



GOLD

₹38,860



RUPEE

₹71.60



OIL

\$59.35



SILVER

₹47,957

Indian basket as on September 13, 2019

SENSEX: 37,123.31 ▼ 261.68 NIFTY: 11,003.50 ▼ 72.40 NIKKEI: 21,988.29 ▲ 228.68 HANG SENG: 27,124.55 ▼ 475.38 FTSE: 7,356.46 ▼ 11.00 DAX: 12,405.63 ▼ 62.90

International market data till 1900:01

SECTOR WATCH
REAL ESTATE

Housing fund to provide equity, debt support to stuck projects

SUNNY VERMA & SANDEEP SINGH

NEW DELHI, SEPTEMBER 16

THE GOVERNMENT will set up the Rs 20,000 crore fund to provide last mile funding to the stuck housing projects on the lines of the National Investment and Infrastructure Fund (NIIF).

The fund will be professionally managed by experts who will examine the projects that can get funding. Domestic institutions as well as global wealth funds, sovereign funds will be invited to participate as equity partners in the fund. Sources said prior to investment in the stuck project, the Fund would require the existing bankers to the project to enter into an Inter-Creditor Agreement (ICA) that will safeguard the interests of the lenders. The proposed housing fund will provide equity, quasi equity, structured debt and secured loans to projects across the country.

While the projects that have not turned into non-performing assets and are not under NCLT will benefit, analysts note that most stressed projects will not get any funding support.

Only those projects that have a positive net worth, where construction is 60 per cent complete, and belong to the affordable and mid income category, stand to benefit from the fund. Out of total 8.5 lakh dwelling units that are stuck around the country for want of resources, the proposed Fund could potentially benefit 3.5 lakh dwelling units across the country, as per the Finance Ministry estimates.

The proposed Fund will be set up as a Category II Alternative Investment Fund registered with the Securities and Exchange Board of India. Real estate funds, private equity funds, funds for distressed assets are typically registered as Category II AIFs. These funds do not take borrowings or leverage except for meeting day-to-day operational requirements.

"This funding for non-NPA and NCLT projects would not only arrest the rise of NPAs but

TO BE MANAGED BY EXPERTS

The fund will be professionally managed by experts who will examine the projects that can get funding

Domestic institutions as well as global wealth funds, sovereign funds will be invited to participate as equity partners in the fund

also reduce the NCLT & RERA (Real Estate Regulation and Development Act) complaints overall. This is what will provide relief to the customers and help restore confidence in the housing sector. The housing sector requires funding of over Rs 300,000 crore and this decision is the first step to infuse liquidity in the sector," said Sanjay Dutt, MD & CEO, Tata Realty & Infrastructure Ltd.

According to PropEquity while there are approximately 13.8 lakh units in the mid to affordable category that are approximately 60 per cent complete and due for completion in the next 2 years, around 7.4 lakh units are stressed and in need of aid. The report said that while around Rs 90,000 crore fund is required for a total of 7.4 lakh units that are stressed, the current fund allocation when fully utilised will aid in completing approximately 1.6 lakh units, of which approximately 55 per cent are sold/absorbed. "This translates to approximately 91,000 units bought by consumers getting relief," said the PropEquity report.

Even Pankaj Kapoor, founder and MD of Liasies Foras Real Estate Rating & Research said that according to estimates, around 60,000 units may benefit from this decision. "As per our study, majority of the funding is required by projects that are at around 25 per cent completion stage. As per our estimates, around 50,000-60,000 will be eligible from this kind of funding from the government," said Kapoor.

SENSEX DOWN 262 POINTS

Rupee slides 68 paise against USD on spike in global oil prices

ENSECONOMIC BUREAU
MUMBAI, SEPTEMBER 16

THE RUPEE on Monday plunged by 68 paise to 71.60 against the US dollar as crude prices soared 20 per cent following drone attacks on Saudi Arabia's oil facilities.

The currency opened lower at 71.54, then fell to a low of 71.63 during the day and finally closed at 71.60, down 68 paise over its previous close as the rise in oil prices hit the forex market sentiment. The rupee had settled at 70.92 against the US dollar on Friday. On the other hand, despite the government announcing a package for the real estate and export sector, stock markets registered their worst fall in over two weeks. The BSE benchmark Sensex fell 262 points, or 0.70 per cent, lower at 37,123.31 after plunging about 356 points in in-

EXPLAINED
E. Instability in oil prices may trigger currency volatility, inflation rise

WHILE CRUDE price stability has been a big comfort for the Indian economy over the last few years, a sudden spike in the prices on Monday following drone attacks on Saudi Arabia's oil facilities may hurt the economy in terms of widening of current account deficit, currency volatility and domestic inflation.

tra-day trade. Likewise, the broader NSE Nifty closed 79.80 points, or 0.72 per cent, down at 10,996.10.

