an interim funding of Rs 1,500 crore from its lenders," Dube said.

"These are complex processes and it has taken longer than we had expected and as such we are only able to remit your remaining salary for December 2018," he said.

Meanwhile, the airline's pilots body, the National Aviators Guild (NAG), has called an 'open house' of its members in New Delhi and Mumbai Sunday.

The pilots, who along with engineers and senior staff have not been paid for almost four months now, have said they will not fly from April if dues were not cleared and a roadmap on future payment was not provided by March 31.

Earlier Friday, around 200 pilots had written individually to the Jet CEO, threatening to go on "leave of absence".

A source in the pilots' community said around 200 pilots had written to the CEO flagging concerns about non-payment of salaries. **WITH PTI**

India extends deadline to impose high import duties on US products

PRESS TRUST OF INDIA
NEW DELHI, MARCH 30

THE GOVERNMENT has again extended its deadline to impose retaliatory customs duties on 29 US products, including almond, walnut and pulses, till May 2.

A notification of the finance ministry said that implementation of increased customs duty on specified imports originating in the US has been postponed from April 1, 2019 to May 2, this year. The government has extended this deadline over half a dozen times since June 2018, when it decided to impose these duties in retaliation to a move by the US.

Republican Congressman George Holding wrote to US Trade Representative Robert Lighthizer that, "It is my request that the administration postpone the termination of India's GSP eligibility and revisit this decision after India's general election. At that point, we would be free from the turmoil of politics and would be able to have a more productive conversation."

Financial pressure mounts on Boeing to fix 737MAX

ASSOCIATED PRESS
NEW YORK, MARCH 30

BOEING IS facing mounting pressure to roll out a software update on its best-selling plane in time for airlines to use the jets during the peak summer travel season.

Company engineers and test pilots are working to fix anti-stall technology on the Boeing 737 Max that is suspected to have played a role in two deadly crashes in the last six months.

The *Wall Street Journal* reported Friday that investigators have determined that the flight-control system on an Ethiopian Airlines jet automatically activated before the aircraft plunged into the ground on March 10.

The preliminary conclusion was based on information from the aircraft's data and voice recorders and indicates a link between that accident and an earlier Lion Air crash in Indonesia, the newspaper said. Boeing and the Federal Aviation Administration declined to comment on the report. Also on Friday, The *New York Times* reported that the Ethiopian jet's data recorder yielded evidence that a sensor incorrectly triggered the anti-stall system, called the Maneuvering Characteristics Augmentation System, or MCAS. Once activated, the MCAS forced the plane into a dive and ultimately a crash that killed everyone on board, the newspaper said.

The MAX remains grounded worldwide and airlines are losing money by canceling flights.

Southwest, the largest operator of the Max with 34 of them and another 249 on order, said this week that the grounding caused it to cancel 2,800 flights so far, or 30 per cent of all cancellations in the first quarter.

It said canceled flights, including those not related to the Max, will cost it $150 million in revenue for the quarter and cut its planned capacity growth for the entire year. German tour operator TUI Group said 2019 profit will drop about 200 million euros ($225 million) because of the MAX grounding. That forecast assumes the planes are flying again no later than mid-July.

United Airlines, which has 14 MAX jets, said the grounding isn't hurting the airline yet, but the financial pain "is expected to increase if the grounding extends into the peak summer travel season." Boeing is also seeing its own expenses rise, although it would not disclose how much it is costing the company to make the software fix and also train pilots how to use it.

Cowen Research analysts say a "very rough guess" is that Boeing will pay about $2 billion after insurance to fix the plane, pay crash victims' families and compensate airlines that had to cancel flights.

Most Wall Street analysts are betting that the planes will be flying again in less than three months, while noting that it could take longer in countries that plan to conduct their own reviews of Boeing's upgrade instead of taking the word of the US regulator, the Federal Aviation Administration.

Boeing has stopped Max deliveries during the grounding, which cuts into cash flow_Boeing gets most of its money for a plane upon delivery. Outside estimates of the cash-flow drain range from $640 million to $1.8 billion a month, but Boeing will get that money eventually unless airlines cancel orders.

'2.8K FLIGHTS CANCELLED'

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