Economy

SATURDAY, DECEMBER 28, 2019

EXUDING OPTIMISM

M Venkaiah Naidu, Vice President

It is true there are some challenges for the Indian economy... But I want to tell everyone there are ups and downs. But we must be optimistic. We should not be pessimistic.

Quick View

CII pitches for more focus on mining

AS THE COUNTRY aims to become a $5-trillion economy, the policymakers need to focus more on the mining sector with concerted efforts to regain its 3% share in the GDP by 2024-25, says a study. According to the study conducted by industry body CII, the mining industry's share in India's GDP (in real terms) in 2018-19 was a low of 2.6 per cent, down from 3 per cent in 2011-12. The study 'Towards a Globally Competitive Minerals and Mining Industry' was released at the Mining Summit 2019.

Pressing issues for textile units

PRIME MINISTER NARENDRA Modi has asked a delegation from the textile industry to send a brief note on the key issues to be addressed, president of Tirupur Exporters Association (TEA) Raja M Shanmugham said on Friday. Modi had called for a meeting with 11 textiles industry delegates from across the country on December 26 at his residence to get to know the plight of the industry, Shanmugham said in a press release.

'Expedite e-office implementation'

UNION MINISTER JITENDRA Singh on Friday appealed to all the states and Union Territories to expedite implementation of e-office or digitisation of government work. During a review meeting of the Ministry of Personnel, Public grievances and Pensions, Singh discussed various initiatives towards digitisation and e-governance. "The minister also appealed to the state governments to expedite the implementation of e-office in their respective states/Union territories," a statement issued by the personnel ministry said.

Cold wave condition to stay

COLD WAVE CONDITIONS continued unabated in several parts of north India on Friday, with Delhi recording the season's lowest temperature and the IMD predicting some relief in the region from December 31 onwards. The minimum temperature settled at 4.2 degrees Celsius in the national capital, three notches below normal. Twenty-one trains were delayed for a maximum of six hours in the north due to the weather conditions.

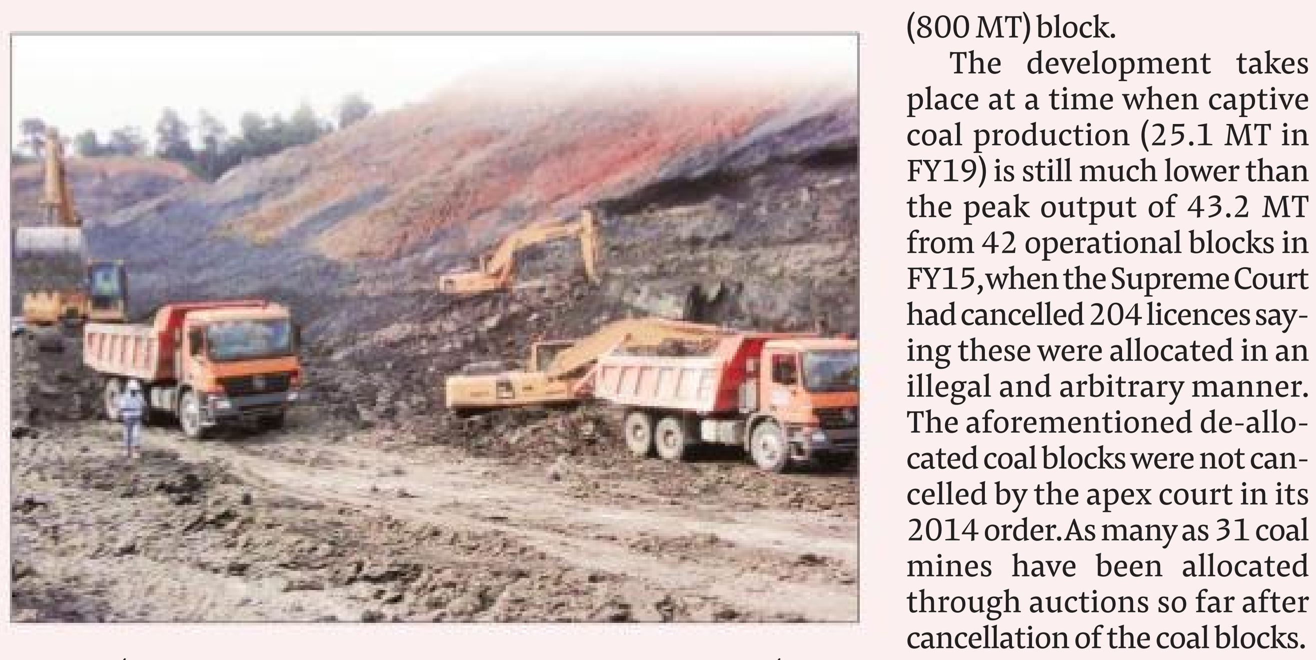
Mumbai Metro tunnelling project

MUMBAI METRO RAIL Corporation, which is implementing the Colaba-Bandra-Seepz corridor, on Friday said 100% tunnelling work of the project will be completed by September next year.

