ECONOMY

GOLD	RUPEE	OIL	SILVER
₹34,350	₹69.07	$64.87*	₹38,750

*Indian basket as on June 26, 2019

SENSEX: 39,586.41 ▼ 5.67 NIFTY: 11,841.55 ▼ 6.00 NIKKEI: 21,338.17 ▲ 251.58 HANG SENG: 28,621.42 ▲ 399.44 FTSE: 7,393.23 ▼ 23.16 DAX: 12,259.83 ▲ 14.51

International market data till 1900 IST

CONCERNS OVER MF HOUSES' EXPOSURE TO LOAN AGAINST SHARE SCHEMES

Sebi tightens disclosure norms for pledged shares; okays framework for DVR issuance

ENS ECONOMIC BUREAU
MUMBAI, JUNE 27

THE SECURITIES and Exchange Board of India (SEBI) on Thursday tightened the norms for disclosing the details of pledged shares by promoters, amid concerns about exposure of some mutual fund houses to loan against share schemes. Under this scheme, debt mutual funds invest in papers of little-known/lower-rated companies backed by promoter shares.

According to the new Sebi rules, any direct, indirect lien on shares will now qualify as encumbered shares. "The promoters will have to furnish reasons if combined encumbrance crosses 20 per cent of the company's equity capital," said Sebi.

It said if amount of pledged shares of a company is over 20 per cent, then the company will have to keep its audit panels informed of any undisclosed encumbrance. The regulator also announced risk management framework of liquid funds and norms governing investments in debt and money market instruments.

Sebi said that valuation of debt and money market instruments shall be based on mark to market. It also said that liquid schemes should hold at least 20 per cent in liquid assets and reduced the cap on sectoral limit of 25 per cent be reduced to 20 per cent.

From now, liquid and overnight schemes will not be permitted to invest in short term deposits, debt and money market instruments having structured obligations or credit enhancements. While graded exit load will be levied on investors of liquid schemes who exit the scheme up to a period of seven days, senior officials in Sebi said grading of exit loads will be decided by the regulators and mutual fund industry soon. "Mutual funds have been a very good story in the last three-four years, with their assets under management (AUM) almost doubling in four five years. To restore the confidence, especially in debt schemes these measures have been taken. They are timely and hopefully confidence of investors' including the retail investors will continue or be reviving in the mutual funds," said Ajay Tyagi, chairman of Sebi.

The regulator also came down heavily on the so called standstill agreements that mutual funds have entered with certain corporates. "So we don't recognise any such standstill agreement, MFs are not banks and there is nothing called standstill and they are investing rather than lending. This is in consultation with the industry to bring in more discipline and to be careful in investing money of the investors by the mutual funds. If further cases come we will take action," said Tyagi.

Sebi on Thursday also approved a new framework for issuance of differential voting right (DVR) shares from July 1, 2019.

He said the regulator has taken a cautious approach with differential voting rights in shares. This is the first time this is being tried in India, he said. Apart from this, Sebi has put a cap of 5 per cent of net sales on royalty paid by companies to their parents or promoters and mandated companies to get shareholder approval for royalty payments above the cap.

"Payments made to related parties towards brand usage/royalty may be considered material if transaction exceeds 5 per cent of annual consolidated turnover of listed entity," said Sebi. Tyagi said Sebi has started the adjudication process against a few credit rating agencies. He also said the regulator has completed its probe into the Whatsapp leaks and the report will be put in the public domain shortly.

Sebi Chairman Ajay Tyagi (centre) during a press conference at Sebi Bhavan, Mumbai on Thursday. *Nirmal Harindran*

E. EXPLAINED

Moves to help reduce risk of MF investors

SEBI'S DECISION to reduce sectoral cap for debt oriented mutual funds and reduce additional exposure to HFCs from 15 per cent to 10 per cent will go on to reduce investors risk on account of MF exposure to NBFCs and HFCs that are currently under pressure.

It will however, also reduce the fund availability for NBFCs and HFCs from mutual funds. The regulators decision on disclosure norms for pledged shares will improve transparency and lower risk.

