

16 ECONOMY

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MARKET WATCH

JULY FPI OUTFLOW CROSSES ₹3.7K CR

New Delhi: Reversing their five-month buying trend, overseas investors have pressed the exit button in July and pulled out a net Rs 3,758 crore from the Indian capital markets on account of multiple headwinds, including the super-rich tax announced in the Budget. **PTI**

COULD BECOME INDIA'S TOP LISTED FIRM IN TERMS OF MARKET VALUATION

LIC listing back on agenda, as govt looks to give disinvestment a boost

GEORGE MATHEW & SHAJI VIKRAMAN
MUMBAI, JULY 28

INDIA'S LARGEST financial institution Life Insurance Corporation (LIC) has been identified as a candidate for a potential public listing by the government, as it attempts to push through an aggressive disinvestment and asset monetisation programme this fiscal.

If the LIC shares are listed on stock exchanges, it could easily emerge as the country's top listed company in terms of market valuation, overtaking current leaders Reliance Industries Ltd and Tata Consultancy Services. That is because of the insurer's financials. On a capital base of Rs 5 crore, LIC last reported a valuation surplus — or profit — of Rs 48,436 crore for FY2018 and assets under management of Rs 31.11 lakh crore.

Sources said that the process is in the early stage and has been discussed within the government. The proposal is to initially sell a small tranche of the government controlled institution through an IPO and later dilute the government's holdings, according to sources. The government has already announced a proposal to make minimum public holding of 35 per cent for listed companies in the Budget. The initial public offering (IPO) is likely to fetch a huge premium as LIC currently has a small equity base.

The government had listed the shares of General Insurance Corporation and New India

EXPLAINED Amending LIC Act a necessary step before public listing

PUBLIC LISTING of LIC will lead to more disclosures of investment and loan portfolios and better governance. LIC is currently under the supervisory oversight of the IRDAI, but it is governed by the LIC Act of 1956 which enables the state-owned insurer to obtain a special dispensation in several areas including higher stakes in companies beyond the limit set by the IRDAI. The government will have to amend the LIC Act before listing the corporation — which is the largest financial institution in the country.

Assurance through IPOs two years ago. It will have to amend the LIC Act first before taking the Corporation public.

For long, governments had not considered listing India's top insurer, given the institution's perceived role in supporting the markets by buying shares during major sell-offs and also shares of state-owned companies during divestment and when investor participation has been weak. LIC also has huge investments in debentures and bonds (Rs 434,959 crore), besides providing funding for many infrastructure projects (Rs 376,097 crore as of March 2018), according to its Annual Report for 2017-18.

LIC realised a profit of Rs 23,621 crore from its equity investment during 2018-19 as against Rs 25,646 crore in the previous year. The life insurance behemoth also made a gross equity investment of Rs 68,621

insurance company by IRDAI is Rs 100 crore, LIC has been operating with a capital base of just Rs 5 crore as set in the LIC Act of 1956. However, the corporation has been handling huge funds when compared to this small capital base. Consider this: the market value of LIC's investment as at end of FY19 is Rs 28.74 lakh crore, as against Rs 26.46 lakh crore in 2017-18, showing a growth of 8.61 per cent. Moreover, the total assets of the corporation crossed the historic figure of Rs 30 lakh crore for the first time to Rs 31.11 lakh crore, a rise of 9.38 per cent.

Industry officials said the listing should help bring in greater transparency and accountability. "Whether formally so declared or not, LIC is a systemically important insurer. Already the bail-out type investment proposals of LIC in ventures like IL&FS are a subject matter of hot media debates. These are funds of millions of trusting policy holders. But yes, any divestment of stake will first require amendment to the LIC Act," said former IRDAI member KK Srinivasan.

Successive governments in Delhi have used LIC as a milch cow to bail out the disinvestment programme. The corporation had invested heavily in IPOs and follow-on offers of companies such as ONGC. It was also called in to bail out IDBI Bank, which had been severely hit because of bad loans last year. It is also the largest investor in government securities and stock markets every year. On an average, LIC invests Rs 55,000 crore to Rs 65,000 crore in stock mar-

kets every year and emerges as the largest investor in Indian stocks.

Out of valuation surplus — which is equivalent to profit in the case of LIC — of Rs 48,444 crore for fiscal 2017-2018, the government got only 5 per cent as 95 per cent had to be mandatorily returned to the policyholders.

