MARKET WATCH

FPIs PULL OUT ₹2.4K CR IN JAN SO FAR

New Delhi: Adopting a cautious approach amid the tension between the United States and Iran, foreign portfolio investors (FPI) have pulled out a net sum of Rs 2,415 crore from the Indian capital markets in January so far. **PTI**

DELAYS BLAMED ON NETWORK ARCHITECTURE, MAINTENANCE PROBLEMS

As BharatNet flounders at last mile connectivity, DoT dials the private sector

AASHISH ARYAN & ANIL SASI
NEW DELHI, JANUARY 12

THE CENTRAL government's flagship BharatNet scheme, which aims to provide last mile internet connectivity to all villages and gram panchayats (GP), has missed the targets set for phase one. With connectivity targets set for phase two of the project also likely to be missed owing to current delays, the government is now attempting to rope in the private sector to cover up for the failings of implementing agencies, *The Indian Express* has learnt.

As against the initial target for connecting all the 2.50 lakh GPs by end of March 2019, only 1.18 lakh had been connected till then. "With an estimated Rs 19,516.37 crore having been invested in the scheme so far, the utilisation status of the infrastructure created under this so far is discouraging," a senior official with direct knowledge of the matter said.

Of the 1.26 lakh GPs that have been made service ready so far, WiFi hotspots are functional only in 15,000. The plan to provide fibre to the home (FTTH) connectivity is operational only at 27,856 GPs till end-December, the official added.

To overcome the failings of nodal agencies involved in the implementation of the project, the Centre now plans to rope in the private sector and complete the phase one as well as phase two part of BharatNet under the public-private-partnership (PPP) model, the official said.

A meeting in this regard was held involving officials from the Prime Minister's Office (PMO), the Ministry of Electronics and Information Technology (MeitY) and NITI Aayog, where the government policy think tank suggested the PPP model.

A Cabinet note for the idea has been prepared, which will be put up for discussion soon, officials said.

Under the model, private sector will be invited to bid circle-wise for the BharatNet project and the maximum contract duration of the project is likely to be 25 years. The selection criteria for PSP will be their quote for viability gap funding, and the bidders will be expected to provide "on demand" internet connectivity with minimum speeds of 50 Mbps to at least five development institution in the area, the minutes of the meeting showed.

"The private service partner (PSP) will have the flexibility to re-locate the equipment installed at the BSNL (Bharat Sanchar Nigam Limited) exchanges and gram panchayats. It would also have the flexibility to create/upgrade the network," according to one of the officials present at the meeting.

In its defence, the Department of Telecommunications (DoT) — the nodal agency for implementation of the project — has blamed the network architecture, the connectivity to old BSNL fibre in part of the network operation and maintenance through BSNL as some of the reasons which had held back optimal utilisation of the network. Queries sent to the DoT remained unanswered.

Though the NITI Aayog suggested the PPP model, it also flagged some likely challenges if the government opts to rope in private players.

One such challenge, the agency has said, is to ensure "affordable and fair pricing" which is likely to change if the private players have their way.

The financial reconciliation of work done so far under phase one of BharatNet, which is pending as final documents from central public sector units have not been received so far, is also likely to be a challenge, according to the presentation made in the meeting. *The Indian Express* has seen a copy of the presentation made.

Apart from these, the government think tank is learnt to have warned about the change in the outlook towards BharatNet, which, when envisaged, was mooted as a "national asset with non-discriminatory access to all service providers".

"The handling of Right of Way (RoW) for newly created architecture and enhanced network, along with integration of phase one and two of BharatNet was also flagged as a challenge. We also have to find a solution to termination of ongoing work under the scheme and handing it over to the private sector," an senior DoT official, present at the meeting said.

Under the BharatNet scheme, the Centre is for now providing free WiFi services to all villages and GPs till March 2020, post which Common Services Centres (CSCs) and village level entrepreneurs (VLEs) will be able to charge for the internet through a pre-paid coupon system.

EXPLAINED

Involving private players could affect pricing

THE ENTRY of private players for the completion of projects of BharatNet under the PPP model could mean an increase in prices of services being offered nearly free of cost by the government as of now. WiFi services under BharatNet are free till March 2020.

