

SECTOR WATCH MUTUAL FUNDS

'MF exposure to NBFCs falls ₹79K cr since June 2018'

ENSECONOMIC BUREAU MUMBAI, NOVEMBER 11

THE OVERALL exposure of mutual funds (MFs) in non-banking financial companies (NBFCs) has declined by Rs 79,000 crore to Rs 1.86 lakh crore as of October 2019, after the liquidity crisis struck the NBFC sector in July 2018.

While the amount has reduced, the percentage share also fell from 19 per cent in July 2018 to 12.8 per cent in October 2019, a Care Ratings report said. The MF exposure fell further after DHFL began defaulting on repayments. The declining MF exposure contributed to the liquidity crunch in the NBFC segment.

Further, investments in commercial papers (CPs) of NBFCs are on a consistent decline every month. After the liquidity crisis triggered in the NBFC space, MFs withdrew 43 per cent of their investments from this category. The percentage share of funds deployed by MFs in CPs of NBFCs this October fell to 6.2 per cent of debt assets under management (AUMs) — lowest since July 2018 — and the amount held fell to Rs 0.9 lakh crore.

"Investments in corporate debt paper of NBFCs fell to Rs 0.96 lakh crore in October 2019 and the percentage share also declined to 6.6 per cent (lowest since July 2018) compared with 7.7 per cent in July 2018," the Care report said.

Banks, finance, software, consumer non-durables and petroleum products were the top five sectors where equity AUMs invested their funds in October 2019 and they cumulatively accounted for 57 per cent share of equity AUMs equivalent to Rs 6.7 lakh crore, Care said. Debt MFs increased their investments in corporate debt paper to Rs 4 lakh crore, while that in CPs fell to Rs 3.45 lakh crore this October.

With net assets of India's MF industry growing to a record high of Rs 26.33 lakh crore in October, there has been a change in investment

While the amount has reduced, the percentage share also fell from 19 per cent in July 2018 to 12.8 per cent in October 2019, a Care Ratings report said

patterns by fund houses. "The highest share (47 per cent) of debt AUMs are in short-term instruments with maturity of less than 90 days. This is followed by a share of 33 per cent in long duration instruments with maturity of 1 year and above, 11 per cent in 90-182 days and 9 per cent in 182 days-1 year. In October 2019, largest proportion of funds of debt AUMs were invested in corporate debt papers worth Rs 4 lakh crore. This segment includes floating rate bonds, non-convertible debentures, etc. Compared with the previous month, assets in this category improved marginally by Rs 3,100 crore; however, in percentage terms, it declined to 27.4 per cent of debt AUMs," the report said.

The second highest category in which debt AUMs invested their money was CPs, with Rs 3.45 lakh crore. "When compared with September 2019, this segment witnessed a growth of Rs 2,700 crore, but percentage share dropped to 23.6 per cent of debt AUMs," it said. "Funds deployed in bank certificates of deposit were Rs 1.54 lakh crore, marginal fall of Rs 733 crore over previous month. Investments in G-Secs stood at Rs 0.89 lakh crore in October 2019, a rise of Rs 0.14 crore over September 2019," Care Ratings said.

Funds in PSU bonds/debt rose to Rs 1.82 lakh crore, but the share dropped to 12.5 per cent in October 2019 from 12.8 per cent of debt AUMs in September 2019. The percentage share of debt AUMs also rose to 19.9 per cent in October 2019 from 8.2 per cent in March 2019.

INSOLVENCY AND BANKRUPTCY CODE Cross-border IBC provisions likely to be tabled in Winter Session

ENSECONOMIC BUREAU NEW DELHI, NOVEMBER 11

THE GOVERNMENT plans to introduce amendments to the Insolvency and Bankruptcy Code (IBC) in the upcoming Winter Session of Parliament to incorporate provisions for cross-border insolvency, a senior government official said Monday.

Provisions for cross-border insolvency would enable Indian firms to claim their dues from foreign companies, while allowing foreign creditors to recover loans from Indian companies, sources said.

Apart from foreign creditors, this would also help foreign branches of Indian banks to recover their dues in India. A government panel, in its report on cross border insolvency last year, had suggested adopting the UNCITRAL or United Nations Commission on International Trade Law on cross-border insolvency. The Winter Session of Parliament will start from November 18 and continue till December 13.

Meanwhile, the Centre may look at using provisions in the IBC for resolution of the financial service providers.