According to the provisional accounts for 2018-19, LIC's total premium income — new premium along with the renewal premium — was Rs 337,185 crore, showing a growth of 6.08 per cent, while the total benefits paid amounted to Rs 250,936 crore, growing by as much as 26.66 per cent. LIC had mobilised a total new premium of Rs 41,086.31 crore in FY19. The total income of LIC, which includes total premium and investment income, was around Rs 560,784 crore in 2018-19, a rise of 7.10 per cent. Such a robust income augurs well for the corporation's policyholders, who can continue to expect a decent bonus for 2018-19.

However, with LIC's declining market share in the domestic market, the company's performance has been an area of deep concern for its new top management. Its market share declined to 66.74 per cent in 2018-19.

According to the performance analysis by LIC's top management, headed by recently-appointed chairman MR Kumar, the corporation — except in pension and group scheme (P&GS) — has missed its own targets in the most of the parameters during financial year 2018-19.

Q1FY20 EARNINGS

India Inc growth sluggish; rural distress, poor monsoon to blame

ENSE ECONOMIC BUREAU
MUMBAI, JULY 28

MIDWAY INTO earnings season, it is clear that India Inc's P&L account remains under pressure. Revenue growth is so sluggish that even a modest increase in costs has not helped companies protect their margins.

However, the real bad news is that the turn in the private sector capex cycle is a good 12-18 months away and consumption demand, while it may perk up in the second half of the year, is unlikely to rise meaningfully.

Indeed, commentary is more than cautious, with no CEO talking of a sustained upturn in demand. Net profits for a sample of 252 companies have fallen some 14 per cent year-on-year; remove TCS and Reliance Industries, and they have crashed 28 per cent year-on-year. Without these two firms, the revenue growth slows to just 3.2 per cent year-on-year. Much of the weakness in demand is due to a debilitated farm sector; the moped segment, for instance, has been partly hit due to rural distress and a delayed and deficient monsoon.

While the telecom sector has been badly bruised — Vodafone Idea reported a loss of Rs 4,900 crore — profits at automobile companies have been dented. At

Net profits for a sample of 252 companies have fallen some 14 per cent y-o-y; much of the weakness in demand is due to a debilitated farm sector

Bajaj Auto, operating margins contracted 250 basis points year-on-year as the company spent heavily on marketing and the sales mix was somewhat adverse. Analysts think margins could shrink further as firms might need to absorb costs and spend more on promotions.

The commentary from the TVS management was subdued; the industry is expected to see a fall in volumes in 2019-20.

Maruti Suzuki reported an 18 per cent year-on-year drop in volumes, which pulled down Q1FY20 profits by nearly 28 per cent year-on-year. Tata Motors reported a staggering loss of Rs 3,679 crore, with the management saying that margins for the domestic business would see a marginal correction, given the market uncertainties.

SIAM on Friday lowered the guidance for passenger vehicles from a growth of 3-5 per cent to a de-growth of 2-3 per cent; for commercial vehicles it trimmed the estimate from a 10-12 per cent increase to just 2-3 per cent.

Hindustan Unilever saw no trigger for an immediate recov-

ery and told analysts that the slowing momentum in the economy and some liquidity issues were hurting. The FMCG firm posted a 5 per cent year-on-year rise in volumes — the slowest in seven quarters.

The Asian Paints management was somewhat unsure of performance in the next few quarters, given the weak macro environment, mixed monsoon trends and chances of a lacklustre festive season. The most worrying comments came from the Larsen & Toubro management, which expects private sector capex to pick up only after 12-18 months.

The stress in rural India is evident from the results of lenders such as Mahindra & Mahindra Financial Services, which reported a sharp surge in bad loans.

Analysts are concerned asset quality could deteriorate if the environment remains weak. In general, the growth in advances by lenders has slowed with demand for corporate loans staying muted and much of the growth in credit seen in the retail space. **FE**

Foreign assets of over ₹200 crore detected in I-T searches in 3 states

ENSE ECONOMIC BUREAU
NEW DELHI, JULY 28

UNDISCLOSED FOREIGN assets of more than Rs 200 crore, domestic tax evasion of over Rs 30 crore, and black money stashed abroad in the form of properties in tax havens were detected during searches conducted by the Income Tax Department on July 23, covering 13 premises of a group controlled by "persons who have significant political presence in a neighbouring state", the Central Board of Direct Taxes (CBDT) said in a late night statement Sunday.

Though CBDT did not mention the group in the statement, sources said the findings are linked to the recent searches conducted by the taxman against former Haryana Chief Minister Bhanu Lal's son and Congress leader Kuldeep Bishnoi.

The detection of black money and foreign assets "may inter alia lead to severe criminal consequences under the Black Money Act, 2015, apart from action under the Income Tax Act, 1961", the CBDT said. These findings may also have multi-agency ramifications, it added.

