MARKET WATCH

FPIs REMAIN NET BUYERS IN DEC

New Delhi: Foreign portfolio investors (FPIs) remained net buyers in December by investing Rs 2,613 crore in domestic markets, mainly due to expectation of a revival in corporate earning, quantitative easing by US Fed and infusion of funds by central banks globally. **PTI**

AFTER PNB SCAM UNRAVELS, BRANCHES DOWN FROM 165 IN FY18 TO 128 IN FY19

Aiming for cost efficiency, PSBs cut overseas branch presence by 22.5%

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 29

STATE-OWNED BANKS significantly reduced their overseas branch presence by nearly one fourth after unravelling of over Rs 12,000 crore scam at Punjab National Bank (PNB).

According to data released by the Reserve Bank of India (RBI), in the financial year ended March 2019, public sector banks (PSBs) reduced their overseas branch presence from 165 at the end of FY 2017-18 to 128 at the end of FY 2018-19, thereby reducing 37 branches or almost 22.5 per cent.

Besides, the PSBs also reduced the number of representative offices and closed 12 offices, thereby bringing their number down from 29 in March 2018 to 17 in March this year.

"Indian PSBs substantially reduced their overseas presence in terms of branches, representative offices and other offices with the objective of cost efficiency through shutting down of unviable foreign operations and rationalisation of multiple branches in same cities or nearby places," said the RBI in its report on 'Trend and Progress of Banking in India 2018-19'.

Weeks after the scam at PNB, perpetrated by designer jeweller Nirav Modi came to light, the then banking secretary Rajeev Kumar had said that the state-owned banks will "consolidate 35 overseas operations without affecting international presence of PSBs in these countries."

While these operations include bank branches, joint ventures, subsidiaries, remittance centres, and representative offices, he said that another 69 operations have been identified for further review. Kumar pointed that the move was aimed towards cost efficiencies and synergies in overseas market.

In line with the same, the Reserve Bank data shows that a total of 49 operations, including 37 branches of state-run banks, were reduced during the year and the overall numbers came down from 260 in March 2018 to 211 in March 2019.

The biggest reduction was seen in case of Bank of Baroda (BoB), which saw its overseas branches come down from 50 to 36. State Bank of India's (SBI) branch numbers came down from 52 to 40 from FY18 to FY19.

The scam perpetrated by Nirav Modi involved several overseas branches of state-owned banks other than PNB.

However, there was no major impact on the presence of private sector banks. Data from the central bank shows that while there were 20 overseas branches and 19 representative offices of private sector banks as of March 2018, the numbers remained almost constant.

The number of branches reduced by one but at the same time, they saw an addition in the representative offices.

OVERSEAS PRESENCE OF INDIAN BANKS

	Branches		Representative offices		Total Presence	
	2018	2019	2018	2019	2018	2019
PSBs	165	128	29	17	260	211
SBI	52	40	8	7	92	80
BoB	50	36			70	56
Private banks	20	19	19	20	42	42
All banks	185	147	48	37	302	253

Source: RBI; The total presence also includes joint ventures, subsidiaries and remittance centres

EXPLAINED

Little change in presence of private banks

WHILE STATE-RUN banks consolidated overseas operations, aiming for cost efficiencies and synergies in overseas markets, private banks made little changes in their foreign presence.

As per RBI data for fiscal 2018-19, the total presence of private lenders remained the same, with one overseas branch shutting down but a new representative office being added.

INTERVIEW WITH MD & CEO, IFFCO TOKIO GENERAL INSURANCE

'If young population takes health insurance, we would be able to subsidise premium for elderly'

DESPITE A broader economic slowdown, the general insurance industry continues to grow at around 15 per cent. WARENDRA SINHA, MD and CEO of IFFCO Tokio General Insurance, told SANDEEP SINGH that the industry will continue to grow at the same pace as the penetration remains low and also because the economic growth won't be too bad for too long. Speaking about increasing penetration, he said that the industry is working on customising in a bid to provide right size insurance products that have lower premium, shorter tenure but high volume and also working on telematics-based products. Excerpts:

"As we speak, the industry is growing at 16 per cent and I see the industry closing at anywhere between 15-18 per cent at the end of the year"

WARENDRA SINHA

How has the economic slowdown impacted growth of insurance sector?

