

20 ECONOMY

INVESTMENTS WORTH ₹19,118 CR, INCLUDING ₹4,727 CR INTO DEBT MARKET

After US Fed rate cut, FPIs head back to India; Oct sees highest inflow of FY20

GEORGE MATHEW
MUMBAI, NOVEMBER 2

DESPITE THE economic slowdown and poor performance by the core sector, foreign portfolio investors (FPIs) are gung-ho about India, with investments worth Rs 14,358 crore in October — the largest monthly inflow into equity in the current fiscal year (2019-20).

Total investments by FPIs were to the tune of Rs 19,118 crore in October, including Rs 4,727 crore into the debt market, which is also the highest monthly flow in the current fiscal, according to figures available from the NSDL. The sustained inflow of FPI money is the major reason for the rise in the benchmark Sensex to an all-time peak of 40,129.05 in October, a rise of 1,462 points, say market experts.

The renewed interest of FPIs in India and buying by mutual funds have taken the market to an all-time high even though the economic fundamentals are not rosy. Mutual funds, which were getting an average monthly inflow of around Rs 8,000 crore in SIPs (systematic investment plans), are also big buyers. "Economic growth has slowed, consumer spending has come down but the market is getting good inflow of funds

FPI FLOWS IN FISCAL 2019-20 (₹ CRORE)				
Month	Equity	Debt	Hybrid	Total
April	21,193	-5099	634	16,728
May	7,920	1,187	2,264	11,370
June	2,596	8,319	2,196	13,111
July	-12,419	9,433	-17	-3,003
August	-17,592	11,672	49	-5,871
September	7,548	-990	25	6,582
October	14,358	4,727	34	19,118
Total - 2019	70,543	33,913	8,832	113,283

Source: NSDL

EXPLAINED

Sustenance depends on economic growth

WHILE FOREIGN inflows into the capital market continue unabated, the sustenance of FPI interest mainly hinges on the economic fundamentals. Markets are betting on a revival in the growth in the first or second quarter of next year. If the slowdown deepens, FPIs can exit faster than they entered India. It happened many times in the past.

from FPIs and funds ... and remains at all-time peak," said veteran BSE dealer Pawan Dharmidharka.

The FPI revival has come after they pulled out around Rs 30,000 crore in July and September. The cut in interest rates by the US Federal Reserve

has prompted foreign investors to turn their attention to emerging markets like India where interest rates are still high. The US Fed, last week, cut interest rates for the third time this year as the US economy continued slowing amid ongoing trade disputes and weak global growth. The

federal funds rate, which affects the cost of mortgages, credit cards and other borrowing, will now hover between 1.5 per cent and 1.75 per cent. When compared to this, the RBI's repo rate is 5.15 per cent after the fifth rate cut this year.

The US market is also flying high with the Dow Jones on Friday stopping just short of an all-time high. The S&P 500 and Nasdaq composite scored all-time highs with gains of 1 per cent and 1.1 per cent.

According to Care Ratings, there are indications that there would not be any further rate cut by the Fed in the next policy. But this also means that the dollar can weaken a bit as lower rates in the US imply weaker economy which in turn can push up other currencies. Therefore, the rupee can get some stability on the external front. "Also lower US rates can help to boost FPI debt flows into India which can be taken as a positive. Debt inflows were around \$ 1.2 bn in October so far and continuation would help to firm up the rupee further," it said.

Investors, including FPIs and domestic funds are expecting more tax sops in the coming weeks. "The month of October has seen brisk buying from both FPIs and DIIs. We expect this positive trend to continue as the market awaits more positive news from the Government

with regard to major concessions on the LTCG, DDT issues and also some positive expectations on the personal income tax rate reduction to boost consumption demand," said Rahul Agarwal, Director, Wealth Discovery/EZ Wealth.

What should be worrying the market is that FPI money — considered as hot money — can flow out faster than they entered Indian markets. "The market will eventually witness a setback if the fundamentals don't get stronger. The growth pace should accelerate from the current level of 5 per cent," Dharmidharka said.

On the macro front, India Manufacturing PMI fell to a two-year low of 50.6 in October from 51.4 in September. The number suggests that the manufacturing sector is heading towards stagnation as both factory orders and production rising at the weakest rate in two years. Job creation also softened to a six-month low and companies remained reluctant to hold stock with business confidence slipping to its lowest in two years. However, corporate results for the second quarter ended September 2019 were encouraging, indicating that India Inc has managed to withstand slowdown pressures to a great extent at least till now, said an analyst.

