

# 17 ECONOMY

SENSEX: 36,958.16 ▼ 623.75 NIFTY: 10,925.85 ▼ 183.80 NIKKEI: 20,455.44 ▼ 229.38 HANG SENG: 25,281.30 ▼ 543.42 FTSE: 7,181.13 ▼ 45.59 DAX: 11,572.96 ▼ 106.72

GOLD	RUPEE	OIL	SILVER
₹38,370	₹71.40	\$56.93	₹45,000
Indian basket as on August 8, 2019; due to holiday in Singapore on August 9 and 12			

International market data till 190015IST

## SECTOR SCAN ENTERTAINMENT

### PVR, Inox keep faith in theatre biz, even as shares dive on Rjio's home release plan

ENSE ECONOMIC BUREAU  
NEW DELHI, AUGUST 13

RELIANCE INDUSTRIES chairman Mukesh Ambani's Monday announcement of releasing new films on the home platform along with theaters caused panic in the movie theatre business, with the two listed firms in the sector — PVR and Inox Leisure — responding to their shares tanking on the development by issuing statements expressing confidence in the theatrical exhibition segment in the country.

RIL-owned Reliance Jio (Rjio) disrupted the mobile services market two years ago with cheap data offerings, and Ambani said that premium customers of the firm's home broadband service Jio Fibre, will be able to watch movies in their living rooms the same day these movies are released in theatres starting mid-2020.

On Tuesday, shares of Inox Leisure ended trading at Rs 288.05, down 4.2 per cent from its previous close on the BSE, while those of PVR, India's largest multiplex chain, fell 4.1 per cent to end at Rs 1,406.15.

Inox Leisure pointed out that producers, distributors and multiplex owners in India have mutually agreed to an exclusive theatrical window of eight weeks between the theatrical release of a movie and release on any other platform.

"This exclusive theatrical window is a model that is followed internationally, in order to ensure the robust financial viability of all the segments of the sector, and has been replicated in India," said Inox Leisure, which operates about 600 screens across in India.

The producer of the film is the owner of the creative content, and is, therefore, entitled to choose the platform for distribution and consumption of his content, Inox Leisure added in its regulatory filing.

"However, in view of this mutually-agreed exclusive theatrical window, he (the producer) would have to choose between theatrical exhibition or release on any other platform, since release

**From mid-2020, Jio Fibre customers will be able to watch movies at home on the release day itself, RIL chairman has said**

on both simultaneously would breach the mutually-agreed exclusive theatrical window," the filing added.

"Both these experiences have co-existed and prospered for decades and will continue to do so in future," PVR, which operates 800 screens across the country, said in a filing to BSE. PVR added that it is extremely buoyant about cinema exhibition's growth prospects, further pointing out that the cinema exhibition business will continue to expand its footprint over the next multiple years given India's low-screen density and the growth potential it offers.

"For decades, theatrical release window has been a valuable model for exhibitors and producers alike. In India and globally, producers have respected the release windows and kept a sacrosanct gap between the theatrical release date and the date of release on all other platforms, i.e. DVD, DTH, TV, OTT etc. Cinemas continue bringing people together to share a communal experience. This irreplaceable element which is at the core of theatrical experience continues to deliver a robust box office performance not just in growing market such as India but also in the more matured markets such as USA, China, Europe etc, where cinemas have regularly competed with many similar initiatives, e.g. Netflix original movies etc," PVR said in its statement.

After its launch in September 2016, Rjio offered lowest-priced data and voice packs in India, leading to a financial crisis for incumbent telecom operators. This set into effect a series of mergers and acquisitions in the country and the consolidation concluded with only three private players in the sector.

## SECTOR HIT BY LIQUIDITY CRUNCH, HIGH COST OF BORROWINGS

### Boost for NBFCs: Eased bank lending norms, credit guarantee plan get nod

ENSE ECONOMIC BUREAU  
NEW DELHI/MUMBAI, AUG 13

TWO MAJOR schemes — credit guarantee scheme proposed in the Union Budget and priority sector status for bank lending to NBFCs for on-lending to agriculture, small units and housing mooted by the Reserve Bank of India in the monetary policy statement — were notified on Tuesday to bail out the struggling financial sector hit by a series of defaults and liquidity crunch.

Under the credit guarantee scheme, the Finance Ministry said banks can purchase rated pooled assets of financially sound NBFCs/HFCs and get a credit guarantee from the government for first loss up to 10 per cent. The scheme will be open for six months or till the time banks purchase Rs 1 lakh crore of assets from NBFCs, whichever is earlier.

As per the guidelines, banks can purchase rated assets of NBFCs at fair value. The government guarantee will be valid for 24 months and can be revoked on default. "The guarantee shall cease earlier if the purchasing bank sells the pooled assets to the originating NBFC/HFC or any other entity, before the validity of the guarantee period," the government said.