POWER SECTOR

6 coal blocks taken away from 4 states

FE BUREAU
New Delhi, December 27



THE COAL MINISTRY on Friday cancelled allocations of six blocks with state-run power generation companies of Jharkhand, Chhattisgarh, Odisha and Maharashtra. These coal blocks, with geological reserve of around four billion tonne, had been allocated to the states in the 2007-10 period to serve as fuel reserves for future power generation projects. However, none of these power projects saw the light of the day and no significant development has been made to operationalise these mines, leading to the ministry de-allocating the coal blocks.

While Jharkhand lost the Moury (225.4 million tonne reserve) and Kerandari BC blocks (916.5 MT), the Bhivkund mine (100MT) has been taken away from Maharashtra. The Pindrakhi (421.5 MT) and Puta Parogia (629.2 MT) blocks have been de-allocated from Chhattisgarh and Odisha lost the Bankhui (800 MT) block.

The development takes place at a time when captive coal production (25.1 MT in FY19) is still much lower than the peak output of 43.2 MT from 42 operational blocks in FY15, when the Supreme Court had cancelled 204 licences saying these were allocated in an illegal and arbitrary manner. The aforementioned de-allocated coal blocks were not cancelled by the apex court in its 2014 order. As many as 31 coal mines have been allocated through auctions so far after cancellation of the coal blocks.

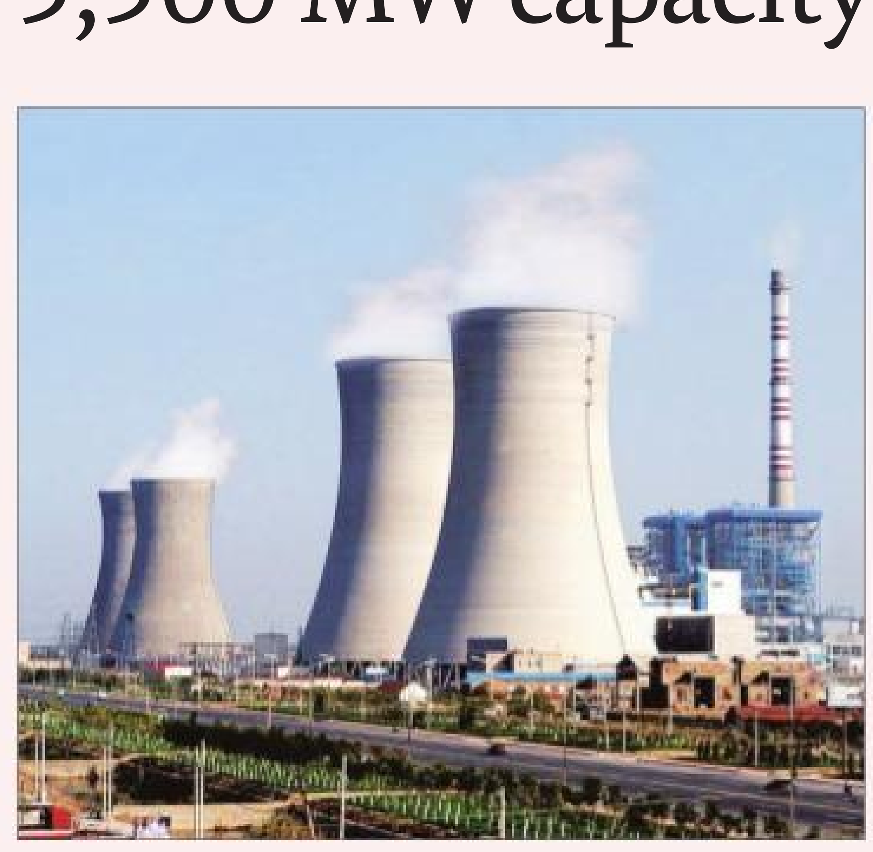
It was not immediately clear when these cancelled mines of attractive capacities will be put up for auctions for private players. After a long gap of four years and amid rising coal imports, the Centre earlier this month managed to allocate five captive coal mines to private companies.

