GOLD	RUPEE	OIL	SILVER
₹37,945	₹71.27	$58.61*	₹44,310

*Indian basket as on August 13, 2019

SENSEX: 37,311.53 ▲ 353.37 NIFTY: 11,029.40 ▲ 103.55 NIKKEI: 20,405.65 ▼ 249.48 HANG SENG: 25,495.46 ▲ 193.18 FTSE: 7,092.60 ▼ 55.28 DAX: 11,455.07 ▼ 37.59

Indian stock, bullion and rupee markets were closed on Thursday on account of Independence Day; International market data till 1900 IST

SECTOR SCAN REINSURANCE

GIC Re increases single property cover to ₹3,500 cr

GEORGE MATHEW
MUMBAI, AUGUST 15

IN A bid to provide larger support to the $5 trillion-bound Indian economy, state-owned reinsurer GIC Re has raised its capacity for a single property cover to Rs 3,500 crore from Rs 2,500 crore in the Indian market. Effectively, it means the GIC Re can now itself through its reinsurance mechanism provide cover up to Rs 3,500 crore to any single asset in the Indian market.

"With our growing financial strength, we have decided to raise our capacity for the Indian market to Rs 3,500 crore in 2019-20. Going forward, this will help us providing reinsurance cover to large Indian companies," said a GIC Re official. The reinsurer has used its new capacity to provide renewal cover to India's largest private sector corporate account — Reliance Industries' refinery and petrochemical plants at Jamnagar and Hazira in Gujarat, during 2018-19. A cluster of international reinsurers led by the Munich Re, the world's largest reinsurer, and GIC Re recently renewed the RIL cover.

From the primary insurers' point of view, New India Assurance — the largest general insurance company — has been the main insurer for the enhanced mega risk policy of RIL. RIL's refinery has the highest asset value at a single location in the world, and is also one of the largest refining complexes, with an aggregate capacity of 1.24 million barrels of oil per day.

Other public sector general insurance companies, such as Oriental Insurance and United India Insurance, also shared the cover with National Insurance Company.

RIL also changed its insurance brokers KM Dastur, which has been the insurance intermediary for the most sought after account in the country and has been replaced by Marsh India, a joint venture between the largest global insurance broker Marsh and a clutch of Indian investors including Sanjay Kedia, who is the CEO of Marsh India.

GIC Re, the 10th largest global insurer, is emerging as a global leader by providing significant support to other large players in the oil and petroleum sector, such as ONGC, Bharat Petroleum, Mangalore Refinery, Indian Oil and Cairn Energy. This practice also applies to infrastructure, airlines, oil and energy risk, exposures and agriculture insurance, or any exposure that goes beyond the balance sheet strength of an insurer.

GIC Re accounted for around 44 per cent of the premiums passed on by Indian insurers to reinsurers during FY19. Its gross premium increased to Rs 44,238 crore, a rise of 6 percent year-on-year (y-o-y). India's largest reinsurer reported a profit of Rs 2,224 crore in FY19, a decline of 31 percent y-o-y. Increase in tax provision on account of change in law impacted the bottom line. Excluding tax, performance was much better with profit before tax down by 6 per cent in FY19.

RENEWAL COVER TO RIL REFINERY

■ GIC Re has used its new capacity to provide renewal cover to India's largest private sector corporate account — Reliance Industries' refinery and petrochemical plants at Jamnagar and Hazira in Gujarat, during 2018-19

■ A cluster of international reinsurers led by the Munich Re, world's largest reinsurer, and GIC Re recently renewed the RIL cover

INDEPENDENCE DAY ADDRESS TO THE NATION

Wealth creators are India's wealth, don't see them with suspicion: PM

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 15

Prime Minister Narendra Modi addresses the nation on the occasion of 73rd Independence Day. *Tashi Tobgyal*

PRIME MINISTER Narendra Modi on Thursday asserted that wealth creators should not be eyed with suspicion and that wealth creation was essential for money to be distributed in the economy.

