GOLD	RUPEE	OIL	SILVER
₹39,985	₹71.36	$67.98	₹48,313

*Indian basket as on December 30, 2019

SENSEX: 41,253.74 ▼ 304.26 **NIFTY:** 12,168.45 ▼ 87.40 **NIKKEI:** 23,656.62 ▼ 181.10 **HANG SENG:** 28,189.75 ▼ 129.64 **FTSE:** 7,554.53 ▼ 32.52 **DAX:** 13,249.01 ▼ 88.10

*International market data till 1900 IST

SECTOR WATCH
FOREIGN INVESTMENT

₹1,01,122 cr pumped into stocks by FPIs in 2019; Sensex rallies by 14.37%

GEORGE MATHEW
MUMBAI, DECEMBER 31

FOREIGN PORTFOLIO investors (FPIs) pumped Rs 1,01,122 crore into the stock markets in calendar year 2019 as against an outflow of Rs 33,104 crore in the previous year, triggering a 5,185-point rally in the Sensex amid decelerating economic growth over the past 12 months. This is the highest FPI inflow into the stock markets in the past five years — after inflows of Rs 1,13,136 crore in 2013 — with incremental inflows mostly chasing a dozen stocks.

Total FPI inflows — including equity, debt and hybrid segments — into India rose to Rs 1,35,995 crore in 2019, as against an outflow of Rs 80,919 crore in 2018, as per figures released by the National Securities Depository Ltd (NSDL). The debt segment got Rs 25,882 crore inflows in 2019, as against outflows of Rs 47,795 crore in 2018. In 2017, total inflows were Rs 2,00,048 crore, aided by Rs 1,48,808-crore inflows into the debt market.

Though the Sensex fell 304 points Tuesday, the last trading day of the year, the index rose 14.37 per cent to 41,253.74 in 2019, despite the deepening economic slowdown, higher unemployment and lower factory output this year. "Higher FPI inflows, sustained SIP inflows into mutual funds boosted stock markets. Key indices are being driven by some 20 large-cap stocks. Stock markets have been hitting new peaks despite the weak economy. This is a global phenomenon, not restricted to India," said an investment advisor.

Mutual funds saw Rs 8,000 crore-plus monthly inflows into SIPs (systematic investment plans) of various schemes. "Big money was chasing select stocks. The rally was not uniform across the board," veteran dealer Pawan Dharnidharka said.

The dichotomy between weak growth in GDP and equity markets near all-time high is not very uncommon.

"Equity market returns are largely determined by the expansion or contraction of the equity risk premium. Looking at persistently lower interest rates in the developed markets, risk premium expectations for the equity market generally have come down as bond market yields are very unattractive, especially in developed markets. The price-earnings expansion has led to a significant rally in global equities at a time when earnings growth remained largely flat. If bond market yields remain depressed and unattractive for investors, which we believe they will, equity market valuations could remain elevated, even for Indian equities," said Jitendra Gohil, head of India Equity Research, and Premal Kamdar, equity research analyst at Credit Suisse Wealth Management.

According to an ICICI Securities report, 2019 was "a year of dissonance" with the economy and equity performance reflecting a clear disunion. The GDP clearly witnessed a slowdown in growth while the Nifty is at all-time highs. Even within equities, polarisation was clearly visible with select large caps ruling the roost, while the broader market witnessed a dry spell. Interestingly, the year was also marked by key structural reforms in the form of corporate tax cut and IBC setting the tone for the future.

Earlier this month, the RBI slashed real GDP growth for FY20 from 6.1 per cent in the October policy to 5 per cent, saying it could even fall to 4.9 per cent. In the October policy review, the Reserve Bank of India (RBI) cut the GDP growth for 2019-20 to 6.1 per cent from 6.9 per cent forecast in the August policy.

Investors are waiting for signals of a turnaround in the economy in 2020. "As we embark towards 2020, domestic setup is poised interestingly as investors await a recovery in key macroeconomic data viz GDP and infrastructure spending post a weak year," ICICI Securities said.

Dipen Sheth, head — institutional research, HDFC Securities, said: "At the cusp of 2020, Indian stock markets look more polarised than its fractious politics. It seems that incremental inflows are mostly chasing less than a dozen stocks. The reasons for this 'passive flight to safety' are not difficult to identify. Macro growth has slipped, alarmingly some say, and is not just on a cyclical downtick."

