ECONOMY

CRUDE WATCH

OIL SLUMPS AHEAD OF OPEC MEET

New York: Oil prices fell on Friday, with US crude dropping over 4 per cent, on fresh trade tensions and record high US crude production, but they still ended the month higher as analysts expect an extension next week to a pact to throttle oil output beyond March. **REUTERS**

TOTAL INVESTMENT IN STOCKS FROM LIFE FUND AT OVER ₹34,000 CRORE

LIC makes over ₹14,000 crore profit from markets till mid-Nov this fiscal

GEORGE MATHEW
MUMBAI, NOVEMBER 30

LIFE INSURANCE Corporation of India (LIC), the country's largest financial institution with a corpus of over Rs 31 lakh crore, has booked a profit of over Rs 14,000 crore from the stock market during the April 1-November 15 period of the current financial year.

The 30-share Sensex had gained 1,985 points, or 3.82 per cent, during the period under review, enabling the corporation to post good returns. The market value of LIC's investment as of end-FY19 stood at around Rs 28.7 lakh crore, growing 8.6 per cent on a year-on-year basis.

The insurer's total assets had touched an all-time high of Rs 31 crore in FY19, an increase of 9.4 per cent. This is nearly 20 per cent of India's stock market capitalisation, which currently stands at Rs 154 lakh crore. LIC — which started with an initial capital of Rs 5 crore in 1956 — began the 2019-20 fiscal year with an investible corpus of Rs 348,692 crore, that will be invested in capital market instruments like bonds, including government securities, corporate bonds and equities.

"We have earned a profit of above Rs 14,000 crore in the stock market this fiscal up to November 15, 2019 from Life Fund," said TC Suseel Kumar, managing director, LIC. "The total investment in the stock market this year so far from the Life Fund is over Rs 34,000 crore and the same was around Rs 31,000 crore last year," he added. LIC is the largest stock market investor in the country.

"Our investment depends on the market movement. We sell normally when the market rises and buy when it falls," the LIC MD further said.

LIC has seen a good growth in its business consisting of single premium, non-single premium, group pension business and investment income. "We haven't seen any slowdown in our business," Kumar said.

The corporation realised a lower profit of Rs 23,621 crore from its equity investment during 2018-19, down 7.89 per cent from Rs 25,646 crore in the previous year. It made Rs 19,302 crore profit in 2016-17, while the Sensex gained 4,279 points.

Currently, about 65 per cent of investments in Life Fund — total investment corpus accumulated over decades — of LIC are in central and state government long term securities with high interest coupons.

At a time when the Indian financial sector is facing a huge crisis due to rising non-performing assets in the banking sector and defaults in debt payments by India Inc, LIC's growth in the investment income has risen by 5.17 per cent during 2018-19 as a result of regular follow-ups. Over the last four years, LIC's investments income has increased from Rs 1.53 trillion to Rs 2.06 trillion up to 2018-19.

EXPLAINED

FY19 assets nearly a fifth of total stock market value

THOUGH LIC has invested in some high-priced PSU IPOs and played a big role in the government's disinvestment programme, the market value of the state-owned insurer's investment as of end-FY19 stood at around Rs 28.7 lakh crore, growing 8.6 per cent on a year-on-year basis.

LIC's total assets hit an all-time high of Rs 31 crore in FY19, a 9.4 per cent rise. This is almost 20 per cent of India's stock market capitalisation, which is at present Rs 154 lakh crore.

FIRMS INTERESTED AFTER CORPORATE TAX CUT ANNOUNCEMENT

FM: 12 global companies showed interest in moving from China to India ... task force in contact

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 30

THE GOVERNMENT has finalised the first list of infrastructure projects as part of the recent proposal to invest Rs 100 lakh crore over the next five years and it will be announced by December 15, Finance Minister Nirmala Sitharaman said Saturday, adding that as many as 12 global companies have shown interest in investing in India following the recent cut in corporate tax by the government.

