GOLD ₹36,807 | RUPEE ₹70.81 | OIL $59.86 | SILVER ₹43,020

*Indian basket as on August 5, 2019

SENSEX: 36,976.85 ▲ 277.01 NIFTY: 10,948.25 ▲ 85.65 NIKKEI: 20,585.31 ▼ 134.98 HANG SENG: 25,976.24 ▼ 175.08 FTSE: 7,229.75 ▲ 5.90 DAX: 11,722.63 ▲ 64.12

International market data till 1900 IST

POLICY WATCH

CHANGE IN KASHMIR STATUS

Stock build-up: Sharp increase in foodgrain supply to J&K in April-June

ANIL SASI
NEW DELHI, AUGUST 6

SINCE APRIL, the government has been steadily ramping up foodgrain despatches to Jammu and Kashmir to levels much higher than the state's monthly requirements. This build up in the food stock position in the state, which has resulted in the stock position of Jammu and Kashmir going up from 1.53 LMT (lakh metric tonnes) in May 2019 to 1.79 LMT as on July 15 — 2.75 times J&K's monthly requirement — is indicative of the preparedness for an extended shutdown.

The monthly requirement of J&K is 62,590 MT. During April 2019 to June 2019, a quantity of 2.77 LMT was dispatched to the J&K region, with this buildup being in addition to the release of stocks under various government schemes.

The official position is that the buildup is part of a "continuous effort" to step up the stocks of foodgrains in Jammu & Kashmir. A query sent to the office of the Secretary, Ministry of Consumer Affairs, Food and Public Distribution on the specific reasons for the move did not elicit a response.

Food grain stocking norms are applicable on the level of stocks in the government's 'central pool' that is sufficient to meet the operational requirement of foodgrains and exigencies at any point of time.

Current stocking norms, fixed by the government in January 2015, comprise two parts — operational stocks for meeting monthly distributional requirement under the Targeted Public Distribution System and other welfare schemes, and the food security stocks for meeting shortfall in procurement. Stocking norms are applicable for a quarter and consist of operational stock for the three months and strategic reserve to take care of shortfall in production or natural calamities.

Officials indicated that "despite unfavourable circumstances, efforts have been made to ensure that adequate foodgrain stocks are sent to J&K". The J&K government had implemented the National Food Security Act (NFSA), 2013 with effect from February 2016, consequent to which, an annual allocation of 4.77 LMT of foodgrain — comprising 1.41 LMT of wheat and 3.36 LMT of rice — was made to the state government. In addition, an annual tide-over allocation of 80,820 MT of wheat and 1.92 LMT of rice had also been made to protect average annual offtake of foodgrain of last three years before the NFSA came into effect.

The government's overall grain inventory too has built up due to record production and procurement in the last few years. The reserves currently with the Food Corporation of India (FCI) are about twice the required level of 411 LMT as on June 1.

According to government estimates, against total stocks of 741.41 LMT (as on June 1), the total storage capacity available with FCI, Central Warehousing Corporation and state agencies (both owned and hired capacity) is 862.45 LMT (as on May 31, 2019).

2.75 TIMES J&K'S MONTHLY NEED

- The stock position of J&K went up from 1.53 LMT (lakh metric tonnes) in May 2019 to 1.79 LMT as on July 15 — 2.75 times J&K's monthly requirement
- The official position is that the buildup is part of a "continuous effort" to step up the stocks of foodgrains in Jammu & Kashmir
- A query sent to the office of the Secretary, Ministry of Consumer Affairs, Food and Public Distribution on the specific reasons for the move did not elicit a response

COMMITMENTS OF $250 MN EACH IN MASTER FUND

NIIF gets $2-bn boost from Canadian, Australian funds

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 6

THE NATIONAL Investment and Infrastructure Fund (NIIF) on Tuesday said Australia's largest superannuation fund AustralianSuper and Canada's Ontario Teachers' Pension Plan have each signed agreements to invest up to $1 billion with the NIIF Master Fund. The agreements include commitments of $250 million each in the Master Fund and co-investment rights of up to $750 million each in future opportunities alongside the Fund, NIIF said in a statement.