"Wealth creation is a great national service. Let us never see wealth creators with suspicion. Only when wealth is created, wealth will be distributed. Wealth creation is absolutely essential. Those who create wealth are India's wealth and we respect them," Modi said in his address to the nation on the 73rd Independence Day. Modi's remarks come in the wake of the government's decision to levy a surcharge on HNIs in the budget, which has been seen by industry and the investing community as a dampener to sentiment.

The PM, in his speech, also committed to a five-year vision of investment-led growth, saying a massive Rs 100 lakh crore will be spent on developing infrastructure that will help in achieving the target of $5 trillion economy. He said the fundamentals of the economy are strong and a stable government coupled with predictable policies can become a catalyst including in attracting other nations to invest in India. "We are targeting a $5 trillion economy. Many think it is difficult. But if we don't do difficult things how will we progress?" he asked. "It took 70 years to reach $2 trillion economy size, and in the last one year alone we added $1 trillion. And this gives us confidence that in the next 5 years, we can take it towards $5 trillion," the Prime Minister said.

This goal can be achieved through investing more, particularly, in infrastructure, Modi added. "We have decided to invest Rs 100 lakh crore in developing world-class infrastructure in the country. This investment will be in building roads, railways, airports, ports, hospitals and educational institutions," he said.

He said the world is eager to trade with India. "Over the years we watched people making India a market (for their products). We too should reach the markets of the world. Why can't every district be an export hub?... If we aim for the global markets and make local products attractive, it will give employment to our youth." He saw tourism as a potential for not just propelling the local economy but also for creating jobs. As many as 100 new tourist destinations should be developed while the North East becoming a major tourist hub, he said adding citizens should visit at least 15 tourist destinations within the country by 2022, which will help in expansion of economic activities.

The GST, which subsumed nearly one-and-a-half dozen central and state taxes, brought to life the dream of 'One Nation, One Tax' and the country has also achieved 'One Nation, One Grid' in the energy sector while attempt is being made for 'One Nation, One Mobility Card' for seamless travel across the country, he said.

The government, he said, has scrapped obsolete laws to make it easier to do business in the country and is now targeting a position in top 50 nations on the World Bank's Ease of Doing Business ranking. He, however, wanted businesses to shun cash and go accept only digital payments in an attempt to bring transparency and root out black money. Shops, he said, should put up signs of 'Digital Payment *ko haan, nakad ko na*' (Yes to digital payment, no to cash).

'Red' IL&FS entities account for more than two-thirds of group's overall debt

SUNNY VERMA & SANDEEP SINGH
NEW DELHI, AUGUST 15

OUT OF total debt of more than Rs 89,000 crore held by Indian entities of the IL&FS Group, as much as Rs 61,375.6 crore was held by 82 entities which were not able to meet payments to even senior secured financial creditors. These companies have been classified as 'red' entities by the IL&FS resolution consultant. Red entities are those which cannot meet their respective payment obligations towards even senior secured financial creditors as and when they fall due in the testing period.

Of the total 302 IL&FS entities, 169 are Indian entities carrying total external fund based debt of about Rs 89,246 crore, as per the fifth progress report on the group's resolution process and the way forward, submitted to the Mumbai-bench of the National Company Law Tribunal (NCLT) on Wednesday.

Among the 169 Indian entities, the resolution consultant has classified 158 entities into 'red', 'amber' and 'green' categories — based on a 12-month cash flow based solvency test. Classification for remaining 11 entities is underway.

Green entities are those which are able to meet their financial and operational payment obligations through their operations and existing cash flows. These entities do not rely upon other IL&FS Group entities for any financial support to service its debt obligations.

Amber entities, meanwhile, are those which were unable to meet all their respective obligations — financial and operational — during the testing period but can only meet operational payment obligations and payment obligations to senior secured financial creditors.

The progress report shows that entities classified as red and amber comprise over 87 per cent of the total outstanding debt of over Rs 89,000 crore. Apart from red entities, 13 amber entities carry debt of Rs 16,372.6 crore. A total of 55 entities have been classified as green, which carry debt of Rs 11,022.9 crore.