Pushkar Mukewar, co-founder and co-CEO of Drip Capital said, "If production is not resumed soon, such a rise could hurt the global economy as consumer costs will

also go up. This will definitely affect India, where the economy is already stressed."

Finance Minister Nirmala Sitharaman on Saturday unveiled measures for exporters and the real estate sector, including setting up of a stressed asset fund, as part of efforts to boost economic

growth from a six-year low. However, geo-political tensions diverted the attention of investors from the government measures.

Vinod Nair, head of research, Geojit Financial Services, said, "The third stimulus package did not enthrone the market given the lagging benefit to export and housing segment by the end of the fiscal year. The sudden jump in crude prices developed concern over higher inflation and ability of the RBI to cut interest rate in the future..."

Shares of oil and gas companies HPCL, BPCL, IOC, Castrol India and Reliance Industries plunged as much as 7 per cent. Stocks of aviation firms SpiceJet, InterGlobe Aviation and Jet Airways also fell up to 3.95 per cent. Top losers in the Sensex pack included M&M, SBI, Yes Bank, Asian Paints, HDFC, Tata Steel and L&T, all shedding up to 2.55 per cent.

Impact of oil price rise on Indian economy

Even as the oil markets await further updates on the resumption of supplies from Saudi Arabia, oil prices are expected to factor in sizeable geo-political risk premium, which will be negative for Indian consumers in short term

THE IMPACT, though, is unlikely to be extended. For now Saudi Arabia has assured India that there would be no loss of supply though a delayed restoration of the damaged facilities may however trigger a search for alternative supplies. India is already trying to restore the loss supply of oil from Iran which has led to a decline in crude processing of refiners by 2.3% and increase in the import of petrol and diesel by 298% and 363.5% respectively

CONSIDERING THAT India imported more than 80% of its oil requirements, a price increase is bad news. Higher petroleum products prices are expected to modestly impact the demand growth of petroleum products over the near to medium term.

Industrial consumers may face pressure on the profitability with rise in input prices of crude derivatives besides possible increase in power and fuel cost

IMPACT IS to be felt in terms of trade deficit, on markets, Indian basket of crude oil prices and exchange rate, according to CARE Ratings

CRUDE OIL and its products have a weight of 10.4% in the WPI. Of this, crude oil and natural gas have a weight of 2.4% and mineral oils around 8%. With the exception of LPG and kerosene (with combined weight of 0.83%), the rest would be driven by market forces. Therefore, any rise in crude oil price would tend to impact WPI inflation number commensurately

GOVT CONDEMNS ATTACKS

"We condemn the attacks of September 14, 2019 targeting Abqaiq oil processing facility and Khurais oil field in Saudi Arabia. We reiterate our resolve to oppose terrorism in all its forms and manifestations"

RAVEESH KUMAR, OFFICIAL SPOKESPERSON, MINISTRY OF EXTERNAL AFFAIRS

IN TERMS of the CPI, fuel related items have a weight of nearly 2.7-2.8% directly. Increase in the crude oil prices will impact the WPI more than the CPI

FOR THE upstream sector, an increase in crude oil prices is credit positive as their realisations and cash accruals will increase. As per ICRA's estimates, till an Indian Basket crude price of -\$US70-75/bbl, the PSU upstream companies may not have to bear material under-recoveries. The refiners are expected to benefit from inventory gains in the short-term due to increase in crude oil prices

SAUDI ARABIA holds oil in tanks within the kingdom itself, and has created 3 strategic locations around the world: Rotterdam in the Netherlands, Okinawa in Japan, and Sidi Kerir on the Mediterranean coast of Egypt



Smoke rises from an Aramco facility in Abqaiq, Saudi Arabia on September 14. Reuters File Photo

Working towards early resolution of many US-India trade issues: Goyal

ENS ECONOMIC BUREAU

NEW DELHI, SEPTEMBER 16

AMID SPECULATION that India and the US may sign a trade package for reciprocal market access during Prime Minister Narendra Modi's Houston visit, Commerce Minister Piyush Goyal said the two countries are aiming for an "early resolution" to "many" issues. However, he did not confirm whether a definite deal would be announced during the visit on Sunday.

"We are in continuous dialogue for the last several months with the United States and we are working towards an early

resolution of many of those issues. Whether that deal will be announced, that is up to the honourable Prime Minister and the (US) President to decide," Goyal told reporters during a briefing Monday.

The minister said the two countries were yet to "firm up" specifics of their discussions, which may be finalised when the Prime Minister and US President Donald Trump meet during an event organised by the Indian American community in Texas.

The two are expected to jointly address the event, also known as 'Howdy Modi'. "But we have an open mind. We are



looking at several sectors," said Goyal.