EXPLAINED Section 227 of IBC to enable NBFCs' resolution

WHILE INTRODUCTION of cross-border insolvency provisions within the IBC will enable lenders in pursuing resolution in cases where assets of borrowers are spread across the world, the Centre is planning to notify Section 227 under the Code to enable resolution of financial service providers, such as NBFCs.

These measures will help in effective resolution of cases that are currently stuck because the insolvency law does not provide clear mandate for resolving such complex cases.

Insolvency and Bankruptcy Board of India (IBBI) Chairperson MS Sahoo said that Section 227 of the Code allows the government to notify certain financial service providers for the purpose of insolvency resolution proceedings in the manner as may be prescribed.

"It is possible to resolve some financial service providers at least those which resemble normal corporate debtors," he said, speaking to reporters on the sidelines of a conference on insolvency law organised by industry body Confederation of Indian Industry.

Sahoo said it is entirely for the Centre to decide whether Section 227 of the IBC should be invoked or not, and that such decisions have to be taken in consultation with the financial regulators — such as the Reserve Bank of India.

Last week, sources in the government told *The Indian Express* that the Centre plans to notify rules under Section 227 of the IBC, which will allow the National Company Law Tribunal (NCLT) to order a resolution plan for non-

banking finance companies (NBFCs) too.

Currently, resolution of stressed financial institutions cannot be taken up under the IBC. The notification will allow existing consortium of lenders and the existing resolution professional to take the financial service provider or the NBFC to the NCLT and seek a resolution plan that is binding on all parties.

As the existing mechanism of Inter Creditor Agreement has not been successful in finalising resolution plans for stressed NBFCs, resolution through the NCLT mechanism is being seen as binding on all creditors.

On whether there are plans to have a threshold for homebuyers to seek resolution, Sahoo said there is nothing rigid and if there are difficulties, then those would be addressed.

"Initially, homebuyers were not financial creditors. Then, a need came up and the government decided to make them financial creditors... If there are difficulties in implementing that, then the government is also willing to address the difficulties. There is nothing rigid... If there are difficulties, then let us address the problems," the IBBI Chairman noted.

IT spending in India to total \$94 bn in 2020'

With consumers returning to purchase of mobile phones, India's IT spending will total \$94 billion in 2020, up from \$88.5 billion in 2019 — an increase of 6.6 per cent — according to the latest forecast by Gartner Inc

9%: Expected rise in business spending on information technology (IT) in 2020, as against rise of 6 per cent in 2019

Business resilience: Even within the slow economy, businesses showed resilience and continued to invest in IT

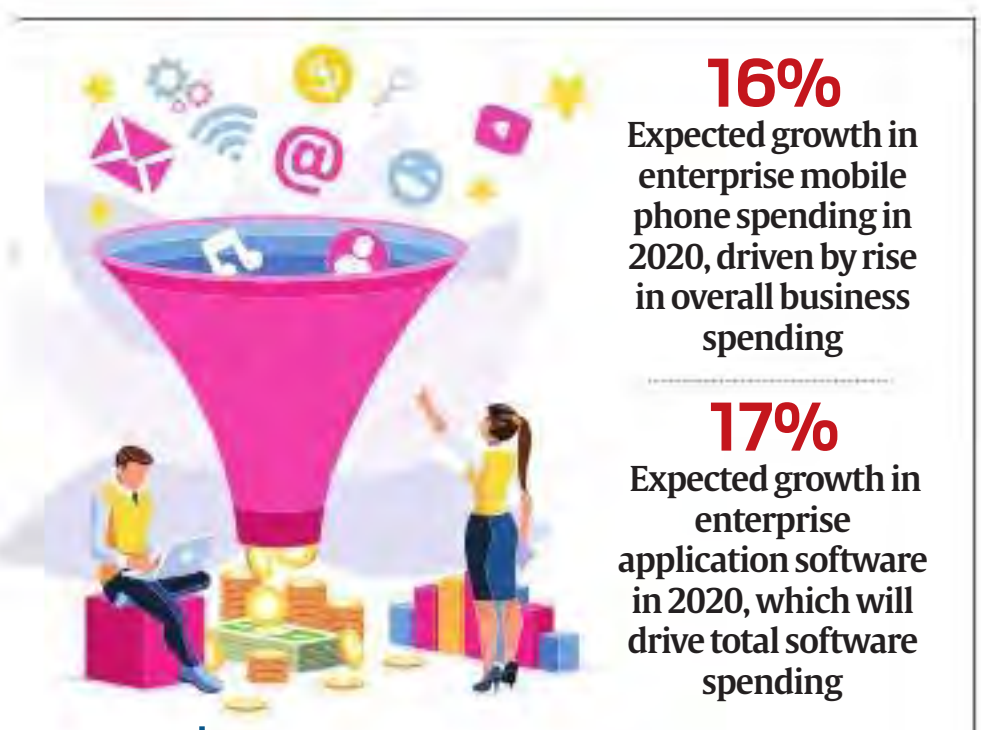
Slow private consumption: Consumer resistance to investing in devices impacted overall IT spending in India, with