If private players are allowed to complete projects, they are likely to look to recover their costs. It is yet to be seen if the upcoming projects will be completed on a sharing basis or the government would look to just facilitate the approvals while leaving infrastructure to the bidders.

PHASE ONE TARGETS REMAIN UNACHIEVED

Item	Target	Achieved
OFC laid (in km)	623,420	368,773
GPs connected	200,000	138,529
Service ready GP	200,000	126,223

Bank credit growth hits 2-yr low on weak demand in key sectors

Credit outstanding to the industrial and services sector contracts in the period between April and November 2019

SANDEEP SINGH
NEW DELHI, JANUARY 12

FESTIVE SEASON and the announcement on cut in corporate tax rates notwithstanding, the gross bank credit growth declined to a two-year low of 7.3 per cent in November 2019, driven by weak credit demand by the industrial and services sector. The weakness in economic activity this fiscal has, in fact, resulted in a contraction in credit outstanding for the industrial and services sector for the period between April and November 2019.

Data released by the Reserve Bank of India shows that both these sectors have not witnessed any credit expansion in the last eight months. While the credit outstanding for the industry contracted 3.9 per cent from Rs 28.85 lakh crore in March 2019 to 27.72 lakh crore in November 2019, that for the services sector contracted by 2.2 per cent from Rs 24.15 lakh crore to Rs 23.62 lakh crore in the same period.

Data shows that the bank credit outstanding for the eight months of FY20 expanded by just 1 per cent. Credit outstanding for the non-food sector too expanded by a meagre 0.5 per cent during the eight month period from Rs 86.33 lakh crore at the end of March 2019 to Rs 86.73 lakh crore in November 2019, primarily on account of weak industrial and services sector demand.

While the year-on-year (y-o-y) credit growth for the non-food sector expanded by 7.2 per cent in November 2019, the two key sectors — industry and services — that account for nearly 60 per cent of the credit outstanding by banks saw their credit expand by 2.4 per cent (lowest in 14 months) and 4.8 per cent (28-month low), respectively. The personal loan segment, however, witnessed credit outstanding grow by 16.4 per cent y-o-y in November, and for the eight month period it expanded by 8.3 per cent from Rs 22.2 lakh crore in March 2019 to Rs 24.04 lakh crore in November 2019.

Within the personal loan segment, the consumer durable segment witnessed a y-o-y expansion of 68 per cent from Rs 3,274 crore in November 2018 to Rs 5,499 crore in November 2019. However, for the eight month period between April and November, this segment saw a contraction in credit outstanding by 12.7 per cent.

The credit demand from the housing segment expanded 18.3 per cent y-o-y in November and for the eight month period, it expanded by 9.9 per cent.

The recent decline in credit growth follows a sharp revival in credit seen in each of the months between April 2018 and July 2019 when it expanded in double digits. The services sector, which led the revival in credit growth and was witnessing the highest economic activity, has seen its credit growth come under 5 per cent for the first time in 28-months.

The Reserve Bank data is in line with the slowdown seen in factory output over the last three months. While gross bank credit growth had hit a low of 3 per cent in February 2017, following demonetisation in November 2016, it witnessed a slow but steady revival over the next two years to hit a 55-month high of 13.6 per cent in November 2018 (the highest since the Narendra Modi-led NDA came to power in May 2014). In November 2019, it came down to 7.3 per cent.

CREDIT OUTSTANDING OF VARIOUS SECTORS

	Mar 2019	Nov 2019	Change (%)
Gross Bank Credit O/S	86,74,892	87,64,913	1.04
Non-food credit	86,33,418	86,73,908	0.47
Industry	28,85,778	27,72,248	-3.93
Services	24,15,609	23,62,956	-2.18
Personal Loan	22,20,732	24,04,701	8.28

Figures in ₹ crore; Source: RBI

Sebi likely to fine-tune disclosure norms soon

URVASHI VALECHA & CHIRAG MADIA
MUMBAI, JANUARY 12

CAPITAL MARKETS regulator Sebi is understood to be looking at better disclosures by companies after recent episodes where material information was not made available to exchanges and, in some instances, where developments reported to the bourses did not take place.

