4 ECONOMY & PUBLIC AFFAIRS



"Why it (terror) has happened, how did it happen and what can be done, and what the govt is doing. Probably they (media) would be very supportive. Frame a media policy"



"India is taking big decisions, which no one could think of earlier. Which decision am I talking about? Article 370, J&K and Ladakh are moving on path of trust and development and credit for this does not go to Modi, but it goes to 1.3 bn people of this country" NARENDRA MODI, Prime Minister

MUMBAI | TUESDAY, 15 OCTOBER 2019 Business Standard



"There is an unprecedented economic crisis in the country today, because of demonetisation, GST, NPAs (non-performing assets) and crony capitalism of the BJP government" SITARAM YECHURY, CPI(M) general secretary

IN BRIEF



Prime Minister Narendra Modi with Netherlands King Willem-Alexander and Queen Maxima during a meeting at Hyderabad House in New Delhi on Monday ρηστο· ρτι

Maharashtra, Gujarat lead 40% jump in RERA filings

There has been a 40 per cent growth across the country in project registrations under the Real Estate Registration Act (RERA) in a year, from 32,306 projects at the end of September 2018 to 45,307 projects as on October 5, a news report said. The States with maximum project registrations in early October 2019 include Maharashtra, Gujarat,



Ind-Ra revises

sector for FY20

Rating agency Ind-Ra has

sector to stable–to–negat

revised the outlook for road

from stable for the remaining

deceleration in traffic volumes

boards to formulate

The Reserve Bank of India (RBI)

on Monday allowed the banks

policies on InvITs

to invest in Infrastructure

Investment Trusts (InvITs).

approved policy on such

"appraisal mechanism,

sanctioning conditions,

internal limits, monitoring

provided they have a board

investments, which cover the

mechanism, etc". BS REPORTER

PTI₄

part of 2019–20 fiscal due to

subdued funding climate,

economic growth-led

and uncertainty on the

RBI asks bank

bidding model.

outlook for road

Karnataka, Madhya Pradesh and Uttar Pradesh. Altogether, these five states account for a significant 81 per cent share with 36,576 projects registered. Among them, Maharashtra tops the list with 22,455 project registrations, said a report by Anarock Property Consultants. A year ago, Assam, Chandigarh, Daman & Diu and Puducherry saw no project registrations under RERA. This year, these states have cumulatively seen property registrations of 154 projects. The state of Maharashtra is among the largest in terms of real estate development, and the successful implementation of RERA is in itself an accomplishment. The gradually improving performance of the State's real estate sector sets the benchmark for other states to emulate, Anarock said. The North-eastern states of Arunachal Pradesh, Meghalaya, Nagaland, and Sikkim – which abstained earlier - will soon officially notify their RERA rules. West Bengal is the only state which has notified its own real estate law under West Bengal Housing Industry Regulatory Authority **BS REPORTER** (WBHIRA).

Pakistan under biggest pressure from FATF: Doval Pakistan is under a lot of

pressure at the Financial Action lask Force (FΔTF) meeting

FM: Will ask cos to clear **₹40K-cr MSME dues fast**

SOMESH JHA New Delhi, 14 October

he government will ask big corporates to expedite clearing dues worth ₹40,000 crore to micro, small and medium enterprises (MSMEs), Finance Minister Nirmala Sitharaman said on Monday.

The government will also tweak a scheme for providing a one-time credit guarantee to public sector banks (PSBs) for purchase of pooled non-banking financial companies' (NBFC) assets to allow more NBFCs to participate in it.

"The corporate affairs ministry has a complete list of companies, which have stated that they owe MSMEs nearly ₹40.000 crore. We are taking a two-pronged approach so that before Diwali, MSMEs will get the dues," Sitharaman said.

Corporate Affairs Secretary Injeti Srinivas will write to these big corporates, who have reported this information in their returns, to expedite the payment of dues to the MSMEs, Sitharaman said. Finance Secretary Rajiv Kumar

said the public sector banks (PSBs) have been requested to reach out to MSMEs to provide bill discounting to them against their dues "since they suffer the most from shortage of cash due to non-receipt of dues".