FPI INVESTMENTS

YEAR	EQUITY	DEBT	HYBRID	TOTAL
2019	1,01,122	25,882	8,995	1,35,995
2018	-33,014	1,47,795	-109	-80,919
2017	51,252	1,48,808	-11	2,00,048
2016	20,568	-43,647	-	-23,079
2015	17,808	45,857	-	63,663
2014	97,054	1,59,156	-	2,56,213
2013	1,13,136	-50,849	-	62,286

Source: NSDL (Rs crore)

TO BE IMPLEMENTED BETWEEN FISCAL YEAR 2020 AND 2025

₹102 lakh cr of infra projects unveiled

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 31

POWER, RAILWAYS, roads, urban irrigation, mobility and health would account for the bulk of projects announced as part of the National Infrastructure Pipeline. Finance Minister Nirmala Sitharaman Tuesday unveiled Rs 102 lakh crore of infrastructure projects that will be implemented between fiscal 2020 and 2025, with the central and state governments contributing 39 per cent each and the private sector contributing the remaining 22 per cent.

Besides strengthening the municipal bond market, an aggressive push towards asset sales and regulatory mechanisms to levy user charges are among the reforms that have been recommended by government panel to aid the process of galvanising over Rs 100 lakh crore of investments in infrastructure sector in next five years.

She said the government will pursue a series of reforms to facilitate these investments and an annual global investors' meet, set to be organised to attract investors. Of the total project capital expenditure during fiscals 2020 to 2025,

Finance Minister Nirmala Sitharaman at the launch of the National Infrastructure Pipeline in New Delhi on Tuesday. *Praveen Khanna*

sectors such as energy (24 per cent), urban (16 per cent), railways (13 per cent) and roads (19 per cent) are estimated to account for more than 70 per cent of the projected infrastructure investments in India. Department of Economic Affairs Secretary Atanu Chakraborty said the estimated spending on infrastructure projects will be met from the Budgetary resources till 2025. The government expects the private sector share to move up to 30 per cent from 22 per cent.

PM Narendra Modi had outlined the Centre's plan to invest Rs 100 lakh crore in infrastructure over five years. A task force chaired by the DEA Secretary identified these projects after conducting 70 stakeholder consultations in four months. The FM said another Rs 3 lakh crore of projects are likely to be added to this pipeline. She said in the past six years, the Centre and states implemented infrastructure projects worth Rs 51 lakh crore.

In the next five years, the aim is to more than double the investments in the infra sector. Nearly Rs 25 lakh crore energy projects have been lined up, another Rs 20 lakh crore in road and nearly Rs 14 lakh crore railway projects have been lined up. Around 34 per cent of the projects are already in the implementation stage.

The task force suggested effective dispute resolution, contract enforcement and asset monetisation among other reforms for achieving infra investment targets. "A critical step in addressing dwindling private sector participation in infrastructure can be institutionalising dispute resolution mechanism to efficiently resolve disputes related to PPP projects ... Ministry-level Committees (must be set up) to resolve complex contractual disputes as mediation mechanisms that can settle disputes out of court," said the task force report. Investments must be made in the institutions created under The Commercial Courts Act 2015, The Specific Relief (Amendment) Act 2018 and the New Delhi Arbitration Centre Act 2019 for speedy resolution, it said.

The panel has suggested asset monetisation and a well capitalised Credit Enhancement institution to support infra projects that are rated below AA. "Asset monetisation can be undertaken through sale of land, non-operational assets through long-term lease with significant upfront lease payment, toll-operate-transfer (TOT) model for operational road assets, infrastructure investment trusts (InvITs), sale of portfolio of assets to strategic/ financial investors, loan asset monetisation through securitisation and value capture financing (VCF)," the panel said. The task force recommended that the pipeline for the next two years also be finalised within the next three months.

Fiscal deficit hits 114.8% of BE till Nov

New Delhi: The country's fiscal deficit hit 114.8 per cent of 2019-20 Budget Estimate at Rs 8.07 lakh crore at the end of November, official data showed on Tuesday.

The fiscal deficit was at Rs 8,07,834 crore as on November 30, 2019, according to the data released by the Controller General of Accounts (CGA). **PTI**

Govt revises down expenditure limit for March quarter

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 31

THE GOVERNMENT has revised downwards the expenditure limit for the January-March period of the ongoing financial year.

The Centre has asked all departments to restrict the expenses to 25 per cent of the Budget Estimate (BE) in January-March.

"Considering the fiscal position of the government in the current financial year, it has been decided to cap the expenditure in the last quarter and last month of the current financial year," according to an office memorandum issued recently by the Budget division of the Finance Ministry.

Expenditure in the March quarter is to be restricted to 25 per cent of the BE, as against an earlier limit of 33 per cent, while expenditure in the last month should not exceed 10 per cent, compared to a 15 per cent limit earlier, it said.

