GOLD	RUPEE	OIL	SILVER
₹38,789	71.66	$61.78	₹45,826

*Indian basket as on December 2, 2019

SENSEX: 40,675.45 ▼ 126.72 NIFTY: 11,994.20 ▼ 54.00 NIKKEI: 23,379.81 ▼ 149.69 HANG SENG: 26,391.30 ▼ 53.42 FTSE: 7,218.17 ▼ 67.77 DAX: 13,043.04 ▲ 78.36

*International market data till 1900 IST

SECTOR WATCH AVIATION

Retired pilot claims dues, NCLT Delhi revives second case against Air India

AASHISH ARYAN
NEW DELHI, DECEMBER 3

THE NEW Delhi bench of the National Company Law Tribunal (NCLT) revived another case of insolvency against Air India, filed by a retired pilot of the airline. The pilot has claimed dues close to Rs 70 lakh from the debt-laden airline. The case will be next heard on January 14.

The dues of the retired pilot are for the period between July 2012 and January 2016. Apart from the retired pilot, a serving pilot of the company has also recently moved an insolvency application against the airline, claiming dues of nearly Rs 1 crore.

Under Section 9 of The Insolvency and Bankruptcy Code (IBC), salaried employees can, acting as operational creditors, initiate insolvency proceedings against a corporate debtor.

A two-member bench led by Justice Deepti Mukesh also suggested that counsel for Air India could mention the case before NCLT President Justice M M Kumar and get both the cases listed there to avoid duplicity in orders passed by different benches of the same adjudicating authority.

The NCLT had agreed to hear the case filed by the serving pilot, following an October order by a two-judge Supreme Court Bench of Justice Rohinton Nariman and Justice V Ramasubramanian, which set aside the tribunal's decision to adjourn the case *sine die*.

The apex court had asked the NCLT to reconsider the pilot's plea for initiation of insolvency against Air India. The two-judge SC Bench had then said though it was aware of case pending with it, the same could not come in the way of the NCLT hearing the insolvency petition filed by the pilot under The Insolvency and Bankruptcy Code (IBC).

Cases such as these could create problems for the Central government's plan to float an Expression of Interest (EoI) for divestment of its stake in the debt-laden national carrier. The government had planned to float the EoI in November, but it could be delayed — it has been reported that a new proposal could come only by January 2020.

The Centre had floated an EoI last year to sell 76 per cent stake in AI, which has a debt of around Rs 57,000 crore. The attempt had failed.

₹70 LAKH CLAIMED

- **The pilot has claimed dues close to Rs 70 lakh from the debt-laden airline. The case will be next heard on January 14**
- **The dues of the retired pilot are for the period between July 2012 and January 2016. Apart from the retired pilot, a serving pilot of the company has also moved an insolvency application against the airline, claiming dues of nearly Rs 1 crore**
- **Under Section 9 of The Insolvency and Bankruptcy Code (IBC), salaried employees can, acting as operational creditors, initiate insolvency proceedings against a corporate debtor**

TOTAL 10,860 CASES FILED UNDER IBC AS ON SEPT 30, 2019

Amid shortage of benches, over 19,700 cases pending at NCLT

AASHISH ARYAN
NEW DELHI, DECEMBER 3

A TOTAL of 19,771 cases were pending with various benches of the National Company Law Tribunal (NCLT) as of September 30, 2019, Minister of State for Finance and Corporate Affairs Anurag Singh Thakur told the Rajya Sabha Tuesday. In his written reply to a question, Thakur said that according to data provided by NCLT, of the 19,771 cases, 10,860 cases had been filed under the Insolvency and Bankruptcy Code (IBC), 2016.

Apart from insolvency cases, NCLT is also the adjudicating authority for cases filed under various company laws. The data from the government highlights the lack of functional benches of NCLT across the country. The government had, in July, announced setting up of 25 additional single and division benches of NCLT at various places including Delhi, Jaipur, Kochi, Chandigarh, and Amravati. Most benches remain non-operational or partly operational on account of lack of proper infrastructure or adequate support staff.

In his written reply to the same question, Thakur also said that the government was not planning to set up any more benches of NCLT "in the next two to three months".