In the searches covering three states, Delhi, Haryana and Himachal Pradesh, the I-T Department said it found that black money generated in India

'LINKED TO KULDEEP BISHNOI'



Sources said Sunday's findings are linked to recent searches the I-T Department conducted against Haryana Congress leader Kuldeep Bishnoi

On Saturday, Bishnoi on Twitter had said the BJP was trying to "harass" him and his family

through various means has been stashed abroad in the form of lavish properties in the names of foreign trusts/companies located in tax havens.

"Such foreign holdings of the main persons have remained hidden for decades beneath complex multi-layered structures, located in different countries including BVI, Panama, UK, UAE & Jersey. These structures have involved various front men and corporations across continents," it said.

A person covered during the

search operation trying to obtain citizenship of a Caribbean Island, the department said.

It said the group against which searches were conducted is controlled by persons who have significant political presence in a neighbouring state for decades, "are occupying responsible political positions", and have "been generating large amounts of undisclosed income over several decades". "Evidence detected so far reveals undisclosed cash dealings of huge amounts in immovable property transactions, construction etc," it said.

I-T officials from Delhi had started carrying out searches at the residence and business offices of Bishnoi on Tuesday.

On Saturday, he had said the BJP was trying to "harass" him and his family. "The way the BJP tried to harass me and my family with political hatred for four days, it reflects its sick mind. Even my aged and sick mother was not spared. I have always lived a life of honesty and principles. Neither I feared the BJP nor I will," Bishnoi tweeted in Hindi.

The same day, Bhavya, Bishnoi's son, had said he had turned stronger after the searches by the tax department. "10 inspectors, 146 questions, 89 hours later... BETTER and STRONGER. A big thank you to all those who sent their love, blessings & good vibes..." he had posted on Twitter.

BRIEFLY

JLL India revenue grows 17% in FY19

New Delhi: Property consultant JLL India's revenue rose 17 per cent to Rs 4,000 crore in 2018-19 despite slowdown in the real estate market and it plans to hire 2,000 employees by the end of the next year to sustain this growth momentum. JLL India, which is part of global real estate consultant JLL, had posted a revenue of Rs 3,420 crore during 2017-18. It currently has a workforce of 11,500 people across its offices in over 10 major cities.

India key in Roca's global strategy

Barcelona: Spanish bathroom and sanitaryware firm Roca Group said India will have a key role in its global strategy over the next three years. The \$1.8-billion group's global management is aggressive on India in terms of investment and acquisition and a kitty of Rs 150 crore had been earmarked in order to emphasise on Asia-Pacific revenue to keep a balanced geographical distribution strategy.

Visit Health looks to raise \$10 million

New Delhi: Health tech start-up Visit Health is looking to raise around \$10 million in a Series-A funding to finance its expansion, including increasing number of its empanelled doctors, hospitals, pharmacies and pathological labs, according to a top company official. The firm, an AI-based health tech app platform offering preventive and curative, primary healthcare solutions, has already raised a total funding of \$1.4 million and is backed by investors, including Snapdeal co-founders Kunal Bahl and Rohit Bansal. **PTI**

Mobile manufacturing: 'India should think big'

India needs to "think big" by manufacturing mobile phones at scale, producing high-end phones, and incentivising exports, the Internet and Mobile Association of India (IAMAI) said in a report

225 MILLION
Number of mobile handset units produced in India in 2017-18

FACTORS THAT COULD HELP INDIA PRODUCE 1 BILLION HANDSETS & REACH \$200 BILLION EXPORT REVENUE

- Alternate strategy that incentivises production
- Focus on attracting large-scale manufacturing and enhancing local value integration
- Focus on export-oriented strategy

\$467 BILLION
Estimated worth of global mobile handset market, i.e. about Rs 32 lakh crore; includes feature phones as well as smartphones

TOP FOUR NATIONS ALMOST ENTIRELY MEETING WORLD DEMAND

- China
- Vietnam
- South Korea
- Taiwan

FACTORS AFFECTING MANUFACTURING CAPACITY

- Lack of supply chain that feeds into manufacturing
- Import substitution strategy relying on protections
- Fewer vendors and suppliers of high-value components and assemblies

WORTH OF MOBILE PHONES EXPORTED

\$2.7 BILLION
IN 2012-13

\$1.4 BILLION
IN 2018-19

ICBC FINANCIAL ASSET INVESTMENT CO TO INVEST UP TO 3 BILLION YUAN

China's ICBC, others buying more than 17.3% stake in troubled Bank of Jinzhou

CHENG LENG & CATE CADELL
BEIJING, JULY 28

CHINA'S BANK of Jinzhou won government-backed reinforcement on Sunday as three state-controlled financial institutions said they would take at least 17.3 per cent in the troubled lender, whose shares have been suspended since April.