During the first two months of the quarter, the expenditure should not exceed beyond 15 per cent from the existing criteria of 18 per cent of the BE.

Core sector output shrinks for 4th straight mth

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 31

GROWTH IN the eight core sectors of India's economy contracted 1.5 per cent in November 2019, making this the fourth consecutive month that production in these sectors has declined. Overall growth has been hit by declining production in most core sectors, including a drop in electricity, steel and coal production, according to data shared by the Commerce Ministry on Tuesday.

Core sector growth in August contracted 0.2 per cent, according to the Ministry, while the decline in September was 5.1 per cent — a drop that analysts then said had not been witnessed so far.

The growth of the country's eight core sectors — coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity — is a lead indicator of the monthly industrial performance.

These sectors grew by 3.3 per cent in November 2018, and their cumulative growth during the 2018-19 financial year was 4.4 per cent. The growth in April was recorded at 5.2 per cent — the highest this financial year so far — before it began to decelerate.

Electricity production, which makes up nearly 20 per cent of the index, dropped 5.7 per cent in November over the same month in 2018. However, the contraction in November was less than the decline of over 12 per cent registered in October.

Production in this sector during August and September had dropped 0.9 per cent and 2.6 per cent respectively.

Steel production, which accounts for nearly 18 per cent of the index, continued on a trend of decline, with de-growth at 3.7 per cent in November. Coal, making up around 10 per cent of the index, continued to decline, but production dropped 2.5 per cent in November compared with an over 17 per cent drop in October.

Production in crude oil and natural gas also registered further decline of 6 per cent and 6.4 per cent, respectively. Refinery products, which make up nearly 30 per cent of the index, registered 3.1 per cent growth. Cement output, which declined over 7 per cent in October 2019, turned around in November. Growth in this sector was 4.1 per cent last month over the same month in 2018. Fertilizers, which accounts for nearly 3 per cent of the index, continued to be the only segment registering double-digit growth.

"Barring refinery products, fertilizers and cement, all five other sectors' production contracted in November 2019. Most disappointing has been the contraction of electricity output in four consecutive months, which is a reflection of state of the economy," said Devendra Kumar Pant, chief economist, India Ratings and Research.

EXPLAINED

Fall lower than last two months

PRODUCTION IN the core sectors dropped less in November, compared to the two months preceding it, mostly because decline in coal and electricity production was less. However, most sectors in this index, including coal, continue to be in the red. Electricity output is also still on a decline, reflective of a low level of industrial activity.

Current account deficit narrows to 0.9% in Sept quarter

ENS ECONOMIC BUREAU
MUMBAI, DECEMBER 31

According to the RBI, the contraction in the CAD was primarily on account of a lower trade deficit at $38.1 billion as compared with $50.0 billion a year ago

INDIA'S CURRENT account deficit (CAD) narrowed to 0.9 per cent of GDP ($ 6.3 billion) for the second quarter ended September 30, 2019 from 2.9 per cent of GDP ($9 billion) in the same period of 2018-19 and $14.2 billion (2 per cent of GDP) in the preceding quarter ended June 30, 2019.

According to the RBI, the contraction in CAD was primarily on account of a lower trade deficit at $38.1 billion, as compared to $50 billion a year ago. "Net services receipts increased by 0.9 per cent on a year-on-year basis, on the back of a rise in net earnings from computer, travel and financial services.

"Private transfer receipts, mainly representing remittances by Indians employed overseas, rose to $21.9 billion, increasing by 5.2 per cent from their level a year ago," the RBI said.

In the financial account, net foreign direct investment was $7.4 billion, almost same level as in Q2 of 2018-19. Foreign portfolio investment recorded net inflow of $2.5 billion, as against an outflow of $1.6 billion in Q2 of 2018-19, on account of net purchases in the debt market.

The RBI said net inflow on account of external commercial borrowings to India was $3.2 billion, compared to $2 billion in Q2 of 2018-19. "There was an accretion of $5.1 billion to the foreign exchange reserves (on BoP basis), as against a depletion of $1.9 billion in Q2 of 2018-19, the RBI said.

According to the central bank, the CAD narrowed to 1.5 per cent of GDP in the first half of 2019-20 from 2.6 per cent in H1 of 2018-19 on the back of a reduction in the trade deficit, which shrank to $83.4 billion in H1 of 2019-20 from $95.8 billion in H1 of 2018-19.

