GOLD	RUPEE	OIL	SILVER
₹38,718	71.66	$64.00	₹45,730

*Indian basket as on November 27, 2019

SENSEX: 40,802.17 ▲ 8.36 NIFTY: 12,048.20 ▼ 7.85 NIKKEI: 23,529.50 ▲ 235.59 HANG SENG: 26,444.72 ▲ 98.23 FTSE: 7,353.73 ▲ 7.20 DAX: 13,235.91 ▼ 0.47

*International market data till 1900 IST

'NEARLY 90% DUPED INVESTORS GOT BACK SECURITIES'

Bourses suspend Karvy's broking licence

ENS ECONOMIC BUREAU
MUMBAI, DECEMBER 2

CRACKING THE whip on brokers who misuse the funds of customers, the National Stock Exchange and the BSE on Monday suspended Karvy Stock Broking's trading licence for all segments due to non-compliance of the regulatory provisions of the bourses. Simultaneously, the National Securities Depository Ltd (NSDL) said nearly 90 per cent — 82,559 — of duped investors have got back their securities and the remaining ones will get after clearing their dues.

On the other hand, Securities and Exchange Board of India (Sebi) rejected Karvy's plea to use its clients' power of attorney (PoA) to settle trades done by them as the broking firm illegally transferred securities worth Rs 2,300 crore of more than 95,000 clients.

In two separate circulars, the bourses announced that they "have suspended Karvy Stock Broking Ltd with effect from December 2, 2019 due to non-compliance of the regulatory provisions of the exchange". The BSE said it has deactivated trading terminals of Karvy in equity and debt segment and put them in the risk reduction mode in equity derivatives, currency derivatives and commodity segment.

Sebi's directive had come after the National Stock Exchange forwarded a preliminary report to it on the non-compliances observed with respect to pledging/misuse of client securities by Karvy. The exchange's preliminary report is the result of the limited purpose inspection of Karvy conducted by it on August 19, covering a period from January 1 onwards, Sebi had said in its order.

In an order passed on November 22, Sebi barred Karvy from taking new clients in respect of its stock broking activities and also prevented it from using the power of attorney (PoA) given by clients after the broker was found to have allegedly misused clients' securities.

The NSDL said 82,559 investors them have got back their securities, which were illegally transferred by the KSBL to its own account. "As per the directions of Sebi and under supervision of NSE, securities have been transferred from the demat account ... named Karvy Stock Broking Ltd to the demat accounts of respective clients who have paid in full against these securities. The number of such clients who have received securities are 82,599," NSDL said in a circular.

EXPLAINED

Focus on EY report; Sebi may have to look into similar cases

SEBI HAD earlier said Karvy Stock Broking transferred Rs 1,096 crore of investors' money to its real estate subsidiary. However, it's not clear how and where was this money used by its real estate arm.

The forensic audit of Karvy Stock Broking by EY is expected to bring out more details on the fund diversion. Now, it's to be seen how banks will recover the funds lent to Karvy. The market regulator should look into similar fund diversion from clients' accounts by other broking firms.

Karvy had earlier taken loans to the tune of Rs 600 crore by pledging securities worth more than Rs 2,300 crore of 95,000 clients with lenders.

In another order passed on Friday, Sebi said it would not be prudent to allow the use of PoA (power of attorney) by Karvy given to it by its clients. It clients of Karvy who seek to sell securities through the broker may do so by using electronic or physical Delivery Instruction Slip (DIS) only. A DIS is used by sellers of securities to instruct their depository participant to debit their demat account. The order also highlighted that Karvy, in one demat account under its name on the BSE, unauthorisedly transferred securities worth Rs 2,300 crore of more than 95,000 clients, into this account, by misusing the PoA given by its clients. This demat account was never disclosed by the firm in its filing with exchanges.

The securities of fully paid clients were also pledged by Karvy Stock Broking to generate funds for its own/group entities use. Apart from misutilisation of client funds, KSBL continued to create additional pledges on client securities even after Sebi regulations prohibiting firms from doing so became effective from October 1.