This reveals the scale of the challenge at the hand of new board of Infrastructure Leasing & Financial Services (IL&FS) which is trying to deal with the mountain of NPAs that has gripped the financial sector through a series of default. The collapse of IL&FS engulfed the entire NBFC sector, leading to a broader slowdown in the economy and forcing the government to supersede its board.

Separately, as per a March 22, 2019 Reserve Bank of India inspection report on IL&FS included in the progress report, the group did not declare bad loans in the four fiscals till March 31, 2018.

The RBI inspection report also found that non-performing assets (NPAs) on IL&FS' books were as high as 70 per cent of its total loans and advances by March 31, 2018. It further noted said that "wide divergences were observed" between the reported and the assessed position of asset classifications and provisions at IL&FS.

"The erstwhile Board failed to exercise oversight over the functions of the entity. They did not monitor the affairs of the downstream entities in which investments were made," RBI said in its report, adding that that serious deficiencies in credit appraisal, and loans were given to unrated or poorly rated borrowers.

As per the progress report, IL&FS has started process of sale of assets, group companies, real estate, cars and other cost cutting measures to put its house in order. For instance, in the case of IL&FS Engineering & Construction Company Ltd, the manpower on rolls of the firm has reduced by 57 per cent from October 1, 2018 till June 30, 2019, leading to 36 per cent reduction in the wage bill. Cost of contract staff was also fell by 90 per cent in the same period.

Across the group, head count decreased by 43 per cent from October 1, 2018 till June 30, 2019, leading to savings of nearly 47 per cent in annualised wage bill, the progress report said, without specifying the number of employees that were laid off.

However, the process for sale in the case of IL&FS Securities Services Ltd (ISSL) was put on hold due to regulatory scrutiny. The group had invited expressions of interest for a potential acquisition of the company on November 13, 2018. "However, the sale process of ISSL was kept on hold inter alia in view of the investigation of Sebi and EoW (Economic Offences Wing) in relation to certain mutual fund units provided as collateral for trades (in Option Contracts) conducted by Allied Financial Services Pvt. Ltd (a client of ISSL)," the report said.

E. EXPLAINED

Question marks over lending practices of financiers

WHILE THE quality of loan book of a finance company is key to its liquidity, it has now come to light that over two thirds of IL&FS debt has been in its group companies that are not in a position to repay their obligations, thereby rendering the lenders at liquidity risk. This not only reflects on financial health of IL&FS group companies but also raises question marks over the lending practices of its financiers.

'Incomplete: ₹1.56 lakh cr worth flats launched in 2011 and before'

Nearly 2.2 lakh housing units, worth ₹1.56 lakh crore, launched in 2011 and before across seven major cities are yet to be completed by real estate developers, property consultant JLL India said

DELHI-NCR REALTORS BIGGEST DEFAULTERS:

Real estate companies of Delhi-NCR are biggest defaulters as their contribution in delayed housing units accounts for:

71 % in volume terms

56 % in value terms

ANAROCK'S APRIL REPORT:

In April this year, property consultant Anarock came out with a report on housing units launched in 2013 and before in these seven cities, which were running behind delivery timelines:

5.6 LAKH housing units

₹4.5 LAKH CR in value

5 lakh
Number of customers affected across India due to delayed projects

City	No. of delayed units	Value
Delhi-NCR	1,54,075 units	Rs 86,824 crore
Mumbai	43,449 units	Rs 56,435 crore
Chennai	8,131 units	Rs 4,474 crore
Bengaluru	5,468 units	Rs 2,768 crore
Pune	4,765 units	Rs 3,718 crore
Hyderabad	2,095 units	Rs 1,297 crore
Kolkata	384 units	Rs 288 crore

HOUSING DELAYS IN VARIOUS CITIES:

Status of delays in real estate projects in the 7 cities

2,18,367
housing units delayed and at various stages of completion

30,000
units confirmed to be scrapped among the nearly two lakh units

₹1,55,804 CR
value of delayed units

CAUSE OF SLOWDOWN
Significant delay in giving possession of apartments to homebuyers is a reason for demand slowdown

United States 30-year Treasury yields drop below 2%

GERTRUDE CHAVEZ-DREYFUSS
NEW YORK, AUGUST 15

US 30-YEAR Treasury yields fell to a record low below 2 per cent and benchmark 10-year notes dropped to a three-year trough on Thursday amid persistent worries about global trade tensions and economic slowdowns around the world

A day after inverting, the US yield curve steepened a little. Curve inversion, which occurs when long-term yields dip below short-term ones, is widely considered a warning that the economy is headed for recession.