Banks will compile a list of MSMEs who are willing to avail the fied in August. bill discounting facility and those who declined it and send it to the finance ministry by October 22.

Through the bill discounting facility, banks will provide capital to MSMEs based on the invoices that they have raised.

To aid NBFCs, the government will allow NBFCs with "investment grade" to participate in the credit guarantee scheme, under which government provides a one-time partial credit guarantee to PSBs



Finance Minister Nirmala Sitharaman addresses the media following a meeting with CMDs of public sector banks in New Delhi on Monday рното: рт

CREDIT FLOW

camps,

between

₹81,781 ar **₹34,324 cr** worth of **₹3.97** trillion loans disbursed new term loans issued sanctioned by PSBs in to customers by to customers the form of credit since PSBs in the first IL&FS default in 150 districts, where phase of loan September 2018. Pool the second phase of buyouts of ₹1.08 trillion sanctioned till loan camps will be held October1 and 9 from October 21-25 October 10 this year

for first loss of up to 10 per cent for that banks have suggested that purchase of high-rate pooled assets NBFCs with rating of investment of NBFCs totaling ₹1 trillion, notigrade be included in the scheme," Kumar said. NBFCs with a minimum rating of

Economic Affairs Secretary 'AA' are allowed to participate in the Atanu Chakraborty said the PSBs demanded the change in the norms since rating agencies tend to be strict in their ratings. The finance ministry will soon issue a clarification to banks to this effect, Chakraborty said.

Banks have identified pooled assets worth ₹15,455 crore under the scheme, according to a press release issued by the finance ministry.

RBI relief for PMC depositors, limit hiked to ₹40,000

SUBRATA PANDA & PTI Mumbai, 14 October

increased the withdrawal limit for depositors of Punjab and Maharashtra Co-operative (PMC) Bank to ₹40,000.

increase by the RBI, in which it has increased the withdrawal amount. On September 24, the RBI set the withdrawal limit at ₹1,000 per account, which it increased to ₹10,000 the next day. On October 3, this limit was increased to ₹25.000.

The RBI said it reviewed the bank's liquidity position and, with a view to reducing the hardship of the depositors, it decided to further enhance the limit. With this relaxation more than 77 per cent of the depositors will be able to withdraw their entire account balance. In a statement, the RBI said a forensic auditor had been appointed by the administrator to look into the related transactions. Economic Offe-

Joy Thomas pins blame on Wadhawans, Waryam Singh

already investigating the matter.

nses Wing of the Maharashtra Police is

Jov Thomas, the suspended managing director of Punjab and Maharashtra Co-operative (PMC) Bank, in his inter-

Writ petition in The Reserve Bank of India (RBI) has HClikely today

Punjab and Maharashtra Co-operative (PMC) Bank depositors, who are unable This is the third withdrawal limit to access their money stuck after the scam, are planning to file a writ petition in the Bombay High Court by Tuesday.

Vishwas Utagi, convener of the PMC Bank Depositors' Association, said, "We are working on the draft and will file the writ petition by Tuesday. We want to understand why Warvam Singh was not removed from his position as chairman of the bank although the Reserve Bank of India (RBI) knew that he has a conflict of interest. He was also a board of member of Housing Development and Infrastructure (HDIL)." NIDHI RAI

rogation by the Economic Offences Wing (EOW) of Mumbai Police, revealed he was acting on the instructions of Housing Development & Infrast ructure (HDIL) promoters Rakesh and Sarang Wadhawan and former PMC Bank chairman S Warvam Singh to hide the bank's bad debts given to HDIL Group from regulators and falsifying accounts to paint a rosy picture of the bank.

FM defends govt after husband's remarks

Finance Minister Niramala Sitharaman on Monday defended the government's policies after her husband Parakala Prabhakar attributing the economic slowdown to the Narendra Modi regime's policies. "Please keep one thing in mind. If we talk about deep reforms, then between 2014 and 2019, so many fundamental reforms have happened under the leadership of Prime Minister Narendra Modi. Did GST and IBC happen during the Congress rule?" Sitharaman told reporters when asked about her husband's remark at a press conference.