private consumption in 2019 slowing despite five back-to-back rate cuts throughout the year

INDIA'S IT SPENDING FORECAST (US\$, IN MILLION)

	2019 Spending	2019 Growth (%)	2020 Spending	2020 Growth (%)
Data Center Systems	3,726	2.7	3,819	2.5
Software	6,383	13.6	7,354	15.2
Devices	33,379	-2.4	35,468	6.3
IT Services	15,786	12	17,897	13.4
Communications Services	29,203	-0.1	29,788	2
Overall IT	88,476	2	94,326	6.6

Source: Gartner (November 2019)



₹5,472 cr dues declared so far under indirect tax amnesty scheme

ENSECONOMIC BUREAU NEW DELHI, NOVEMBER 11

AN AMOUNT of Rs 5,472 crore of dues, inclusive of pre-deposit of Rs 4,225 crore, have been declared under the Sabka Vishwas Legacy Dispute Resolution Scheme, 2019, the mid-term review of the dispute resolution scheme for pending service tax and excise cases that was announced in this year's Budget has revealed.

Though the response has been tepid with just 1.3 per cent of the total amount locked in litigation at Rs 3.6 lakh crore for 1.83 lakh cases declared so far, officials and experts expect the scheme to pick up going ahead in the remaining two months of the scheme.

"A mid-term review reveals that a total amount of Rs 5,472 crore (inclusive of pre-deposit amount of Rs 4,225 crore) has already been declared under the Scheme. Efforts are being made to maximize declarations by December 31 when the scheme ends," Central Board of Indirect Taxes and Customs (CBIC) sources said. The Board has begun an outreach programme for the trade and industry by asking principal chief commissioners and chief commissioners of CGST who have the information to contact the 1.8 lakh eligible taxpayers, they said.

The CBIC has also told officials that the performance of the field formations would be "judged in terms of their outreach and ability to persuade the taxpayers to avail the scheme", they said.

Tax experts also expect the response to pick up going ahead given that there is provision for full

Amount declared under the Sabka Vishwas Legacy Dispute Resolution Scheme, 2019. Includes pre deposit of ₹4,225 crore

waiver of interest and penalty. "It's one of the best amnesty schemes to have come so far, with complete waiver of interest and penalty and in most cases 50 per cent of tax being waived. It's likely that the response will pick up around December," Abhishek Jain, tax partner, EY said.

Finance Minister Nirmala Sitharaman in the Budget for 2019-20 had announced the legacy dispute resolution scheme to "allow quick closure" of the litigations pertaining to pre-GST regime. Under this scheme, relief is to the tune of 70 per cent of the duty involved if it is Rs 50 lakh or less and that of 50 per cent if it is more than Rs 50 lakh. This is for cases pending in adjudication or appeal or in investigation and audit. In cases of outstanding arrears of revenue, the relief is 60 per cent of the duty amount if it is Rs 50 lakh or less and 40 per cent, if it is more than Rs 50 lakh. In all cases, there is full waiver of interest and penalty and exemption from prosecution. All persons are eligible to avail the scheme except a few exclusions including those convicted under the law in the case for which he intends to make declaration and those who have filed an application before the Settlement Commission.

Bhushan Steel former promoter Neeraj Singal likely to appear before ED this week

KHUSHBOO NARAYAN MUMBAI, NOVEMBER 11

NEERAJ SINGAL, the former promoter of Bhushan Steel, is likely to appear before the Enforcement Directorate (ED) this week, in connection with the alleged transaction between Junaid Iqbal Memon, son of Iqbal Mirchi, and Globus Realinfra Pvt Ltd, a firm associated with Singal, said company sources familiar with the development.