"... a set of officers were looking into pipeline that can be readied so that once the fund is ready and it could be front-loaded. That task is near completion. Before December 15, I think we will be able to announce the front-loading of at least ten major projects. So the work is rapidly moving on it," Sitharaman said at the Economic Times Awards 2019 event.

The Finance Ministry, in September, had set up a task force headed by the Economic Affairs Secretary to prepare a roadmap for the "national infrastructure pipeline" from 2019-20 to 2024-25 under a Rs 100 lakh crore infrastructure plan.

Sitharaman said that when the Centre announced the corporate tax rate cut, it had said it will form a task group to look into those companies which want to get out of China. "So, this task force has already started contacting many of these companies. The last count, I came to know, was about 12 of them I have already been spoken to, their minds understood, their expectation listed out so that the government can come up with a concrete offer for them to shift from where they are now, so that the ecosystems can get built here, new industries can come," the FM added.

PTI file photo

"Before December 15, I think we will be able to announce the front-loading of at least ten major projects. So the work is rapidly moving on it"

NIRMALA SITHARAMAN
FINANCE MINISTER

She said the word that was given for bringing newer industries, which are moving out of China, is actively moving forward. "And I am sure, I will be able to report some progress on that," the minister added.

Talking about the GDP growth rates, she expressed hope that the next set of numbers would be better. During the loan outreach programme in October, public sector banks have disbursed more than Rs 2.5 lakh crore, the FM said.

"They (banks) reached out to 400 districts, literally the hinterland where the money went. And, as a result, now I can see somewhat that kind of spend has helped in reviving the consumer spirits and purchases have gone up and I also hope that it will lead to improvement in tax collections," she said.

Sitharaman, however, said the progress on partial guarantee scheme is not very satisfactory. She said they focused on identifying the blocking points for liquidity and with help of the Reserve Bank of India, the government was able to prove that there was no liquidity deficit.

On the tax front, the FM said she met tax administrators across India and held discussions with them to ensure that even if it's impossible to meet their targets, they should not do anything which can be construed as harassment. She further said that faceless assessment has been introduced in direct tax to ensure transparency in taxation and indirect tax too will have this system soon. She said systems for GST are being worked on so that it becomes as simple as the claim. "We would further like to simplify it," she said.

With regard to the rationalisation of tax rates, Sitharaman said, "We are having a good conversation with all the states and want to make sure that those essential items may be put to the lowest, if not exempt, but for the rest of them, we are trying to rationalise".

Earlier in the day, Sitharaman had tweeted saying that the government has taken structural reforms and will continue with its interventions and responses.

"Today, we mark the completion of six months of the second term of @PMOIndia @narendramodi. Several significant steps in structural reforms have been taken in these months. Responses/interventions addressing the needs of the economy will continue," her Twitter handle read.

The GDP growth for the second quarter fell to over six-year low of 4.5 per cent, primarily due to contraction in manufacturing, weak investment and consumption demand, data released on Friday showed.

THREE YEARS OF INSOLVENCY AND BANKRUPTCY CODE

Challenges for IBC: Lack of operational NCLT benches, low approval rate of resolution plans

AASHISH ARYAN
NEW DELHI, NOVEMBER 30

THE INSOLVENCY and Bankruptcy Code (IBC) of India, which turns three on Sunday, was hailed as a landmark legislation for debt resolution of companies of all sizes. A successor of sorts to the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act (SARFESI), Board for Industrial and Financial Reconstruction (BIFR), and the Debt Recovery Tribunal (DRT) regime, the IBC might have reached a corner — but has failed to take the turn.

Data from the Insolvency and Bankruptcy Board of India (IBBI), the sector regulator, is telling. Of the 2,542 corporate insolvency cases filed between December 1, 2016 and September 30, 2019, about 156 have ended in approval of resolution plans — a mere 15 per cent, according to latest data released by the IBBI.