Indians' money in Swiss banks falls by 6%; 2nd-lowest level in over two decades

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 27

Total foreign deposits in Swiss banks also fell by over 4% to CHF 1.4 trillion (nearly Rs 99 lakh crore) in 2018, as per statistics released by central banking authority of Switzerland

DEPOSITS BY Indians in Swiss banks, including through India-based branches, reduced by nearly 6 per cent in 2018 to CHF (Swiss Franc) 955 million (about Rs 6,757 crore), its second-lowest level in over two decades, Swiss National Bank (SNB)_ data showed on Thursday.

Total foreign deposits in Swiss banks also fell by over 4 per cent to CHF 1.4 trillion (nearly Rs 99 lakh crore) in 2018, as per the annual banking statistics released by the Zurich-based central banking authority of Switzerland, PTI reported. Similar trend was also visible in 'locational banking statistics' of the Bank for International Settlement (BIS), which was last year cited by the Indian and Swiss governments as a more reliable measure for deposits by Indian individuals in Swiss banks. It showed a fall of 11 per cent for 2018.

According to the SNB, its data for 'total liabilities' of Swiss banks towards Indian clients takes into account all kinds of funds of Indian customers at Swiss banks, including deposits from individuals, banks and enterprises. This includes data for branches of Swiss banks in India, as also non-deposit liabilities.

The funds, described by the SNB as 'liabilities' of Swiss banks or 'amounts due to' their clients, are the official figures reported by the banks and do not indicate the quantum of the alleged black money held by Indians there. The official SNB figures also do not include the money that Indians, NRIs or others might have in Swiss banks in the names of entities from different countries.

The SNB data had shown the total liabilities of Swiss banks towards Indian clients rising by over 50 per cent in 2017 to CHF 1.01 billion (Rs 7,000 crore), reversing a three-year downward trend. However, the quantum of such funds has fallen again in 2018 to CHF 954.71 million, which includes about CHF 15 million held through fiduciaries or wealth managers.

This is the second-lowest total since CHF 723 million recorded over two decades ago in 1995. The lowest ever amount of CHF 675 million, ever since Switzerland began making the data public in 1987, was recorded in 2016.

As per the latest figures, the total customer deposits of Indian clients rose to CHF 572 million in 2018, but funds held through banks fell to CHF 104 million, while money parked through securities and other instruments and via fiduciaries also declined. On the asset side, Swiss banks saw a marginal increase in the amount due from their Indian customers to CHF 212 million (from CHF 210 million in 2017).

The BIS data showed that the total amount outstanding to non-bank or individual Indian clients of Swiss banks fell to $84.6 million at the end of 2018 (by 11 per cent from $94.8 million at the end of 2017). The fall was much larger at 44 per cent during 2017. The BIS publishes quarterly figures, which shows that these funds rose during the first quarter of 2018 (to $100.9 million), but declined in the three remaining quarters of the year. The annual SNB data has shown a decline four times during the last five years.

The fall was the maximum at 45 per cent in 2016.

The total funds held by Indians with Swiss banks stood at a record high of CHF 6.5 billion (Rs 23,000 crore) at 2006-end, but came down to nearly one-tenth of that level in about a decade. Since those record levels, there has been a rise only three times — in 2011 (12 per cent), 2013 (43 per cent) and then in 2017.

India and Switzerland had, for automatic sharing of financial account information, signed a Joint Declaration on November 22, 2016 for activation of the Automatic Exchange of Information (AEOI) in tax matters between the two countries.

From September 2019 onwards, India will receive information about financial accounts held by Indian residents in Switzerland for the calendar year 2018 and subsequent years, which would help the authorities to trace unaccounted income and assets of Indian residents in Switzerland and bringing the same to tax.

The use and disclosure of the information received is though governed by the confidentiality provisions of the India-Switzerland tax treaty.

While Switzerland has already begun sharing foreign client details on evidence of wrongdoing provided by India and some other countries, the new framework would expand the cooperation. The tax department had detected suspected black money running into thousands of crores of rupees post investigations on global leaks about Indians stashing funds abroad and has launched prosecution against hundreds of them, including those with accounts in the Geneva branch of HSBC.

AT DISTRICT-LEVEL

Ease of biz: States to rank; Centre assisting in finalisation of parameters

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 27

IN THE government's plan to prepare district-level ease of business rankings, while the states will be entrusted with carrying out these rankings, the central government is assisting in fleshing out the parameters on the basis of which the rankings will be decided, a senior government official said. Four central teams would assist states in this exercise.