I would say that for now it has not been impacted. In fact, last 3-4 years have been leaping as far as growth is concerned. A couple of government schemes have played a major role: PM Fasal Bima Yojana (PMFBY) that came in 2016 and Ayushman Bharat Scheme. It has changed the portfolio mix. While motor insurance comes on top, it is followed by health and then the crop insurance.

Ten years ago, when government companies were undergoing business process restructuring it was projected that motor and health will grow at 15 per cent and that has been achieved. For many years, we were at penetration level of around 0.7 and today we are at 0.94 and that is after PMFBY and Ayushman Bharat. It tells the scope of business that still remains untapped.

I am upbeat about future growth. As we speak, the industry is growing at 16 per cent and I see the industry closing at anywhere between 15-18 per cent at the end of the year.

I have seen the industry come a long way from a top line premium income of Rs 500 crore in 1982. In 2000, when the market opened up — private companies were allowed to come back again and broking fraternity was allowed to come for the first time, the premium of general insurance industry was Rs 10,000 crore and last financial year it closed at 17x.

So you don't think that the slowdown will have any impact?

While it has not had impact as of now, the downturn will take its toll because if businesses don't do as well as they were doing, then they would not want to pay insurance premium and if we see factories shutting down, it will lead to a dip in terms of insurance. I, however, keep an optimistic view. As of now, we have not seen a reduction in industry premium collections but a continued slowdown may hurt.

My feeling is that the economy will not be so bad because I think the government has done a lot of cleaning and it should turn around. Also, it is the US-China trade war that is manifesting all over the world. Since the penetration is low, it will help us grow and we will focus on health, motor and home products. Also, all insurance companies have got together to start a campaign. It is going to be a one-year campaign and will start soon. It will aim to bring about awareness and to educate the masses that insurance is for the benefit of people.

How is decline in automobiles sales hurting the sector?

There is a downturn in the auto sector and it is largely because of new vehicles. It impacts the premium collection because premium of new vehicles is higher. Also, when we get more of new vehicles, the claims ratio is almost 30 per cent lower than what it would be if we only have old vehicles. However, we have been helped by government measures such as increase in penalty under Motor Vehicles Amendment Act, 2019. Even today, almost 50 per cent of the vehicles remain uninsured since many don't renew it after the first year.

Don't you think that it is unfair that a lot of elderly don't get health insurance and if they get, the premium is high?

As the CEO of an insurance company, it feels bad that when the earning goes down at old age, we cannot offer them insurance and if we do offer with exclusions, we raise the premiums. I feel horrible about it, but there is no option and which is why I feel that penetration must increase and young ones should take insurance. If the young population takes health insurance, we would be able to cross subsidise the premium for the elderly. I think that on an overall basis, the industry needs to raise volumes to be able to subsidise other consumers as in many cases the premiums for prohibitive for elders.

Today, group medical policy bleeds all insurance companies. I have nothing against them but the premium should be commensurate. However, even if they don't pay commensurate premium, if the younger lot were to buy insurance, it would cross subsidise. Today a challenge for an insurance company on an overall basis is to have an operating cost of below 100 as then you make profit.

While penetration still remains low, how do you plan to increase it?

We are trying to open offices in smaller towns and rural areas and are working on smaller products that will cater to that segment of the society. The industry is working on customised right size insurance products that have lower premium, shorter tenure but high volume.

It has already started. We have come up with Mosbite insurance. It covers vector borne diseases — malaria, dengue, chikungunya, Zika virus etc before the onset of the season- which is the vulnerable season. Another one for which we we have got a permission from IRDAI is an individual health policy — Swasthya Raksha Bima. It is small ticket sum insured, small premium product where if you get treatment in Tier 2-4 cities, there will be no deductible.

By the end of the current financial year, products based on telematics will come in India which essentially means you pay as you use. This is what foreign countries do. If you are elder citizen, your premium is low and if you own a fancy car you pay more premium. You can buy insurance for a month when you go out for a long drive. You can also take a cover for weekends if you take your vehicle out only during weekends. So in such case, the vehicle will be covered only during the weekend and the premium will be charged commensurately. It will not be pro-rata, but it will be much lower than what you pay annualised. We are collecting data and in the next fiscal, we should be ready to offer such products.

Lack of clarity on 'illegal' mining, delay in clearances 'major' impediments to sector

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 29

LACK OF clarity on the definition of illegal mining as well as delays in obtaining environmental and forest clearances (EC and FC) serve as "major" impediments to the development of the sector, states a recent industry body report. States have been holding back renewal of leases for mines over unpaid penalties for illegal mining, and the move is "likely" to cause disruption in coal supply at a time when India faces inadequate domestic supply, claims the report.