Data from sector regulator the Insolvency and Bankruptcy Board of India (IBBI) corroborates the numbers presented by the government. As per the IBBI, nearly 2,542 corporate insolvency cases have been admitted by various benches of NCLT until September 30, 2019. Of these, only about 56 have ended in approval of resolution plans — a mere 15 per cent, according to latest data released by the IBBI.

In the current fiscal, about 1,037 cases of corporate insolvency have been admitted by various benches of National Company Law Tribunal (NCLT) across India until September 30 — an increase of 51.6 per cent over the year-ago period.

However, a meagre 76 resolution plans have been approved in the current fiscal, while the number of companies which have either been liquidated or are headed at liquidation stands at 351 — which is one-third of the total number of insolvency cases filed until September 30.

In the past three years, the number of companies which have been sent for liquidation — either due to lack of feasible resolution plans or absence of any resolution plans whatsoever — stand at 587. These include big ticket names such as Adhunik Metaliks, Khaitan Electricals, and Orchid Health Care Private, among others, according to the IBBI data. The IBBI had, however, defended the number in its latest data newsletter and said that nearly 427 of the companies which underwent liquidation were earlier with the Board for Industrial and Financial Reconstruction (BIFR) and or defunct. "The economic value in most of these CDs (corporate debtors) had already eroded before they were admitted into CIRP," the IBBI had said.

As of September 2019, 535 firms have spent over 270 days waiting to get resolved. In August, the Centre introduced an amendment to increase the deadline to 330 days, but said the CIRP shall mandatorily be completed within this time. "This will include extension of time and any exclusion of time on account of legal proceedings," the government had said.

The Supreme Court, however, while delivering the judgment in the Essar Steel insolvency case, relaxed the criteria of "mandatorily" resolving the CIRP within 330 day, allowing the possibility of extending it beyond that if required.

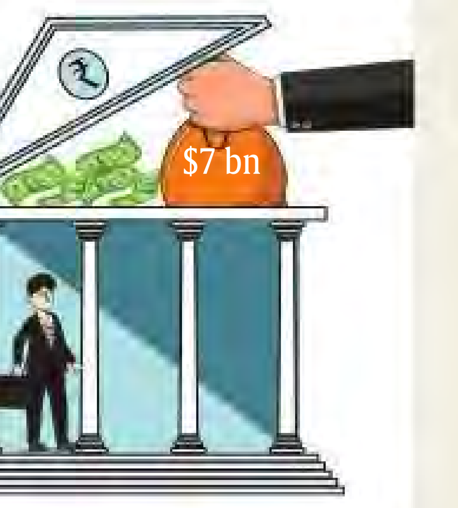
EXPLAINED: Lack of support & administrative staff a concern

THE LACK of functional benches of NCLT has been a cause of concern as the number of cases pending with the adjudicating authority is on the rise. Though the government has set up set up five new benches during 2018-2019 at Jaipur, Cuttack, Kochi, Indore and Amaravati, the lack of administrative and support staff has rendered most of them non-operational or only partially functional.

'Banks need $7 bn additional capital'

Indian banks need an additional $7 billion (₹50,000 crore) equity by 2020-21 to support loan growth and cover for bad loans, Fitch Ratings said

SUPPORTING LOAN GROWTH
Indian banks are likely to require an additional $7 billion of equity by FY'21 (2020-21) to support loan growth, achieve 75 per cent NPL (non performing loan) cover, and build a buffer over the minimum Basel III capital standards, the agency said



NEGATIVE OUTLOOK
In its 2020 Outlook for 'Asia-Pacific Emerging Market Banks', the rating agency maintained a negative outlook on Indian banks, based on its expectations of continued weak performance despite trends showing this could be past the trough, and ongoing capital requirements

SYSTEMIC RISK
Systemic stress across non-banks would deal a significant setback to recovery in the banking sector, reversing recent improvements in performance, and posing solvency risks to banks with the thinnest buffers

STRESS TEST FINDINGS
Fitch conducted a stress test to examine the potential impact on banks of pressures on NBFCs developing into a broad crisis. It estimated the scenario would leave banks with an aggregate shortfall of $10 billion to meet regulatory minimums, and $50 billion below the level that would provide an adequate buffer, it said

NON-BANK STRESS, coupled with rising macro headwinds, poses further challenges for asset quality, particularly at state banks. More capital is needed to insulate the banks' weak balance sheets and to sustain loan growth