"This marks the third close of the NIIF Master Fund. AustralianSuper and Ontario Teachers' will now join the Government of India (GOI), Abu Dhabi Investment Authority (ADIA), Temasek, HDFC Group, ICICI Bank, Kotak Mahindra Life Insurance and Axis Bank as investors in the Fund," it said.

The NIIF invests in equity capital in the country's core infrastructure sectors with a focus on transportation, energy and urban infrastructure.

AustralianSuper and Ontario Teachers' will also become shareholders in National Investment and Infrastructure Fund Ltd, NIIF's investment management company. Domestic investors HDFC Life and Kotak Mahindra Life Insurance have further committed Rs 60 crore in the third round.

"With this, NIIF Master Fund becomes the largest infrastructure fund in India with assets under management of over $1.8 billion and a co-investment pool of $2.5 billion, which will enable the Fund to invest at the scale required for the large infrastructure requirements in India," it said. The Master Fund has a tenure of 15 years and is denominated in the Indian rupees to provide long term funding in the infrastructure sector.

NIIF was set up in December 2015 to catalyse funding into the country's core sector. It has a targeted corpus of Rs 40,000 crore to be raised over the years — 49 per cent of which will be funded by the government at any given point of time. The remaining 51 per cent of the corpus is to be raised from domestic and global investors, including international pension funds, sovereign wealth funds, multilateral/bilateral investors.

NIIF Managing director and chief executive officer Sujoy Bose said, "AustralianSuper and Ontario Teachers' are among the most respected infrastructure investors in the world and bring considerable global perspective and value to NIIF. Their significant investments demonstrate the international interest in Indian infrastructure and reconfirms the many strengths of NIIF, which positions it as one of the primary Indian pooling vehicles for global capital."

Dale Burgess, senior managing director (infrastructure and natural resources) of Ontario Teachers', said, "NIIF's investment strategy aligns with the long-term and partner-oriented investing approach, we have successfully used in other regions."

Mark Delaney, chief investment officer with AustralianSuper, said India's burgeoning infrastructure market is among the largest in Asia, which presents many opportunities for investment and a strong pipeline of investible projects.

NIIF was registered with the Securities and Exchange Board of India as a Category II Alternate Investment Fund on December 28, 2015. The fund has been set up as a fund of funds structure with an aim to generate risk-adjusted returns for its investors alongside promoting infrastructure development.

Apart from the Master Fund, the Green Growth Equity Fund (GGEF) is the first investment of NIIF's Fund of Funds. NIIF and the UK Government have committed GBP 120 million each into the Fund. NIIF also has investment in the ports, logistics and real estate sectors, among others. As per government estimates, India requires Rs 20 lakh crore worth of investments in the infrastructure sector each year.

EXPLAINED

Fresh investments timely as ₹20 lakh crore needed for infra each year

THE NATIONAL Investment and Infrastructure Fund (NIIF), co-owned by the government and private sector, securing long term funding from Australian and Canadian retirement and pension funds comes at critical time as the economy is generally facing funding shortage for the private sector.

Fresh investment in the NIIF, which was set up in 2015 to catalyse long term investments, will significantly help improve financing, as India requires Rs 20 lakh crore worth of investments in the infrastructure sector each year.

Despite lockdown, steady air passenger movement continues in and out of J&K

PRANAV MUKUL
NEW DELHI, AUGUST 6

NOTWITHSTANDING A lockdown in the Kashmir Valley and the situation in the erstwhile state of Jammu and Kashmir following the Centre's announcement of modifying Article 370 of the Constitution on Monday, air travel from Delhi to airports such as Srinagar, Jammu and Leh saw significant passenger loads during the day on the sectors both way.

While a senior executive at a private airline said that no discernible impact was witnessed on passenger loads, an Air India official said that its Delhi-Srinagar direct flight operated with around 65 per cent load factor on Monday. The return leg of the flight was 98 per cent full.

Following an advisory by the J&K government last week asking tourists to leave the Kashmir Valley region in light of intelligence inputs of a potential terror threat, air fares on the Srinagar-Delhi sector had skyrocketed. However, later the fares remained subdued as private airlines implemented a cap of Rs 10,000 on the sector. Flag-carrier Air India said it would hold maximum fare on the route at Rs 6,715 till August 15. For Wednesday's flights on the route, the cheapest one-way fare amounted to Rs 2,384.