Coal minister Pralhad Joshi recently informed Parliament that the states have earned total revenue of ₹4,975.7 crore from FY15 to October 2019 from captive coal production.

It was not clear if the revenue included royalty, cess and taxes that states earn from coal mining. The government had earlier claimed that coal-bearing states will get revenue to the tune of ₹3.5 lakh crore over 30 years (about ₹11,467 crore annually) from blocks allotted to central or state government companies.

Coal ministry panel approves supply to upcoming power projects with 3,300 MW capacity

FE BUREAU
New Delhi, December 27



A STANDING COMMITTEE of the coal ministry has recommended coal linkages to state-run power plants with a cumulative capacity of 3,300 megawatt (MW) in Maharashtra, Tamil Nadu and Uttar Pradesh.

Maharashtra had sought 3.18 million tonne (MT) of coal per annum for an upcoming 660 MW unit of the Bhusawal power plant. The linkage committee, based on the Union power ministry's recommendation, has sanctioned fuel supply to this unit which is expected to be commissioned in FY22.

The committee also recommended bridge linkage to a 660 MW unit of Tamil Nadu's state-owned Ennore SEZ super-critical thermal power project. However, the quantity of coal to be supplied would be sufficient for only half the unit's capacity as its boiler is designed to run on an equal blend of domestic and imported coal.

Bridge linkages are temporary fuel supply contracts for electricity generation units which have already been allotted coal blocks that are yet to commence production. The unit has been allotted the Chandrabila coal block, which is expected to start production in FY24.

Under the same bridge linkage structure, Uttar Pradesh's 1,980 MW Ghatampur plant will also get 0.5 MT of coal in FY21. The three units of the plant, of 660 MW each, are scheduled to be commissioned in November 2020, April 2021 and December 2022, respectively. The plant was allotted the Pachwara South coal block, where excavation is supposed to begin in May 2022.

The committee also allowed NTPC and Coal India another six months to sign the fuel supply agreement for a 500 MW unit at the Unchahar power plant. It has also recommended the extension of existing bridge linkages to NTPC's 500 MW Barauni Stage-2 plant (Bihar) and Damodar Valley Corporation's units in Mejia (West Bengal) and Chandrapura (Jharkhand).

NTPC Barauni will receive coal under the bridge linkage till September 2022 — three years from the formal allotment of the Badam coal block in September 2019.

Govt to enforce from Jan EPFO's move to restore pension commutation

PRESS TRUST OF INDIA
New Delhi, December 27

THE LABOUR MINISTRY will enforce the retirement fund body EPFO's decision to restore pension commutation, or advance part-withdrawal, under the Employees' Pension Scheme from January 1, 2020, a move which will benefit 6.3 lakh pensioners, a source said.

These 6.3 lakh pensioners had opted for commutation of their pension and got a lump-sum amount at the time of retirement from their pension accumulations or fund before 2009. The provision for commutation of pension was withdrawn by the EPFO in 2009.

"The labour ministry would issue a notification on January 1, 2020, to implement the Employees' Provident Fund Organisation's (EPFO) decision to restore commutation, or advance part-withdrawal, under the Employees' Pension Scheme," the source said.

Under the commutation, monthly pension used to be cut by one-third for the next 15 years and the reduced amount was given in lump sum. After 15 years, pensioners were entitled to get the full pension.

The EPFO's apex decision-making body the Central Board of Trustees, headed by the labour minister, had approved the proposal to restore commutation of pension for 6.3 lakh pensioners opted for the benefit, in its meeting held on August 21, 2019.

An EPFO panel had recommend for amendment to EPS-95 (Employees' Pension Scheme 19995) for restoration of commuted value of pension to pensioners after 15 years of drawing commutation.

There was a demand for restoration of commutation of pension. Earlier, under EPS-95, members were allowed to commute one-third of their pension for 10 years, which was restored after 15 years. This facility is available to government employees.

'Unemployment top worry for urban Indians'

69% surveyed thinks that the country is headed in the right direction

PRESS TRUST OF INDIA
New Delhi, December 27

NEARLY HALF OF the urban Indians are most worried about unemployment, while 69% of them think that the country is headed in the right direction, according to a survey.