PUBLIC SECTOR BANKS will require most of this capital as the $10 billion being injected into banks in 2019-20 will go mainly towards bridging regulatory capital gaps, providing for ageing impaired loans, and absorbing the costs of merging 10 state banks into four by April 2020

A SLOWING ECONOMY could exacerbate asset-quality tensions for a sector which is already grappling with weak recoveries

Source: PTI

LENDERS MOVE AGAINST NSDL SHARE TRANSFER

Hold back remaining stocks of Karvy clients, SAT directs NSDL

ENS ECONOMIC BUREAU
MUMBAI, DECEMBER 3

THE SECURITIES Appellate Tribunal (SAT) on Tuesday asked the National Securities Depository Ltd (NDSL) not to transfer any more shares pledged by Karvy Stock Broking to the original owners as lenders protested against the unilateral transfer of shares by NSDL to the investors.

Issuing an interim stay, a two-member SAT bench said the final order will be issued on Wednesday after the affected lenders, including HDFC Bank, ICICI Bank, IndusInd Bank and Bajaj Finance challenged NSDL's decision to transfer shares from Karvy Broking back to 83,000 clients, which helped almost 90 per cent of the demat accountholders of brokerage to recover their securities.

The securities which NSDL transferred back to investors were originally pledged by Karvy with banks to raise funds without taking the permission of the owners. As most of the shares were kept as securities for loans given by banks to Karvy, any "unilateral" transfer of shares will have a major impact on their lending business, banks told the SAT.

Karvy had misused securities of over 95,000 clients which it was holding on behalf of the clients to raise over Rs 600 crore in loans. NSDL on Monday transferred back stocks of nearly 83,000 clients. Bajaj Finance was the first to challenge NSDL move at the SAT within hours of the transfers, and the banks joined it on Tuesday.

Banks claimed that such "unilateral" transfer of shares, which are pledged with them as securities for borrowings, will deeply impact the entire business of loans against shares and will prevent them from undertaking this business. They also said they cannot be forced to pay for the "sins" of the regulated companies.

ICICI Bank has the maximum exposure of Rs 875 crore which was created only on October 1, 2019. IndusInd Bank has an exposure of Rs 105 crore, HDFC Bank Rs 195 crore, DCB Bank Rs 55 crore and Axis Bank Rs 85 crore, according to RoC filings.

On Monday, Sebi had directed NSDL to transfer the investors' securities, held by Karvy Stock Broking in their respective accounts. The decision resulted in nearly 83,000 investors getting back their securities that were illegally transferred by the broker to its own account and were even pledged without any authorisation. With this transfer by NSDL, nearly 90 per cent investors received their securities. Karvy had taken loans to the tune of Rs 600 crore by pledging securities worth over Rs 2,300 crore of 95,000 clients with lenders.

Bajaj Finance moved the tribunal against the Sebi order passed on November 22, which prohibited transfer of securities from Karvy accounts with immediate effect, saying due to this directive the non-banking finance company could not invoke the pledge. The regulator had also barred Karvy from taking new clients in respect of it

On Monday, the National Stock Exchange and the BSE suspended Karvy Stock Broking's trading licence for all segments due to non-compliance of the regulatory provisions of the bourses. Sebi also 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.

3 KEY POINTS

1. A two-member SAT bench said the final order will be issued on Wednesday after the affected lenders challenged NSDL's decision to transfer shares from Karvy back to clients.
2. The securities which NSDL transferred back to investors were originally pledged by Karvy with banks to raise funds without taking the permission of the owners.
3. Karvy had misused securities of over 95,000 clients which it was holding on behalf of the clients to raise over Rs 600 crore in loans.

DUMPING BY CHINA?

Surge in imports from Singapore under lens

BANIKINKAR PATTANAYAK
NEW DELHI, DECEMBER 3

AN UNUSUAL 118 per cent spurt in India's merchandise imports from Singapore to a record $16.3 billion in 2018-19 has alarmed customs officials and puzzled the Commerce Ministry, which has asked for a closer scrutiny of the inflows, a senior government official told *FE*.

The move comes amid growing fears that Chinese exporters may be diverting supplies to India through Singapore, taking undue advantage of New Delhi's duty concessions to the island city-state under a free trade agreement (FTA), as Beijing's trade war with Washington continues unabated. New Delhi, too, has been mounting pressure on Beijing to trim the massive trade imbalance.