In the current fiscal, as many as 1,037 cases of corporate insolvency have been admitted by various benches of National Company Law Tribunal (NCLT) across India until September 30 — an increase of 51.6 per cent over the corresponding period last year.

However, a meagre 76 resolution plans have been approved in the current fiscal, while the number of companies which have either been liquidated or are headed at liquidation stands at 351 — which is one-third of the total number of insolvency cases filed until September 30.

Between April 1 and September 30 this year, 43 cases of insolvency have either been appealed for review or have been settled. There are as many as 52 cases in which the lenders have allowed corporate debtors to move out of corporate insolvency resolution process (CIRP) by use of Section 12 (A) of IBC.

In the past three years, the number of companies which have been sent for liquidation — either due to lack of feasible resolution plans or absence of any resolution plans whatsoever — stand at 587. These include big ticket names such as Adhunik Metaliks, Khaitan Electricals, and Orchid Health Care Private, among others.

The IBBI, however, defended the number in its latest data newsletter and said that nearly 427 of the companies which underwent liquidation were earlier with the BIFR and or defunct. "The economic value in most of these CDs (corporate debtors) had already eroded before they were admitted into CIRP," the IBBI had said.

As of September 2019, 535 companies have spent more than 270 days, waiting to get resolved. In August this year, the Centre had introduced an amendment to increase the deadline to 330 days, but said that the CIRP shall mandatorily be completed within this time. "This would include extension of time as well as any exclusion of time on account of legal proceedings," the government had then said.

The Supreme Court, however, while delivering the judgment in the Essar Steel insolvency case, relaxed the criteria of "mandatorily" resolving the CIRP within 330 day, allowing the possibility of extending it beyond even that if need be.

Though the government had, in July, announced setting up of 25 additional single and division benches of NCLT at various places including Delhi, Jaipur, Kochi, Chandigarh, and Amravati, most of these remain non-operational or partly operational on account of lack of proper infrastructure or adequate support staff.

RISE IN CASES ADMITTED TO NCLT

- **This fiscal, as many as 1,037 cases of corporate insolvency have been admitted by various benches of NCLT across the country until September 30 — an rise of 51.6 per cent over the corresponding period last year**
- **However, only 76 resolution plans have been approved this financial year**

Cross-border insolvency: 'Work is on to amend IBC'

PRESS TRUST OF INDIA
MUMBAI, NOVEMBER 30

INSOLVENCY AND Bankruptcy Board of India (IBBI) Chairman M S Sahoo on Saturday said that work is going on to amend the Insolvency and Bankruptcy Code 2016 that will address cross-border insolvency.

On Thursday, the IBBI chief had said the government is keen to introduce a globally accepted and well-recognised cross-border insolvency framework, which will make India an attractive investment destination, given the increased predictability and certainty of the insolvency process.

"There is proposal to amend the IBC to provide for such cases like cross border insolvency and to address some of the problems that have come up, but I will not be able to say which are these," Sahoo told reporters here on the sidelines of 'Roadshow on Competition Law and Practice' organised by CII here.

'Japan govt planning over $92 billion stimulus package to spur growth'

REUTERS
TOKYO, NOVEMBER 30

JAPAN'S GOVERNMENT is considering putting together a large-scale economic stimulus package with fiscal spending exceeding $92 billion, the *Nikkei* newspaper said, as soft global demand and the US-China trade war dampen the country's fragile recovery.

Adding strain to Japan's tattered finances, the government will issue more bonds to fund public works spending of up to 4 trillion yen ($36.82 billion) and make up for tax revenue shortfalls as firms feel the pinch from the trade tensions, the newspaper said on Saturday.

Prime Minister Shinzo Abe's administration will finalise the package early next week after consultations with the ruling coalition, the *Nikkei* said, without citing sources.

Japan's finance ministry officials were not immediately available for comment.

Ruling party lawmakers have been pressuring the government to compile a big spending package, increasing the chance fiscal policy will play a bigger role in supporting growth despite the risk of more debt issuance.