Sebi said forensic audit of KSBL, initiated by the NSE, is in progress and the full magnitude of the mis-utilisation of the clients' securities will be known after completion of the forensic audit.

The latest Sebi order came after the Securities Appellate Tribunal (SAT) on Friday directed Sebi to look into the issue of clarification sought by KSBL with regard to usage of PoA given by clients. The tribunal had asked the regulator to pass an appropriate order after giving an opportunity of hearing by December 2, 2019. Prior to that, KSBL had also written to Sebi requesting it to permit the continuation of KSBL using the PoA only for the limited purpose of transfer of securities to the pool account solely for settling the clients' pay-in obligations to stock exchanges.

The forensic audit of Karvy Stock Broking by EY is expected to bring out more details on the fund diversion from KSBL to its real estate arm. Sebi has said KSBL transferred Rs 1,096 crore of investors money to its real estate subsidiary. However, it's not clear how this money was used by its reality division. "The funds diverted could be higher also," said a source.

INTERVIEW WITH MD OF LIFE INSURANCE CORPORATION

'Millennials bought 44% of total policies sold by LIC in current year till October'

TC SUSEEL KUMAR, Managing Director of Life Insurance Corporation (LIC), says the insurer has increased its market share by 6 per cent this year despite tough competition from private sector players. In an interview to GEORGE MATHEW, Kumar said millennials account for 44 per cent of the new policies sold by LIC. Edited excerpts:

'LIC has increased market share from 66.5% to 72.5% despite tough pvt competition'

TC SUSEEL KUMAR
MD, LIFE INSURANCE CORPORATION

How are you taking on competition from private sector players?

Our market share in premium (new business) was 66.5 per cent as of March 2019. But on September 30, it touched 72.5 per cent. We have regained 6 per cent market share in six months time. In October, our market share in policies was as high as 78 per cent. The share has gone up in the individual segment. We're showing good growth in single and non-single premium segments. Earlier single premium was taking a larger portion.

How are millennials or young population looking at the insurance sector?

In the current year till October, we sold 1.04 crore policies. Out of this, 26 lakh plus policies were sold to people who are less than 25 years old. Another 18 lakh policies were sold to people between 25 to 30 years old. If you look at people between 30 and 35 years old another 17 lakh policies. We have sold 44 lakh policies to people below 30 years old, or millennials. That's nearly 44 per cent of policies. They are coming. If you ask me whether this is adequate, well the number outside (is more)… we have to do a lot of work. If you look at the agents who are recruited, about 30-35 per cent are millennials. That may be also a good connect. Getting people early is always advantageous. Millennials can be from rural areas also ... need not be from urban areas.

Are you divesting your stake in UTI Mutual Fund?

We're not completely divesting our stake. The regulations say that it has to be brought down below 10 per cent.

Are you hiking premium in Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJBY)?

Ultimately it depends on the claim experience. It's the government which is paying the premium. We don't get any profit out of it. We run the scheme. They have formed a committee and it has to recommend it.

Is there any progress on listing of LIC?

The government has to decide on that issue.

What's the share of online premium collection?

About 20-30 per cent of the premium collection is through online route. If I add the agents' offices, it will be around 50 per cent.

The life insurance industry has been doing well despite the slowdown in the economy. What's driving the sector?

Right from April, the insurance industry has been showing a fairly good growth. And cumulative from April every month it has been growing. We're growing faster than the industry. Currently, LIC is showing a growth rate of 37 per cent whereas the industry is 31 per cent and private companies are showing 19 per cent as of October. It (slowdown) should not affect the insurance sector. People look for safer investment … safer options when there's trouble in the market.

LIC seems to have stepped up hiring of agents. What're your plans?

We're serious about addition of agency force. We have added about a lakh of agents in the current year. We have around 11.8 lakh agents now. We have started sending them to institutions like IIM for training.

After the acquisition of IDBI Bank, how are things taking shape?