Aditi Nayar, principal economist at ICRA, said, "The current account deficit for Q2 of FY2020 printed even lower than our expectations of around $9 billion, led by a narrower trade deficit and higher secondary income flows. Based on the available trends for merchandise trade for October-November 2019, we expect the current account deficit to shrink further to $4-6 billion in Q3 of FY2020 (and print at 0.7 per cent of GDP) from $16.9 billion in Q3 FY2019, on the back of the YoY correction in crude oil prices as well as subdued domestic demand."

"We are cautiously optimistic that the recent YoY rise in non-oil merchandise exports may sustain in December 2019-February 2020, although an unfavourable base effect may result in a contraction in March 2020. While a pickup in the prices of crude oil and gold, as well as the base effect, may arrest the pace of contraction in imports in the coming months, the impact of this on the overall trade deficit is likely to be limited," Nayar said. Merchandise exports and imports are likely to decline to $332-337 billion and $493-498 billion, respectively, in FY2020. Accordingly, the merchandise trade deficit is likely to narrow considerably to $160-165 billion in FY2020 from $180.3 billion in FY2019.

"The anticipated narrowing in the trade deficit in FY2020 reflects the decline in merchandise imports on account of the subdued global commodity prices, and shrinking in gold demand at prevailing prices, and also reflects muted domestic consumption and industrial demand, rather than a healthy trend in merchandise exports," Nayar said.

DoT meets telcos, equipment makers to chalk out 5G road map; Huawei present too

AASHISH ARYAN
NEW DELHI, DECEMBER 31

DEPARTMENT OF Telecommunications (DoT) officials met telecom operators and equipment makers on Tuesday to discuss the details such as the circle and population areas that 5G trials could cover. In a meeting that lasted over an hour, all telecom operators as well as some equipment makers such as Nokia, ZTE, and Huawei made presentations about their preparedness in helping with the commencement of 5G trials, said people aware of the development.

DoT as well as company officials, however, declined to share other details from the meeting, which was chaired by Telecom Secretary Anshu Prakash.

The meeting on Tuesday was held barely 24 hours after the government decided to give all telcos and equipment vendors, including Huawei, the permission to participate in 5G trials in India. The decision to give the Chinese telecom equipment making giant the nod to participate in 5G trials assumes significance in the face of global scrutiny that the telecom equipment maker faces for security-related threats.

To allay security fears, Huawei India's CEO, in June 2019, said the company was ready to sign a "no backdoor" agreement with the government. Under the agreement, Huawei would vouch that it did not gain access to any Indian customer's equipment under any circumstance.

The Chinese manufacturer has offered to sign as well as signed similar agreements with other governments. However, the US was among the first major nations to ban Huawei, following an executive order signed by US President Donald Trump in May 2019. Trump had earlier asked US companies to not use Huawei, alleging that it was a tool of Chinese intelligence agencies.

During his visit to India in 2019, US Secretary of State Mike Pompeo met his counterpart S Jaishankar as well as the then Home Minister Rajnath Singh, and discussed the "risks that Chinese-built communication networks, including 5G" posed to countries.

Meeting on USOF, licence fee next week

Apart from the meeting on Tuesday, the DoT will also have formal consultations with Cellular Operators Association of India (COAI), telcos, equipment vendors and Tower and Infrastructure Providers Association (TAIPA) in the coming week to discuss reduction in Universal Service Obligation Fund (USOF) and licence fee, top government officials said.

"As per the Trai (Telecom Regulatory Authority of India) recommendations, USOF charge should be reduced from 5 to 3 per cent, and the licence fee should come down from 8 to 6 per cent. We will see what else is on the wish list of the companies. By 10-11th of January, we will formally write to the Ministry of Finance," a senior DoT official said, requesting anonymity.

The issue of reduction in USOF and licence fee is also likely to be placed before the Digital Communications Commission (DCC) in its next meeting, sources said. The DCC, which has representatives from the Finance Ministry, Department for Promotion of Industry and Internal Trade, IT Ministry, and NITI Aayog, had earlier this month accepted all the recommendations of Trai on spectrum auction, including on keeping the reserve prices for the sale of 8,300 megahertz (MHz) spectrum at Rs 5.22 lakh crore. The upcoming spectrum auctions, including the sale of 5G band, are scheduled to take place between March and April 2020.

Govt extends last date for Sabka Vishwas scheme to January 15

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 31

EXTENDING THE December 31 deadline for Sabka Vishwas Legacy Dispute Resolution Scheme, 2019 — the dispute resolution scheme for pending service tax and excise cases announced in this year's Budget — by a fortnight, the government Tuesday said almost 73 per cent of the total eligible taxpayers have committed to pay tax dues of Rs 30,627 crore under the scheme.