Bank of Japan Governor Haruhiko Kuroda said on Friday the central bank's ultra-loose policy is aimed at hitting its price target, not at funding government spending, warning against complacency in getting Japan's fiscal house in order.

Fiscal spending under the package will likely exceed 10 trillion yen, which will be funded by a supplementary budget for the current fiscal year ending in March 2020 and next year's annual budget, the newspaper said.

That will roughly match a 13.5-trillion-yen spending package put together in 2016, when Britain's vote to exit the European Union jolted markets and heightened uncertainty over Japan's export-reliant economy.

The package under work will include spending for disaster relief, infrastructure building and measures to help companies boost productivity, the newspaper said. The government will also issue more deficit-covering bonds, as tax revenues for the current fiscal year will undershoot its initial estimate by around 2 trillion yen, the *Nikkei* said.

Aside from the fiscal spending, Japan will also provide financing to companies for overseas investment to help them diversify production, *Reuters* reported on Thursday.

FCA reaches tentative labour deal with United Auto Workers

REUTERS
DETROIT, NOVEMBER 30

FIAT CHRYSLER Automobiles NV (FCA) and the United Auto Workers (UAW) union on Saturday announced a tentative agreement for a four-year labour contract, a boost for the automaker as it works to merge with France's Groupe PSA.

Italian-American FCA and PSA, the maker of Peugeot and Citroen, last month announced a planned $50 billion merger to create the world's fourth-largest automaker.

The tentative agreement with Fiat Chrysler, which is subject to ratification by the union members, follows contracts that the UAW already concluded with Ford Motor Co and General Motors Co.

The deal with GM followed a 40-day strike in the United States that virtually shuttered GM's North American operations and cost the automaker $3 billion.

The UAW Saturday said the contract with FCA included a commitment from Fiat Chrysler to invest $9 billion, creating 7,900 new jobs over the course of the four-year contract.

BRIEFLY

Maruti crosses 20 million PV sales mark

New Delhi: Maruti Suzuki India (MSI) on Saturday said it has crossed milestone of 20 million passenger vehicle (PV) cumulative sales in the Indian market. The company accomplished this landmark number in less than 37 years of selling its first car on December 14, 1983, when it first rolled out the Maruti 800, MSI said. **PTI**

Yes Bank invokes pledged shares of RInfra

New Delhi: Yes Bank has invoked 65 lakh pledged shares of Reliance Infrastructure's (RInfra) promoter between November 25 to 28, the company has said in a BSE filing. These shares were held by one of the company's promoters Reliance Project Ventures and Management Ltd.

NCDs bought back by Adani Transmission

New Delhi: Adani Transmission on Saturday said it has bought back non-convertible debentures (NCDs) worth Rs 135 crore. As per a BSE filing, the NCDs were bought back on November 29. "Company has bought back 1,350 rated, listed, secured, redeemable, NCDs having face value of Rs 10 lakh each aggregating to Rs 135 crore on November 29, 2019," the filing said. **PTI**

'Liquidity pressures faced by non-banking financial sector to continue'

Still reeling from the IL&FS crisis, the non-banking financial sector is likely to continue facing liquidity pressures, though funding costs have come off the peak, Fitch Ratings said in its outlook for emerging market finance and leasing companies

VULNERABILITY OF HFCs: Wholesale and housing finance companies (HFCs) are viewed as more vulnerable — given their higher leverage, weaker asset-and-liability maturity (ALM) profiles and higher concentration risks

FUNDING ACCESS TO RETAIL FINANCIERS: Large retail finance companies with well-managed ALM profiles should continue to access bank and capital markets funding

SLOWER GROWTH IN 2020: Indian finance and leasing companies are likely to grow at a slower pace in 2020 than in prior years, amid weaker economic growth and liquidity constraints

RISING COMPETITION TO AFFECT LOAN GROWTH: Increasing competition to offset lower growth may weigh on profitability and test risk appetite, which is likely to impact loan growth, including for business and commercial vehicles

