

# ICRA, CARE fined over ratings given to IL&FS debt instruments

ENSECONOMICBUREAU  
MUMBAI, DECEMBER 26

THE SECURITIES and Exchange Board of India (Sebi) Thursday, in two separate orders, imposed a penalty of Rs 25 lakh each on ICRA and CARE Ratings over ratings given to the non-convertible debentures (NCDs) of IL&FS.

The regulator said in its order that despite the declining financial indicators of IL&FS, the rating agencies failed to intervene on time. The rating agencies continued to assign highest rating to the NCDs issued by IL&FS, despite its stressed balance sheet, asset-liability mismatch and negative debt to equity ratio.

Earlier this year, ICRA had terminated the employment of its CEO and MD Naresh Takkar. Takkar was on leave since July 1 pending an inquiry. Similarly,

**Sebi imposed a penalty of ₹25 lakh each on ICRA and CARE Ratings over ratings given to the non-convertible debentures of IL&FS**

CARE Ratings had sent its MD and CEO Rajesh Mokashi on leave, pending the completion of the examination of anonymous complaint received by Sebi. Mokashi resigned on December 20.

In its order, Sebi said, “The Noticee (rating agencies) continued to assign the highest possible rating (AAA) to the NCDs issued by IL&FS, based mainly on institutional parentage of IL&FS and the assurances given by IL&FS management to the Noticee from time to time.”

It added, “In view of the same, it was alleged that the Noticee had failed to exercise proper due diligence by way of independent confirmation of various claims made by the management of IL&FS which ultimately led to misrepresentation of financial health of IL&FS in the eyes of the investors.”

Sebi also said that the credit rating agencies relied heavily on information provided by the management of IL&FS with regard to updates on the status of implementation of various projects and fund raising plans and failed to carry independent due diligence to ascertain the veracity of the updates provided by the management of IL&FS.

“The Noticee also failed to keep track of the various disclosures available on the website of BSE, as made by IL&FS from time to time,” said Sebi in its order. **FE**

## INVESTORS AVOID EXPOSURE TO PAPERS NOT OF HIGH QUALITY

# FPI investments in corporate bonds at over 2½-year lows

BHAVIK NAIR  
MUMBAI, DECEMBER 26

FOREIGN PORTFOLIO investors (FPIs) investments in Indian corporate bonds have hit over a two-and-a-half year low after falling below the \$27 billion-mark in December. FPIs have utilised only 58.36 per cent of the investment limits available, NSDL data shows.

Experts indicate that after the NBFC default crisis, foreign investors are avoiding exposure to papers that are not of high quality. On top of it, liquidity still remains a concern in the Indian corporate bond market.

As Manish Wadhawan, independent fixed income and cur-

### LIQUIDITY A CONCERN IN CORPORATE BONDS

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rency expert, points out, post the IL&FS credit default last year, the impact has resonated across the credit space, especially the non-banking and finance companies (NBFC) names.

“FPIs have been reducing exposures in troubled names and are left with the option of buying

only select good quality public sector unit (PSU) and banking names. However, there are restrictions that prevent them to take more than a certain exposure due to prudential limits. The appetite of foreign investors for Indian corporate papers have reduced in recent times,” Wadhawan said.

It is interesting to note that FPI investment limits remain unutilised even for the government securities segment. Government securities are considered to be risk-free investment. According to NSDL data, general category investors have utilised just above 75.29 per cent of the investment limits available.

In April 2018, the central bank had notified that no FPI shall have an exposure of more than 20 per cent of its corporate bond portfolio to a single corporate, and in case an FPI has exposure in excess of 20 per cent, it shall not make further investments in that corporate until this stipulation is met. However, earlier this year, the RBI relaxed the rules. **FE**

# RBI to buy, sell ₹10K cr of G-Secs via OMOs on Monday

ENSECONOMICBUREAU  
MUMBAI, DECEMBER 26

AS PART of its ‘Operation Twist’, the Reserve Bank of India (RBI) on Thursday announced the simultaneous purchase and sale of long-tenor and short-tenor government securities (G-secs), respectively, worth Rs 10,000 crore each, which will take place on Monday.