This comes after months of discussions between the two

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PIYUSH GOYAL, COMMERCE MINISTER

countries to quell trade tensions that have been building up over the last two years. Talks between the two leaders in June had cul-

minated in them instructing their trade teams to resume discussions and work towards addressing trade concerns. The package follows from a decision in July for India and the US to work towards "mutually beneficial" outcomes aimed at addressing mutual trade concerns and growing economic relations between the two countries.

The US last year hiked tariffs on its steel and aluminium imports, a move that hit Indian exports and prompted it to approach the World Trade Organisation's (WTO) dispute settlement body.

Meanwhile, the US raised issues with India's moves to slash

the maximum retail prices of essential medical devices and demands that dairy product exporters certify their produce was derived from animals not fed food containing internal organs.

Trump has long been critical of Indian tariffs on products like Harley Davidson motorcycles, at one point even calling the country a "tariff king". His administration claimed India's decisions, including its tariffs on information and communication technology products, were preventing "equitable and reasonable" access to its markets.

In June, the US withdrew duty-free benefits accorded to India under the country's

Generalised System of Preferences Programme (GSP), disrupting earlier discussions for a potential trade package. With exports worth over \$6.3 billion under GSP in 2018-19, India was the largest beneficiary of the scheme. India retaliated a few weeks later by increasing the tariffs on 28 products imported from the US, including high value products like almonds and fresh apples—a move that the US has disputed at World Trade Organization (WTO).

The US is one of India's largest trading partners, exporting \$33.1 billion worth of goods to India in 2018. However, India still had a goods trade surplus of \$21.3 billion with the country.

Insurance premium rates to be cut for small exporters

ENS ECONOMIC BUREAU

NEW DELHI, SEPTEMBER 16

EXPORTERS WITH outstanding limits of less than Rs 80 crore may soon enjoy lower premium rates on their insurance, with the Commerce Ministry planning to take a proposal to this effect to the union cabinet "soon". The move follows measures announced by Finance Minister Nirmala Sitharaman on Saturday.

The Commerce Ministry has enhanced the insurance cover of banks up to 90 per cent from 60 per cent currently "for the working capital loans and moderation in premium incidence for the MSME sector," it stated in a release. For accounts with limits below Rs 80 crore, the premium rates will be moderated to 0.60 per annum. For those exceeding this limit, it will be 0.72 per annum for the same enhanced cover, it stated.

According to Commerce Minister Piyush Goyal, the premiums will also be divided into two categories—exporters of gold, jewellery and diamond, and exporters of non-gold, jewellery and diamond products. "When we assessed increases in ECGC's claim ratio, we found that gold, jewellery and diamond sectors had higher claim ratios...because of which banks have difficulty in granting loans," Goyal said. The ministry is awaiting the Cabinet's approval on these specifics, he added.

'Step up investments in strategic, defence, medical electronics manufacturing'

ENS ECONOMIC BUREAU

NEW DELHI, SEPTEMBER 16

MOVING BEYOND mobile and automotive electronics, the industry should now step up investments on domestic manufacturing of strategic, defence and medical electronics, Minister of Electronics and IT Ravi Shankar Prasad told CEOs and heads of leading electronics companies like Apple, Dell, Oppo, Samsung, etc at a round-table meeting on Monday.

Making an aggressive pitch positioning India as a global hub for manufacturing, Prasad said that his ministry would set up an institutionalised mechanism in form

of a task force that would regularly interact with the industry, take their suggestions and address concerns. The government has set itself a target of creating a \$400 billion electronic manufacturing ecosystem by 2025, and notified a new policy to galvanise manufacturing activities. Terming 5G as the new frontier for growth, Prasad, who is also the telecom minister, said the government was keen to see that India emerges as a big hub for 5G knowledge economy, patent creation, and Research and Development activities.

"India must emerge as a big leader in strategic electronics. India is a big market for solar, automotive and consumer electron-



Union Minister for Communications, Electronics and IT Ravi Shankar Prasad during a round table discussion with heads of leading electronics companies in New Delhi. Anil Sharma

ics, and I would like to hear from you on how to take this forward. India also has a huge potential for medical electronics," Prasad said,

while addressing the industry players.

The Minister's day-long discussion with industry players came at

a time when India is trying to pitch itself as an international hub for electronics, and grab opportunities that have cropped-up in the

backdrop of rising trade tensions between US and China, a global manufacturing powerhouse.

The closed-door meeting includes representatives from all major verticals of electronics sector such as mobile handsets, consumer electronics, strategic electronics, medical devices, electronics manufacturing services, components, telecom and LED lighting, among others. Big names in the electronics and manufacturing industry including Vivo, Oppo, Qualcomm, Xiaomi, Dell, HP, Bosch, Cisco, Flextronics, Foxconn, Nokia, LG, Panasonic, Intel, Wistron, and Sterlite Technologies were scheduled to attend the meeting.