FUNDING CONSTRAINTS FOR CONSTRUCTION: Acute slowdown in real estate may have a prolonged impact on construction financing as new disbursements have halted

HEADWINDS FOR FINANCIAL SECTOR IN 2020

- Challenging operating environments
- Lower growth prospects
- Rising funding pressure

FOCUS ON SMALL-TICKET CONSUMER LOANS: Companies focused on small-ticket consumer loans continue to grow above the industry rate

CATERING TO DIVERSIFIED RETAIL MARKET: Finance and leasing companies in India cater to a diversified retail market

PURCHASING MANAGERS' INDEX RISES TO 50.2 IN NOVEMBER, HIGHEST SINCE MARCH, NATIONAL BUREAU OF STATISTICS SAYS

China's factory activity unexpectedly returns to growth in November

YAWEN CHEN & SE YOUNG LEE
BEIJING, NOVEMBER 30

FACTORY ACTIVITY in China unexpectedly returned to growth in November for the first time in seven months, as domestic demand picked up on Beijing's accelerated stimulus measures to steady growth.

However, gains were slight, and export demand remained sluggish. More US tariffs are looming within weeks and Beijing and Washington are still haggling over the first phase of a trade deal.

With China's economic growth cooling to near 30-year lows and industrial profits shrinking, speculation is mounting that Beijing needs to roll out stimulus more quickly and more aggressively, even if it risks adding to a pile of debt.

The Purchasing Managers' Index (PMI) bounced back to 50.2 in November, its highest since March, China's National Bureau of Statistics (NBS) said on Saturday, above the 50-point mark that separates growth from contraction on a monthly basis.

The result compared with 49.3 in October. A *Reuters* poll showed analysts expected the November PMI to come in at 49.5.

The official factory gauge pointed to an improvement in China's vast manufacturing sector last month. Total new orders bounced back to expansionary territory with the sub-index rising to 51.3, the highest level seen since April.

That indicates domestic consumption firmed up after Beijing repeatedly urged local governments to kick stimulus up a gear to meet economic goals before year-end. Factory output also rose to 52.6 in November, marking the strongest pace since March.

"In the short term, we may have already passed the low point where the economy hit the bottom," Zhang Deli, a macro analyst with Lianxun Securities, wrote in a note.

Beijing has front-loaded 1 trillion yuan ($142 billion) of a 2020 local government special bonds quota to this year and has urged that they be issued and used as early as possible to boost infrastructure investment. Some analysts say that could be a sign that the government is worried about downward economic pressure.

Zhang attributed to the better-than-expected November PMI to a government push on infrastructure investment, less property market control, and a de-escalation in US-China trade tension in October, when both sides said they had substantially reached a "Phase 1" agreement and the United States delayed a tariff increase scheduled to take place on October 15.

But recent developments underscore rising uncertainties in the trade conflict, which bodes ill for the outlook for external demand. New export orders fell for an 18th straight month in November, albeit at a slower pace, with the sub-index rising to 48.8 from 47.0 in October.

US President Donald Trump said this week that the world's largest economies are close to reaching agreement on the first phase deal. But trade experts and people close to the White House said it could slide into the new year, given China is pressing for more extensive tariff rollbacks.

An additional 15 per cent in US tariffs are scheduled to take effect on about $156 billion of Chinese products on December 15. Trump has also highlighted Washington's support for protesters in Hong Kong, potentially a huge sore point for China. **REUTERS**

IMPROVEMENT IN MANUFACTURING SECTOR

- **The official factory gauge pointed to an improvement in China's vast manufacturing sector last month. Total new orders rose back to expansionary territory with the sub-index rising to 51.3, the highest level seen since April**
- **Beijing has front-loaded 1 trillion yuan ($142 billion) of a 2020 local government special bonds quota to this year and has urged these bonds be issued and used as early as possible to boost infrastructure investment**