"Following a Supreme Court judgment, 'mining in excess of permissible limits under the mining plan or the EC or FC ... would certainly amount to illegal or unlawful mining', some states have issued penalty notices, for illegal mining, to several mining companies," the report titled 'Towards a Globally Competitive Minerals and Mining Industry', drafted by the Confederation of Indian Industry (CII), states.

Odisha has imposed a fine of about Rs 19,000 crore on iron ore miners and is demanding Rs 10,289 crore from Mahanadi Coalfield, states the report. Jharkhand has sent claims totalling Rs 3,273 crore to iron ore miners and has levied penalties of Rs 33,714 crore from Central Coalfields and Bharat Coking Coal, according to it.

"Coal India Limited subsidiaries, in total, are facing penalties of Rs 53,331 crore as over 60 of their mines have exceeded production limits set by environmental authorities ... this comes at a time when India relies on coal imports due to inadequate domestic production," stated the report.

"Financial dues of this magnitude will severely affect the financial health of mining companies — private and public sector. Further, given that many mining companies have not paid the penalty, states are holding back renewal of leases for such mines. This is likely to cause disruption in supply."

CII's report argues that there is a need to clarify that violations of mining plan, EC and FC will not be treated as illegal mining. According to it, 'illegal mining' should include mining outside the lease area, whereas violations in EC and FC terms should only be dealt with the Environment Protection Act, 1986 and the Forest Conservation Act, 1980.

"A high-level committee chaired by NITI Aayog vice chairperson and comprising Cabinet Secretary and secretaries of coal, mines, etc., has made a similar recommendation," states the report, adding that the severity of penal action must differ for violations and illegal actions.

According to the report, a "significant" disruption in supply is also possible with leases for 329 merchant mines due to expire in March 2020. Of these, 281 mines are on-working, it says.

The report also states that the process of obtaining EC and FC is currently "tedious" and subject to "huge" time delays.

Only three of the 106 non-coal concessions offered were executed as of May 2019 "primarily" on account of EC and FC as well as issues with land acquisition, notes the report. According to it, obtaining these clearances take around 570 days, and "even reputed public sector enterprises" like Coal India Limited receive clearances after a "significant" time lag.

The central and state governments should "commit" and "strictly" adhere to timelines for grant of approvals and licences, the report adds.

'NEED TO CLARIFY VIOLATIONS OF MINING PLAN'

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- **Its report 'Towards a Globally Competitive Minerals and Mining Industry' says that some states have issued penalty notices for illegal mining to several mining firms, following an SC judgment that said "mining in excess of permissible limits under the mining plan or the EC or FC ... would certainly amount to illegal or unlawful mining"**

Economy likely to rebound in 2020: CII

PRESS TRUST OF INDIA
NEW DELHI, DECEMBER 29

INDIA'S ECONOMY is expected to rebound in 2020 on the back of measures taken by the government and the RBI coupled with easing of global trade tensions, industry body CII said on Sunday.

The chamber also suggested a flexible fiscal policy that will set a central government's target for the deficit in the range of around 0.5 to 0.75 per cent, and said it is likely to have a significant multiplier effect on the economy.

It said that as we are set to enter the new year, there are nascent signs that the economy is on a better footing than what it was in the year gone by. "With the proactive measures taken by the government and the Reserve Bank of India (RBI), industry believes that the slowdown will be overcome, and a gradual recovery will soon be in place."

"Nascent signs of recovery are noted in the form of improved PMIs (Purchasing Managers' Index) of manufacturing and services, jump in passenger air traffic, sharp moderation in the decline in sales of passenger cars, among others," said CII President Vikram Kirloskar.

BRIEFLY

CBIC: Every communication to bear DIN

New Delhi: The Customs department has made quoting of electronically generated document identification number (DIN) mandatory in all communications, including e-mails, sent to taxpayers with an aim to bring in transparency in the administration, as per a circular by Central Board of Indirect Taxes and Customs (CBIC).