"I don't think we have seen a bottom in yields yet. We'll likely have a reaction from the Federal Reserve at the next meeting," said Gary Pzegeo, head of fixed income at CIBC Private Wealth Management, in Boston. "That could be something that fuels further moves lower in parts of the yield curve depending on how aggressive a stance they take."

Data showing US retail sales increasing by more than expected last month pushed yields a little higher from their lows. The retail numbers suggested fairly robust consumer spending that should help ease worries about a potential US Recession.

US retail sales rose 0.7 per cent in July. Economists polled by Reuters had forecast retail sales would rise 0.3 per cent. Excluding automobiles, gasoline, building materials and food services, retail sales jumped 1.0 per cent last month after advancing by an unrevised 0.7 per cent in June.

Other economic reports were not so upbeat, with initial jobless claims worse than expected and the Philadelphia Federal Reserve business conditions data having mixed details. But the market's focus has been on retail sales.

In morning trading, yields on the US benchmark 10-year Treasury note were last down at 1.558 per cent, from 1.581 per cent late on Wednesday. Yields on 30-year bonds, which fell earlier from record lows at 1.941 per cent, were last at 2.0 per cent from 2.027 per cent on Wednesday. **REUTERS**

UK 30-year bond yields fall below 1% for first time on record

London: British 30-year government bond yields fell below 1 per cent for the first time on record on Thursday, after investors flocked into safe fixed-income assets on growing fears of a global recession.

Lower bond yields reduce cost of new government borrowing, but also act as a signal that financial markets expect slower growth and cuts in Bank of England interest rates.

Yields on 30-year gilts hit a low of 0.988 per cent at 1139 GMT, down 8 basis points on the day, and remained around 1 per cent at 1400 GMT. Ten-year and 20-year gilt yields also hit record lows of 0.414 per cent and 0.85 per cent respectively. **REUTERS**

BRIEFLY

RCEP nations' officials meet next week

New Delhi: Senior officials of 16 countries that are negotiating the mega free trade agreement Regional Comprehensive Economic Partnership (RCEP) will meet next week in Indonesia to iron out differences in areas such as goods and services, an official said Thursday. **PTI**

Vistara FY19 net losses nearly double

New Delhi: Net losses at Tata Sons and Singapore Airlines joint venture Vistara nearly doubled to Rs 831 crore in 2018-19 due to costlier fuel and weaker rupee. **FE**

China to counter latest US tariffs as Trump vows deal on America's terms

REUTERS
BEIJING/WASHINGTON, AUGUST 15

CHINA ON Thursday vowed to counter the latest U.S. tariffs on $300 billion of Chinese goods but called on the United States to meet it halfway on a potential trade deal, as U.S. President Donald Trump said any pact would have to be on America's terms.

The Chinese finance ministry said in a statement that Washington's tariffs, set to start next month, violated a consensus reached between Trump and Chinese President Xi Jinping at a June summit in Japan to resolve their disputes via negotiation.

In a separate statement, China's foreign ministry spokeswoman, Hua Chunying, said, "We hope the U.S. will meet China halfway, and implement the consensus of the two heads of the two countries in Osaka."

China hopes to find mutually acceptable solutions through dialogue and consultation on the basis of equality and mutual respect, she added.

Manufacturing output in July falls 0.4% in US

Washington: U.S. manufacturing production dropped in July, ending a run of two months of growth. The Federal Reserve Thursday said manufacturing output shrank 0.4 per cent in July.

