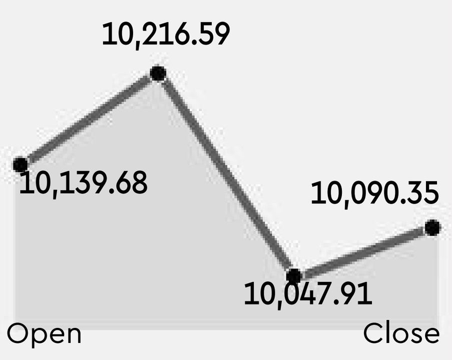
Street Signs

BSE Metal

Index closes lower as most of the members end the day in red

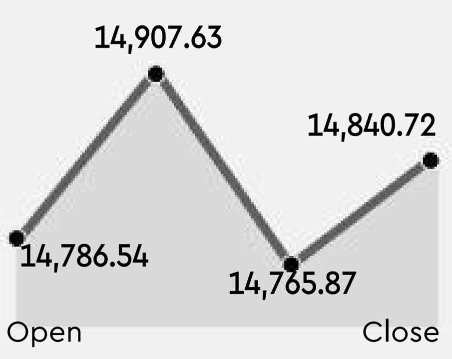
0.10%



BSE Oil & Gas

Index ends flat in three weeks on supply outlook

0.18%



December 23

INDIAN BASKET CRUDE

$66.79 BBL

₹4,746.38 BBL

EXCHANGE RATE

₹71.06/$

PRICE POINTS

December 23

	Del	Mum	Kol	Blr
Rice	34	31	30	52
Wheat	25	33	NR	36
Tur dal	97	95	88	96
Potato	34	32	26	36
Sugar	40	42	39	38
Mustard oil	124	132	104	132

Price in ₹/kg for Delhi, Mumbai, Kolkata and Bengaluru
Source: Dept of consumer affairs

Quick View

Oil steadies near $66 as Russia touts easing Opec+ output

OIL WAS LITTLE changed on Monday, holding near a three-month high on optimism over a nearing US-China trade deal even as Russia said an Opec-led pact may consider easing output cuts next year. Brent crude was down 2 cents, or 0.03%, at $66.12 per barrel by 1410 GMT in thin trading ahead of the Christmas holiday. The Organization of the Petroleum Exporting Countries and other top producing nations led by Russia agreed this month to extend and deepen output cuts in the first quarter of 2020. However, Russian Energy Minister Alexander Novak said on Monday that the group known as Opec+ may consider easing the output restrictions at their meeting in March.

Sebi fines Karvy Financial for disclosure lapses

CAPITAL MARKETS REGULATOR Sebi on Monday imposed ₹5 lakh fine on Karvy Financial Services for making requisite disclosures after a delay of nearly seven years. Sebi found that three promoters of Regalia Realty in order to obtain a project loan for the company, created encumbrance on the shares held by them by way of a pledge in favour of Karvy Financial Services to secure repayment of the loan. Karvy Financial Services was required to disclose creation of pledge to the company as well as the BSE in accordance with the market norms. Thereafter, the pledge created over the shares of the promoters of the company was invoked by Karvy Financial Services and subsequently, the shares of the firm amounting to 55.56 per cent of its total share capital were transferred in its favour.

MCX launches new index series on futures

LEADING COMMODITY BOURSE MCX on Monday launched a new index series, MCX iCOMDEXTM, on commodity futures. A commodity index is an investment vehicle that tracks a basket of commodities to measure their price and investment return performance. The new index series consists of a composite index, sectoral indices and single commodity indices, the Multi Commodity Exchange of India Ltd (MCX) said in a statement. The composite index consists of eleven liquid futures contracts across different segments traded on MCX, while two sector indices are launched focusing on bullion and base metals.

RELIEF TO MILLS

MSC Bank to finance 24 sugar co-ops despite negative NDRs

NANDA KASABE
Pune, December 23

AFTER INITIALLY DENYING loans to sugar millers, the Maharashtra State Cooperative Bank (MSC) — the apex cooperative of the state — has decided to go ahead and finance 24 cooperative mills with pledge loans and hypothecation loans worth ₹3,751 crore for the sugar season of 2019-20, top officials of the bank said.

The decision has been taken by MSC Bank in concurrence with Nabard, that has principally agreed to the policy decision taken by MSC Bank despite negative Net Disposable Resources (NDRs), MSC Bank managing director AR Deshmukh told *FE*.