'New industrial, e-comm policies by this fiscal'

New Delhi: The Department for Promotion of Industry and Internal Trade Trade (DPIIT) is working actively on a new industrial as well as e-commerce policy, both expected to be released by the end of this fiscal, DPIIT Secretary Guruprasad Mohapatra said. **PTI**

'Proactively dealt with US trade frictions'

Beijing: China's Commerce Ministry has "proactively dealt with" trade frictions with the US this year, it said Sunday after an annual work conference. **REUTERS**

'Relief on AGR to non-telecom PSUs must come only from SC'

Senior DoT officials say it is unlikely to provide any relief

AASHISH ARYAN
NEW DELHI, DECEMBER 29

THE DEPARTMENT of Telecommunications (DoT) is unlikely to provide any relief to non-telecom public sector undertakings (PSUs) such as GAIL, Power Grid, Delhi Metro Rail Corporation (DMRC) and Rail Tel on the payment of adjusted gross revenue (AGR). Any such relief, senior DoT officials said, must come only from the Supreme Court.

"Notices were sent and they have sent their replies, which we are examining. It will be premature for us to say anything right now. We believe that they will have to go to the Supreme Court and seek clarification on whether they are included or not (within the definition of AGR)," a DoT official said.

The DoT had written to GAIL in November asking them to pay Rs 1.72 lakh crore in AGR dues following the SC judgment upholding the government's definition of AGR. The apex court had on October 24 ruled that for calculating the AGR owed by a company, the overall revenue of the firm had to be taken into consideration.

GAIL, Power Grid and other companies have, however, denied that they owe any monies to the DoT, and said they have already paid the amounts due to the government. The DoT, however, is of the view that the clarification on whether PSUs such as GAIL owe any money or not must come only from the SC.

"Suppose I issue you notice to pay something and you say it is not applicable. You have to challenge it somewhere. You cannot just send your reply and the matter ends there. If the government is asking you to pay, and you feel that it is not to be paid, then there is a mechanism by which you will challenge," another DoT official said.

All parties in the AGR case, whether private or public, will have to ultimately approach only the apex court to seek any relief as everyone is bound by the SC judgment, the officials said.

"They (PSUs) have three types of licences. One is NLD, which is national long distance. The other is IP2, which is infrastructure provider 2. That and NLD are in a way related. The third is internet service provider licence. The Supreme Court judgment appears to cover all of them," one of the officials of the Department said.

While telecom companies like Bharti Airtel and Vodafone Idea, which owe close to Rs 100 lakh crore in AGR dues to the government, have filed review petitions in SC, it is not clear if others such as GAIL and DMRC have moved the apex court seeking any clarifications on the same.

"They will have to take a call. Our assessment is that it is applicable. We are not going into the logic part of it of whether it should be or it shouldn't be. Because the Supreme Court order also says this time and in 2011 that nothing prevented them from making separate companies. This order also says that. They should answer this question as to why they did not do it," the officials said.

Apart from GAIL, the DoT has also written to Power Grid asking it to pay Rs 1.25 lakh crore as AGR dues. Power Grid, too, has denied the dues and said that after adding the penalties it owes also Rs 22,168 crore.

PSUs DENY OWING MONEY TO DoT

- **GAIL, Power Grid and other companies have denied that they owe any monies to the DoT, and said they have already paid the amounts due to the government**
- **The DoT, however, is of the view that the clarification on whether public sector undertakings such as GAIL owe any money or not must come only from the Supreme Court**

Green certificate sales down 10% to 5.04 lakh in December

Sales of renewable energy certificates (RECs) fell around 10 per cent to 5.04 lakh units in December as compared to 5.59 lakh in the same month a year ago due to lower supply, according to official data

3.6 LAKH: RECs traded on Indian Energy Exchange (IEX) this December, as against 3.83 lakh in the same month last year

1.44 LAKH: RECs traded on Power Exchange of India (PXIL) in December 2019, as compared to 1.76 lakh in the year-ago month

