New Delhi: Foreign portfolio investors (FPIs) pumped in a net sum of Rs 19,202.7 crore into the domestic capital markets in the first half of November, with Rs 14,435.6 crore infused into equities and Rs 4,767.18 crore into the debt segment during November 1-15. PTI

#### HOUSEHOLD SECTOR'S SHARE IN TOTAL DEPOSITS REMAINS DOMINANT

# Bank deposits: Govt share falls by nearly 74 lakh cr, but corporates post sharp rise

**GEORGE MATHEW** MUMBAI. NOVEMBER 17

THE GOVERNMENT'S share in total deposits with commercial banks declined sharply from Rs 15.79 lakh crore as of March 2019 to Rs 11.86 lakh crore in March 2018, according to the latest data released by the Reserve Bank of India (RBI). However, significantly, the share of corporates (non-financial) rose sharply by around Rs 6.5 lakh crore, even as the government deposits declined by Rs 3.93 lakh crore.

While the government sector accounted for as much as 13.5 per cent of the total deposits in March 2018, the share declined to 9.2 per cent in March 2019.

On the other hand, the share of non-financial companies jumped from Rs 11.82 lakh crore (10.1 per cent share in the total deposits) in March 2018 to Rs 18.36 lakh crore (14.24 per cent of the total deposits) in 2019, indicating a shift of over Rs 650,000 crore to non-financial companies in a year, as per the RBI data.

**MOST DEPOSITS IN METROPOLITAN AREAS** 

■ Metropolitan areas held 51.8 per cent of bank deposits. Since March 2010, however, the shares of other population groups have gradually risen, with 10.5 per cent share for rural areas, 16.2 per cent for semi-urban areas and 21.5 per cent for urban areas by March 2019, according to data from the RBI

Among states, Maharashtra held the highest share of deposits

Among institutional categories, the household sector's share in total deposits remained dominant at 63.2 per cent, followed by non-financial corporations, general government, rest of the world and financial corporations. Individuals — including Hindu Undivided Families (HUFs) — who are the major constituent

of the household sector, ac-

(21.0 per cent), followed by **National Capital Territory of** Delhi (9.5 per cent) and Uttar Pradesh (8.2 per cent)

> ■ With the RBI lowering interest rates, the structure of term deposits has gradually shifted to lower interest rate buckets in recent years, with the share of term deposits with interest rates above 8 per cent declining from 82.8 per cent in March 2015 to 10.9 per cent in March 2019

counted for 55.0 per cent of aggregate deposits, the RBI said.

The household sector's deposits rose from Rs 74.11 lakh crore in 2018 to Rs 81.51 lakh crore. However, as percentage of total deposits, it remained flat at 63.21 per cent in 2019 as against 63.3 per cent last year.

The share of corporates in deposits is expected to rise further in

the wake of the corporate tax cut and lack of new investments amid the ongoing slowdown in the economy, analysts said.

According to the RBI, the share of current, savings and term deposits stood at 9.6 per cent, 31.9 per cent and 58.5 per cent, respectively, in March 2019.

Metropolitan areas held 51.8 per cent of bank deposits. Since March 2010, however, the shares of other population groups have gradually risen, with 10.5 per cent share for rural areas, 16.2 per cent for semi-urban areas and 21.5 per cent for urban areas by March 2019, the RBI said.

With the RBI lowering interest rates, the structure of term deposits has gradually shifted to lower interest rate buckets in recent years, with the share of term deposits with interest rates above 8 per cent declining from 82.8 per cent in March 2015 to 10.9 per cent in March 2019. The central bank has cut the reporate by 125 basis points between March 2015 and March 2019.

"The share would have gone down further as the RBI has cut

reporate by another 110 points to 5.15 per cent between March 2019 and October 2019. Banks have also shifted to repo-linked deposit rates since October this year," said an official of a nationalised bank. Banks also slashed deposit rates faster than the lending rates.