Only better performing NBFCs and HFCs can avail this facility. NBFCs/HFCs having capital adequacy ratio above the regulatory

#### HFCs to be treated as NBFCs

Mumbai: The Reserve Bank of India (RBI) on Tuesday said housing finance companies (HFCs) will be treated as a category of non-banking financial companies (NBFCs) and a revised regulatory framework for these entities

will be unveiled soon. The RBI move comes after the Finance Act, 2019 amended the National Housing Bank Act, 1987, giving certain powers for regulation of HFCs with the Reserve Bank of India. **ENS**

minimum levels, net NPA below 6 per cent as on March 31, and having made a net profit in at least one of the last two preceding financial years, can avail this facility. Further, NBFCs/HFCs should not have been reported under SMA (Special Mention Accounts) category by any bank for their borrowings during last one year prior to July 1, 2018.

Pooled assets having minimum rating of AA or equivalent and standard in the books of companies as on date of sale will be covered under the facility. "Each account under the pooled assets should have been fully disbursed and security charge should have been created in favour of the originating NBFCs/HFCs," the government said.

NBFCs and HFCs can sell up to a maximum of 20 per cent of their standard assets as on March 31, 2019 subject to a cap of Rs 5,000 crore at fair value. "The underlying assets should represent the

debt obligations of a homogeneous pool of obligors and individual asset size in the pool is capped at Rs. 5 crore," it said.

NBFCs/HFCs will pay a fee equivalent to 0.25 per cent per annum of the fair value of assets being purchased by the bank under this scheme to the government. The scheme will be monitored by the Department of Financial Services.

To improve fund availability to NBFCs/HFCs, Finance Minister Nirmala Sitharaman announced the credit guarantee proposal in Union Budget 2019-20.

On the other hand, in a bid to boost "credit to the needy segment of borrowers", the RBI has decided to allow bank lending to registered NBFCs (other than MFIs) for on-lending to agriculture (investment credit) up to Rs 10 lakh, micro and small enterprises up to Rs 20 lakh and housing up to Rs 20 lakh per borrower (up from Rs 10 lakh at present) to be classified as priority

sector lending.

"Under this on-lending model, banks can classify only the fresh loans sanctioned by NBFCs out of bank borrowings, on or after the date of issue of this circular. However, loans given by HFCs under the existing on-lending guidelines will continue to be classified under priority sector by banks," the RBI said in a notification to CEOs of banks.

The RBI said bank credit to NBFCs for on-lending will be allowed up to a limit of five per cent of individual bank's total priority sector lending on an ongoing basis. The new on-lending limits will be valid for the current financial year up to March 31, 2020 and will be reviewed thereafter. However, loans disbursed under the on-lending model will continue to be classified under priority sector till the date of repayment/maturity, the RBI said.

The priority sector tag will provide benefits to NBFCs in terms of interest rate and other conditions for the loans. RBI Governor Shaktikanta Das announced the scheme in the monetary policy statement on August 7.

Hit by liquidity crunch and high cost of borrowings, NBFCs had sought short-term and long-term measures from the government and the Reserve Bank for survival. The financial sector had gone into a tailspin after IL&FS group defaulted last year, leading to a liquidity crunch in the sector.

### Expert panel on CSR: Make non-compliance civil offence; spending must be tax deductible

ENSE ECONOMIC BUREAU  
NEW DELHI, AUGUST 13

A GOVERNMENT-CONSTITUTED high-level committee on Tuesday recommended making expenditure on CSR tax deductible as well as treating non-compliance with CSR requirements a civil offence under the companies law.

Under the Companies Act, 2013, certain classes of profitable entities are required to spend at least two per cent of their three-year annual average net profit towards Corporate Social Responsibility (CSR) in a particular financial year.

The high-level panel, headed by Corporate Affairs Secretary Injeti Srinivas, has stressed that CSR expenditure should not be treated as a means of resource gap funding for government schemes. It suggested that unspent CSR balance should be allowed to be carried forward for three-five years.

On Tuesday, Srinivas presented the report to Finance and Corporate Affairs Minister Nirmala Sitharaman.

The panel recommended introduction of "impact assessment studies for CSR obligation of Rs 5 crore or more, and registration of implementation agencies" on the Ministry of Corporate Affairs (MCA) portal.

According to a Finance Ministry statement, the other recommendations include developing a CSR exchange portal to connect contributors, beneficiaries and agencies; allowing CSR in social benefit bonds; promoting social impact companies; and third party assessment of major CSR projects.

Companies having CSR prescribed amount below Rs 50 lakh can be exempted from the need of constituting a CSR committee, the committee has suggested.

"The committee discourages passive contribution of CSR into different funds included in Schedule VII of the Act. It has emphasised on CSR spending as a board driven process to provide innovative technology-based solutions for social problems," it said.