The amount declared under the scheme though stands at just 8.5 per cent of the total amount locked in litigation at Rs 3.6 lakh crore for 1.83 lakh cases of central excise and service tax at various quasi-judicial, appellate and judicial forums put together.

"Of the total 1.84 lakh taxpayers who are eligible to avail the scheme, as many as 1,33,661 taxpayers have so far submitted their applications by the morning of 31.12.2019. Their applications involve tax dues of Rs 69,550 crore and after availing various reliefs, the payable amount is Rs 30,627 crore," a Central Board of Indirect Taxes and Customs (CBIC) release said. The extension granted till January 15, 2020 is "one-time and final", it added.

CBIC said there has been a spurt in the number of taxpayers opting for the scheme during the last fortnight. The government has noted the huge interest among the taxpayers for this scheme and would like to ensure that "eligible taxpayers who have yet not applied to avail amnesty or relief under this scheme do not miss out due to the last-minute rush", it said.

Finance Minister Nirmala Sitharaman in the Budget for FY20 announced the legacy dispute resolution scheme to "allow quick closure" of the litigations pertaining to pre-GST regime. Under this scheme, relief is to the tune of 70 per cent of the duty involved if it is Rs 50 lakh or less and that of 50 per cent if it is more than Rs 50 lakh. This is for cases pending in adjudication or appeal or in investigation and audit. In cases of outstanding arrears of revenue, the relief is 60 per cent of the duty amount if it is Rs 50 lakh or less and 40 per cent, if it is more than Rs 50 lakh.

RIL launches pilot project of e-comm venture

Mumbai: Reliance Industries has kicked off the pilot project of its new e-commerce venture, Jiomart, for online food and grocery shopping which is scheduled to kick off next year.

As part of the pilot project, Jiomart will initially cater to online shoppers in Mumbai suburban areas including Navi Mumbai, Thane and Kalyan. The new venture will partner local grocers and equip them with points of sale (PoS) terminals, low interest working capital, inventory management skills and GST compliance.

It is learnt that customers can avail free home delivery and there would be no minimum order value. **ENS**

RBI to UCBs: Create board of management

ENS ECONOMIC BUREAU
MUMBAI, DECEMBER 31

THE RESERVE Bank of India (RBI) has asked the board of directors of urban co-operative banks (UCBs) with deposit size of Rs 100 crore and above (other than salary earners' banks) to constitute a board of management (BoM) and seek RBI's approval for appointment of CEOs in a bid to improve governance and functioning of UCBs.

Unveiling the guidelines on constitution of BoM, the RBI said, "it shall be mandatory for such banks to constitute BoM for seeking approval to expand their area of operation and/or open new branches. These UCBs will also require prior approval of the RBI for appointment of their CEOs." However, it added, UCBs with a deposit size below Rs 100 crore and salary earners' banks are exempted from constituting BoM although they are encouraged to do so voluntarily.

The BoM will report to the board of directors (BoD) and exercise oversight over banking related functions of the UCBs, assist the BoD on formulation of policies and any other related matter specifically delegated to it by the bank. "The board of directors will continue to be the apex policy setting body and will continue to be responsible for the general direction and control of a UCB. It will continue to look after all administrative functions as spelt out in the respective Co-operative Societies Acts," the RBI said.

According to the RBI, since UCBs are accepting public deposits, it is imperative that a separate mechanism be put in place to protect the interests of depositors. "In the event where the BoD differs with the recommendations of BoM, it shall do so by recording, in writing, the reasons thereof," the RBI said.

The BoM, excluding CEO, will have a minimum of five members. "The maximum number of members in BoM should not exceed twelve. The CEO would be a non-voting member. The Chairman of the BoM may be elected by the members of BoM from amongst themselves or appointed by the BoD. Under no circumstances, the Chairman of the BoD should be appointed as Chairman of the BoM and every UCB should maintain proper record of the minutes of the meeting and the same should be put up to BoD. The quorum for the meeting should be two-third of the total members of BoM," the RBI said.

IL&FS timeline for debt resolution delayed to July

Mumbai: A significant portion of the recoverable debt of IL&FS or around Rs 47,000 crore will be recovered only by July 2020 and not by March 2020 as anticipated earlier. This was conveyed by Uday Kotak, chairman of the government-appointed board of the NBFC, on Tuesday, while addressing its annual general meeting. Kotak also said the board is currently mulling the restructuring of Rs 10,000 crore of loans.

"The new board expects that measures undertaken would result in overall recovery in the region of 50 per cent (of the outstanding debt as of September 30, 2018) ...," Kotak said. **FE**