The RBI has nearly threefourths of term deposits which were due for maturity within one year on residual maturity basis. On original maturity basis, however, 58.3 per cent of term deposits were in the one to three years maturity bucket at the end of March 2019. About half of the deposits of financial and non-financial corporations were held with private sector banks.

Among states, Maharashtra held the highest share of deposits (21.0 per cent), followed by National Capital Territory (NCT) of Delhi (9.5 per cent) and Uttar Pradesh (8.2 per cent). However, bankers said this is because of the large number of corporate houses based in Mumbai. The commercial capital also accounts for the largest number of bank branches and headquarters of banks.

### **INTERVIEW WITH CEO, BAJAJ ALLIANZ LIFE INSURANCE**

## 'For debt investments, we will do holistic management check like we do for equities'

EVEN AS the life insurance industry has witnessed growth in premium collection, the broader economic growth may impact the growth. TARUN CHUGH, CEO, Bajaj Allianz Life Insurance told SANDEEP SINGH that life insurance sector can't remain in its own microcosm for too long because ultimately consumers will stop spending. He, however, said that things should improve over the next six-eight months. He also said that with companies failing despite AAA rating, his company is now going for a holistic management check of companies before debt investment. Excerpts:

Despite economic slowdown, the premium collection for the industry has increased in the September quarter. How do you explain this?

While people are saving for the long term, the real reason I think is the low rates on fixed deposits (FD). When FD rates come down and yield curve has settled somewhat, portfolio returns can go up with the help of some bond investments. So, in the saving part of life insurance, we are taking benefit of the yield curve and we are able to diversify with more AAA corporates where we are able to get better yields; so, as a result, we are able to give better net of tax return for a long term to the customers. While the last quarter was good, even the current quarter is also looking strong as of now.

While traditional insurance products have been giving between 5-6.5 per cent, now 6.5 is not possible but it is comfortably possible to give 5-6 per cent return, net of tax. So, tax arbitrage with FDs is playing out well for us.

When you lock-in with a bank for three-five years at 7 per cent, the post-tax return is 5.5 per cent. But if I can give you a 10-year product which gives you similar return, then suddenly we get competitive and you can play the yield curve.

You mentioned about AAA rated companies, but there are so many corporate and financial entities that once were AAA rated but now are in a bad shape and people have



**Tarun Chugh** 

#### lost a lot of money. What is the sanctity of AAA rating then?

What we were doing is that we were relying on the AAA rating by credit rating agencies, but now we are very clear that we will do it the way we do for equities, where we do a management check which is a holistic check. Also, now we are only going for big companies.

#### How do you see the economic slowdown and revival?

While our industry has witnessed growth, I can't say that life insurance can remain in its own microcosm for too long because ultimately consumers will stop spending. It is a concern, but I have a feeling that next year the base impact will kick-in.

I think that it is a six-eight month phenomenon but this year will be tough. The consumption may have been down but Diwali was not as bad as people expected. I also feel that the government will step in to provide income tax benefits.

There has been a shift in how consumers and markets are reacting to global, behavioural and GST changes. We normally say that if transportation does well, it is the first indicator of economic revival. But suddenly, you see that the truck that used to take six days to reach down south, now reaches in four days and the wear and tear has reduced.

So, that is the recalibration that is happening. That will impact the demand. These factors are also playing a role.

Government may hike FDI in insurance sector from 49 per cent to 74 per cent. Are you in

favour of this and will you reduce your stake?

It's government's outlook. But as far as we are concerned, it is company-by-company issue and in our case Allianz wants to buy more, but Bajaj may not want to sell more and we don't need the money either. We are one of the highest capitalised life insurer, so, whichever way it goes, Bajaj Allianz is not impacted. Some companies where the Indian promoter is not able to fund any more, ... they will gain out of it.

#### What is your view on life insurance companies getting into health insurance business?

Historically, in India, life and health have been separate, whereas globally, life, health and pension go as one package. I am looking forward to it and it needs to be looked from the customers perspective. Every company brings its own competence. think from a customer perspective, possibly it is lot more under penetrated and so should new players be there? Of course there should be.