The ED, which is investigating the alleged land deals of Mirchi and his family in India, has found that in 2010, Sur Buildcon Pvt Ltd (now Globus Realinfra Pvt Ltd), controlled by Singal, issued a draft of about Rs 19 crore in favour of Junaid Memon, which was later cancelled. So far, Globus Realinfra has denied having any transaction with Junaid Memon.

It said the firm was contemplating to buy a property on the fourth floor of Ceejay House, Wori, Mumbai, for which Mumbai-based lawyers M/s Kathlawala were engaged for carrying out due diligence. However, the transaction did not go through.

Earlier this year, Singal and his father, Brij Bhushan Singal, were arrested by the Serious Fraud Investigation Office (SFIO). The SFIO has alleged that the Singals of Bhushan Steel Ltd used illegal

means to receive bank loans to the tune of Rs 45,800 crore between 2013 and 2017. Bhushan Steel owed Rs 56,000 crore to a clutch of banks and creditors in India. It has now been acquired by Tata Steel for Rs 35,232.58 crore through the insolvency process.

The SFIO report has found that in 2011-12, Bhushan Steel sold one of its foreign subsidiaries, Bhushan Steel Global FZE in Dubai, to an associate firm Globus Realinfra and changed the name of Bhushan Steel Global FZE to Shree Global Steel FZE.

The SFIO report said that as a result of this transfer, "profit earned" by Shree Global was "kept by the promoters (of Bhushan Steel) in their hands".

The SFIO also found that Globus Realinfra employed "dummy directors" and the actual control of the company was with Neeraj Singal.

According to records, Globus Realinfra is in the business of real estate and has immovable assets of around Rs 41 crore.

The SFIO probe report said that Globus borrowed around Rs 70 crore from a private bank by mortgaging four acres in Delhi and, on a personal guarantee of Neeraj Singal, invested about Rs 65 crore of the borrowed money in Bhushan Steel. Globus Realinfra booked a loss of around Rs 5.29 crore in fiscal 2018.

Alibaba's Singles' Day sales hit \$38.38 bn, breaks previous record

DHRITI RANJANA RAY HANGZHOU, NOVEMBER 11

E-COMMERCE MAJOR Alibaba's Singles' Day sales this year hit a record \$38.38 billion, crossing its previous record of \$30.8 billion in 2018. "As of 24:00:00, total GMV RMB 268.4 billion (\$38.379 billion)," Alibaba said.

In 16 hours 31 minutes of the event going live on Monday, the total gross merchandise value (GMV) exceeded \$31.82 billion (about RMB 223 billion), surpassing the total 2018 GMV of \$30.8 billion.

In 16 hours and 33 minutes, the number of delivery orders exceeded 1 billion, surpassing the total number of delivery or-



A screen shows the online sales for Alibaba surpassed RMB 100 billion at 01:03:59 after the November 11 Tmall Shopping Festival started midnight in Shanghai, on Monday. Reuters

ders of 2018 11.11, Alibaba said.

"This was 6 hours and 45 minutes faster than the time when the same record was achieved in 2018," the Chinese e-commerce giant said. Alibaba Group Holding Ltd on Monday kicked off the 2019 11.11 Global

Shopping Festival at 00:00 hours on Monday as per Chinese time. In the first one minute and eight seconds, GMV settled through Alipay reached \$1.0 billion. In the first one hour, GMV settled through Alipay reached \$12.0 billion (RMB 84.0 billion). PTI

Sebi to place assets of Royal Twinkle, Citrus Check Inns on auction in Dec

ENSECONOMIC BUREAU MUMBAI, NOVEMBER 11

THE SECURITIES and Exchange Board of India (Sebi) on Monday said it will auction assets of Royal Twinkle Star Club Ltd (RTSCL) and Citrus Check Inns Ltd — promoted by the Mirah group — next month, in order to recover funds worth thousands of crores of rupees raised by the companies in the garb of sham 'timeshare' holiday plans, or collective investment schemes (CIS).

Over 18 lakh investors lost about Rs 8,000 crore in the holiday package schemes floated by these firms, which promised high returns on their investments. The move comes following the directions of the Supreme

Court, Sebi said in a notice Monday. The properties at Alappuzha, Kerala will be auctioned on December 4 at a total reserve price of a little over Rs 19 crore, it added.