MARKET WATCH

RUSSIAN OIL OUTPUT DOWN IN OCT

Moscow: Russia lowered its oil output to 11.23 million barrels per day (bpd) last month from 11.25 million bpd in September, missing again its obligations under a global pact to curb production, energy ministry data showed on Saturday. REUTERS

Govt releases draft rules for fixing minimum wage

AANCHAL MAGAZINE
NEW DELHI, NOVEMBER 2

NET INTAKE of 2,700 calories per day, 66 meters cloth per year per standard working class family, housing rent expenditure as 10 per cent of food and clothing expenditure, three adult consumption unit and a nine-hour working day are some of the factors that would determine the fixation of the national minimum wage, as per the draft rules released for public consultation by the Labour Ministry. The draft rules have been placed in public domain for a month beginning November 1.

The criteria for determining minimum wage are broadly similar to the scenario which existed before the passage of the Code on Wages, 2019. For instance, the calorie level of 2,700 per day remains the same as the level recommended by the Indian Labour Conference (ILC), held in 1957 as against a recommendation of 2,400 calories by the Labour Ministry's Expert Committee for Fixation of National Minimum Wage, which submitted its report in February this year. Similarly, the draft rules retain the consumption units at 3, as against the recommendation of the expert committee of 3.6.

The draft rules also state that expenditure on fuel, electricity and other miscellaneous items to constitute 20 per cent of minimum wage and expenditure for children's education, medical requirement, recreation and expenditure on contingencies to consti-

The criteria for determining minimum wage is broadly similar to the scenario which existed before the passage of the Code on Wages, 2019

tute 25 percent of minimum wage. For fixing the minimum wage, the draft rules have also divided the geographical regions into three categories — metropolitan area (area having a population of 40 lakhs or more comprised in one or more districts), non-metropolitan area (area having a population of between 10 lakhs to 40 lakhs) and rural area.

The draft rules also state that dearness allowance would be revised once before April 1 and October 1, while central government may revise the basic rate of floor wage ordinarily at an interval not exceeding five years.

Experts said linking non-food expenditure such as housing rent allowance to food expenditure is a negative given that going ahead workers would migrate towards urban areas, where house rent would be a significant component of their expenses. Also, the geographical categorisation into metropolitan, non-metropolitan areas does not explicitly mention the differentiating factor for minimum wage and do not take economic factors such as slowdown into consideration as is the case in some BRICS and ASEAN countries.

"In today's world, more people would be migrating to urban areas, where non-food expenditure would be higher and house rent would be a significant component. Also, as income levels increase, workers tend to spend more on non-food expenditure, so one shouldn't link non-food expenditure to food expenditure and it should be rather based on evidence and actual behaviour of households," Anoop Satpathy, Fellow, VV Giri National Labour Institute and head of the Expert Committee on Fixation of Minimum Wage said.

Satpathy added that the draft rules would enable discussion and new consensus needs to be arrived at tripartite level before finalising the rules for minimum wages. The draft rules state that the central government shall constitute the Central Advisory Board for fixation of the minimum wage which shall consist of 12 persons representing employers, 12 persons representing employees, independent persons including chairperson and three members of parliament, and five representatives of state governments as may be nominated by the Central Government. The central government may, for the purpose of fixing minimum wages under the code for the working journalists as defined in Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, appoint a technical advisory committee to recommend the Central Government in respect of such fixation.

BRIEFLY

Draft rules for foreign firms to list in China

Shanghai: China's justice ministry on Friday published draft rules to allow foreign firms to list on the country's stock exchanges, with the intention of implementing the changes on January 1.

USFDA downplays risks from Zantac

New York: The US FDA has downplayed the risk caused by contamination of the recalled popular heartburn drug Zantac, and said its tests suggest it does not cause carcinogens to form after ingestion. REUTERS

SpiceJet chief pledges 2.78% shares

New Delhi: SpiceJet promoter and chief Ajay Singh has pledged around 2.78 per cent shares towards securing a credit facility for the airline.

