ECONOMY



₹38,860



₹71.60





₹47,957

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

SECTOR WATCH REAL ESTATE

Housing fund to provide equity, debt support to stuck projects

SUNNY VERMA& SANDEEPSINGH 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 NCTL 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 NPA's 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 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 Liases 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 37,123.31after plunging about 356 points in inEXPLAINED 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 enthuse 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.

FORTHE Upstream sector,

an increase in crude oil

prices is credit positive

as their realisations and

an Indian Basket crude

price of ~US\$70-75/bbl,

may not have to bear

cash accruals will increase.

As per ICRA's estimates, till

the PSU upstream companies

material under-recoveries.

The refiners are expected

to benefit from inventory

gains in the short-term

due to increase in crude

oil prices

Oil prices surge up to 20%, retreats after Trump nod to use emergency stockpile

\$59.35

Attack on Saudi Arabia oil facilities trigger rise; biggest intraday gain since 1990-91 Gulf crisis

REUTERS

LONDON/SINGAPORE, SEPTEMBER 16

OIL PRICES surged nearly 20 per cent at one point on Monday, with Brent crude posting its biggest intraday gain since the 1990-1991 Gulf crisis, after an attack on Saudi Arabian oil facilities at the weekend halved the kingdom's production.

Prices retreated after US President Donald Trump approved the use of his country's emergency oil stockpile to ensure stable supply. But he also said he was ready to respond to the strike, a prospect that maintained geopolitical tensions.

Brent crude futures rose as much as 19.5 per cent to \$71.95 per barrel, the biggest intraday jump since January 14, 1991. By 1607 GMT, the international benchmark was up \$7.19, or 11.9 per cent, at \$67.41 a barrel.

US West Texas Intermediate (WTI) futures climbed as much as 15.5 per cent to \$63.34, the biggest intraday percentage gain since June 22, 1998. WTI was last trading \$6.30, or 11.5 per cent, higher at \$61.15 a barrel.

Oil futures climbed after the Saudi-led military coalition battling Yemen's Houthi movement said the attack was carried out with Iranian weapons, raising the prospect of a global conflict involving the United States and Iran.

Saudi Arabia is the world's biggest oil exporter and, with its comparatively large spare capacity, has been the supplier of last resort for decades.

The attack on state-owned producer Saudi Aramco's crudeprocessing facilities at Abqaiq and Khurais cut output by 5.7 million barrels per day. The company has not given a timeline for the resumption of full output. Two sources briefed on Aramco's operations said a full return to normal production "may take months". "If these outages are lengthy, Saudi Aramco will struggle to hit export specification for its Arab Light and Arab Extra Light streams, and may even be forced to declare force majeure on some of these exports," consultancy Energy Aspects said in a note.

"We expect the IEA and US DOE to also release strategic stocks to fill the gap if the Saudi outage is prolonged," it said, referring to the International Energy Agency and the US Department of Energy.

Trump approved the release

Gold climbs 1% as attacks spur demand

Bengaluru: Gold rose more than 1 per cent on Monday after an attack on key oil facilities in Saudi Arabia inflamed worries over the stability of the Middle East, driving investors to seek refuge in assets seen as a haven from risk. Spot gold was up 1 per cent at \$1,503.60 per ounce as of 1138 GMT, while US gold futures rose 0.8 per cent to \$1,511.80/ounce. **REUTERS**

Too early for any action: OPEC

Dubai/London: OPEC is assessing the impact on the oil market from attacks on Saudi Arabian facilities. United Arab Emirates' energy minister Suhail al-Mazrouei said his country was able to boost output to deal with any supply disruptions. OPEC Secretary Mohammad General Barkindo discussed the oil market with the head of the International Energy Agency, Fatih Birol, on Monday, a source said. The two men expressed satisfaction that "the situation has been brought under control by the Saudi authorities." **REUTERS**

of oil from the US Strategic Petroleum Reserve but added the United States was "locked and loaded" for a potential response to the attack. The threat of retaliation and an escalation of tensions in the Middle East, however, have kept prices high, irrespective of any relief from global stockpiles.

"This justifies a risk premium on the oil price, so prices are initially unlikely to return to the levels at which they were trading before the attacks," said Carsten Fritsch, oil analyst at Commerzbank in Frankfurt. A US official said the attack on plants in the heartland of Saudi Arabia's oi industry, including the world's biggest petroleum-processing facility at Abgaig, came from the direction of Iran, and cruise missiles may have been used. Russia and China urged against hasty conclusions over the attacks.

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

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.

298% and 363.5% respectively

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 targetting Abgaig 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

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

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

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

"We are in continuous

the US ... Whether that

deal will be announced,

dialogue for the last

several months with

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 dia-

logue 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

of a task force that would regularly



that is up to the honourable Prime Minister and the (US) President to decide" PIYUSH GOYAL.

COMMERCE MINISTER

looking at several sectors." This comes after months of discussions between the two

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

backdrop of rising trade tensions

manufacturing powerhouse.

Generalised System 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, jewelry 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.

MINISTER OF ELECTRONICS & IT MEETS HEADS OF LEADING ELECTRONICS COMPANIES

said Goyal.

'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

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 vou 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

ices, 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 sched-

uled to attend the meeting.

between US and China, a global phone production in India has witnessed an increase with new The closed-door meeting inmobile factories mushrooming cludes representatives from all across the country to cater to the major verticals of electronics secdata-hungry smartphone users. tor such as mobile handsets, con-The size of mobile phone manusumer electronics, strategic elecfacturing was 29 crore units and tronics, medical devices, Rs 1,70,000 crore in value terms electronics manufacturing servduring 2018-19, according to a presentation made by the IT ministry during the deliberations. India now hopes to put the building blocks for the next trajectory of growth. It is also fine-tuning a fresh cluster scheme (bigger and better than the last one) that would woo anchor manufacturing units with supply chain ecosystem and ancillary firms.

Over the last few years, smart-

mess.com