It was always LIC's desire to have a bank as we have other subsidiaries for mutual fund, housing finance and credit card. We look at the addition of the bank as a benefit which can give a lot of synergy to LIC and our subsidiaries. We're looking at bancassurance very seriously. Currently, they have sold about 50,000 policies and Rs 400 crore premium. They are also collecting renewal premium in their outlets. IDBI Bank doesn't report to LIC. We have a board membership. It's a board-driven bank. We don't get involved in micro management.

What are your hiring plans this year?

We're hiring around 16,700 people this year, including clerical and officers' categories. This is about 13-14 per cent of our current work force. We have around 8,000 development officers coming in a month's time. We have already done the exams for 3,000 clerical staff. We have already recruited 600 class one officers.

What's your stock market strategy?

Whenever the price is attractive, we always tend to buy. Whenever the price is good to sell, we sell. We made a profit of over Rs 14,000 crore till November 15 this year.

'Manufacturing sector activity inches up in November on new orders'

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 2

THE COUNTRY'S manufacturing sector activity saw a marginal increase in November as growth rates for new orders as well as production were modest amid competitive pressures and unstable market conditions, the IHS Markit India Manufacturing PMI showed on Monday.

Subdued sales amid challenging economic scenario prevented hiring in November, with payroll numbers declining for the first time in 20 months, it said.

Some firms were able to secure new work amid successful marketing and strengthening demand, but others struggled in the face of competitive conditions, amid challenging economic scenario and troubles in the automotive sector.

The PMI rose to 51.2 in November from 50.6 in October, when it had fallen to a two-year low, indicating only a slight improvement in the health of the sector. As per the survey, growth was supported by the launch of new products and better demand, though restrained by competitive pressures and unstable market conditions. In PMI parlance, a print above 50 means expansion, while a score below that denotes contraction.

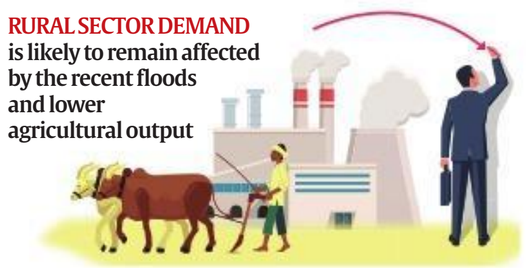
"After pulling back noticeably in October, manufacturing sector growth displayed a welcoming acceleration in November. Still, rates of expansion in factory orders, production and exports remained far away from those recorded at the start of 2019, with subdued underlying demand largely blamed for this," said Pollyanna de Lima, principal economist at IHS Markit. **WITH PTI**

'Reinforcing confidence will be one of the biggest challenges for the govt'

Growth is expected to remain subdued in near future as the slowdown has deepened and may remain extended longer, says a Dun & Bradstreet report

GDP GROWTH hit an over six-year low of 4.5 per cent in July-September 2019, dragged mainly by deceleration in manufacturing output and subdued farm sector activity, according to official data released on Friday

RURAL SECTOR DEMAND is likely to remain affected by the recent floods and lower agricultural output



REINFORCING CONFIDENCE of stakeholders in the ecosystem will be one of the biggest challenges for the government to tackle; there are no easy fixes, said Arun Singh, chief economist at Dun & Bradstreet India

THE CONUNDRUM of soaring domestic stock market indices in India, slowing growth, rising inflation, and elevated unemployment presents a complex challenge for policymakers to address

SECTORS UNDER STRESS
Most sectors, from auto to real estate, are under stress and this is reflected in the profit margins of the corporate and revenue collections of the government

CO-OPERATION BETWEEN CENTRE AND STATES
Both the Centre and the states should gear up to execute infrastructure projects in pipeline

BENEFITS
This will provide employment opportunities for the rural and urban poor. Secondly, it should work towards ensuring that auditing norms become more stringent, the report said adding boosting consumption seems difficult when incomes are not growing, food inflation is rising and governance issues have increased

Source: PTI

'GREEN SHOOTS' VISIBLE

In a matter of a year ... will have lot of investment coming: FM

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 2

STATING THAT "green shoots" are visible with several companies showing interest to invest in the country, Finance Minister Nirmala Sitharaman Monday said that the corporate tax reduction will help attract fresh investment and jobs generation through Make in India.