The regulator is believed to be taking a relook at the regulations under the Listing Obligations and Disclosure Requirements (LODR) and is understood to be working on guidelines that clearly define material and non-material events.

BSE MD and CEO Ashishkumar Chauhan confirmed that discussions were on at various levels between the regulator, the government and the exchanges on the proposed nature, timing and the mode of disclosures. "There is a debate about what to disclose because any person can write anything. If you don't disclose it's a problem, if you disclose it's even more of a problem. Because of social media, you tend to have consequences which are unintended," he said.

Discussions between the Securities and Exchange Board of India (Sebi) and the exchanges began shortly after Infosys last year did not disclose to exchanges that it had received whistleblower complaints. In response to queries from the exchanges, Infosys had said: "Before conclusion of the investigation of the generalised allegations in the complaints, a disclosure under Regulation 30 of LODR Regulations was not required. The disclosure made on October 22, 2019, was to respond to multiple media inquiries and reports".

It has been learnt the proposed changes have been discussed at Sebi's Primary Market Advisory Committee (PMAC) and Secondary Market Advisory Committee (SMAC).

The Corporate Governance Report, submitted to Sebi by Uday Kotak in October 2017, says "high-quality information represents the basic input for governance because it reduces the twin problems of reliability and asymmetric information, which refer to the fact that professional managers, board members and auditors possess significantly greater information than the average investor in these companies". **FE**

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₹300-CRORE FRAUDULENT CROP REINSURANCE DEAL

Irdai penalises brokers for cheating Tata AIG

GEORGE MATHEW
MUMBAI, JANUARY 12

Tata AIG General made a complaint to Irdai against Unison Insurance Broking Services alleging fraud in reinsurance placement pertaining to crop insurance, with a premium of around ₹300 crore in Rajasthan cluster for Kharif 2018 season

THE INSURANCE Regulatory and Development Authority of India (Irdai) has slapped curbs and penalised brokers and agents for their involvement in the Rs 300-crore fraudulent crop reinsurance deal in which Tata AIG General Insurance was cheated by multiple intermediaries including Unison Insurance Broking Services, an Indian composite insurance broker, Confiance, a Malaysia-based broker, and its Jaipur-based agents in India, Global Master Consultant (GMC).

In an order issued last week, Sujay Banarji, Member (Distribution), Irdai, barred Steven Chetty, MD, Confiance, from doing insurance/reinsurance business in India and Indian insurers and their offices overseas, as he had played an active and primary role in the fraudulent deal.

Mukesh Ranwan and Sachin Agarwal, directors of GMC who are representatives of Confiance in India, have also been barred from doing any insurance/reinsurance business in India, Indian insurers and their offices overseas. Indian reinsurers and their offices overseas, foreign reinsurance branches in India and insurance intermediaries were directed not to engage in any business activity with Ranwan and Agarwal.

The regulator has also fined Unison Brokers, which was the primary broker for Tata AIG General Insurance in the deal, to the tune of Rs one crore.

Tata AIG, which was forced to exit the crop insurance business after losing money heavily in the reinsurance deal, made a complaint to Irdai against Unison Insurance Broking Services alleging fraud in reinsurance placement pertaining to crop insurance, with a premium of around Rs 300 crore in Rajasthan cluster for Kharif 2018 season.

Irdai had received an email from Tata AIG on December 21, 2018, informing the fraud committed against its company with regard to the placement of reinsurance protection through Unison Insurance Broking Services, a composite Baroda-based broker that had made facultative reinsurance arrangements to support the company's crop reinsurance risk cover in 2018-19, through Confiance International Reinsurance Broker LLC, a Malaysia-based broker involving their Indian representative GMC.

Chetty, the MD of Confiance in Malaysia, and Ranwan and Agarwal are the representatives of Confiance heading GMC in India. Confiance had provided the best terms for placement with two reinsurers, Tokio Marine Kiln Syndicate (TMK) and Best Meridian Insurance (BMI).

The reinsurance placement was confirmed with copies of signed slips of the participating reinsurers. The broker remitted the reinsurance premium of Rs 1.13 crore and Rs 6.17 crore, respectively, to Confiance.