MSC Bank served around 33 cooperative sugar mills of which six mills were shut due to both negative net worth and negative NDRs, he said. For the remaining 24 mills on its roll, the bank has sent a proposal to Nabard seeking permission to finance the mills since these have been the bank's clients for a long time.

Seeking government guarantees will take a long time and the season of 2019-20 has already begun and it is important for these mills to get finance soon or they could face difficulties, Deshmukh pointed out.

MSC Bank has sought permission to disbursing loans worth ₹3,751 crore for these mills as pledge loans or hypothecation loans.

These mills had worked with the bank for a long time and had been good clients, he said. Deshmukh said that the bank had already had verbal discussions with officials from Nabard and the bank officials have in principle agreed to the proposal sent by MSC Bank. Therefore, the bank had decided not to wait for the bank gaurantees and finance these mills, Deshmukh said.

Significantly, around 55 mills in Maharashtra have been finding it difficult to commence crushing in the sugar season of 2019-20 since they have been turned away by the MSC Bank and district cooperative banks because of negative net worth and negative Net Disposable Resources (NDRs).

At a recent meeting called by the Maharashtra sugar commissioner to review the financial position of mills, the MSC had stated that the sectoral exposure limit of the bank to the sugar sector had been exhausted and therefore the bank was not in a position to issue pre-seasonal loans to sugar mills.

These 55 mills can therefore approach other public sector banks for loans, Maharashtra sugar commissioner Shekhar Gaikwad said, adding that Nabard has also said that these mills cannot be funded unless the government guarantee is given.

Issues including seeking an increase in the sectoral exposure of Nabard to this sector, restructuring of the loans, government guarantee for mills with negative net worth or negative NDRs, revised guidelines by Nabard for the season, NOCs from the government for those factories that have been set up on government land for loans, permission from Nabard for mills with negative NDRs were some of the issues discussed at the meet.

Earlier this year, the Maharashtra State Cooperative Sugar Factories Federation had sought clarity in guidelines from the RBI and National Bank for Agriculture and Rural Development (Nabard) for the utilisation of the Centre's scheme for a soft loan of ₹10,540 crore. The Centre had announced a soft loan of ₹10,540 crore for the payment of Fair and Remunerative Price (FRP) in the sugar season of 2019-2020.

Sanjay Khatal, MD of the federation, had highlighted the exhaustion of the sectoral exposure of banks for sugar industry, adding that there had been exhaustion of the unit exposure limit of individual mills as well.

CIL, OCPL tie up for sale of coal from captive block in Odisha

FE BUREAU
Kolkata, December 23

COAL INDIA LTD (CIL) and the Odisha government-owned Odisha Coal and Power Ltd (OCPL) have joined hands for sale of coal produced from OCPL's captive block at Manoharpur in Jharsuguda as a part of initiatives of the Central government to produce more indigenous coal available to country beyond CIL's production and cut imports.

While the government has aimed to curb imports of thermal coal, India's thermal coal imports stood at 183.4 million tonne (MT) in FY19 and were likely to cross 200 MT in 2020, according to estimates made by Icra. The OCPL produced coal instead of going for captive use only will come into the entire system which even, if little, will add to the demand-supply chain.

The OCPL-produced coal is supposed to feed the (2x600 MW) IB thermal power plant of the Odisha Power Generation Corporation (OPGC), but in this case, though OCPL is producing just the required amount of coal OPGC needs for power generation, the coal cannot reach plant for lack of evacuation facilities.

So, the coal ministry has asked CIL to make such arrangements so that the required coal for power generation is made available to OPGC from nearby mines and CIL lift the coal from OPCL's captive mines at Monaharpur.

In the wake of such a decision from the ministry, the CIL board has worked out a modality wherein its subsidiary, Mahanadi Coalfields Ltd (MCL), have entered into an agreement with OCPL for creating a provision of lifting coal mined from Monaharpur and MCL in turn would supply to OPGC.

Manoharpur coal block has a capacity to produce 8 MT per annum but as long as Manoharpur is under development phase and doesn't produce, MCL through bridge linkage would supply OPGC 4.8 MT per annum for power generation.

Bridge linkage is a short-term linkage to bridge the gap between requirement of coal of a specified end-user until the start of production of required quantity and the linkage provided. The quantity in bridge linkage is reduced in proportion with the amount of coal produced from the linked block.