Financial and political corruption, crime and violence, poverty and social inequality and climate change are the other issues worrying Indians, the survey, What Worries the World, by research firm Ipsos found out.

India bucks the global trend of pessimism as 69% of urban Indians feel that the country is on the right track, compared with 61% global citizens who feel their country is on the wrong track.

The survey shows that some of the other issues worrying Indians include financial and political corruption, crime and violence, poverty and social inequality and climate change

"At least 46% of urban Indians polled are most worried about unemployment or joblessness and it has seen a further surge of 3% in November (when the survey was conducted) from the previous round of October," said the survey.

"The survey shows that some of the other issues worrying Indians include financial and political corruption, crime and violence, poverty and social inequality and climate change."

On the other hand, poverty and social inequality are the top worries for global citizens, followed by unemployment, crime and violence, financial and political corruption and healthcare, the survey pointed out.

The survey is conducted monthly in 28 countries around the world via the Ipsos Online Panel system.

LIC pays govt ₹2,611-cr dividend for 2018-19

PRESS TRUST OF INDIA
New Delhi, December 27

STATE-OWNED LIFE INSURANCE CORPORATION on Friday paid a dividend of ₹2,610.74 crore to the government for the financial year 2018-19. "During the financial year 2018-2019, LIC generated a valuation surplus of ₹53,214.41 crore, registering a growth of 9.9% over the previous year.

It has a market share of 76.28% in number of policies and 71% in first-year premium as on November 30, 2019," the finance ministry said in a tweet.

Bengal cooperative banks lent ₹36,000 crore in last five years, says Amit Mitra

PRESS TRUST OF INDIA
Kolkata, December 27

WEST BENGAL FINANCE minister Amit Mitra on Friday said cooperative banks in the state lent ₹36,000 crore in the last five years and urged lenders to extend the services in rural areas.

In a bid to bring unbanked areas under the institutional credit network, the state government will provide space inside panchayat offices so that banks can set up branches, he said. "Total lending by cooperative banks in the state stood at ₹36,000 crore in the last five years," the minister said.

Speaking at the 'Samabay Mela' here, Mitra said there is a need to "deepen and extend the cooperative movement" in the state.

Under the 'Krishak Bondhu' scheme, a farmers' welfare programme, the state has disbursed ₹601 crore in 2018, benefiting 39 lakh farmers and sharecroppers, Mitra said.

The West Bengal government has extended ₹430 crore so far this year under the scheme, helping 27.4 lakh cultivators, Mitra said.

The vision of the state government is that there will be "no unbanked panchayats" in West Bengal, the minister said. "For this, banks will be given space inside panchayat offices to set up their branches."

From the Front Page

Loan losses for banks could rise: RBI report

THE CENTRAL bank wrote that NBFCs reported stress in asset quality during H1 2019-20 with the gross NPA ratio going up from 6.1% as at end-March to 6.3% as at end-September. The net NPA ratio, however, remained steady at 3.4% during this time. As at end-September 2019, the capital adequacy ratio of the NBFC sector stood at 19.5%, lower than 20% as at end-March 2019.

The performance of scheduled urban cooperative banks (SUCBs) deteriorated significantly between March and September 2019. At the system level, the capital adequacy ratio of SUCBs declined from 13.5% in March 2019 to 9.8% in September 2019. The GNPAs of SUCBs as a percentage of gross advances jumped from 6.4% to 10.5% while their provision coverage ratio declined from 61.1 % to 40.9%. Further, their RoA turned negative in September 2019 (-3.6%) from 0.7% in March 2019, whereas their liquidity ratios marginally increased from 33.5% to 33.9 % during the same period.

The RBI projection of an increase in GNPAs comes at a time when industry was expecting reversal of the cycle. SBI chairman Rajnish Kumar on December 21 said most banks will be in a good position by March and there is no dearth of liquidity in the system for lending. Kumar added that there are opportunities to lend in sectors such as infrastructure and consumer lending as there is not much of a decline in demand from consumers. According to RBI's projection, the GNPA ratios of state-owned lenders could increase to 13.2% by September 2020 from 12.7% in September 2019. The GNPAs of private banks may rise to 4.2% by September next year from to 3.9% in September 2019.

PMC ex-MD, Wadhawans named in charge sheet

IT ALSO carries statements of 340 witnesses, including account holders in the bank.