Sitharaman said there has been no decrease in direct tax collections and the gross mop-up rose 5 per cent during April-November this financial year, adding that maximum direct tax collections come in the final quarter of the financial year.

The recent cut in corporate tax was not aimed to benefit certain companies but the entire industry, the Finance Minister said, adding that "people are approaching" the government for fresh investment which will help in generating more jobs as well as make India a manufacturing hub in the future.

"Yes, it is the decision (corporate tax reduction) which has resulted in revenue foregone ... approximately about Rs 1.45 lakh crore could be foregone," she said while replying to a debate on Taxation Laws (Amendment Bill) in the Lok Sabha.

On corporate tax cut, the Finance Minister further said, "Yes, we are conscious of it and we are conscious that if not today, in a matter of a year you will have a lot of investment coming into this country. I can see the initial green shoots."

The whole objective of reducing corporate tax was to drive and attract manufacturing investments from all over the world. This had prompted the government to introduce a special rate of 15 per cent for new investments from new companies that go into operation between October 2019 to 2023, she said.

On the possibility of a personal income tax cut, Sitharaman said she would rather deal with the matter separately based on its merit. On queries why the government did not reduce personal income tax to spur demand, she said tax benefits to individuals are reviewed periodically and the government will take action at an appropriate time.

The government in September had announced a cut in the corporate tax rate, wherein corporate tax for existing companies was reduced to 22 per cent from 30 per cent, and to 15 per cent from 25 per cent for new manufacturing firms incorporated after October 1, 2019, and starting operations before March 31, 2023.

After the MPs asked about slowing economic growth following GDP growth slipping to 26-quarter low of 4.5 per cent in July-September, Sitharaman said it was not the first time that the GDP growth rate had slowed to 4.5 per cent. The minister said in the fiscal 2012-13 also the GDP had recorded sub-5 per cent growth, but it increased later. "It is possible to go up," she said, adding the government was "proactive" in addressing challenges being faced by the economy.

Clarifying on an error in the Taxation Laws (Amendment Bill), 2019, which said the reduced MAT will come into force from the next financial year beginning April 1, 2020, she said that the lower rate of 15 per cent minimum alternate tax (MAT) announced as part of the corporate tax rate cuts in September will be applicable from the current financial year. The intention, she said, has always been to apply reduced MAT rate from 2019-20.

'NO DECREASE IN DIRECT TAX COLLECTIONS'

LSTV/PTI Photo

- FM Nirmala Sitharaman said the cut in corporate tax was not aimed to benefit certain firms but the entire industry and "people are approaching" government for fresh investment
- Said there has been no decrease in direct tax collections and gross mop-up rose 5% during April-Nov

'Neither anti-national nor anti-government': Kiran Mazumdar-Shaw

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 2

BIOCON CHAIRPERSON and Managing Director Kiran Mazumdar-Shaw on Monday said India Inc is "neither anti-national nor anti-government".

This comes in the backdrop of veteran industrialist Rahul Bajaj saying that India Inc was afraid of criticising the Narendra Modi government.

Shaw, who had earlier said the government treated India Inc as "pariahs" and doesn't want to hear any criticism of the economy, was responding to Finance Minister Nirmala Sitharaman's remarks that spreading one's own impression "can hurt national interest" in relation to the statement made by Bajaj on Saturday.

"Madam we are neither anti national nor anti government. We want you to succeed big time as fastest growing economy n rise to the top of the global league of economies. I am a proud apolitical National n only want the Govt to promote good policies including at State level," Shaw tweeted.

In the tweet, Sitharaman said, "Home Minister @AmitShah answers on how issues raised by Shri. Rahul Bajaj were addressed. Questions/criticisms are heard and answered/addressed. Always a better way to seek an answer than spreading one's own impressions which, on gaining traction, can hurt national interest."

