MARKET WATCH

	24-12-2019	% CHANGE
Sensex	41,461	-0.44
US Dollar	71.27	-0.13
Gold	39,239	0.48
Brent oil	66.98	1.5

NIFTY 50

	PRICE	CHANGE
Adani Ports	368.60	1.70
Asian Paints	1803.45	-4.10
Axis Bank	740.65	-2.50
Bajaj Auto	3226.75	7.25
Bajaj Finserv	9294.85	-9.20
Bajaj Finance	4139.50	-20.50
Bharti Airtel	457.15	2.35
BPCL	477.80	-15.20
Britannia Ind	3091.05	-0.75
Cipla	478.70	10.85
Coal India	198.95	1.70
Dr Reddys Lab	2895.95	-12.45
Eicher Motors	21868.65	-307.50
GAIL (India)	119.75	-0.85
Grasim Ind	738.50	-3.85
HCL Tech	560.55	-10.40
HDFC	2412.75	-9.90
HDFC Bank	1289.15	-13.25
Hero MotoCorp	2432.65	12.55
Hindalco	216.25	1.10
Hind Unilever	1946.40	-4.00
ICICI Bank	541.10	-0.20
IndusInd Bank	1521.85	25.55
Bharti Infratel	255.30	0.70
Infosys	733.40	-2.60
Indian OilCorp	127.40	0.95
ITC	238.75	-0.15
JSW Steel	266.75	3.05
Kotak Bank	1711.55	6.65
L&T	1301.00	-10.25
M&M	527.50	1.60
Maruti Suzuki	7327.80	-33.10
Nestle India Ltd.	14586.00	53.50
NTPC	115.20	0.60
ONGC	126.00	1.35
PowerGrid Corp	187.15	1.35
Reliance Ind	1546.45	-24.95
State Bank	331.45	-0.95
Sun Pharma	429.80	1.40
Tata Motors	175.50	-0.55
Tata Steel	463.00	0.85
TCS	2215.60	-16.10
Tech Mahindra	772.05	-3.90
Titan	1204.10	-5.00
UltraTech Cement	4097.35	15.45
UPL	569.15	-8.50
Vedanta	148.05	0.30
Wipro	252.25	-1.60
YES Bank	51.20	1.55
Zee Entertainment	297.25	2.45

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on December 24

CURRENCY	TT BUY	TT SELL
US Dollar	71.07	71.39
Euro	78.67	79.04
British Pound	91.99	92.42
Japanese Yen (100)	64.96	65.26
Chinese Yuan	10.14	10.19
Swiss Franc	72.36	72.69
Singapore Dollar	52.44	52.67
Canadian Dollar	53.97	54.23
Malaysian Ringitt	17.18	17.26

Source:Indian Bank

Economic revival key to banks' health

Waning of banks' confidence in extending loans is worrisome, the Reserve Bank says in its report

SPECIAL CORRESPONDENT
MUMBAI

While the Indian banking sector's financial parameters such as bad loans and capital adequacy have shown an improvement in recent times, the overall health of banking sector will depend on revival in economic growth, the Reserve Bank of India (RBI) said in its Report on Trend and Progress of Banking in India 2018-19.

"The health of the banking sector hinges around a turnaround in macroeconomic conditions," the report said.

The growth slowdown of the country intensified with GDP growth for the second quarter of the current financial year dipping to a six-year low of 4.5%.

The report noted that during 2018-19, the asset quality of scheduled commercial banks turned around after a gap of seven years with the overhang of stressed assets declining and fresh slippages arrested.

As a result of declining provisioning requirement, the banking sector returned to profitability in the first half of 2019-20. Besides, recapitalisation had helped public sector banks in shoring up their capital ratios.

Despite improvement in some of these parameters, the risk-averse nature among lenders was worrisome, the banking regulator said.

Progress report

- Asset quality of scheduled commercial banks turns around after 7 years
- Sector returned to profitability on declining provisioning need in H1 FY20
- Recapitalisation helped PSBs shore up capital ratios
- Capital infused by government in PSBs 'just enough' to meet regulatory minimum
- To sustain credit growth, capital must be maintained well above regulatory minimum
- PSBs' financial health must be assessed by ability to access capital markets

Credit slowdown

The slowdown of credit flow to the commercial sector in the first half of 2019-20 was evidence of the aversion to risk.

"In turn, this waning of confidence is weighing on overall economic activity. This is worrisome as it is taking hold at a time when the recent improvements in asset quality and profitability of the banking sector are at a nascent stage and capital ratios of public sector banks (PSBs) are shored up due to recapitalisation by the government," the RBI said.