Apart from cheating and fraud, the accused have been charged under various sections of Indian Penal Code including destruction of evidence and falsification of documents. All the five accused were arrested soon after the scam came to light in September and are presently in judicial custody. Seven other bank officials have also been arrested in the case and a supplementary chargesheet is likely to be filed against them later. The fraud at PMC Bank came to light after the Reserve Bank of India discovered that the bank had allegedly created fictitious accounts to hide over Rs 6,700 crore in loans extended to the almost-bankrupt HDIL.

According to the RBI, PMC bank masked 44 problematic loan accounts, including HDIL loan accounts, by tampering with its core banking system, and the accounts were accessible only to limited staff members. Thereafter, the city police's EOW and the Enforcement Directorate had registered cases. On September 23, the RBI had imposed regulatory restrictions on the bank. The withdrawal limit for account holders was initially kept at Rs 1,000 per day, which was increased gradually to Rs 50,000.

Retail investors remain faithful to equities SIPs

MARKET PARTICIPANTS say that with equity markets touching all time high, several investors might have booked profits which have led to redemptions in November. However inflows through SIPs in November stood at an all-time high at Rs 8,273 crore, shows the data from Association of Mutual Funds in India (Amfi). In the last three years, there has been a continuous rise. While in CY 2018 net inflow through SIPs was Rs 88,667 crore, in CY 2017 it was 59,482 crore, shows the data from Amfi.

Aashish P Somaiyaa, MD and CEO, Motilal Oswal Asset Management Company, is of the view that mutual funds have been gaining popularity and acceptance and SIPs have become the first option for retail investors to invest in the markets. Apart from that new investors prefer doing digital transactions and MFs is the only financial product that allows paperless transactions ab initio. Also overall experience of SIP investors have been positive over the longer investment horizon, Somaiya added.

Since January this year, Nifty has given returns of close to 12.73%, but this rally has been powered by handful of stocks. The data from Value Research shows that on an average large-cap and mid-cap category have given returns of 11.57% and 3.28% respectively in last one year, while small-cap category is giving negative returns of 1.71% in the last one year.

Systematic investment plans offered by fund houses allow investors to invest a fixed amount in schemes periodically at fixed intervals — instead of making a lump-sum investment. SIPs are similar to a recurring deposit where you deposit a small or fixed amount every month.

Even as overall inflows into the equity schemes slowed-down in the last few months, investors continue to repose faith in SIPs. The data from Association of Mutual Funds in India (Amfi) shows that in the period between January-November equity funds have seen inflows of Rs 71,926.87 crore. While in calendar year 2018, mutual funds had seen inflows of Rs 1.27 lakh crore. Market participants say that slowdown in equity flows is due to the volatility in markets and concentrated rally in equity markets.

Swarup Mohanty, CEO of Mirae Asset Global Investments (India), says, "There has been maturity in investors behaviour as earlier they used to run away from the slow growth period and time the market which never worked. They have learnt the lessons to stay invested for longer duration and get good returns." He also added that markets are at all-time high, but this rally has been led by top 8-10 stocks and urged investors to stay invested and get benefits of markets when they start growing in the broad manner.

Sensex regains footing, rallies 411 points

"INVESTORS TO stay focused on continuity of government policies and given liquidity is solid, momentum is expected to shift from premium stocks to value stocks," said Vinod Nair, head of research at Geojit Financial Services.

BSE energy, realty, oil and gas, bankex, finance, auto and power indices rallied up to 1.74%, while consumer durables ended in the red.

The broader BSE midcap and smallcap indices advanced up to 0.87%.

Global equities soared on expectations that the "phase one" trade deal between the US and China will be finalised next month.

Bourses in Hong Kong and Seoul ended higher, while Shanghai and Tokyo slipped in the red.

Stock exchanges in Europe started on a positive note.

On the currency front, the rupee depreciated 4 paise against the US dollar to 71.36 (intra-day).

Brent futures, the global oil benchmark, advanced 0.29% to $68.12 per barrel.

Tesla to deliver its first China-built electric cars on Monday

EARLIER FRIDAY, the China-built Model 3 was included on a list of vehicles qualifying for an exemption from a 10% purchase tax in the country. Tesla said in October the locally built Model 3 will be priced from about $50,000. Further helping Tesla, the China-built model this month qualified for a government subsidy of as much as about 25,000 yuan ($3,620) per vehicle.

The company may lower the price of the locally assembled sedans by 20% or more next year as it starts using more local components and reduces costs, people familiar with the matter have said.