"The scrutiny of any potential violation of the rules of origin (of the imported products) is being tightened," said another source.

This level of annual spike in imports from Singapore has been unheard of despite the existence of the FTA for around 14 years now. In fact, at 64 per cent , the highest annual surge in imports from Singapore in recent memory was witnessed in 2006-07, a year after the FTA- formally called the Comprehensive Economic Co-operation Agreement — was signed on June 29, 2005.

India's trade balance with Singapore exacerbated dramatically, from a surplus of $2.7 billion in 2017-18 to a deficit of $4.7 billion last fiscal, showed the DGCIS data. It also helped drive up India's trade deficit with all ASEAN members substantially to $21.8 billion in 2018-19 from just $12.9 billion a year before.

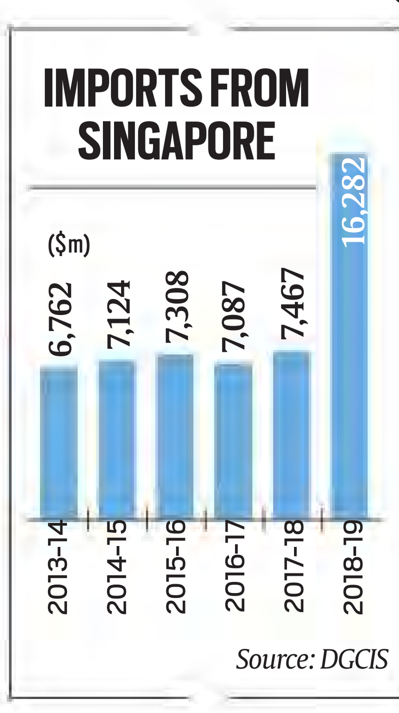
Although the imports from Singapore have dropped 6.4 per cent year-on-year in the April-October period of the current fiscal to $8.7 billion, they were still more than a double of what India imported from the city-state in the same period in 2017-18 and way above the usual trend in recent years. Interestingly, in addition to Singapore, India's trade balance with Hong Kong — widely considered a proxy for Beijing — went haywire last fiscal and turned negative for the first time in at least two decades even as its trade deficit with China eased by $9.5 billion to $53.6 billion. This has raised questions about the actual reduction in India's effective trade deficit with China.

India, last month, pulled out of the China-backed Regional Comprehensive Economic Partnership (RCEP) deal, as it feared, among other things, massive dumping by China and some others. So it wanted effective safeguard mechanisms and strict rules of origin to protect its industry but couldn't get others to agree.

In fact, New Delhi was pushing for "sufficient value addition" of at least 35 per cent in the country of exports for a product to be eligible for its tariff concession under RCEP pact, while others wanted to settle for just minimal value addition. India's existing FTAs with Asean, Singapore, Japan and South Korea already link duty concession to a 35 per cent value addition to prevent unscrupulous elements in other countries from taking advantage of the low or zero-duty regimes, as per analysts.

What reinforced suspicion of a potential diversion of some Chinese supplies was the fact that, among the high-value segments, the maximum jump in imports from Singapore in 2018-19 was noticed in electrical machinery and parts, sound recorders and TV images (158 per cent rise year-on-year to $3.1 billion), followed by a 142 per cent surge in certain capital goods (nuclear reactors, boilers, machinery and mechanical appliances and parts) to $2.7 billion.

Imports of some petroleum products jumped 209 per cent to $1.6 billion, while those of organic chemicals rose 20 per cent to $1.8 billion and plastics and products by 32 per cent to $1.2 billion. Imports of iron and steel and such articles from Singapore witnessed an over three fold rise to $638 million and rubber and articles by 263 per cent to $306 million. China is the dominant exporter of most of these products. **FE**



Source: DGCIS

S&P reaffirms India's rating, retains outlook at 'stable'

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 3

CREDIT RATING agency Standard & Poor's has reaffirmed India's sovereign rating at 'BBB-' with stable outlook, Economic Affairs Secretary Atanu Chakraborty said on Tuesday.

"They (S&P) have stated that India's economy continues to achieve impressive long-term growth rates despite a recent deceleration. S&P expects the Indian economy to continue to outperform its peers and that the growth will remain strong over the next 2 years," tweeted Chakraborty.