According to a CIL official, coal that is produced from the blocks allocated by the coal ministry is for captive consumption for the designated power plants.

The coal, according to Coal Mines Development and Production Agreement, is meant for end-use only. But, in a situation where the coal produced at the captive block exceeds the end-users' requirement, there is a provision to release the excess coal to CIL, which the latter may supply to its consumers. This helps in making more domestic coal available to consumers bridging the demand-supply gap. But in this case, there was no excess supply but a first-of-its-kind swapping arrangement in which three parties — OPCL, OPGC and MCL — were benefited, a CIL official said.

According to the agreement, MCL shall receive 6,000 tonne of coal per day from OCPL which helps the latter to reduce its excess stock pile. To MCL's advantage, this coal could be supplied to its customers. This would benefit the country by way of increased availability of domestic coal. For the purpose, MCL has designated a siding where it would receive coal from OCPL and would despatch the same to its own consumers through rail mode. However, OPCL has been allowed to continue the production from Manoharpur block so that the coal received enhances coal supplies to its consumers, particularly for liquidating the arrear rakes of the non-power consumers.

Copper prices breach new high in Dec: Yes Securities

COPPER PRICES IN December breached a new high on the back of various global cues, according to Yes Securities.

Copper values breached $6,000 per tonne level in December while the prices remained confined in a narrow range for most part of the year, it said.

"The recent momentum is attributed to increasing optimism about a US-China trade deal. Although slowing Chinese economy has dented metal demand growth, supply issues in Chile has tightened mine output. Most Chilean mines are reporting 2019 output declines," Hitesh Jain, senior analyst for Institutional Equities, Yes Securities, said.

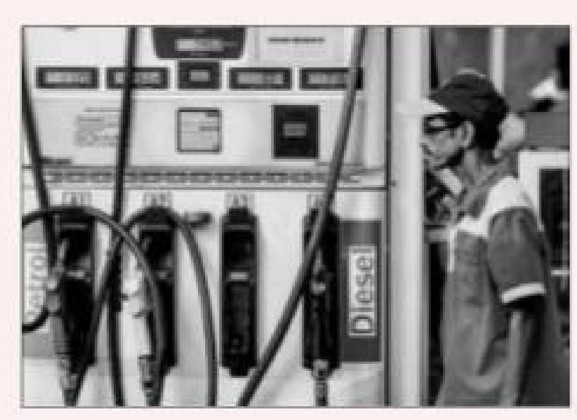
On the inventory side, global copper stocks remain low and are offering an element of support, as is the fact that market is expected to be in deficit both this year and in 2020, he added

Considering the prospects for next year, global aluminum markets are likely to witness a surplus of around one million tonnes, not an inspiring backdrop for prices, he said.

He said that zinc prices have shown a reverse trend going to back to a two-and-half-year low after reaching a substantial level in late October this year. —PTI

OMCs issue 500 LoIs for compressed biogas units, EoI extended till March

FE BUREAU
Mumbai, December 23



THE OIL MARKETING companies under the Sustainable Alternative Towards Affordable Transportation (SATAT) scheme have issued over 500 letter of intents (LoIs), as of date, to private developers to set up compressed biogas (CBG) plants across the country, a senior ministry official said. The OMCs have also extended the last date for expression of interest (EoI) to March 2020 as it failed to generate satisfactory response from developers initially.

Vijay Sharma, director, ministry of petroleum and natural gas (MoP&NG), said, at a road show on CBG in Mumbai, that, "CBG would help in effective waste management, reduction in carbon emissions, and creating additional source of revenue for farmers. The aim of the scheme is to replace the compressed natural gas (CNG) which is produced from fossil fuel in the long run."

"If total potential of CBG is exploited in the country, India can produce around 62 million metric tonne equivalent of CBG annually, which is sufficient to replace the entire gas demand of the nation and make the farmers from 'Annadata' to 'Urjadata' and contribute in making a brown revolution for energy."

In October, Union minister of petroleum and natural gas & steel Dharmendra Pradhan launched the SATAT Scheme under which oil & gas marketing companies including Bharat Petroleum Corporation, Indian Oil Corporation, Hindustan Petroleum Corporation, GAIL (India) Ltd and Indraprastha Gas Ltd have invited EoI from potential entrepreneurs to set up around 5,000 CBG plants, and produce over 15 million metric tonne of CBG annually by 2023.