The report observed that capital infusion by the government in public sector banks was 'just enough' to meet the regulatory minimum, including capital conservation buffer. The RBI said banks' capacity to sustain credit growth in consonance with the financing requirements of the economy will, however, warrant that capital is maintained well above the regulatory minimum, providing these banks confidence to assume risk and to lend.

Commenting that recapitalisation would be a continuous process, the RBI said that going forward, the financial health of PSBs should increasingly be assessed by their ability to access capital markets rather than looking to the government as a recapitaliser of the first and last resort.

Strict governance norms for banks soon, says RBI

They will reflect global best practices

SPECIAL CORRESPONDENT
MUMBAI

The Reserve Bank of India (RBI) is planning to issue fresh corporate governance norms which will be in line with global best practices.

"The growing size and complexity of the Indian financial system underscores the significance of strengthening corporate governance standards in regulated entities," the central bank said in the Trend and Progress Report of Banking in India 2018-19.

Governance quality

The central bank said recent governance failures in some financial entities have brought to the fore the impact of the quality of corporate governance on efficiency in allocation of resources as well as on financial stability.

"In response, the RBI is in the process of issuing draft guidelines on corporate governance for regulated entities; the objective of which is to align the current regulatory framework with global best practices while being mindful of the context of the domestic financial system," the Reserve Bank of India said.

Commenting on the issue of cooperative banks, the banking regulator said given there was a pressing need for an umbrella organisation for the sector, which can provide liquidity and capital support to member-banks, the RBI has given approval for its formation.

Cardif stake sale in SBI Life gets post facto nod

Seller did not seek prior IRDAI approval

SPECIAL CORRESPONDENT
HYDERABAD

The Insurance Regulatory and Development Authority of India (IRDAI) has said that BNP Paribas Cardif S.A. violated certain provisions of the Insurance Act 1938 when it sold a portion of its stake in SBI Life Insurance earlier this year without seeking prior approval.

However, in view of Cardif's request to the regulator to take a lenient view, IRDAI has granted post-facto approval for the transaction. According to the IRDAI order, Cardif had sold 5,07,40,000 equity shares, constituting 5.069% of SBI Life's total shareholding, without obtaining prior approval of the Authority.

Stating such approval has to be taken for such transactions, under the provisions of the Insurance Act and Transfer Regulations and Listed Insurance Companies Guidelines, IRDAI had issued a show-cause to Cardif in June.

At the hearing, Cardif confirmed prior approval was not sought as its legal counsel advised them that such an approval was required for the acquirer and not the transferor. Cardif requested IRDAI to condone the 'unintentional' mistake and submitted that in future the same would not be repeated and the provisions of law would be brought to the notice of the management of Cardif for compliance.

India in the midst of significant slowdown: IMF

Economic recovery will not be quick; institution calls for urgent policy actions from the government

PRESS TRUST OF INDIA
WASHINGTON

India is now in the midst of a significant economic slowdown, the International Monetary Fund (IMF) has said, urging the government to take urgent policy actions to address the current prolonged downturn.

In its report released on Monday, the IMF Directors noted that India's rapid economic expansion in recent years has lifted millions of people out of poverty. However, in the first half of 2019, a combination of factors led to subdued economic growth in India.

'Cyclical, not structural'

"The issue in India [now] is the growth slowdown. We still believe it is mostly cyclical, not structural... because of the financial sector issues, we think, the recovery will be not as quick as we thought earlier. That's the main issue," Ranil Salgado, Mission Chief for India in the IMF Asia and Pacific Department said, as it released its annual staff report on India.

With risks to the outlook tilted to the downside, the IMF Directors called for continued sound macroeconomic management. They saw an opportunity with the strong mandate of the new government to reinvigorate the reform agenda to boost inclusive and sustainable growth, the report said. The staff report was done in August when the IMF was not fully aware of India's current economic slowdown.

Growth in the second quarter of FY 2019-20 came in at a six-year low of 4.5% (year-on-year), and the composition of growth indicates that private domestic demand expanded by only 1% in the quarter. Most high-frequency indicators suggest that weak economic activity has continued into December, he said. Mr. Salgado attributed this to the abrupt reduction in non-banking financial companies' credit expansion and the associated broad-based tightening of credit conditions appears to be an important factor and weak income growth, especially rural, has been affecting private consumption.

Private investment has been hindered by financial sector difficulties (including in public sector banks) and insufficient business confidence, he said. Some implementation issues with important and appropriate structural reforms, such as the nation-wide Goods and Services Tax, may also have played a role, he added.