In September 2014, S&P had assigned India the lowest investment grade rating with stable outlook. Prior to that, it had assigned the same rating to India with a negative outlook. On November 8, Moody's Investors Service had cut India's sovereign credit rating outlook to "negative" from "stable". It cited "increasing risks, that the country's economic growth, will remain materially lower than in the past" and the resultant gradual rise in an already-high debt burden. It affirmed the Baa2 foreign-currency and local-currency long-term issuer ratings for India, the second lowest investment grade score.

The rating agency said its decision to revise the outlook was partly attributable to "lower government and policy effectiveness at addressing long-standing economic and institutional weaknesses". **FE**

God save India's economy, tweets Chidambaram

New Delhi: Former finance minister P Chidambaram on Tuesday took a dig at the BJP over its MP Nishikant Dubey's remarks that the GDP has no relevance, saying "God save India's economy".

Dubey had said the gross domestic product (GDP) has no relevance and it should not be treated as 'Bible, Ramayan and Mahabharat'.

"GDP numbers are irrelevant, personal tax will be cut, import duties will be increased. These are BJP's ideas of reforms. God save India's economy," Chidambaram, who is in jail in connection with cases of alleged corruption and money laundering, said in a tweet. **PTI**

China trade deal might have to wait for 2020 election: Trump

REUTERS
LONDON, DECEMBER 3

US PRESIDENT Donald Trump said a trade agreement with China might have to wait until after the US presidential election in November 2020, denting hopes of a resolution soon to a dispute that has weighed on the world economy.

"I have no deadline, no," Trump told reporters in London, where he was due to attend a meeting of NATO leaders.

"In some ways, I like the idea of waiting until after the election for the China deal. But they want to make a deal now, and we'll see whether or not the deal's going to be right; it's got to be right."

European share prices and US stock futures fell, while the Chinese yuan currency sank to a five-week low on the comments by Trump, who has sought to increase trade pressure on other countries in the past 24 hours.

On Monday, he said he would hit Brazil and Argentina with trade tariffs for "massive devaluation of their currencies". The United States then threatened duties of up to 100 per cent on French goods, from champagne to handbags, because of a digital services tax that Washington says harms US tech companies.

> **'I like the idea of waiting until after the election for the China deal. But they want to make a deal now, and we'll see whether or not the deal's going to be right'**
>
> DONALD TRUMP
> PRESIDENT, US

US THREATENS TO IMPOSE DUTIES ON IMPORTS OF CHAMPAGNE, OTHER FRENCH GOODS

France, EU threaten retaliation if Trump imposes tariffs

REUTERS
PARIS, DECEMBER 3

FRANCE AND the European Union said on Tuesday they are ready to retaliate if US President Donald Trump acts on a threat to impose duties of up to 100 per cent on imports of champagne, handbags and other French products worth $2.4 billion.

The threat of punitive tariffs came after a US government investigation found France's new digital services tax would harm US technology companies, and will intensify a festering trade dispute between Europe and the US.

"They're starting to tax other people's products so therefore, we go and tax them," Trump said in London on Tuesday ahead of a NATO alliance summit.

He had earlier said he would not allow France to take advantage of American companies and that the European Union treated the United States very unfairly on trade. French Finance Minister Bruno Le Maire branded the latest US tariff threat unacceptable and said the French tax did not discriminate against US companies.

"In case of new American sanctions, the European Union would be ready to retaliate," Le Maire told Radio Classique.

He later told a news conference: "We are not targeting any country."

The tariff spat marks a new low in testy relations — from an early bone-crunching handshake to the US president appearing to flick dandruff off the younger man's shoulder — between Trump and French President Emmanuel Macron.

The two leaders, who will meet later at the summit, have been at odds over the American's unilateralist approach to trade, climate change and Iran.

The European Commission said the 28-nation EU would act as one and that the best place to settle disputes was at the World Trade Organization.

WHY THE WAR OF WORDS

- **US President Donald Trump and French President Emmanuel Macron, who will meet later at the summit, have been at odds over the US' unilateralist approach to trade, climate change and Iran**
- **The European Commission said the EU will act as one and that the best place to settle disputes was at the World Trade Organization**