AI privatisation process in full swing: Puri

Birmingham: Union Minister for Civil Aviation Hardeep Singh Puri has said that the privatisation process for Air India is in full swing and he expects it to be completed in the coming months. PTI

Forex reserves touch record high of \$442 billion

India's forex reserves increased \$1.832 billion to an all-time high of \$442.583 billion in the week ended October 25, helped by a jump in core currency assets and value of gold, RBI data showed

\$1.04 BILLION
The amount by which the kitty expanded to \$440.751 billion

\$1.642 BILLION
The amount by which foreign currency assets increased to \$410.453 bn



FOREIGN CURRENCY ASSETS INCLUDE:
Effect of appreciation or depreciation of non-US units like the euro, pound and the yen held in the foreign exchange reserves, expressed in US dollar terms

\$191 MILLION
The amount by which the value of the gold reserves increased to \$27.052 billion

\$1 MILLION
The amount by which the special drawing rights with the International Monetary Fund rose to \$1.441 billion

\$2 MILLION
The amount by which the country's reserve position with the Fund dipped to \$3.637 billion

US Treasury Secy holds talks with RBI Gov over economy, regulatory developments

PRESS TRUST OF INDIA
MUMBAI, NOVEMBER 2

US TREASURY Secretary Steven Mnuchin met RBI Governor Shaktikanta Das in the financial capital on Saturday.

The two discussed "global and domestic macro-economic scenario in both countries and regulatory developments", according to an official statement from the central bank.

Mnuchin, who is reportedly on a tour to build support against Iran over the country's nuclear programme, was accompanied by US Ambassador to India Kenneth Juster and Consul General in Mumbai David J Ranz, it said.

The visiting dignitaries met Das and other senior central bank officials, the RBI statement said.

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Mnuchin is also reported to be scheduled to meeting business leaders in the city on Saturday. Details of the same could not be ascertained immediately.

Trump looking at various locations for signing trade deal

LALIT K JHA
WASHINGTON, NOVEMBER 2

US PRESIDENT Donald Trump has said that he is considering signing the first phase of the long-awaited trade deal with China in Iowa. Trump and Chinese President Xi Jinping were expected to ink the agreement at the Asia Pacific Economic Cooperation summit in Santiago, Chile in mid-November. But host Chile announced on Wednesday that it was cancelling the event due to ongoing mass demonstrations.

"We're moving along with the deal with China. China wants to make the deal very much and we have a good relationship and we'll see what happens. I don't like to talk about deals until they happen,

but we're making a lot of progress," Trump told reporters on the South lawn of the White House. He was responding to a question on the status of the US-China trade deal.

"I'm looking at a different couple of locations. Could even be in Iowa... What we are discussing the location—but I like to get deals done first," he said. Earlier in the day, Trump's economic advisor Larry Kudlow said that the negotiations with China on a trade deal are going quite well.

According to Kudlow, negotiations on agriculture chapter is about closed now. This will not only increase Chinese purchases of American farm products from \$40 to \$50 billion, but also open up the Chinese agricultural markets. PTI

INTERVIEW WITH DUTCH SPECIAL ENVOY TO THE UN FOR WATER AFFAIRS

'Water can really be a leverage mechanism to help build sustainability & development'

INDIA AND the Netherlands share a similar mindset when it comes to tackling the complexities of water treatment and conservation, says HENK OVINK, Dutch Special Envoy to the United Nations for International Water Affairs. In an interview with PRABHA RAGHAVAN, Ovink says how he sees bilateral collaboration on water progressing and how learnings from the 'Water as Leverage' project in Chennai could be scaled up. Edited excerpts:



Henk Ovink. Cynthia van Elk

How important is water in the overall bilateral collaboration between India and the Netherlands? How has that affected the targets that the two countries have set?

Too much water or too little water hits our economy. The Netherlands is (also) a country where water always is and has been part of the way we develop... Our water authorities are almost 1,000 years old, so we have a water democracy.

Water is one of our biggest challenges in the context of Sustainable Development Goals. Water can really be a leverage mechanism to help build sustainability, development and resiliency.

For this reason, we looked at what to target and with climate change and urbanisation only becoming more extreme, we said let's look across the water agenda — not only at water quality or waste-water treatment, (but also) water provision and how we treat our natural resources like the aquifer (an underground layer of water-bearing permeable rock, rock fractures or unconsolidated materials like gravel, sand, or silt). (We also wanted to) look at agriculture... (as well as) our cities... you can't focus on one (aspect).