Industrial and Commercial Bank of China (ICBC), the country's largest lender by assets, and China Cinda Asset Management and China Great Wall Asset Management, two of China's four largest distressed debt managers, said on Sunday they would take stakes in Bank of Jinzhou.

Concern has been growing about the bank since the Hong Kong-listed lender suspended trading in its shares earlier this year and saw its auditor quit. It said on Thursday it was in talks with multiple parties for possible investments.

ICBC's ICBC Financial Asset Investment Co unit signed an equity transfer agreement to invest



In a statement on Sunday, ICBC said that the investment is to serve the "country's supply-side reform in the financial sector and enhance the bank's capability to serve the real economy". Reuters File Photo

up to 3 billion yuan (\$436 million) in a 10.82 per cent stake of Bank of Jinzhou, it said in a statement filed to the Shanghai Stock Exchange.

Hours after the state lender's announcement, Cinda said in a statement to the Hong Kong Stock Exchange that its wholly owned Cinda Investment Co would invest in a 6.49 per cent stake in Bank of Jinzhou, though it didn't give the value of the deal. China Great Wall also said it

would take a stake in Bank of Jinzhou, according to a statement sent to Reuters. It did not elaborate on the value of the deal or the size of the stake.

agency plans to take over or invest in high-risk small and medium-sized Chinese banks, Reuters reported on Friday.

"The investment is to serve country's supply-side reform in the financial sector and enhance the bank's capability to serve the real economy," the ICBC said in its statement.

The deal will be conducted with the unit's own funds, ICBC further said.

In May, a shock government-led takeover of little-known Baoshang Bank revived concern about the health of hundreds of small lenders as the slowing economy results in more sour loans, testing their capital buffers and draining their reserves.

"For Baoshang Bank, the government took a state takeover, while for Bank of Jinzhou, the government introduced some state-owned strategic investors," said Dai Zhifeng, analyst with Zhongtai Securities Co.

"The latter approach is more market-oriented and showcased the determination of regulators to resolve problematic banks, while injecting confidence into the market," Dai said. **REUTERS**

Beijing says millions of tonnes of US soy shipped to China

REUTERS
BEIJING, JULY 28

THE UNITED States has shipped several million tonnes of soybeans to China since the two countries' leaders met in June, Chinese state media said on Sunday, an apparent sign of goodwill before trade talks in Shanghai this week.

The US-China trade war has curbed the export of US crops to China, with soybean sales falling sharply after Beijing slapped tariffs of 25 per cent on American cargoes.

China has made enquiries to US suppliers for the purchase of soybeans, cotton, pork sorghum and other agricultural products since July 19, and some sales have been made, state broadcaster CCTV said, citing China's National Development and Reform Commission and Ministry of Commerce.

"As long as the American agricultural products are reasonably priced and of good quality, it is expected that there will be new purchases," the report said.

Govt panel says foreign firms need not mirror personal data in India

ENSE ECONOMIC BUREAU
NEW DELHI, JULY 28

IN A major concession to overseas players, a high-level government panel has done away with the need for foreign firms to store a copy of all personal data within India. In a dilution of the recommendations of the Justice Srikrishna committee, firms with access to such data can now store and process them abroad. However, all critical personal data must still be stored and processed in the country.

The Srikrishna panel had recommended that while personal data can be processed and stored abroad, a copy needs to be stored here. The concession could be the result of reservations expressed by several US and European firms.

However, at a recent meeting on the Srikrishna panel report, officials from the Prime Minister's Office (PMO), department of telecommunications, ministry of information technology and electronics, NITI Aayog and department of promotion of industry and internal trade, decided to hold further discussions with all stakeholders to decide what would constitute critical personal data. As a result, the data protection

Bill will not be tabled in the current session of Parliament.

For its part, the Srikrishna committee report had said that critical personal data will include passwords, financial data, health data, official identifier, sex life, sexual orientation, biometric and genetic data, and data that reveals transgender status, intersex status, caste, tribe, religious or political beliefs or affiliations of an individual. However, it had added that the government should define critical personal data.

"The Central government should determine categories of sensitive personal data which are critical to the nation having regard to strategic interests and enforcement requirements," it had said.

The government panel has, however, agreed with the Srikrishna panel on health data where it had said personal data relating to health should be permitted to be transferred abroad for reasons of prompt action or emergency. The relaxation by a government panel with regard to storage and processing of personal data comes after last month RBI also relaxed its April 2018 circular which required that all payment data generated in India should be stored within the country. **FE**