The open market operations (OMOs) to be conducted by the banking regulator will be the second in the series as was expected by market participants, who anticipate at least Rs 50,000 crore of OMOs.

“On review of the current liquidity and market situation and an assessment of the evolving financial conditions, the Reserve Bank has decided to conduct one more simultaneous purchase and sale of government securities under OMO for Rs 10,000 crore each on December 30, 2019,” the central bank said in a statement.

In the latest round of Operation Twist, which takes its name from the monetary policy tool used by the US Federal Reserve, the RBI is again targeting the 10-year benchmark bonds or the 6.45 per cent yielding notes maturing in 2029 by deciding to purchase Rs 10,000 crore of the papers thereby reducing their supply in the market.

At the same time, the RBI is looking to sell short-dated securities maturing in 2020 worth Rs 10,000 crore.

As on Thursday, the yield on the benchmark bonds are down by about 22 basis points from the peak seen in December. **FE & PTI**

# COAI: Surgical tools should be used instead of blunt instrument of internet shutdowns

RITUSARIN  
NEW DELHI, DECEMBER 26

TELECOM INDUSTRY body, the Cellular Operators Association of India (COAI), has been regularly writing to the government about what it describes as a “policy for disenfranchising people” by frequent internet shutdowns, but no replies have been forthcoming.

The COAI has calculated that losses from internet shutdowns have gone up in 2019 to an estimated Rs 24.5 million per hour due to the high dependence on internet for several services. According to Secretary General of COAI, Rajan Mathew, the government has been resorting to an identical “shutdown policy”, say, for fear of examination papers leaking in Rajasthan or for fear of spiralling of violence in Jammu & Kashmir.

“We do not know what intelligence inputs are being used for disenfranchising people or whether there is a real-time review process being undertaken by the government. In fact, we are not aware of any review of the perceived dangers of connectivity and we cannot do any second guessing. The government has to think of the cost and benefits of internet shutdowns instead of using the same shutdown policy for all parts of the country,” Mathew said.

The remarks come in the wake of continuing internet curbs in the Kashmir Valley and in parts of Uttar Pradesh where they were imposed after violent protests were witnessed after December 19.

The COAI official said that “lapses” in procedures for internet shutdowns — which were listed in a gazette notification dated August 8, 2017 — have also been brought to the attention of the government.

He said, “Very often the notification is not signed by a Secretary-level officer and subsequently, the authorisation does not come within 24 hours as has been stipulated in the gazette notification. I am reasonably confident that confirmations do not often come and technically, the shutdown order should then lapse. These matters have been escalated with the government but it is done in a very closed circuit by the nodal officers appointed by each service provider. The COAI is not always in the loop. Maybe the Comptroller and Auditor General (CAG) or some other auditor which should examine such lapses.”

Speaking about how with almost 100 internet shutdowns have been logged in 2019, Mathew said that such a clampdown should be the “last resort” for the government given the “cascading” economic and social impact such an action has.

He also linked the increasing frequency with which shutdowns were being resorted to with the investments and capabilities of the intelligence and cyber agencies to monitor and decrypt what they deem could be suspicious internet traffic. “We have to ask the question why countries like the US and UK as well countries in Europe which have also witnessed mass protests and unrest in the recent past do not resort to internet shutdown? This is because in India, enough investments are not going into training and capabilities for decryption and even this too has been pointed out to the government. Minimal use of an instrument like internet shutdown should be resorted to. Surgical tools have to be used for specific targets instead of blunt instruments to disenfranchise people of an entire geographical region.”

# ONGC gets green nod for ₹3,500-crore Assam project

PRESS TRUST OF INDIA  
NEW DELHI, DECEMBER 26

STATE-RUN ONGC has received environment clearance (EC) for carrying out onshore exploration, development and production of oil and gas in 100 locations in non-forest area of Assam, that would entail an investment of Rs 3,500 crore, according to official documents.