That makes the story always a little more complex, but this is what I think the countries of India and the Netherlands share. We're not afraid of that complexity.

What progress have you seen in the targets you have set? Are there any roadblocks you have been faced with?

The focus was on different aspects of treating polluted water, looking at your rivers, solid and waste-water management, looking at resiliency — both on

your projects so far have the potential to be scaled up for other parts of the country?
One is the technology on waste-water treatment. I think the Netherlands and India share the same fascination and culture on innovation. That is also why a lot of the water technology companies that work in the Netherlands find a solid ground here in India.

(On) waste-water treatment, solid waste treatment, a more circular approach to waste, not seeing it as a leftover, but as an asset for production. There are a lot of technology that resonate with these challenges.

You could say the Dutch approach is not only to look at how you can fix (the problem). If you don't go to the source, the problem will only grow. At the same time, if you only look at the source, you'll never clean up your rivers. So you have to look at both — it's source mitigation as well as impact adaptation and mitigation.

This is not only Dutch technology, although we bring a lot of capacity. If we look at the past in Chennai, water was treated naturally. Water was treated as a holy resource and, then, in the middle of the temple tanks, the water again, went back into the aquifer. So it was a very natural system... with nature-based solutions... capturing the water in neighborhoods, in the streets, but also in the tanks, storing that water, using those water tanks as overflow capacity when huge rain events happen, bringing it back into the aquifer, you can start to clean the aquifer, recharge it and then again use it as a natural resource. But the situation will be different everywhere, so a more tailored approach is needed.

Harvesting the water on green roofs mitigates also the risks of heat islands so extreme heat is more easy to deal with. Those solutions help you treat the water, help you treat the waste, turn waste water and waste treatment into a business case and an opportunity for a public private institute to deal with water.

But the situation will be different everywhere, so a more tailored approach is needed. A city like Chennai is not the same as Kochi or Mumbai or Delhi or smaller cities. Every city... demands a systems analysis.

What technologies from

LISTING IS TO SHAKE UP SAUDI ECONOMY AND DIVERSIFY AWAY FROM OIL

'MbS okays Aramco IPO, announcement today'

REUTERS
DUBAI/RIYADH, NOVEMBER 2

SAUDI ARABIA'S Crown Prince Mohammed bin Salman (MbS) on Friday agreed that the initial public offering of state oil giant Aramco will be announced on Sunday, five sources familiar with the matter told Reuters.

The world's top oil company will announce its intention to float (IPO) on November 3, the sources added.

"The crown prince finally gave the green light," one source said.

Aramco declined to comment. Saudi Aramco officials and advisers have held last-minute meetings with investors over the past few days in an attempt to achieve as close to a \$2 trillion valuation as possible ahead of an expected listing launch on Sunday, according to sources.

The final meeting by the Saudi government on Friday evening was to decide whether to go ahead with the listing.

Although Crown Prince Mohammed put a \$2 trillion valuation on the company in early 2016, bankers and company insid-

\$1.5 TN VALUATION

■ Although MbS put a \$2 trillion valuation on the firm in early 2016, bankers say Aramco's value is near \$1.5 trillion

■ Riyadh is looking to list 1-2 per cent on the bourse to raise at least \$20 billion-\$40 billion

ers say Aramco's value is closer to

\$1.5 trillion.

At that price, Aramco would still be worth at least 50 per cent more than the world's most valuable companies, Microsoft and Apple, which each have a market capitalisation of around \$1 trillion.

Riyadh is looking to list a 1 per cent-2 per cent stake on the Saudi stock market to raise at least \$20 billion-\$40 billion.

If the deal exceeds \$25 billion, Aramco will become the biggest IPO in the world, topping Alibaba's \$25 billion IPO in 2014.

The listing is the centrepiece of the crown prince's plan to shake

up the Saudi economy and diversify away from oil. But there have been various delays since it was first announced in 2016.

Prince Mohammed wants to eventually list a total of 5 per cent of the company. An international sale is expected to follow the domestic IPO. Analysts' meetings with top institutional investors are likely to begin on Sunday, another source said. The oil major has approached governments in the Gulf and Asia, including China, to try to secure the bulk of the investment from countries on friendly terms with Saudi Arabia, sources said.