According to an Air India official, load factors for the airline's flights across three airports were high on Monday with even Delhi-Leh and Leh-Delhi flying with 95% bookings

The Air India official said that load factors for the airline's flights across three airports remained high on Monday with even Delhi-Leh and Leh-Delhi flying with 95 per cent bookings. An official at a low-cost airline said that more than half of bookings for its flights on Monday and Tuesday out of Srinagar happened on the spot at the airport as a communication blackout prevented passengers from booking it online. One airline had to ferry airport staff from Delhi to keep its operations running given that a curfew prevented its local employees in Srinagar from turning up for work.

On Saturday, a day after the advisory was issued, over 6,000 passengers at Srinagar airport were flown out by the airlines through 29 scheduled flights as well as four Indian Air Force flights. On Wednesday, 30 flights are set to operate out of Srinagar.

'Demand slowdown to hit tyre industry growth'

According to ratings agency Icra, demand slowdown will curtail the tyre industry's revenue growth to 3-4 per cent in 2019-20, and margins are expected to decline

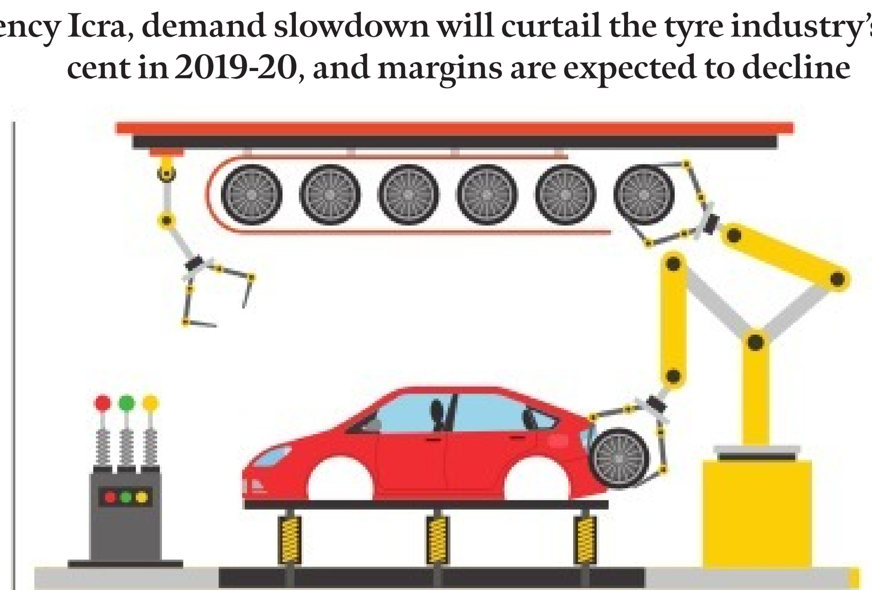
3-4%
Estimated revenue growth of tyre industry in FY20

6-8%
Projected revenue growth of tyre industry in the period FY20-24

12-13%
Projected operating margins

4.5%
Projected net margins

3-4%
Estimated growth of domestic tyre demand in terms of volume in FY20, as against 6.7 per cent in FY19



FACTORS AFFECTING REVENUE GROWTH IN FY2020
- Modest growth in original equipment tyre demand
- Sluggish demand for automobiles

REVENUE GROWTH IN PREVIOUS FISCALS
12 PER CENT IN FY18
14 PER CENT IN FY19

FACTORS WEAKENING CREDIT PROFILE IN FY2020
- Ongoing slowdown in domestic automotive industry
- Rising input cost
- Higher spend towards debt-funded capacity expansion

WEAK DEMAND GROWTH IN FY2020
- Subdued vehicle production due to weak sentiments
- Rising cost of vehicle ownership
- Softened rural demand

DHFL proposes moratorium on repayment, says no haircut for banks

ENS ECONOMIC BUREAU
MUMBAI, AUGUST 6

CASH-STARVED DEWAN Housing Finance Corporation (DHFL) on Tuesday said its lenders would not have to take any haircuts on principal payments under its resolution plan and proposed a moratorium on repayments.