"The Department for Promotion of Industry and Internal Trade (DPIIT) is working with states to prepare district-level ease of business rankings. The exercise will focus on approvals and NoCs needed for business when starting up. While a ranking of states has been readied, the district level approvals are slightly more detailed and could include additional formalities," the government official said.

"In all, the rankings would be done on a 218 point metric that has been shared with states and districts would be evaluated on this," the official added.

Last week, Commerce and Industry Minister Piyush Goyal had said in a written reply to the Rajya Sabha that a comprehensive 218-point district reform plan has been prepared.

The action plan, he pointed out, was spread across eight areas — Starting a Business for Construction, Urban Local Body Services, Paying Taxes, Land Reform Enabler, Land Administration and Property Registration Enablers, Obtaining Approval, Miscellaneous and Grievance Redressal/ Paperless Courts and Law & Order.

On earlier occasions, the government has pointed out that the district-level ease of doing business rankings would ensure that smaller towns and districts become more business friendly and have broad-based growth as the system is expected to serve as a ready reckoner for potential investors.

In July last year, the erstwhile Department of Industrial Policy and Promotion (DIPP) and the World Bank had come out with ease of doing business rankings for states in which Andhra Pradesh ranked the top, followed by Telangana, Haryana, Jharkhand and Gujarat.

Meanwhile, India's Ease of doing business ranking as per the latest World Bank report was 77 in 2018, compared with 100 in 2017.

CAT stays dismissal of two tax officials; govt transfers judicial member of tribunal

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 27

The government has now challenged the stay order of the CAT in the Calcutta High Court, which will hear the matter on Friday

AFTER THE recent government decision of compulsorily retiring 15 senior indirect tax officials over charges of corruption and bribery, a single-judge bench of the Central Administrative Tribunal (CAT) has stayed the retiring of two of the officials, an order that the government saw as not good in law and transferred the judicial member of the tribunal.

The judicial officer was transferred the next day of the order, a transfer order issued by the Principal Bench of CAT, New Delhi on June 26 showed. The government has now challenged the stay in the Calcutta High Court, which will hear the matter on Friday.

A K Patnaik of the Calcutta bench of CAT on June 25 stayed the government order retiring the services of customs and central excise officers G Shree Harsha and Ashok R Mahida. This stay order, sources said, has been challenged by the government in the Calcutta High Court as it is believed a single-judge bench of CAT was not competent enough to deal with orders issued invoking rule 56(j) of Fundamental Rules of service of government employees.

A day after he gave the stay order, Patnaik was transferred from the Calcutta bench and sent to the Hyderabad bench of CAT, they said.

Sources said the government questioned Patnaik's order as it mentioned that the Standing Counsel representing customs and central excise department had made his pleadings whereas the officer concerned has claimed that he did not even appear before the bench.

The government had on June 18 dismissed from service 15 senior customs and central excise officials, ranging from the ranks of Principal Commissioner to Assistant Commissioner, on charges of corruption and bribery, invoking rule 56(j). Of these officers, two had approached the Calcutta bench of CAT, and one S S Bisht had approached the Cuttack bench, sources said.

"The government has filed petitions in the Calcutta High Court which has listed the matters of G Shree Harsha and Ashok Mahida for hearing on Friday," a source said.

Harsha, who was a Commissioner rank officer, was retired from the post of ADG DGPM, Chennai, on alleged possession of disproportionate assets worth Rs 2.24 crore. Mahida has a disproportionate assets case to the tune of Rs 4.52 crore against him. SS Bisht (Assistant Commissioner) Bhubaneshwar GST Zone too has approached CAT challenging his removal, sources said.

The tribunal has reserved its order, they added. Bisht was sacked on the grounds of alleged bribery of Rs 10 lakh from M/s Universal Agency, Kolkata for grant of permission for transportation of fertilisers and other materials to Nepal. The CBI had registered an FIR on January 4, 2013, in the matter.

The CAT was established under Article 323A of the Constitution for adjudicating disputes and complaints with respect to recruitment and conditions of service of persons appointed to public services.