After deducting its brokerage in November 2018, it came to the knowledge of Tata AIG officials that TMK is not participating in the facultative placement of its crop business. Immediately, Tata AIG contacted the general counsel of TMK with a copy of the TMK signed reinsurance slip provided by Confiance. After checking internally, TMK confirmed it had not provided any support for the reinsurance and the slip purportedly signed by it was not issued by it.

Tata AIG contacted BMI and BMI confirmed that it is not on risk and BMI Global and its affiliates or subsidiaries have not quoted, underwritten, signed or executed any reinsurance involving Tata AIG. BMI also informed that it is opening an investigation regarding the original source of this document and confirmed that BMI does not accept or recognise being bound to this coverage.

Tata AIG took up the matter with the broker. After examining the matter, the broker came to the conclusion that the slips provided by GMC, the Indian representative of Confiance, are fraudulent slips.

Chetty, in his email to Unison Insurance, expressed distress on the situation/forged documents and informed the broker that Confiance is not aware or authorised such action.

He further informed the broker that the funds are sitting in the accounts of Confiance, for a risk which they did not officially place. Chetty arranged for transfer of funds to the broker and the broker in turn refunded the premium to Tata AIG General Insurance.

According to Irdai, considering the facts and the involvement of Confiance, foreign reinsurance broker in the chain of events and its implication in the reinsurance market in India, it is established that the cession of reinsurance premium, issuance of the forged reinsurance slip and subsequent refund of the reinsurance premium by Confiance constitutes a serious and grave offence.

Irdai said the actions of Confiance were deliberate and harmful. Such actions cannot under any circumstances be tolerated as it put the existence of general insurance companies in peril.

In the entire episode, Confiance made no efforts to clarify its stance and simply returned the premium, which, in turn, proves that it intentionally committed this act by not placing the risk with the foreign reinsurers and issued forged reinsurance slips to the Indian reinsurance broker.

FEMA VIOLATIONS

Charges false, no relation with Capstone Forex: Edelweiss CEO

ENS ECONOMIC BUREAU
NEW DELHI, JANUARY 12

EDELWEISS GROUP chairman and CEO Rashesh Shah on Sunday said he has no relationship with Capstone Forex and all allegations of Foreign Exchange Management Act (FEMA) violations against him were false.

"We appreciate that regulators and agencies have an obligation to investigate; if any information is sought from us, as a responsible corporate citizen, we will of course provide the same," Shah said in a statement.

Shah said while it is unfortunate that he was unable to go in person to the Enforcement Directorate (ED), "our senior authorised representative did attend in person with the requisite information. Needless to say, if in the future any assistance or support to the investigation is requested from us, we will cooperate fully".

The statement further said as per media reports, Sanjay Nathalal Shah, chartered accountant and an independent director of few of Edelweiss Group of companies, is alleged to be connected to Capstone.

"Let me reiterate that he has no other association with the Edelweiss Group, nor is he in any way related to me; you will appreciate that Shah is a common name," he said.

Shah blamed the media for sensationally reporting false allegations, conjecture and innuendo. "Several have done so without following the standard, responsible practice of first speaking with Edelweiss. Had they done so, you would have been presented with both sides of the story, equally and fairly. We are, therefore, compelled to take appropriate legal action against the concerned media group, in order to protect and reinforce the reputation of Edelweiss".

The statement further said "we remain committed to the highest governance standards built on a strong foundation of ethics". **FE**

"... our senior authorised representative did attend in person with the requisite information. Needless to say, if in the future any assistance or support to the investigation is requested from us, we will cooperate fully"

RASHESH SHAH
EDELWEISS GROUP CHAIRMAN & CEO

BRIEFLY

'$5-tn target unimaginably ambitious'

New Delhi: India would need to grow at 9 per cent to achieve the target of $5 trillion economy by 2024, which currently looks "unimaginably ambitious", eminent economist R Nagaraj said Sunday. **PTI**

Aramco IPO raises record $29.4 billion

Dubai: Saudi Arabian oil giant Aramco announced Sunday that its initial public offering raised a record $29.4 billion, a figure higher than previously announced, after the state-owned oil company used a so-called "greenshoe option" to sell millions more shares to meet investor demand. **AP**