The company which has around Rs 1 lakh crore of debt is in the process of seeking lender approval on a restructuring to ride out a liquidity crunch and restart its lending business. DHFL shares soared 32 per cent to Rs 55.40 on the BSE on Tuesday.

In a separate exchange filing, DHFL said its auditor Deloitte, Haskins & Sells LLP had resigned, citing irregularities in DHFL's financial statements for the year ended March 2019. DHFL recently filed its long-delayed audited results for the quarter ended March 2019 and revealed a huge loss of Rs 2,223 crore and stated that its auditors had raised red flags.

The company on Tuesday said there's no principal haircuts to any creditors and proposed steps and measures towards addressing asset-liability mismatch and moratorium on repayments. It owes over Rs 35,000 crore to banks. The company said it's "seeking funding from banks and the National Housing Bank (NHB) for starting the retail funding activity". While moratorium involves temporary suspension or postponement of repayment to the lenders, haircut means the percentage of reduction in the value of asset or principal loan. According to the exchange filing, the special committee for the resolution plan, which met on Tuesday, took on record the draft resolution plan formulated by the company in consultation with the committee and EY. The special committee has approved the submission of the resolution plan to the lenders.

On the auditor's resignation, DHFL said the Deloitte move is "in view of the matters stated in the Disclaimer of Opinion in the financial statements of the company for the year ended on March 2019 and its consequential effect on reporting under the Companies Act, 2013, their firm's policy on client acceptance and continuation does not permit them to continue as statutory auditors of the company". "The company is in discussion with leading reputed audit firms for appointment as statutory auditors subject to necessary approvals by the audit committee of the board and the shareholders," DHFL said. The company, in a statement issued on Monday, said it expects to "restart business in August 2019".

DHFL said its auditor Deloitte, Haskins & Sells LLP had resigned, citing irregularities in firm's financial statements for year ended March 2019

BP, RIL plan fuel retailing joint venture

ENS ECONOMIC BUREAU
MUMBAI, AUGUST 6

BRITISH MULTINATIONAL BP and Reliance Industries Limited (RIL) have proposed to form a new joint venture that will include a retail service station network and aviation fuels business across India. RIL and BP's venture will incorporate and build on RIL's current fuel retailing network of over 1,400 sites across India, which the partners aim to grow rapidly to up to 5,500 sites over the next five years.

The partners have agreed to set up a new joint venture company, held 51 per cent by RIL and 49 per cent by BP, that will assume ownership of RIL's existing Indian fuel retail network and access its aviation fuel business. "It is anticipated that final agreements will be reached during 2019 and, subject to regulatory and other customary approvals, the transaction will be complete in the first half of 2020," RIL said in a statement.

Building on Reliance's existing Indian fuel retailing network and an aviation fuel business, the two firms have proposed to expand rapidly to help meet the country's fast-growing demand for energy and mobility. RIL chairman Mukesh Ambani said: "Our robust partnership in developing gas resources in India has now expanded to fuel retailing and aviation fuels. This transformative partnership will deepen our engagement with the consumers in further enhancing the world-class services across the country." The venture will seek to expand its reach, broadening access through mobile fuelling units and providing packaged fuels to customers, including home-delivery, RIL said.

"... Together we will work to provide consumers across India the high-quality fuels, convenience retail and services they need, ...," said Bob Dudley, group chief executive of BP.

TO ASSUME OWNERSHIP OF RIL'S FUEL RETAIL NETWORK

- The partners have agreed to set up a new joint venture company, held 51% by Reliance Industries and 49% by BP, that will assume ownership of RIL's existing Indian fuel retail network and access its aviation fuel business
- The venture will seek to expand its reach, broadening access through mobile fuelling units and providing packaged fuels to customers, including home-delivery, Reliance Industries said

Affiliates of Singapore's GIC set to invest up to ₹4,400 cr in IRB Infra

ENS ECONOMIC BUREAU
MUMBAI, AUGUST 6

AFFILIATES OF Singapore's sovereign wealth fund GIC will invest up to Rs 4,400 crore in road assets of IRB Infrastructure Development. Nine of IRB's build-operate-transfer (BOT) assets will be transferred to a private infrastructure investment trust (InVIT) in which it will hold a 51 per cent controlling stake, the firm said in a press release.