The developers will set up the plant in an year's time from the date of LoI and OMCs will procure the gas at ₹46/kg plus ₹2.5 as GST.

"The tariff of ₹46/kg is an all inclusive cost. If the companies are not able to arrange for logistics to supply to the nearest retail outlets, OMCs will procure the supplies from developers minus the transportation cost from the tariff," Sharma said.

If total potential of CBG is exploited in the country, India can produce around 62 million metric tonne equivalent of CBG annually, which is sufficient to replace the entire gas demand of the nation

The minimum plant size has been fixed at 2 tonne per day and is expected to cost between ₹2 crore to ₹6 crore. Majority of the LoIs have been issued in Uttar Pradesh, Chandigarh, Maharashtra, Haryana and Punjab, the official said.

CBG is purified and compressed biogas, which is produced through a process of anaerobic decomposition from various waste and biomass sources like agriculture residue, cattle dung, sugarcane press mud and spent wash of distilleries, sewage water, municipal solid waste (MSW), bio-degradable fractions of industrial waste. CBG has properties similar to CNG, thus it can be used as green fuel in automotive, industrial and commercial sectors along with CNG.

Govt puts minimum import price of ₹200/kg on peas

PRESS TRUST OF INDIA
New Delhi, December 23

THE GOVERNMENT HAS imposed a minimum import price of ₹200 per kg on all kinds of peas, a move which could help in curbing cheaper imports and boost local prices.

"Import of peas including yellow peas, green peas, dun peas and kaspa peas is restricted and import subject to MIP of ₹200 CIF per kilogram," the directorate general of foreign trade (DGFT) has said in a notification. It also said that the imports were allowed only through Kolkata sea port.

Cost, Insurance, and Freight (CIF) is a term used in global trade parlance.

Minimum import price (MIP) is a temporary measure to provide protection to domestic farmers from predatory pricing of imports. Below this price, import of the commodity is not be allowed.

DGFT is an arm of the commerce ministry which frames rules related to exports and imports. The ministry has time and again imposed import restrictions on peas. India is the largest producer of pulses in the world. The target for pulses production is 24 million tonnes for 2018-19, marginally up from 23.95 million tonnes in 2017-18.

FSSAI to finalise rules in 2 months to ban sale, ad of junk foods in schools

PRESS TRUST OF INDIA
New Delhi, December 23

FOOD REGULATOR FSSAI is likely to finalise within the next two months its proposed regulations to ban sale as well as advertisements of junk foods in school canteens and within 50 metres of school campuses, its chief executive, Pawan Kumar Agarwal, said on Monday.

The Food and Standards Authority of India (FSSAI) had in November issued draft 'Food Safety and Standards (Safe Food and healthy diets for School Children) Regulations, 2019'. It had sought comments from stakeholders in 30 days.

"We have received comments from various stakeholders and we are now compiling these suggestions. A technical committee will look into these recommendations," Agarwal said.

He said it would take around 1-2 months to finalise the regulations and then the same would be sent to the health ministry for the final approval. In its draft regulations, the FSSAI had said that "foods which are referred to as foods high in fat, salt and sugar cannot be sold to school children in school canteens or mess premises or hostel kitchens or within 50 m of the school campus".

Delayed Mundra LNG import terminal set to get 1st cargo

STEPHEN STAPCZYNSKI
Singapore, December 23

THE MUNDRA LIQUEFIED natural gas import terminal in India is poised to start up more than a year after it was inaugurated.

Gujarat State Petroleum, one of the owners, bought a cargo to be delivered January 15-24 to the facility in western India, according to traders with knowledge of the deal.

The shipment would be the first since the plant's inauguration by Prime Minister Narendra Modi in September 2018. At least one cargo had been arranged for the terminal's commissioning late that year, but was never delivered.

Commercial disputes between GSPC and its partner, Adani Group, have delayed the start up of the project, Press Trust of India reported last week, citing sources it didn't identify. GSPC said on its website that Mundra is complete and will be commissioned in early 2020.

GSPC managing director Sanjeev Kumar said by phone Monday that the terminal will be commissioned "shortly," without providing further details. A spokesman for Adani Group wasn't immediately able to comment.