'Budget may resolve issues in aviation, power sectors'

The government is expected to initiate measures like uplifting domestic demand, addressing issues in strategic sectors in budget to support domestic growth momentum, says Dun & Bradstreet

3-3.5%: Likely growth in IIP in May 2019, attributed to slowdown in demand and lack of new investment from private sector

3-3.2%: Expected range of consumer price index (CPI)-based inflation in June 2019

2.2-2.4%: Expected range of wholesale price index (WPI)-based inflation

Measure to support growth expected: Moderation in domestic growth momentum has increased expectations that the government will initiate measures in the Union Budget 2019-20 to support growth

Steps to uplift domestic demand likely: The Centre is likely to take measures to uplift domestic demand, to resolve issues in strategic sectors like aviation, power and non-banking financial companies, to boost investment demand as new investment from private sector has not picked up

Prices front: The reversal in food prices is expected to provide upward pressure to inflation, while moderation in demand and low crude oil prices are likely to keep it subdue, the report said

Union Finance Minister Nirmala Sitharaman during a meeting with former Prime Minister Manmohan Singh, at the latter's residence in New Delhi on Thursday. *PTI*

300 JETS HAVE BEEN GROUNDED

Airlines urge regulators to work towards 737 MAX return

REUTERS
PARIS, JUNE 27

AIRLINES ON Thursday urged global regulators to coordinate on measures needed to bring the grounded 737 MAX jetliner back into service, as Boeing grappled with a new technical glitch and investors sold shares of suppliers over fears of more disruption.

Airlines are now warning of the prospect of flights being disrupted beyond the end of the busy summer period when the grounding of over 300 MAX jets and a delivery halt affecting at least 100 more has caused cancellations and high leasing bills.

The 737 MAX was grounded worldwide in March in the wake of two accidents in five months, which prompted Boeing to redesign part of an automated software system suspected of playing a role in the crashes that also involved faulty sensor data.

The International Air Transport Association, a body representing some 290 airlines and over 80 per cent of global traffic, said technical requirements and timelines for the safe re-entry to service of the 737 MAX should be aligned.

The statement came a day after an IATA summit to discuss the grounding of Boeing's top-selling passenger jet - the second such meeting held in recent weeks. "Aviation is a globally integrated system that relies on global standards, including mutual recognition, trust, and reciprocity among safety regulators," IATA said. "Aviation cannot function efficiently without this coordinated effort, and restoring public confidence demands it," IATA added, calling also for global alignment on additional training requirements for 737 MAX flight crew.

A number of grounded Southwest Airlines Boeing 737 MAX 8 aircraft are shown parked at Victorville Airport in US. *Reuters*

New software glitch found

ASSOCIATED PRESS
NEW YORK, JUNE 27

A NEW software problem has been found in the troubled Boeing 737 Max that could push the plane's nose down automatically, and fixing the flaw is almost certain to further delay the plane's return to flying after two deadly crashes. Boeing said on Wednesday that the US FAA "identified an additional requirement" for software changes that the aircraft manufacturer has been working on for eight months, since shortly after the first crash. "Boeing agrees with the FAA's decision and request, and is working on the required software to address the FAA's request," Boeing said in a statement.

Government test pilots trying out Boeing's updated Max software in a flight simulator last week found a flaw that could result in the plane's nose pitching down, according to two people familiar with the matter.

WTO panel rules in India's favour in renewable energy case against US

PRESS TRUST OF INDIA
NEW DELHI, JUNE 27

A WTO dispute resolution panel has ruled in favour of India in a case against the US saying that America's domestic content requirements and subsidies provided by eight of its states in the renewable energy sector are violative of global trade norms.

The panel concluded in its ruling that "the measures" of the US "are inconsistent" with certain provisions of the General Agreement on Tariffs and Trade (GATT), the World Trade Organization (WTO) said in a statement Thursday.

It said the US has "nullified or impaired benefits accruing to India under that agreement".

The GATT aims to promote trade by reducing or eliminating trade barriers like customs duties.

The ruling stated that ten measures implemented by the US pertaining to renewable energy sector are inconsistent with its obligations under GATT 1994.

In September 2016, India had dragged the US to WTO's dispute settlement mechanism over America's domestic content requirements and subsidies provided by eight states in the renewable energy sector.

Washington, California, Montana, Massachusetts, Connecticut, Michigan, Delaware and Minnesota were the eight states providing subsidies.

India had stated that the measures are inconsistent with global trade norms because they provide less favourable treatment to imported products than to like domestic products, and because the subsidies are contingent on the use of domestic over imported goods.

The dispute resolution panel concluded in its ruling that "the measures" of the US "are inconsistent" with certain provisions of the General Agreement on Tariffs and Trade (GATT), the WTO said

The ruling of dispute panel can be challenged in WTO's appellate body which is part of the dispute settlement mechanism of the Geneva-based multilateral body.