'Other metrics are fine'

To a question, he said the new growth projections for India, which will come out in January, would be significantly lower than the previous ones. "By other measures, India still is doing well. Reserves have risen to record level. The current account deficit has narrowed. Inflation, although we have a little jump right now because of vegetable prices, we think (it) has been under control for the last few years. So, by other measures, India is doing quite well. The issue is primarily how to address the growth slowdown," he said.

He added the IMF had been taken by surprise by India's slowdown. He replied in the negative when asked if this slowdown can be described as an economic crisis.

In the short term, he said, the most critical thing is carrying out reforms in the financial sector.

New norms for reward to whistleblowers

PRESS TRUST OF INDIA
NEW DELHI

The SEBI on Tuesday came out with a new mechanism to reward whistle-blowers and other informants for sharing information about insider trading cases.

Under the new framework, it would be mandatory to disclose the source of information; besides, confidentiality regarding the identity of the informant would be protected, the regulator said.

"Reward would be given in case the information provided leads to a disgorgement of at least ₹1 crore in accordance with the PIT (Prohibition of Insider Trading) Regulations," said SEBI. It said that the Office of Informant Protection has been established by it as an independent office for receiving and processing the Voluntarily Information Disclosure Form.

Containerised trade growth flat in Q3 2019: Maersk report

'Trend indicates soft global uptake, weak domestic demand'

LALATENDU MISHRA
MUMBAI

Containerised export and import trade of India remained flat during the July-September quarter of 2019 compared with a global growth of 1.5%, indicating softening of global uptake and weak domestic demand.

The Maersk India Trade Report Q3 2019 said that while imports into the country saw subdued growth, the overall fiscal impact was nullified by an identical contraction in exports. However, overall exports to Africa in the quarter grew by 11%, led by appliances and kitchenware, vehicles and seeds, beans and cereals and flour.

Refrigerated cargo (reefer) exports from India to the Mediterranean region witnessed an increase, primarily fuelled by meat, fish and shellfish, the report said.

As per the report, the negative effects from escalating trade restrictions weighed on trade growth in the quarter. Trade restrictions had reduced bilateral trade between the U.S. and China, and led to shifts in trade structures, with global importers having shifted sourcing from China to other countries such as Vietnam, Taiwan, Bangladesh and Korea, with Thailand, Mexico and India also showing early signs of being next in line to benefit. In India, economic uncertainty, tight liquidity, decline in global export orders and domestic political scenario affected the flow of investments and added to currency volatility, it said.

While India wants to boost trade with China by protecting local interests, it is looking for greater access to the Chinese market as it seeks to arrest the fall in farm commodity exports.

Steve Felder, MD, Maersk South Asia, said, "The USA has emerged as a strong trade partner with India showing growth in exports as well as imports. India boosted its 'ease of doing business' in World Bank's 2020 rankings. This provides a huge opportunity to entice global investors to grow their trade with India."

SEBI tightens norms for MF investments

Regulator to discontinue usage of pool accounts for transaction

SPECIAL CORRESPONDENT
MUMBAI

The Securities and Exchange Board of India (SEBI) has tightened the norms for mutual fund investments by minors and has also proposed to stop the usage of pool accounts for mutual fund transactions.

In a circular issued on Tuesday, the capital markets regulator said that if the mutual fund investments were being made by a minor, then the investment has to be made either from the minor's account or a joint account of the minor.

"Payment for investment by means of cheque, demand draft or any other mode shall be accepted from the bank account of the minor or from a joint account of the minor with the guardian only," said the circular.

Further, once the minor attains the status of a major, the individual will have to provide the complete KYC – Know Your Client – details of the updated bank account and no transactions will be allowed till the status of the minor is changed to major.

For existing folios, the fund houses will have to insist upon a change of pay-out bank mandate before redemption is processed, said the circular.

In a separate discussion paper, the watchdog has proposed to discontinue the practice of pool accounts that is typically used by intermediaries like stock brokers and digital platforms for making mutual fund investments on behalf of their clients.

Karvy issue

Interestingly, the proposal stems from the recent issue related to Karvy Stock Broking wherein it was alleged that the broking firm had pledged client securities to raise funds from banks and non-banking financial companies.

"In the recent past, instances have come to light where clients' funds/securities were diverted or misutilised by trading member/clearing member toward margin obligations or settlement obligations of itself or for some third party or for raising loan against shares on its own account...," said the discussion paper.

The capital markets regulator has proposed that exchanges could put in place a more direct interface that could bypass the intermediaries.

"For transactions on exchange platforms through stock broker(s), exchanges shall put necessary systems in place to ensure that pay-in is directly received by recognised clearing corporation from investor's bank account and pay-out is directly made to investor's bank account from recognised clearing corporation's account," said the discussion paper.