The Union Environment Ministry has given green clearance to ONGC, the country's largest oil and gas exploration and production company, after taking into account the recommendations of a green panel.

“The EC is however subject to obtaining prior permission from the wildlife angle, including clearance from the Standing Committee of the National Board of Wildlife,” the ministry said in a letter to ONGC.

The company proposes to carry out drilling in 100 locations to evaluate the hydrocarbon potential of 21 different onshore Petroleum Mining Lease (PML) blocks in a non-forest area covering 944.39 km in Assam and Assam Arakan Basin covering whole of the Upper Assam North in Sivasagar district.

After establishing the potential, the company will put the field under development and production. The project cost is estimated to be Rs 3,500 crore, the company added.

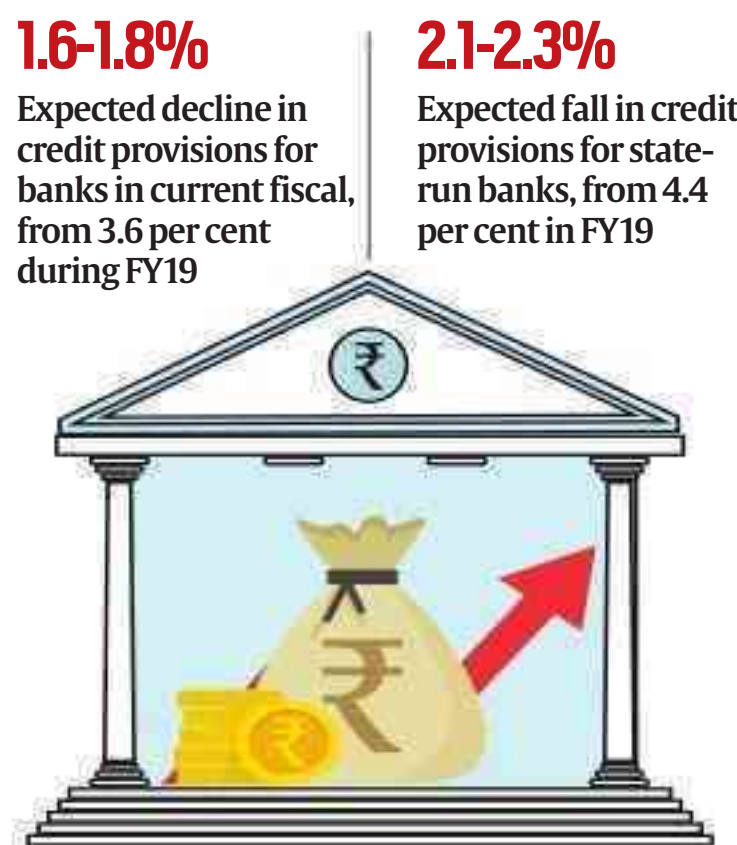
According to ONGC, there is still a lot of scope in exploring new sub-surface structures in Assam for hydrocarbons.

The total area of Sivasagar district PML is 957.73 square kilometre, in which Lakwa, Rudrasagar, Geleki and its adjoining areas are important oil producing fields in North Assam Shelf of Sivasagar district.

## ‘Banking sector net NPA may fall to 3.2% by March-end’

Aided by better recoveries and declining slippages, overall net NPAs of the banking sector are likely to improve to 3.2-3.3 per cent by the end this fiscal from 3.7 per cent in September 2019, rating agency ICRA said

**3.8%** Net NPAs (non-performing assets) of banking sector, as of March 2019  
**15.5%** Banks recovery from bad loans in FY19, which rose from 14.9 per cent in FY18  
**4.8%** Net NPAs of public sector banks as on September 30, 2019 — falling from 7.2 per cent in September 2018 and 4.9 per cent as on March 31, 2019 — on back of sizeable capital infusion in public sector banks and accelerated provisions  
**1.7%** Net NPAs of private sector banks as on September 30, 2019 — falling from 1.9 per cent in September 2018, but up from 1.6 per cent as on March 31, 2019