The ruling comes at a time when there are trade tensions between the two countries.

The US has rolled back export incentives from India under its GSP programme and New Delhi has imposed higher customs duties on 28 American products.

The two countries are also at loggerheads on a number of other disputes at the WTO. The US has challenged certain export promotion schemes of India, while India has challenged US' unilateral hike on customs duties on certain steel and aluminium products.

L&T gets over 60% holding in Mindtree

PRESS TRUST OF INDIA
NEW DELHI, JUNE 27

CONSTRUCTION MAJOR L&T has acquired a majority 60 per cent stake in Mindtree after its open offer to buy 31 per cent shares got over-subscribed, according to data available on stock exchanges.

Larsen and Toubro had bought 20.32 per cent shares in the IT firm from V G Siddhartha and his coffee enterprise for Rs 3,000 crore in March and subsequently made an open offer to buy an additional 31 per cent stake. L&T received bids for 5.54 crore shares on Thursday at the close of market hours. This is 108.09 per cent higher than the total offer, as per information available on BSE.

The infrastructure major's open offer - for Rs 980 a share - opened on June 17 and is scheduled to close on Friday. The total size of the open offer was for 5.13 crore shares. Mindtree founders had resisted the hostile bid initially and had tried rallying support from its large investors like Singapore-based Nalanda Capital and others. However, with the likes of Nalanda and Arohi Asset Management having sold their shares in the open offer, there are speculations that the founders may also tender their shares.

The firm had bought 20.32 per cent shares in the IT company from V G Siddhartha and his coffee enterprise in March and made an open offer to buy an additional 31 per cent

The founders — Subroto Bagchi, N S Parthasarathy and Krishnakumar Natarajan - together hold about 13 per cent stake. Interestingly, L&T has already secured three board positions at Mindtree that has eight members on the board (of which four were independent directors).

Mindtree co-founder Subroto Bagchi did not offer being considered for re-appointment to the board. The IT firm has remained silent on how it plans to accommodate the three new L&T representatives. In March, L&T had acquired 20.32 per cent stake in Mindtree from V G Siddhartha and his coffee enterprise, marking India's first-ever hostile takeover bid in the IT space. It later picked up more shares of Mindtree from the open market to raise its holding to over 28 per cent.

FINANCIAL STABILITY REPORT

NPA cycle 'turned around', bad loans may fall to 9% by March 2020: RBI

ENS ECONOMIC BUREAU
MUMBAI, JUNE 27

THE RESERVE Bank of India on Thursday said the non-performing asset (NPA) cycle seems to have "turned around" and the bad loans ratio is set to decline from 9.3 per cent of advances in March 2019 to 9.0 per cent in March 2020.

Gross NPAs may be slightly higher at 9.2 per cent under a scenario where the economy is under "medium stress" and at 9.6 per cent under a "severe stress" scenario, the RBI said in its Financial Stability Report (FSR).

With the bulk of the legacy NPAs having already been recognised in the banking books, the FSR said, "macro-stress tests for credit risk indicate that under the baseline scenario, gross NPA ratio of banks may decline from 9.3 per cent in March 2019 to 9.0 per cent in March 2020."

The decline in bad loans was steeper than what the RBI forecast in its FSR report in December 2018. It had then said under the baseline scenario, NPA ratio may decline from 10.8 per cent in September 2018 to 10.3 per cent in March 2019.

RBI Governor Shaktikanta Das said the banking sector continues to show "improvement as impairment ratios decline" and credit growth picks up. "Public sector banks showed a noticeable improvement with recapitalisation. Understandably, the significant rise in provisioning has impacted the bottomlines of PSU banks. Efforts to improve the balance sheets of banks "should therefore continue", Das said in the report.

SHARE OF LARGE BORROWERS IN NPAs FALLS

■ Share of large borrowers in banks' total loan portfolios and their share in non-performing assets (NPAs) were at 53.0 per cent and 82.2 per cent respectively in March 2019. This was lower compared to 54.7 per cent and 83.9 per cent in September 2018, the central bank said

■ With the bulk of the legacy NPAs having already been recognised in the banking books, the FSR said, "macro-stress tests for credit risk indicate that under the baseline scenario, gross NPA ratio of banks may decline from 9.3 per cent in March 2019 to 9.0 per cent in March 2020"

Among the bank groups, public sector banks' gross NPA ratios may decline from 12.6 per cent in March 2019 to 12 per cent by March 2020 under the baseline scenario, whereas NPA ratios of private banks may decline from 3.7 per cent to 3.2 per cent, and that of foreign banks may come down from 3.0 per cent to 2.9 per cent, the FSR said.