'Farm loan write-offs touch ₹4.7 lakh cr in last 10 years'

Various states have cumulatively written off a whopping Rs 4.7 lakh crore of farm loans in the past one decade, which is 82 per cent of the industry-level bad loans, according to an SBI Research report

12.4% OF TOTAL BAD LOANS IN FY19:
Share of farm loan NPAs, or ₹1.1 lakh crore, of the ₹8,79,000 crore of total bad loans in the system in FY19

8.6% OF TOTAL BAD LOANS IN FY16:
Share of farm loan NPAs, or ₹48,800 crore, of total NPAs of ₹5,66,620 crore in FY16

₹4.2 LAKH CRORE:
Agricultural non-performing assets (NPAs) for banks in FY19, if ₹3.14 lakh crore of farm loan waivers announced in last decade are accounted for

₹4.7 LAKH CRORE:
Agri NPAs if latest ₹45,000-51,000 crore write-offs by Maharashtra (second in three years) is also included in waivers in last 10 years; making farm NPAs 82 per cent of industry level NPAs

FARM LOAN WRITE-OFFS ANNOUNCED BY STATES

ANDHRA PRADESH: ₹24,000 cr in FY15	PUNJAB: ₹10,000 in FY18
TELANGANA: ₹17,000 cr in FY15	KARNATAKA: ₹18,000 cr in FY18 and another ₹44,000 cr in FY19
TAMIL NADU: ₹5,280 cr in FY17	RAJASTHAN: ₹18,000 cr in FY19
MAHARASHTRA: ₹34,020 cr in FY18 and ₹45,000-51,000 cr in FY19	MADHYA PRADESH: ₹36,500 cr in FY19
UTTAR PRADESH: ₹36,360 cr in FY18	CHHATTISGARH: ₹6,100 cr in FY19

₹3,00,240 CR
Farm loan waivers announced by 10 largest states since FY15, to alleviate indebtedness of farmers and spate of suicides

₹4 LAKH CR
Farm loan waivers if numbers announced by the Centre under former prime minister Manmohan Singh in FY08 are counted

<60%
Share of actual farm loan write-offs, with Madhya Pradesh having lowest delivery of 10 per cent

Source: SBI Research/PTI

China's US trade deal commitments not changed in translation: Mnuchin

DAVID LAWDER
WASHINGTON, JANUARY 12

CHINA'S COMMITMENTS in the Phase 1 trade deal with the US were not changed during a lengthy translation process and will be released this week as the document is signed in Washington, US Treasury Secretary Steven Mnuchin said Sunday.

Mnuchin told *Fox News Channel* that the deal reached on December 13 still calls for China to buy $40 billion to $50 billion worth of US agricultural products annually and a total of $200 billion of US goods over two years.

"It wasn't changed in translation. I don't know where that rumor started," Mnuchin said on the "Sunday Morning Futures with Maria Bartiromo" show.

"We have been going through a translation process that I think we said was really a technical issue," Mnuchin said. "And the language will be released this week. So I think it is — the day of the signing, we will be releasing the English version." "And people can see. This is a very, very extensive agreement," he added.

White House officials had said as late as Friday that the final Chinese text was not yet completed, even as invitations went out to more than 200 people for a January 15 signing event at the White House.

Asked if he still expected China to purchase $40 billion to $50 billion in US farm products under the deal, Mnuchin said: "I do. Let me just say, it is $200 billion of additional products across the board over the next two years, and, specifically in agriculture, $40 billion to $50 billion."

Thus far, Beijing has not confirmed those purchase commitments, and recent government actions in the agriculture industry have raised questions over the $40 billion to $50 billion target cited repeatedly by Trump administration officials.

Chinese officials have been careful not to publicly discuss details of the Phase 1 deal, because Washington has changed its position multiple times during negotiations, three Chinese officials with knowledge of the situation told *Reuters* last week.

Signing of the trade deal eases Trump's 18-month trade war aimed at altering China's trade and economic practices, but will leave in place tariffs on about $370 billion worth of Chinese imports per year. **REUTERS**

The US Treasury Secretary said the deal calls for China to buy $40 bn-$50 bn of US agri products annually. *AP file photo*