#### How do you see the Vodafone issue playing out?

Any sector which is touching the life of individuals on a daily basis – and telecom is one of those — a major player going down in that will of course impact sentiments. We will have to see how it plays out. A lot of finance entities have exposure to it as total liabilities stand at over Rs 1 lakh crore.

#### Do you see the government playing a role and helping the sector which is under stress?

It is a tricky situation and we can't get socialist about it. Businesses will have to find their own viability. I, however, feel that the government may have to come in from a consumer perspective and see whether the consumer will gain or lose from all this.

The way I see it is, over the last four-five years, whether it is credit side or other businesses, it is a kind of clean-up happening. Of course the jury is out on whether it should have happened in such a big bang manner or should have happened gradually.

## **Gates notes**

**BRIEFLY** 

### India's potential for growth New Delhi: India has the po-

tential for "very rapid" economic growth over the next decade which will lift people out of poverty and allow the government to invest in health and education priorities in an "exciting way", billionaire philanthropist and Microsoft co-founder Bill Gates has said. In an exclusive interview to PTI, Gates, the world's richest person, specifically complimented India's Aadhaar identity system and the country's performance in the financial services and pharma sectors.

#### GoAir's network planning head resigns

New Delhi: GoAir Sunday said its network planning head Samir Patel has resigned as he wants to go back to his family in the US. Patel is a US citizen and has completed a year at GoAir. "His family could not join him in India and hence Samir has decided to go back to his family," a GoAir spokesperson said.

#### 'Golden age' for Indian aviation: IndiGo CEO

New Delhi: With strong fundamentals, India's civil aviation sector is in its "golden age" and there is also healthy competition among domestic carriers, IndiGo CEO Ronojoy Dutta has said. "We are in the golden age of Indian aviation and there are huge opportunities going forward... There are always problems, there are always issues and economic cycles. (But) The fundamentals are strong," he said. When asked if there is healthy competition among local carriers, Dutta said there is. PTI

### Ghosn seeks to throw out case against him

Tokvo: After 130 days languishing in a detention centre, former Nissan boss Carlos Ghosn is now out on bail and seeking to have his case declared null and void, even as his own defence call his chances unlikely. The 65year-old Brazil-born executive faces charges of deferring part of his salary until after his retirement and concealing this from shareholders, as well as syphoning off millions in Nissan cash for his own purposes. **AFP** 

#### 'Oct green certificate sales down 2.25% to 6.87 lakh' Sales of renewable energy certificates (RECs) dipped 4.48 lakh lakh RECs, sell bids for 5.75 lakh RECs

2.25 per cent to 6.87 lakh units in October as compared to 7.03 lakh in the same month a year ago due to lower supply, according to official data



Sale of RECs recorded by **Indian Energy Exchange** (IEX) in October, as against 4.25 lakh in the year-ago month

## 2.38 lakh

Sale of RECs recorded by Power Exchange of India (PXIL) last month as compared to 2.77 lakh in October 2018

#### **LOW SUPPLY OF**

**NON-SOLAR, SOLAR RECs:** IEX data showed that both non-solar and solar RECs continued to see low supply situation, with buy bids exceeding sell bids due to low inventory

**AT IEX:** Buy bids for 13.88

lakh RECs

**AT PXIL:** Buy bids for 5.37

lakh RECs, sell bids for 2.6

**IEX AND PXIL** are the two

power bourses in the country which are engaged in trading of RECs and electricity. The trading of RECs is conducted on the last Wednesday of every month

#### WHAT IS AN REC?:

The REC mechanism is a market-based instrument to promote renewable sources of energy and development of market in electricity. It provides an alternative voluntary route to a generator to sell its electricity from renewable sources just like conventional electricity

## Lack of investor interest a challenge for Odisha's plastic park project

**SAMPAD PATNAIK** BHUBANESWAR, NOVEMBER 17

THE ODISHA government claims it will have the first fully operational plastic park in the country, but concedes that it is struggling to find investors to set up units inside the facility.