In October, the regulator said it will auction properties of RTSCL and Citrus Check Inns at Lower Parel, Lonavala and Bengaluru on November 26 at a total reserve price of over Rs 117 crore. In December 2018, Sebi imposed a penalty of Rs 50 lakh on Citrus Check Inns and its directors for non-compliance with its order, wherein it had barred them from raising funds from the public.

The regulator had received several investor complaints against Citrus alleging that directors of Royal Twinkle are now

running their CIS through Citrus.

In August 2015, Sebi imposed a four-year ban on Royal Twinkle and its four directors for illegally raising over Rs 2,656 crore in the garb of sham 'timeshare' holiday plans. It also directed the firm and its officials to refund the money along with promised returns to the investors in three months.

It was one of the first cases filed with NCLT Mumbai in 2017, when the Insolvency and Bankruptcy Code was promulgated. However, the case landed at the doorsteps of the Supreme Court.

The audit report revealed that of the Rs 8,245 crore collected through the ponzi schemes, about Rs 2,962 crore was distributed as commission to the agents.

FESTIVE BUYS, NEW MODELS PUSH PV SALES With 0.28% gain, PVs break 11-month slide in Oct; Overall sales drop 12.76%

ENSECONOMIC BUREAU NEW DELHI, NOVEMBER 11

AFTER 11 straight months of decline, domestic passenger vehicle (PV) sales just about managed to rise 0.28 per cent in October, aided by festive season sentiment as well as introduction of new utility vehicle (UV) models, auto industry body SIAM said on Monday.

As per the latest data from Society of Indian Automobile Manufacturers (SIAM), PV sales during October increased by 0.28 per cent to 2,85,027 units, from 2,84,223 units in the year-

ago period. Passenger vehicle wholesales in India had declined for the 11th consecutive month in September. In April-October period, however, the PV sales witnessed a drop of over 20 per cent as compared to the same period last year.

SIAM expressed hope that the positive sentiment would continue in November and December as well, thus helping the industry "slowly come out of the slowdown". However, vehicle sales across categories registered a decline of 12.76 per cent last month to 21,76,136 units from 24,94,345 units in October 2018. Barring utility vehicles,

DOMESTIC SALES IN OCTOBER 2019			
	2018	2019	% change
Total Passenger Vehicles (PVs)	2,84,223	2,85,027	0.28
Total Commercial Vehicles	87,067	66,773	-23.31
Three Wheelers	69,483	66,985	-3.6
Two Wheelers	20,53,497	17,57,264	-14.43
Total of All Categories	24,94,345	21,76,136	-12.76

The total of all categories includes Quadricycle sales

passenger carriers and quadricycles, all other vehicle categories witnessed decline in sales in October. In October, domestic car sales

fell 6.34 per cent to 1,73,649 units as against 1,85,400 units in the same month last year. UV sales, meanwhile, witnessed an increase of 22.22 per

cent during the month at 1,00,725 units as against 82,413 units in year-ago period.

"Sales in the festive season have been better than last year which is a good sign. We wish it continues in November and December as well and help us slowly come out of this slowdown," SIAM president Rajan Wadhwa was quoted by PTI as saying.

Finance availability is becoming better and lending rates are also improving besides new model launches in the utility vehicle segment has also helped in creating positive customer sentiment, he added. "As industry

body, we are hopeful that November-December months would be better than last year. We also expect pre-buying to take off during the January-March period next year," Wadhwa said.

Besides, the inventory levels in the segment have come down to less than one month level, he added. Total two-wheeler sales in October declined 14.43 per cent to 17,57,264 units compared to 20,53,497 units in the year-ago month.

Motorcycle sales, last month, declined 15.88 per cent to 11,16,970 units as against 13,27,758 units a year earlier. WITHPTI

Icra projects negative outlook for automotive dealership segment

New Delhi: Icra Ratings on Monday said it has a negative outlook for the domestic auto dealership sector due to fall in credit profile of industry participants amid slowing sales and high working capital debt.

The on-going downturn in the automotive industry has severely impacted the profitability of automobile dealerships which is expected to be at a five-year low, Icra said in a statement.

"OEMs (original equipment manufacturers), as well as their dealers are providing hefty discounts to clear up dealership inventory to ease their liquidity pressure, however, overall retail demand remains tepid. Owing to deep discount and negative operating leverage, profitability of automobile dealerships is expected to be at a five-year low in current fiscal," Icra vice president Ashish Modani said. PTI