The panel was set up in October 2018 under the chairmanship of Srinivas to review the existing CSR framework and make recommendations on strengthening the CSR

#### 'CSR NOT TO FUND GOVT SCHEMES'

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**IT RECOMMENDED** introduction of "impact assessment studies for CSR obligation of Rs 5 crore or more, and registration of implementation agencies" on the MCA portal

**COMPANIES HAVING** CSR prescribed amount below Rs 50 lakh can be exempted from the need of constituting a CSR committee, the panel has suggested

ecosystem, including monitoring implementation and evaluation of outcomes.

Tata Sons chairman N Chandrasekaran, Bain Capital Private Equity managing director Amit Chandra, former Additional Solicitor General of India BS Narasimha, and Apollo Group executive vice chairperson Shobana Kamineni were among the panel's members.

The panel's recommendations come even as Parliament last month amended the Companies Act, specifying among other provisions that unspent CSR funds by companies should be transferred into an escrow account called the Unspent Corporate Social Responsibility Account, with the corpus to be utilised within three years of transfer.

The changes to the law also said that any unspent annual CSR funds must be transferred to one of the funds under Schedule 7 of the Companies Act such as the Prime Minister's Relief Fund, within six months of the financial-year end.

For companies failing to meet CSR norms, the changes to the law also provide for a fine of Rs 50,000 to Rs 25 lakh and a jail term of up to three years for defaulting officials of companies.

#### 'Banks report reduction in NPA; seek resolution of NBFC stress'

More than half of the bankers have reported reduction in bad loans, and sought capital infusion in public sector lenders as well as steps to address stress in the NBFC segment, a Ficci-IBA survey from January to June said

**23** Number of banks, including public sector, private sector, foreign and small finance banks, representing over 67 per cent of the industry, that took part in survey

**52%** Proportion of respondent banks that cited reduction in non-performing assets (NPAs), as against 43 per cent in previous round

**55%** Proportion of PSBs that cited a reduction in NPA levels

**63%** Proportion of banks who reported decline in NPA in infrastructure segment



**57%** Proportion of banks who cited fall in NPA in engineering goods segment

**92%:** Proportion of respondents who indicated decline in NPAs metals/iron

and steel segment

**48%:** Proportion of banks that reported tightening of credit standards for large enterprises, as against 64 per cent in last round

**48%** Proportion of banks whose credit standards have remained, as against 36 per cent in last round

#### TAX COMPLIANCE MEASURES:

Surveyed banks suggested that government should

- Simplify Goods and Services Tax (GST) framework
- Lower GST rates

#### KEY SECTORS EXPECTED TO SEE HIGHER CREDIT:

- Infrastructure
- Metals
- Real estate
- Automobile and auto components
- Pharmaceuticals
- Food processing

## Sensex falls 624 pts on global sell-off, domestic macro woes; Re down 62p

ENSE ECONOMIC BUREAU  
MUMBAI, AUGUST 13

STOCK MARKET benchmark Sensex on Tuesday plunged nearly 624 points and the rupee plummeted by 62 paise to close at a near six-month low of 71.40 against the US dollar as trade war worries, Hong Kong protests and Argentine currency crash spooked financial markets. The sentiment was further dampened by domestic macro challenges, especially slowing economy and falling consumer demand in various sectors.

However, weathering the overall weak sentiment, shares of Reliance Industries (RIL) rallied nearly 10 per cent, thereby capping the Sensex loss to a large extent, analysts said.

The forex market, which was already battling against foreign fund outflows for some time, came under more pressure due to currency crisis in Argentina and global trade war concerns. Argentina's peso plunged on Monday after the country's centre-right leader Mauricio Macri performed poorly in primary elections. Continuing their bearish outlook, foreign investors sold Indian equities worth Rs 638.28 crore on a net basis on Tuesday, as per exchange data.

After plunging nearly 700 points in the fog-end of the session, the 30-share Sensex settled at 623.75 points, or 1.66 per cent, lower at 36,958.16. It hit an intraday low of 36,888.49 and a high of 37,755.16. The 50-share Nifty fell 183.80 points to settle below the

#### MARKETS WORRIED ON HONG KONG, ARGENTINA

**GLOBAL TRADE** war worries, Hong Kong protests and Argentine currency crash spooked markets. Sentiment was further dampened by domestic macro challenges

key 11,000-level at 10,925.85. Jagannadham Thunuguntla, head of research, Centrum Broking, said, "Indian markets have been tagging along global markets in palpable risk-off sentiment due to multiple challenges of intensification of US-China

trade war, sell-off in Argentina and Hong Kong markets. Despite good performance by Reliance stock on the back of pro-investor statements at its AGM, it couldn't save the day for Indian markets. Sell-off was all pervasive across the sectors fuelled by less-than-inspiring Indian corporate results and weakening rupee."