Supporting Bajaj, Shaw had earlier said, "Hope the govt reaches out to India Inc for working out solutions to revive consumption n growth". **WITH PTI**

IN OCTOBER, THE UNITED STATES WAS ALLOWED TO IMPOSE TARIFFS ON AIRBUS

WTO rejects EU bid to stop US tariffs over Airbus

REUTERS
PARIS/BRUSSELS, DEC 2

THE WORLD Trade Organization on Monday rejected European Union claims that it no longer provides subsidies to planemaker Airbus, underscoring tariffs recently imposed by the United States on European goods.

A new compliance report from the Geneva trade watchdog found that the Airbus A380 and A350 jetliners continue to be subsidised as a result of past European government loans.

It is the latest move in a record transatlantic trade dispute involving mutual claims of illegal aircraft subsidies, coming to a head at a time of rising global trade tensions. The United States was in October awarded the right to impose tariffs on $7.5 billion of annual EU imports in the case against Airbus. It went ahead with partial tariffs on most Airbus jets and products from cheese to olives and single-malt whisky.

A decision on retaliation rights for the EU in a parallel case on aid for Boeing is due next year..

In Monday's finding, a three-person panel rejected EU claims that a recent decision by Airbus to stop producing the slow-selling A380 meant the giant airliner could no longer be seen as a threat to Boeing, whose competing 747 is also out of fashion. While the WTO no longer faulted Airbus for causing lost sales to Boeing with the A380, which is no longer marketed, it ruled that the superjumbo would continue to cause market-share damage to Boeing for as long as it is produced and delivered. Airbus plans to shut production in mid-2021.

A new compliance report from the World Trade Organization found that the Airbus A380 and A350 jetliners continue to be subsidised as a result of past European government loans

The WTO appeared to strengthen findings against the A350, saying it had both cost sales and damaged Boeing's market-share prospects - a process called impedance - in the busier twin-engined long-haul market where Boeing offers its 787 Dreamliner.

The European Commission said it took note of the report, adding it contained a number of serious legal errors. The Commission, with Irishman Phil Hogan leading trade policy since December 1, said it would consider its next steps, including a possible appeal, while seeking an overall agreement on aircraft subsidies with the US. There was no immediate comment from the US Trade Representative.

European sources said the decision to drop references to the A380 causing lost sales to Boeing had cut about $2 billion from a list of harms worth $7.5 billion that had driven the WTO's decision to allow US tariffs up to the same amount.

They did not immediately say whether the finding against the A350 would change the equation in the opposite direction.

US sources argued such calculations were "irrelevant," since only full compliance or an agreement to settle the trade dispute politically would cancel WTO approval for the tariffs.

Trump restores aluminium and steel tariffs on Brazil, Argentina

REUTERS
WASHINGTON/RIO DE JANEIRO, DECEMBER 2

US PRESIDENT Donald Trump on Monday announced he would restore tariffs on US steel and aluminium imports from Brazil and Argentina in apparent retaliation for currency weakness he said was hurting US farmers.

In an early morning tweet Trump said Brazil and Argentina were "presiding over a massive devaluation of their currencies." Both countries have actively been trying to strengthen their currencies — the real and the peso — against the dollar. Their currencies have been buffeted by weakness that analysts partially attribute to Trump's larger trade battle with China.

Trump, who gave no details about his new plan, said the currency weakness was hurting US farmers. "Effective immediately, I will restore the Tariffs on all Steel & Aluminum that is shipped into the US from those countries," Trump wrote. Brazil's president, Jair Bolsonaro, an avowed Trump fan who has sought closer US ties, said in a local radio interview that Trump's decision was not a retaliation, adding that he would call his US counterpart, who he was confident would listen to Brazil's concerns. Argentine Production Minister Dante Sica said Trump's announcement was "unexpected" and he was seeking talks with US officials.

China repeats demand for US tariff rollback

Beijing: China expects the US to roll back some tariffs on its exports as part of a trade deal, the Communist Party newspaper Global Times said Monday, reiterating Beijing's insistence that President Donald Trump's administration be "flexible" and "reasonable."

"Rolling back tariffs is a must. The China-US trade war (was) instigated by the US with tariffs, so the tariffs have to be cut first," the newspaper quoted Wei Jianguo, a former Chinese commerce minister as saying. **AP**