According to people familiar with the details of the project, the problem is "lack of entrepreneur awareness" that is threatening to derail the state government's assumption that non-financial incentives to boost manufacturing are probably more advantageous for potential investors than financial incentives like tax exemptions.

Odisha has held road shows in Kolkata, Mumbai, Raipur and Bhubaneswar.

However, the park has so far

only allotted plots to nine units against a potential of 80 units that can manufacture woven sacks, plastic pipes, and injection moulded components, films, pouches and consumer plastic products, among others. The eight units account for only 30 per cent of leasable land.

The thrust in this park model, say state government officials, was to develop common facilities that are otherwise not available in multi-product parks.

"Operating inside such an ecosystem would take them 10 years ahead of a unit operating outside – time and resources do not need to be spent to set up water, power, road infrastructure, along with required clearances", said Sanjay Singh, Chief Managing Director, Odisha Infrastructure Corporation (IIDCO) and Skill



## Big potential for plastics manufacturing

A NOTE accessed from Odisha government states that India's domestic production meets only 50 per cent of its demand for plastic, which is increasing with the construction and infrastructure industry. "Today, India consumes plastic to the tune of 12 million tonnes per annum (MTPA) of which about 6 million tonnes is produced domestically and about four MTPA are imported", the document states.

To reduce imports, the Department of Chemicals and Petrochemicals (DCPC), Ministry of Chemicals & Fertilizers (MoCF), had formulated a scheme for setting up of four Plastic Parks in Assam (Tinsukia), Madhya Pradesh (Raisen), Odisha (Jagatsinghpur) and Tamil Nadu (Thiruvallur).

Development Authority. "We have developed an ad-

ministrative block, testing lab, skill development centre, place

for banks to operate, a clinic, supplied water and power, along with all statutory approvals like environmental clearance and consent to establish, workers' dormitory, residential accommodation for senior officers, warehousing facilities", he further said.

"Raw material, like polypropylene and Mono Ethyle Glycol, would come from Indian Oil Corporation. We have an expert institutions like Central Institute for Plastics Engineering and Technology (CIPET) for training workforce and (tech) hand holding purposes. The customers are available in the vicinity," Singh added.

Explaining lack of "entrepreneur awareness", another state government official dealing with the project said, "Enterpreneurs say that if they can get land out-

YET TO NAME ANY CORNERSTONE INVESTORS OR FORMALLY DISCLOSE LISTING DATE

side the park for, say, Rs 30 lakh, then why should they pay a premium for land inside the park? However, considering price alone is not a fair comparison". Principal Director at CIPET's

Bhubaneswar branch, PK Sahoo, told The Indian Express that investors are bargaining for financial incentives. "In a meeting on October 29 at Paradip, industry players said they were keen on credit limits from raw material supplier, lower power tariffs and tax relaxations along the lines of an SEZ".

Singh added that enterpreneurs may realise other non-financial incentives, such as buyers in the vicinity of the park. "For example, industrial units in the park will produce woven sacks, which are in demand by fertilizer companies around Paradip (port)."

### Bank of India, IOB report **NPA** divergences

**PRESS TRUST OF INDIA** NEW DELHI, NOVEMBER 17

BANK OF India and Indian Overseas Bank (IOB) have reported divergences in their bad loans for the fiscal ended March 2019, resulting into widening of net losses for the year.

IOB has reported a net nonperforming asset (NPA) divergence of Rs 358 crore for 2018-19, as per a filing by the bank.

Bank of India, on the other hand, had a fall in its net NPA divergence by Rs 329 crore for 2018-19, because the NPAs reported by the bank were higher than that assessed by the RBI.

## China on trade deal with **US:** Negotiators held constructive discussions

AGENCE FRANCE-PRESSE BEIJING, NOVEMBER 17

TOP CHINESE and US trade negotiators held "constructive" discussions over the phone on a preliminary trade deal between the two countries, China's Commerce Ministry announced in a statement on Sunday.