"Bank-wise distribution of asset quality shows that the number of banks having very high NPA ratio (more than 20 per cent) came down in March 2019 as compared to September 2018," the report added.

Share of large borrowers in banks' total loan portfolios and their share in NPAs were at 53.0 per cent and 82.2 per cent respectively in March 2019. This was lower compared to 54.7 per cent and 83.9 per cent in September 2018, RBI said.

However, the central bank warned that five banks may have capital adequacy ratio (CAR) below the minimum regulatory level of 9 per cent under the "stress scenario" by March 2020 without taking into account any further planned recapitalisation.

However, under the assumed baseline macro scenario, CAR for a system of 55 banks is projected to fall from 14 per cent in March 2019 to 12.9 per cent in March 2020. However, if macroeconomic conditions deteriorate, nine scheduled commercial banks may record CAR below 9 per cent under a severe macro-stress scenario, the RBI said.

The banking regulator noted that provision coverage ratio (PCR) of all banks rose sharply to 60.6 per cent in March 2019 from 52.4 per cent in September 2018, and 48.3 per cent in March 2018, increasing "the resilience of the banking sector".

"Analysis of the financial network structure reveals that joint solvency-liquidity contagion losses to the banking system due to idiosyncratic failure of banks are lower for March 2019 than in March 2018 (FSR June 2018) due to a better capitalised public-sector banking system," the FSR stated. It added that credit growth of commercial banks picked up, with PSU banks registering near-double digit growth.

NBFC, HFC liquidity crisis: RBI warns financial sector on solvency shocks, contagion

ENS ECONOMIC BUREAU
MUMBAI, JUNE 27

WITH PAYMENT delays and defaults in the housing finance companies (HFCs) and non-banking financial companies (NBFCs) rocking the financial sector, the Reserve Bank warned the struggling sector that failure of any NBFC or HFC will act as "a solvency shock" to its lenders and the solvency losses caused by these shocks can "further spread by contagion".

In its FSR released Thursday, the RBI said "solvency contagion losses" to the banking system due to "idiosyncratic" HFC and NBFC failure show that the failure of the largest of these can cause losses comparable to those caused by the big banks, underscoring the need for greater surveillance over large HFCs/NBFCs.

A substantial part of HFC and NBFC funding comes from banks. "Therefore, failure of any NBFC or HFC will act as a solvency shock to its lenders. The solvency losses caused by these shocks can further spread by contagion," the RBI cautioned the financial sector.

"The liquidity stress in NBFCs reflected in the third quarter of the last financial year (September-December 2018) was due to an increase in funding costs as also difficulties in market access in some cases," the RBI said. Despite the dip in confidence, better performing NBFCs with strong fundamentals were able to manage their liquidity even though their funding costs moved with market sentiments and risk perceptions, it said.

NBFCs depend largely on public funds, accounting for 70 per cent of total liabilities of the sector. Bank borrowings, debentures and commercial papers (CPs) are the major sources of funding for NBFCs. Bank borrowings have shown an increasing trend as their share in total borrowings have risen from 21.2 per cent in March 2017 to 23.6 per cent in March 2018 and further to 29.2 per cent in March 2019, RBI said.

Meanwhile, dependence on debentures declined from 50.2 per cent in March 2017 to 41.5 per cent in March 2019. "This indicates that banks are compensating for the reduced market access for NBFCs in the wake of stress in the sector," the FSR said.

It said the top 10 NBFCs accounted for more than 50 per cent of total bank exposure to the sector, while the top 30 NBFCs (including government-owned NBFCs) accounted for over 80 per cent of the total exposure. In the commercial paper market, the absolute issuance of CPs by NBFCs declined sharply relative to its level pre-IL&FS default. During the stress period, CP spread of all entities had increased, particularly that of NBFCs, highlighting a reduced risk-appetite for them, the RBI said. Subsequently, the CP spread for NBFCs has reduced and its gap vis-à-vis other issuers has narrowed.