The net revenue of the portfolio in 2018-19 was around Rs 630 crore and on completion of construction, the enterprise value of the portfolio is estimated at Rs 22,500 crore, the release said.

The portfolio spans across around 1,200 km across Haryana, Uttar Pradesh, Rajasthan, Gujarat, Maharashtra and Karnataka. Three of the nine projects are operational and the remaining six are at various stages of construction. Five of the assets under construction are four-to-six laning projects, where tolling as well as construction has already begun. **FE**

US DESIGNATES CHINA AS CURRENCY MANIPULATOR

Trump shrugs off trade war concerns; China warns of market chaos

REUTERS
WASHINGTON/BEIJING/SHANGHAI, AUGUST 6

US PRESIDENT Donald Trump on Tuesday dismissed concerns over a protracted trade war with China, as Beijing warned that Washington's decision to label it a currency manipulator would lead to chaos in financial markets.

Trump, who announced last week he would slap a 10 per cent tariff on a further $300 billion in Chinese imports starting September 1, said investment was pouring into the US economy. He also pledged to stand with American farmers in the face of Chinese retaliation.

China has halted US agricultural purchases and raised the specter of additional tariffs on US farm products.

While Trump played down the prospects of the trade dispute being drawn out, St. Louis Federal Reserve Bank President James Bullard said the US central bank may be stuck with a volatile global trade environment for years.

Ratcheting up the pressure on China, the US Treasury Department said on Monday it had determined for the first time since 1994 that Beijing was manipulating its currency.

The move followed China's decision to let the yuan fall below the key seven-per-dollar level for the first time in more than a decade, rattling financial markets and dimming hopes for an end to a trade war that has dragged into a second year. China's central bank said on Tuesday that Washington's currency move would "severely damage international financial order and cause chaos in financial markets," while preventing a global economic recovery.

China "has not used and will not use the exchange rate as a tool to deal with trade disputes," the People's Bank of China (PBOC) said in the country's first official response to the latest US salvo.

"China advised the United States to rein in its horse before the precipice, and be aware of its errors, and turn back from the wrong path," it said. The Trump administration wants to continue trade talks with China and is still planning to host a Chinese delegation for further talks in September, Larry Kudlow, director of the White House National Economic Council, told *CNBC* on Tuesday.

A money exchange shop decorated with banknotes of different countries at Central, a business district in Hong Kong. *AP*

'China warns India of reverse sanctions if Huawei is blocked'

SANJEEV MIGLANI & NEHA DASGUPTA
NEW DELHI, AUGUST 6

CHINA HAS told India not to block its Huawei Technologies from doing business in the country, warning there could be consequences for Indian firms operating in China, sources with knowledge of the matter said.

India is due to hold trials for installing a next-generation 5G cellular network in the next few months, but has not yet taken a call on whether it would invite the Chinese telecoms equipment maker to take part, Telecom Minister Ravi Shankar Prasad has said. Huawei, the world's biggest maker of such gear, is at the centre of a geopolitical tug-of-war between China and the United States. US President Donald Trump's administration put the company on a blacklist in May, citing national security concerns. It has asked its allies not to use Huawei equipment, which it says China could exploit for spying.

Two sources privy to internal discussions in New Delhi said India's ambassador in Beijing, Vikram Misri, was called to the Chinese foreign ministry on July 10 to hear China's concerns about the US campaign to keep Huawei out of 5G mobile infrastructure worldwide. During the meeting, Chinese officials said there could be "reverse sanctions" on Indian firms engaged in business in China should India block Huawei because of pressure from Washington, one of the sources said, citing a readout of the ambassador's meeting. The Indian foreign ministry did not respond to a request for comment. China's foreign ministry also did not respond to a Reuters request for comment on the matter.

Indian companies have a far smaller presence in China than other major economies. But firms including Infosys, TCS, Dr Reddy's Laboratories, Reliance Industries and Mahindra & Mahindra have a foothold there. **REUTERS**