While the start of the Mundra terminal, with a capacity of 5 million tons a year, could bolster imports, India continues to face infrastructure bottlenecks that have hampered demand growth. Usage is likely to accelerate after 2030 once large transmission pipelines from receiving terminals are commissioned and distribution networks are complete, BloombergNEF said in a report last month. —BLOOMBERG

Repo rate-market rate of interest link diluted impact of RBI policy

SUSHIM BANERJEE
DG, Institute of Steel Development & Growth

INADEQUATE CREDIT FLOW from commercial banks and non-banking financial companies (NBFCs) to industry has frequently been cited as a major constraint to growth. While the flow has been reported to be lower than requirement, the cost of credit has also been on the rise. RBI, the primary supplier of credit, has recently endeavoured to bring down the repo rate in successive attempts.

During February and December 2019, the repo rate was brought down by 135 basis points from 6.5% to 5.15%. However, the actual lending rate by banks to end-users did not reflect the same buoyancy.

The market lending rate (basic rate between 8.95-9.40%) fluctuating between 11.5% and 12% decreased by an average 44 bps only, as RBI does not intervene in fixing the market rate of interest by commercial banks. In favour of the banks, it may be argued that this partial passing off was necessary to compensate the banks of the increasing cost of operations and services. As a result, the transmission impact of repo rate cut was much lower than what was envisaged. This phenomenon is nothing new in Indian economy.

Earlier, excise duty reduction on a specific product, in many cases, was not proportionately passed on to end-user with little impact on price of the product which was the basic intention of excise duty fall.

One must acknowledge that weakening of the direct link between repo rate and market rate of interest has somewhat diluted the impact of policy intervention by RBI in lowering the cost of credit by households for the purchase of property and consumer goods, including vehicles, and by SMEs and large players in bringing down the cost of working capital and capacity creation.

Latest data reveal the total non-food credit (measured by total loans outstanding) by the commercial scheduled banks has risen by 8.3% in October 2019 compared to the previous year.

Food credit has gone up by around 27% as on October 2019. Of the non-food credit, the loans to industry at ₹27.9 lakh crore have gone up by only 3.4% during the period. The credits to mining and iron & steel sectors have both decreased. While for mining it is lower by 4.1%, for iron & steel credit stands at ₹2.68 lakh crore, which dropped by nearly 7% compared to the previous year. For other metals, outstanding loans decreased by 7.7%.

On the other hand, the credit to automobile, construction & roads, total infrastructure sectors, outstanding credit amount has increased by 4-8% which is substantial under the current credit crunch period.

Reason for the above skewed distribution of bank credits among different industrial segments is on account of metal sector being one of the highest in total outstanding loans that have been declared as non-performing assets. Of the total NPAs by metal sector, the steel sector alone accounts for nearly 76% which has made banks credit averse to these sectors. The credit goes to the government to have introduced the Insolvency and Bankruptcy Code (IBC) with appropriate changes and made it an effective tool to recover outstanding credits by the defaulting units by selling it off to the new owners through a transparent auction route. In the recent Essar Steel case, the emergence of ArcelorMittal (60%) and Nippon Steel (40%) as the successful bidder would bring in good technology and better work practices, matching international standards.

Apart from leveraging healthy competition in the domestic market, it would contribute to growth of steel exports from India. The resolution of outstanding bank loans by Bhusan Steel and Power and Usha Martin by Tata Steel in taking control of these two ailing units and the smooth resolution of loans and ownership of Monnet Ispat and Bhusan Steel by JSW Steel are glorious examples of Indian large steel players consolidating and strengthening their positions as well as helping the financial sector out of the scourge of outstanding bank loans. These efforts are expected to go a long way in removing the risk aversion by commercial banks in extending credit to iron and steel sector.

Credit growth by banks to the micro and small enterprises has gone down marginally by 1.4%, while for the medium enterprises, it has risen by 1.2% and for the large players growth rate in credit happened to be more than 4%.

The sectoral break-up of non-food credit throws up an interesting fact that loans to non-banking financial companies (under service sector) at ₹7.13 lakh crore has gone up a substantial 27% in October 2019 compared to the previous year.

In the personal loan category, consumer durable goods sector has been extended credit by more than 70% while the outstanding credit for housing sector stands at ₹12.7 lakh crore which is 19.4% higher than last year and vehicle loans stand at ₹2.07 lakh crore (5% more than last year).

Sectoral growth trend and health influenced by appropriate policy interventions by the government would thus continue to be the primary determinants of credit flows to the sector. *(Views expressed are personal)*