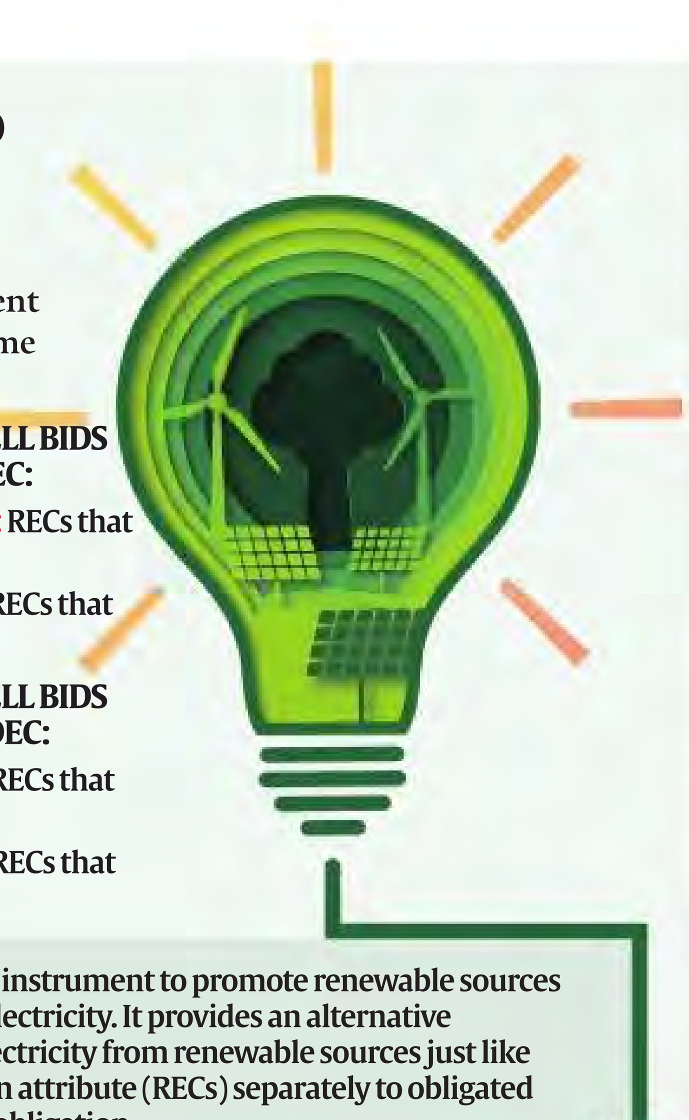
LOW SUPPLY SITUATION FOR NON-SOLAR, SOLAR RECs: IEX data showed that both non-solar and solar RECs continued to see low supply situation, with buy bids exceeding sell bids due to low inventory

IEX AND PXIL are the two power bourses in the country which are engaged in trading of RECs and electricity

TRADING OF RECs is conducted on the last Wednesday of every month. But due to Christmas holiday, the trading this month was done on the last Thursday

BUY AND SELL BIDS AT IEX IN DEC:
13.43 LAKH: RECs that got buy bids
4.12 LAKH: RECs that got sell bids

BUY AND SELL BIDS AT PXIL IN DEC:
5.74 LAKH: RECs that got buy bids
1.49 LAKH: RECs that got sell bids



THE REC MECHANISM is a market-based instrument to promote renewable sources of energy and development of market in electricity. It provides an alternative voluntary route to a generator to sell its electricity from renewable sources just like conventional electricity and offer the green attribute (RECs) separately to obligated entities to fulfil their renewable purchase obligation

'China to issue GDP data under new mechanism'

K J M VARMA
BEIJING, DECEMBER 29

CHINA WILL revise its historical regional GDP data under a unified accounting mechanism from early next year, the National Bureau of Statistics said, amidst the continued slowdown of the world's second largest economy.

The Chinese economy grew at an annual pace of 6.0 per cent in the July-September quarter, the slowest growth since 1992. The slowdown is exacerbated by the ongoing trade war between the US and China.

In November this year, China revised its 2018 GDP, saying the economy was 2.1 per cent bigger than earlier estimated, revising the gross domestic product (GDP) for 2018 to 91.93 trillion yuan ($13.1 trillion) from $12.8 trillion.

A new GDP data under a unified accounting mechanism to be introduced early next year, state-run Xinhua news agency quoted the National Bureau of Statistics (NBS) as reporting on Friday.

The new mechanism will unify the standards and procedures for calculating national and local GDP numbers which had been calculated under different accounting methods adopted by local and national statistics authorities since 1985, the bureau said.

The reform is expected to close the current discrepancy between national and regional figures, improving data quality while enhancing the credibility of the government statistics, it said.

To ensure data comparability, the country will also revise historical local GDP figures and publish them in 2020, the bureau said.

As the economic activities of some government institutions are only reflected in the national GDP, the combined regional number will be slightly lower than the national amount, it said.

China and the US have been locked in a longstanding trade war that has threatened to roil the global economy. **PTI**