In the article, Prabhakar said the BJP should adopt the Rao-Singh economic model, which paved the way for liberalisation of the economy, **BS REPORTER** instead of "critiquing the Nehruvian socialism".

Phased roll-out of group insolvency norms on cards

UK Sinha-led committee recommends coordination in domestic companies of a group in the first phase SUBRATA PANDA

For better synchronisation of different insolvent companies that are part of a corporate group, former Securities and Exchange Board of India (Sebi) chairman UK Sinha-led working committee has suggested that there is a need for a comprehensive regulatory framework to facilitate the insolvency resolution and liquidation of companies in a group. But, the working group is of the opinion that the framework for group insolvency in India should be introduced in a phased manner. Also, the working group has suggested that the framework should be enabling and relevant stakeholders of the corporate debtor may opt to use the framework voluntarily, but provisions relating to communication, cooperation, porate debtors belonging to the same and information sharing may be mandatory for insolvency profes-

Mumbai, 14 October

RECOMMENDATIONS

Single insolvency professional and single adjudicating authority Creation of a group creditors' committee

scheme. The pool of assets should

also have a minimum rating of 'AA',

through credit rating agencies

accredited by the Reserve Bank of

One is on the pooled assets and the

"There are two types of ratings.

India, according to the norms.

ty to include companies that are so creditors' committee may be decided intrinsically linked as to form part of by an agreement between CoCs of a 'group' in commercial understand- companies in a corporate group, the ing, but are not covered by the definition of corporate group.

The framework envisaged by the enabling group coordination proworking group says that the insol- ceedings, which will be at the discrelaw may facilitate a single vencv application to be filed to commence the corporate insolvency resolution processes (CIRP) of multiple companies in a group, before any adjudicating authority that has jurisdiction over any one of the companies. Similarly, a single resolution professional and a single adjudicating authority can be designated for resolution of multiple companies as part of the same group. However, if there are capacity constraints or potential conflict of interest, then there can be multiple insolvency professionals. But, in cases where there are different insolvency professionals, adjudicating authorities and CoCs are involved, the working group has recommended that they should be mandated to cooperate, communicate and share information with each other for effective administration of different insolvency proceedings. Moreover, the insolvency law may also look at creation of group creditors' committee to support individual committee of creditors for each company. However, the composition,

be made to the adjudicating authori- constitution and costs of the group working group said.

The group has also recommended tion of the CoC.

other one on the NBFCs itself. Some NBFCs have good pooled assets, but do not have 'AA' and above rating so

currently under way in Paris, to rein in terror groups operating from its soil, National Security Advisor Ajit Doval said on Monday. Doval, who was addressing a meeting of the chiefs of the Anti Terrorism Squads, said the biggest pressure on Pakistan comes from the functionaries of the PTI-FATF.

BIS to rank cities for quality tap water: Paswan

The Bureau of Indian Standards (BIS) will rank state capitals and 100 smart cities in the next three months for quality tap water, Consumer Affairs Minister Ram Vilas Paswan said on Monday. PTI-

RBI imposes ₹1-crore fine on Lakshmi Vilas Bank, ₹75L on Syndicate Bank

PRESS TRUST OF INDIA Mumbai, 14 October

The Reserve Bank of India (RBI) has imposed a monetary penalty of ₹1 crore on Lakshmi Vilas Bank and ₹75 lakh on Syndicate Bank for violating asset classification and fraud detection norms.

dated October 14, 2019, imposed monetary penalty of ₹1 crore on Lakshmi Vilas Bank for non-compliance with certain provisions of directions issued by the RBI on Income Recognition and Asset Classification (IRAC) norms," RBI said in a release on Monday. In a similarly worded release, it said a monbeen imposed on Syndicate RBI said for the banks.



"The RBI has, by an order Bank for non-compliance with the directions issued by the RBI on frauds classification and reporting; innovative housing loan products wherein upfront disbursal of loans is done. This action is based on the deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the etary penalty of ₹75 lakh has bank with its customers, the

sionals, adjudicating authorities and committees of creditors (CoCs). "While the IBC provides detailed provisions to deal with the insolvency of a corporate debtor on a standalone basis, it does not envisage a framework to either synchronise

insolvency proceedings of different corporate debtors in a group or resolve their insolvencies together," the report said. So far, insolvency of different cor-

Implementation of group insolvency framework should be done in a phased manner

Cross-border group insolvency to be taken up at a later stage

Single application to commence insolvency proceedings against multiple companies of a group

group is dealt with through separate insolvency proceedings for each corporate debtor.