Overall industrial output was down 0.2 per cent in July, after analysts had anticipated a 0.1 per cent gain. The data may add to concerns about the U.S. factory sector strength amid worries about a slowing global economy. The July decline was the largest since April. **REUTERS**

Oil slides more than 1% over recession fears; stocks under pressure

REUTERS
NEW YORK, AUGUST 15

OIL PRICES fell over 1 per cent Thursday, extending the last session's 3 per cent drop, pressured by mounting recession concerns and a surprise boost in U.S. crude inventories. In a sign of investor concern that the world's biggest economy may be heading for recession, weighing on oil demand, U.S. Treasury bond yield curve inverted on Wednesday.

China's threat to impose counter-measures in retaliation for the latest U.S. tariffs on $300 billion of Chinese goods also weighed on oil prices.

Brent crude fell as much as $1.81, or 3 per cent, to $57.67 a barrel. The international benchmark was $1.23, or 2.1 per cent, lower at $58.25 and West Texas Intermediate (WTI) crude lost 75 cents, or 1.4 per cent, to $54.48 by 12:32 p.m. ET (1632 GMT)

"Oil is getting whacked again as risk-aversion again kicks in and fears of a trade war inflicted slowdown grip traders. WTI had enjoyed a decent rebound over the last week but failed at the first hurdle, running into resistance around the mid-July lows before plunging once again," said Craig Erlam, analyst at OANDA.

Meanwhile, a gauge of global equity performance edged lower on Thursday as concerns about global growth offset investor optimism over a surge in US retail sales last month. MSCI's gauge of stocks across the globe shed 0.28 per cent, while the pan-European STOXX 600 index closed down 0.3 per cent. Stocks on Wall Street trended lower after earlier gains. The Dow Jones Industrial Average fell 8.38 points, or 0.03 per cent, to 25,471.04. The S&P 500 gained 1.73 points, or 0.06 per cent, to 2,842.33 and the Nasdaq Composite dropped 14.23 points, or 0.18 per cent, to 7,759.71.

'WTO to rule on India sugar export subsidies'

REUTERS
GENEVA, AUGUST 15

THE WORLD Trade Organization (WTO) set up panels on Thursday to rule on complaints by Australia, Brazil and Guatemala against India's export subsidies for sugar and sugarcane producers which they assert are illegal, a trade official said. The decision was automatic upon the complainants' second request at a closed-door meeting of the WTO's Dispute Settlement Body (DSB).

India will keep its sugar export subsidies despite complaints to the WTO from rival producers, though it will tweak how it provides them, four sources directly involved in the matter said told *Reuters* in Mumbai last month.

Meanwhile, WTO also dispute panel requested on Thursday by China to rule on U.S. safeguard duties imposed on imports of solar cells, a Geneva trade official said.

The decision, automatic upon its second request at a meeting of the WTO's DSB, came as the two countries seek a major trade deal to calm simmering tensions.

China charges that the U.S. measure, in the form of a tariff-rate quota on imports of solar cells and a rise in duties on imports of modules, violates WTO rules.

Fall in quarterly trade growth indicator

Geneva: The WTO said Thursday that its latest economic barometer showed that growth in merchandise trade was likely to weaken further in the third quarter.

Its quarterly trade growth indicator showed growth in global goods trade was likely to weaken, with a reading of 95.7. In its previous quarterly report in May, WTO said growth would likely be weak, at 96.3. A below-100 score indicates below-trend growth. **REUTERS**

Investment of ₹83,000 crore in 25 projects: ONGC CMD

PRESS TRUST OF INDIA
NEW DELHI, AUGUST 15

ENERGY MAJOR Oil and Natural Gas Corp (ONGC) is investing around Rs 83,000 crore in 25 major projects to boost oil and gas production, which has stagnated over last years, its chairman and managing director Shashi Shanker said on Thursday.

Addressing ONGC employees on the 73rd Independence Day, he said: "15 of these projects currently under execution will directly contribute to oil and gas production."

"The cumulative oil and gas gain from these projects is expected to be over 180 million tonne of oil and oil equivalent gas in their life cycle," he said.

The firm produced 24.23 million tonne of crude oil in the 2018-19 fiscal year and 25.81 billion cubic metres of natural gas from its domestic fields.