BRIEFLY

'Telcos highly leveraged to invest in 5G'

Mumbai: Even as the government takes initial steps to initiate 5G operations, a senior official Thursday sounded skeptical of the highly leveraged telecom industry's ability to invest in the new-age networks. The telecom ministry has committed to roll-out 5G trials in the next 100 days. "(a) key issue is the capacity of the industry to invest, to raise capital because 5G network will not come without investments," Anshu Prakash, an Additional Secretary in the DoT said.

Hota appointed as NHB MD

New Delhi: Canara Bank General Manager Sarada Kumar Hota has been appointed as the managing director of the National Housing Bank (NHB), the finance ministry said.

Alibaba-like portal for MSMEs

New Delhi: The government plans to develop a portal for creating a market place like Alibaba where all stakeholders from India's MSME sector can find the demand and supply inputs, Minister of MSME Nitin Gadkari said.

Air India sell-off process on

New Delhi: Centre has decided to go ahead with the process of Air India disinvestment, the Ministry of Civil Aviation said on Thursday.

Working group on WPI series

New Delhi: The government on Thursday set up an 18-member working group for the revision of the current series of wholesale price index.

Tata Steel CEO in Europe to quit

New Delhi: Tata Steel has said its European business chief executive Hans Fischer will step down, effective July 1.

Resolution panel for clean energy

New Delhi: Power Minister R K Singh Thursday approved setting up a three-member resolution committee to resolve unforeseen disputes in clean energy projects. PTI

Govt set to launch ETF to divest shares in listed PSBs, insurers

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 27

AIMING TO garner a major chunk of disinvestment receipt in FY20 from exchange-traded funds (ETFs), the Centre on Thursday said it will launch a financial sector ETF through which it will disinvest shares in listed public sector banks, insurance companies and financial institutions such as SBI, Bank of Baroda, GIC Re and New India Assurance.

The Centre garnered a whopping Rs 45,080 crore via two extant ETFs - Rs 26,350 crore from CPSE ETF and Rs 18,730 crore from Bharat-22 ETF - helping it mobilise 53 per cent of the total disinvestment receipt in FY19. The CPSE ETF was conceptualised in 2014 and Bharat-22 ETF in 2017 as an asset class, offering the benefits of diversification, risk management and lower expenses to investors.

On Thursday, the Department of Investment and Public Asset Management (DIPAM) invited applications from merchant bankers/consultant firms for the job of one advisor to advise it on creation and launch of the new theme-based ETF. Interested parties will have to submit applications by July 26. The government will also appoint an asset management company (AMC) to act as the ETF provider and a legal advisor for the proposed ETF.

Besides listed public sector banks and insurance companies, the government will include public sector financial institutions such as IFCI in the financial sector ETF. **FE**

'Cement demand to witness single-digit growth in FY20'

7% Expected rise in demand for FY20, with demand picking up from third quarter of current fiscal, post-monsoon season

71% Expected utilisation level in FY20, with incremental demand of around 24 MT being greater than incremental supply

Owing to slower pace of project execution, the demand for cement has been tepid in the first quarter of the current fiscal, ratings agency Icra said

28.7 MILLION TONNE Cement production as of April this year, 13.3 per cent lower than that in March

18-20 MILLION TONNE per annum Expected cement capacity addition in next financial year

PRICES IN VARIOUS MARKETS DURING APRIL-MAY:

■ Higher by 20-25 per cent in Delhi and Hyderabad markets

■ Higher by around 10 per cent in Mumbai

"We expect cement demand growth to taper in FY20 to around 7 per cent from double digit growth of 13 per cent in the previous year. The demand has been tepid in Q1 FY2020 due to slowing of the project execution on account of general elections,"

SABYASACHI MAJUMDAR, ICRA SENIOR VICE PRESIDENT

PSBs asked to analyse MSME credit issues

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 27

KEEN TO soften the blow for the micro, small and medium enterprises (MSME) sector that was hit by the double whammy of demonetisation and the GST, the Centre has asked chiefs of public sector banks (PSBs) to undertake an "in-depth analysis of the progress made and issues in availability of credit still faced by MSMEs". The state-run banks have to ensure that MSMEs need not "suffer for want of credit", the finance ministry said on Thursday.