The long-running trade war between Washington and Beijing has weighed on the global economy and spooked markets, with the two sides imposing punitive tariffs on hundreds of billions of dollars in two-way trade. US President Trump announced a "phase one" trade deal last month

which has yet to be signed. Vice Premier Liu He spoke with US Trade Representative

**Robert Lighthizer and Treasury** Secretary Steven Mnuchin on Saturday, and had "constructive discussion on each side's core concerns regarding the phase-one agreement", the Chinese Commerce Ministry said.

The two sides will "continue to maintain close communication", it added, without providing further details.

Since October, differences between Washington and Beijing over whether, when and by how much to reduce tariffs on each other's goods have spilled out into

The US President this month denied the Chinese commerce ministry's claim that the two sides had agreed to roll back existing tariffs as part of the deal, details of which have not been released.

DUBAI, NOVEMBER 17

SAUDI ARAMCO is worth up to \$1.7 trillion at the price range set those foreign institutions permitted to invest in the kingdom's stock market.

The oil giant said it plans to sell

Aramco eyes IPO record with \$1.7 trillion top value rivals, valuing the IPO at as much as 96 billion rivals (\$25.6 billion) and giving the company a potential market value of between \$1.6 trillion and \$1.7 trillion.

> This could just beat Chinese ecommerce giant Alibaba's record \$25 billion New York stock market debut in 2014. Aramco's IPO size could be

bigger if there is enough demand for it to use a 15 per cent "greenshoe" over-allotment option. "We are planning to subscribe to the IPO in two funds that we manage," said Zachary Cefaratti,

starts. Crown Prince Mohammed

chief executive officer of Dubaibased Dalma Capital Management Ltd, adding that the preliminary valuation was "in line with our expectations". Aramco kicked off its IPO on the United States under the Rule November 3 after a series of false 144A of the US Securities Act.

The oil giant said it plans to sell 1.5 per cent of the company, or about 3 billion shares, at an indicative price range of 30 riyals to 32 riyals, valuing the IPO at as much as 96 billion riyals (\$25.6 billion)

bin Salman, who floated the idea nearly four years ago, is seeking to raise billions of dollars to invest in non-oil industries, create employment and diversify the world's top crude exporter away from oil.

roadshows to market the shares.

Aramco is yet to name any cornerstone investors in the deal or formally disclose the listing date

HADEELALSAYEGH, SAEEDAZHAR& **RANIA EL GAMAL** 

by the oil giant on Sunday, below the \$2 trillion sought by Saudi's crown prince but putting it in the running to become the world's biggest IPO. Aramco cannot sell its shares directly to investors in the United States and other markets, as the initial public offering (IPO) will be restricted to Saudis and

1.5 per cent of the company, or about 3 billion shares, at an indicative price range of 30 riyals to 32

In its original prospectus, published on November 9, Aramco said the domestic IPO would be made to institutional investors outside the US according to Regulation S of the United States Securities Act of 1933, and inside

But on Sunday in an adden-

dum to the IPO prospectus Aramco said that it had removed any reference to such regulations, which three people familiar with the matter said suggested there would not be any international

"I expect this is a reflection of poor international demand," said Rory Fyfe, managing director at MENA Advisors. "It was not worth it from their view. If there's no substantial value or demand why do it and take additional legal risk?," a banker familiar with the matter told Reuters.

Analysts from banks working

on the Riyadh bourse had given a valuation range of \$1.2 trillion to \$2.3 trillion for Aramco's IPO and the fall from Crown Prince Mohammed's original target underscores the challenges facing the company. The Crown Prince's reputation

was tarnished by the murder of Saudi journalist Jamal Khashoggi last year, while Aramco's oil plants were targeted in September by attacks which initially halved its output. It has said the strikes will not have a material impact on its business. Aramco is the world's most

profitable company with a planned dividend of \$75 billion next year. **REUTERS**