■ Improvement in recovery of stressed assets: As per a recent RBI report, recovery of stressed assets improved during FY19 propelled by resolutions under the Insolvency and Bankruptcy Code, which contributed more than half of the total amount recovered

■ Improvement in solvency profile of banks: Decline in net NPAs will improve the solvency profile of banks, with core equity bettering to around 29 per cent by March 2020 and nearly 27 per cent by March 2021 from 33 per cent as on September 30, 2019

Source: ICRA/PTI

## ‘FM to meet CEOs of PSU banks tomorrow’

PRESS TRUST OF INDIA  
NEW DELHI, DECEMBER 26

FINANCE MINISTER Nirmala Sitharaman will hold a meeting with heads of public sector banks on Saturday to review financial performance of the lenders and their business growth, sources said. Given the importance of the banking sector in generating demand and boosting consumption, the sources said the meeting with the MD and CEOs of PSBs ahead of the Budget 2020-21 is considered important.

Sitharaman is expected to present her second full Budget on February 1.

The meeting is also expected to take up discussion on non-performing asset recovery through both NCLT and non-NCLT means, the sources said.

Banks have recovered Rs 4,01,393 crore over the previous four financial years, including record recovery of Rs 1,56,702 crore during 2018-19.

The meeting is expected to take stock of the banking sector and pushing loan growth, the sources said adding that the banks may be nudged to further cut interest rates to fully pass on transmission of the repo rate cut.

Despite the Reserve Bank of India (RBI) making credit cheaper, lending rates are rising for borrowers after accounting for inflation and falling economic growth.

Economic growth has fallen to over six-year-low of 4.5 per cent in the September quarter and is widely expected to slip further with almost all key components of the economy contracting. The RBI has responded by cutting rates by 110 basis points to a nine-year-low of 5.40 per cent.

As bad loan recognition process nears completion, gross non-performing loans of banks improved to 9.1 per cent as of end-September 2019, compared to 11.2 per cent in 2017-18, says an RBI report.

## ‘Delay in aircraft deliveries, non-availability of engines led to disruption in network’

PRESS TRUST OF INDIA  
NEW DELHI, DECEMBER 26

GOAIR, WHICH has come under fire from passengers for cancelling dozens of flights abruptly earlier this week, on Thursday attributed the disruption in network to delay in aircraft deliveries and non-availability of engines. In a clarification issued on Thursday, the budget carrier also sought to defend its choice of Pratt & Whitney engines for its A320 Neo fleet.

GoAir cancelled as many as 40 flights between November 23 and 24, during which it also reported air turn back of two if its aircraft due to engine glitches, which were later taken out of operations for further inspection.

“GoAir has placed an order for 144 Airbus A320neo aircraft and has experienced delivery delays during the month of November and December, adding to its operational challenges,” the airline said.

The airline further said “during the same time, non-availability of Pratt & Whitney spare engines have also hampered the smooth functioning of the airline”.

Data collated from an aircraft deliveries tracking website suggest that GoAir has inducted less

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GOAIR

planes in the fleet this year as compared to 2018.

As against 17 aircraft inducted between May-December last year, the carrier took deliveries of only 11 planes between April-December this year.

The airline said that due to inclement weather in North India, it experienced extensive flight delays and diversions leading to cancellations of flights as its crew approached its flight duty time limits (FDTL) in the last two-three days.

The cockpit and cabin crew duty and rest norms are governed by the aviation safety regulator, Directorate General of Civil Aviation.

The anti-Citizenship Amendment Act (CAA) protests wherein GoAir crew members were unable to report for duty further exacerbated the issue, the airline added.

## US weekly jobless claims fall by 13,000

WASHINGTON: The number of Americans filing applications for unemployment benefits fell last week in a sign of ongoing labor market strength. Initial claims for state unemployment benefits decreased 13,000 to a seasonally adjusted 222,000 for the week ended December 21, the Labor Department said on Thursday.

The drop in the latest week largely unwound a surge in new claims two weeks earlier that appeared to reflect a late Thanksgiving Day this year compared to 2018. **REUTERS**