"Market participants are eagerly awaiting any pro-market measures by Indian government post their extensive consultations with various stakeholders over previous week," he added.

"Global crackdown due to political uncertainty in Argentina and Italy impacted our market. Domestic market is floating on a hope that government will come out with supportive measures as indicated in the meeting with FM.

FPIs remained sellers as there were no reports on tax sops suggested during the meeting," said Vinod Nair, head of research, Geojit Financial Services.

Investor wealth, or market capitalisation, fell by over Rs 2.21 lakh crore Monday. Top losers in the Sensex pack included Yes Bank, M&M, Bajaj Finance, Bharti Airtel, HDFC, Maruti, Tata Steel and L&T, which fell up to 10.35 per cent. However, RIL rallied 9.72 per cent to become the biggest gainer, after Mukesh Ambani on Monday announced plans to sell stakes in the firm's oil and chemicals business to Saudi oil giant Aramco and in fuel retail network to BP plc for Rs 1.15 lakh crore, and said its telecom unit Reliance Jio will begin offering fibre-based broadband services from next month.

### EXPLAINED E Markets eyeing govt steps for revival in economy

FINANCIAL MARKETS were once again spooked by global and domestic woes. While trade war worries, Hong Kong protests and Argentine currency crash put pressure on the markets, investors remained jittery over domestic macro challenges, especially the slowdown in economy and falling consumer demand in various sectors like automobiles.

Adding to the woes, foreign fund outflows continue as the government is yet to come out with any relief package for foreign investors. Markets are likely to witness further pressure unless the government comes out with strong measures and the economy shows signs of a revival.



Chinese magazines with front covers featuring Chinese President Xi Jinping and US President Donald Trump on trade war on sale in Hong Kong. AP File Photo

On Tuesday, technology investors welcomed news of the exemptions, pushing an index of chip stocks up 3.1 per cent, while shares of Apple surged more than 5 per cent and the Dow Jones Industrial Average rose more than 500 points. In a sign the administration may be expecting something in return, Trump tweeted on Tuesday: "As usual, China said they were going to be buying "big" from our great American Farmers. So far they have not done what they said. Maybe this will be different!" Trump tweeted.

Other products that will have

tariffs delayed until December 15 include "computers, video game consoles, certain toys, computer monitors, and certain items of footwear and clothing," the USTR said in a statement. USTR is still moving forward with tariffs on September 1 on many products such as live animals, dairy products, skis, golf balls, contact lenses, motorcycle engines, lithium ion batteries, snowblowers and various types of steel. A separate group of products will also be exempt altogether, "based on health, safety, national security and other factors," it added.

While this is the highest level in the last few months, the silver price had crossed Rs 70,000 per kilogram in 2011. In the national capital, gold of 99.9 per cent and 99.5 per cent purity declined by Rs 100 to Rs 38,370 and Rs 38,200 per 10 gram, respectively. On Monday, gold regained its all-time high mark of Rs 38,470 per 10 gram. On Tuesday, silver ready soared by Rs 2,000 to Rs 45,000 per kilogram while weekly-based delivery price surged by Rs 956 at Rs 44,280 per kg. Meanwhile, globally gold fell 2 per cent on Tuesday, reversing course from earlier in the session when it scaled a 6-year peak, after the US said it would delay tariffs on some Chinese items and on news that both sides agreed to continue talks, according to a Reuters report. **WITH PTI & REUTERS**

## DELAYED UNTIL DECEMBER 15

### US to delay China tariffs on some products, including laptops & mobiles

REUTERS

WASHINGTON, AUGUST 13

THE TRUMP administration on Tuesday delayed imposing a 10 per cent import tariff on laptops, cell phones, video game consoles and a wide range of other products made in China, in an abrupt pull-back from a hardline stance on Chinese trade.

The US Trade Representative's Office action was published just minutes after China's Ministry of Commerce said Vice Premier Liu He conducted a phone call with

US trade officials. The delay in the tariffs that had been scheduled to start next month provides some relief to retailers. Although most stores would have stocked their holiday merchandise before the earlier September deadline, some might have faced the tariffs for fill-in orders late in the holiday shopping season.

"We're doing this for the Christmas season, just in case some of the tariffs would have an impact on US customers" US President Donald Trump told reporters. The decision came less than two weeks after Trump said

on August 1 he would impose a 10 per cent tariff on \$300 billion of Chinese goods, blaming China for not following through on promises to buy more American agricultural products.

The administration is still moving forward with 10 per cent tariffs on much of the \$300 billion of imports first disclosed in May, publishing a 122-page list of products that will face tariffs beginning September 1, including smartwatches. Since Trump's August 1 tweets threatening the new tariffs, the US benchmark S&P stock index has dropped over 4 per cent.