Latest RBI data showed credit to industry went up by just 6.9 per cent year-on-year as of April 26, while overall non-food credit growth was as much as 11.9 per cent. Importantly, loans to industry was mostly cornered by large players and growth in credit to MSMEs was just 1 per cent and 3.5 per cent, respectively.

While analysing credit flow to MSMEs, the nodal general manager of the PSB concerned needs to collect information on MSMEs who are taking credit from the bank; MSME accounts that have turned bad; MSME accounts where restructuring/resolution has been done; details of new MSMEs covered during the campaign and details of MSMEs still uncovered. **FE**

'US govt inaction led fake news to spread'

AGENCE FRANCE-PRESSE
SAN FRANCISCO, JUNE 27

FACEBOOK BOSS Mark Zuckerberg has said that a lack of action by US authorities on fake political content on the platform after the 2016 US election helped pave the way for a subsequent avalanche of online disinformation.

The CEO - who has himself been widely criticised for a lackluster response to fake news - also called on governments to further regulate private data, political advertising and step up efforts to prevent state actors from interfering in US elections.

"As a private company we don't have the tools to make the Russian government stop... our government is the one that has the tools to apply pressure to Russia," he said at an on-stage interview at the Aspen Ideas Festival in Colorado on Wednesday.

"After 2016 when the government didn't take any kind of counter action, the signal that was sent to the world was that 'ok we're open for business', countries can try to do this stuff... fundamentally there isn't going to be a major recourse from the American government." Zuckerberg further said Facebook is struggling to find ways to deal with "deepfake" videos.

CII calls for lower taxes on equity investments

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 27

INDUSTRY BODY CII has called for conducive tax structures to attract equity investments and said tax incidence on equity needs to be lowered to incentivise risk capital in the economy.

Chandrajit Banerjee, director general, CII, said, "With lower taxation on equity, investors would bring in more risk capital which in turn will drive economic growth."

CII also suggested measures in the Budget for a more balanced approach to sourcing funds.

Oil edges lower ahead of G20 and OPEC meeting

REUTERS
NEW YORK, JUNE 27

OIL PRICES edged lower on Thursday, pressured by worries about whether the G20 summit will produce a breakthrough on trade that could strengthen the global economy and boost oil demand. Brent crude futures fell 18 cents, or 0.3 per cent, to $66.31 a barrel by 11:30 a.m. EDT (1530 GMT). US West Texas Intermediate (WTI) crude futures fell 13 cents, or 0.2 per cent, to $59.25 a barrel.

US President Donald Trump said on Wednesday a trade deal with Chinese President Xi Jinping was possible this weekend but he is prepared to impose US tariffs on most remaining Chinese imports if the two countries don't agree.

"It's all about the G20," said Craig Erlam, analyst at OANDA. "It's clear that investors are a little cautious when it comes to this meeting, given how talks collapsed previously and the fighting talk we've since seen from both sides."

On Wednesday, oil jumped more than 2 per cent after the latest US petroleum supply report showed a larger-than-expected drop in crude stocks. Inventories fell 12.8 million barrels, exceeding the 2.5 million barrel drop analysts had expected. "Despite these stunning numbers there are still many doom-and-gloom people that are down on the economy. That is why the oil market will take its cue from G20 headlines," Phil Flynn, an analyst at Price Futures Group in Chicago, said in a note.

Traders said follow-through buying was being crimped by uncertainty over whether there will be a trade breakthrough at the G20 that can boost oil demand, and by questions about continued output cuts by OPEC and its allies.

US growth up in Q1 but momentum slowing

REUTERS
WASHINGTON, JUNE 27

US ECONOMIC growth accelerated in the first quarter, the government confirmed on Thursday, but the export and inventory boost to activity masked weakness in domestic demand, some of which appears to have prevailed in the current period.

Gross domestic product increased at a 3.1 per cent annualised rate, also driven by more spending on highways and defense, the US Commerce Department said in its third reading of first-quarter GDP. That was unchanged from its estimate last month and in line with economists' expectations. The economy grew at a 2.2 per cent pace in the October-December period.

Excluding trade, inventories and government spending, the economy grew at a 1.3 per cent rate in the first quarter. That was the slowest rise in this measure of domestic demand since the second quarter of 2013.

When measured from the income side, the economy grew at a tepid 1 per cent rate in the last quarter. Gross domestic income (GDI) was previously reported to have increased at a rate of 1.4 per cent. The income side of the growth ledger was curbed by a dip in profits.