However, in the insolvency resolution of some corporate debtors, Videocon, including Era Infrastructure, Lanco, Educomp, Amtek, Jaypee, and Aircel, special issues arose from their interconnections with other group companies.

This highlights the need to examine the desirability and feasibility of having a group insolvency framework," the report said.



According to the working group, initially the framework should bring in coordination in only domestic companies of a group while cross-border group insolvency could be considered at a later stage. The working group has also recommended that substantive consolidation of companies under a group may also be kept out in the first phase.

The working group has said a corporate group may include holding, subsidiary, and associate companies, as defined under the Companies Act, 2013. However, an application may

"Group coordination proceedings may be governed by a framework agreement among the CoCs of the participating corporate debtor. It may entail appointment of a "group coordinator", who would propose a strategy for the synchronised resolution of insolvency of the group companies,' the report said.

In the group proceedings, a common expression of interest, resolution plan can be proposed.

Moreover, the framework also gives a leeway for companies opting group proceedings to further extend the CIRP process by another 90 days beyond the 270 days.

The group has recommended allowing procedural coordination at any stage of the insolvency process. Also, if any group wants to have coordination at the liquidation stage, it may be allowed on a fresh application after which a single insolvency professional, a single adjudicating authority would be designated and group coordination proceedings would also start even at the liquidation stage.

Currency market eyes yuan, RBI reserve accumulation

ANUP ROY Mumbai, 14 October

The currency market is still fixated on the Chinese yuan, and sees the Reserve Bank of India's (RBI's) reserve accumulation as a way to keep the Indian currency weak to preserve export competitiveness.

China and the United States have softened their stance on trade tensions, but this is nowhere a resolution, say currency dealers. Even as the yuan appreciated in recent times, from 7.18 a dollar to 7.07 now, there is no guarantee that the crisis is over.

China has agreed to purchase \$40-50 billion of US Agriculture products. While both sides have shown flexibility on tariff hikes, there is an uncertainty regarding tariffs proposed for December. "Till such time that yuan does-





n't sustain below 7 a dollar level, there will be considerable pressure on other Asian currencies to match up. From the reserve accumulation, it is evident that the RBI favours gradual depreciation of the rupee to preserve competitive advantage," said Ritesh Bhansali,



vice-president, Mecklai Financial. The RBI is absorbing most of the inflows that are coming into the Indian markets. This is being used to boost reserves. As on October 4, the foreign exchange reserve stood at \$438 billion.

"Nationalised banks have been



buying dollars since morning. It rate (REER) is at 117, which implies seems the RBI is trying to protect that the rupee is already overvala range and preventing the rupee ued by 4-5 per cent considering the to appreciate from these levels. mean REER over the last decade. They don't want rupee to be The level of 10 on CNHINR (yuanstronger than the

yuan," said Abhishek China has agreed to purchase \$40-50 bn managing of US agriculture There could be two **products. While both** sides have shown hikes, there is an

at least one of the engines of growth would start firing 21 paise from its previous level to "The real effective exchange ened 0.16 per cent to 98.46.

Monday, the rupee fell pressure as the dollar index, which measures dollar's strength against major global currencies, strength-



Goenka, director of IFA Global. reasons for that. "The

first is to protect the flexibility on tariff interest of exporters. A competitive rupee is **uncertainty regarding** likely to boost Indian tariffs proposed for exports and, therefore, December

when the overall domestic growth is close at 71.23 a dollar. Other Asian subdued," while the second could currencies were also under some be to protect the interest of domestic producers from cheap import substitutes, according to IFA.

now. We have seen that the RBI aggressively buying US dollars whenever CNHINR drops below that level," Goenka said. The rupee in recent weeks have weakened rather sharply. On

rupee) seems to be the

line in the sand as of