Govt move to ignore FDI hike in sector disappoints insurers

GEORGE MATHEW
MUMBAI, FEBRUARY 3

The domestic insurance industry was expecting FDI to be hiked from 49% to 74%

THE DOMESTIC insurance industry, which was eagerly awaiting Finance Minister Nirmala Sitharaman to raise the foreign direct investment (FDI) in the sector from 49 per cent to 74 per cent in her Budget 2020-21, is clearly disappointed as the government failed to make the much-awaited announcement. The Centre had last year allowed 100 per cent FDI in insurance intermediaries like broking firms and third party administrators, as a precursor to the hike in FDI to 74 per cent in the entire sector.

Insurance sector sources expressed surprise that higher FDI in the sector didn't find any mention in the Budget, as the Centre had been working on the proposal for the same for six to eight months. "The timing for such a move was quite ripe as not only the government wants larger FDI inflow into the country, the private sector insurance industry is also badly in need for capital to maintain growth," said an official.

Life Insurance Council, in its pre-Budget survey, had found that all life insurance players favoured higher FDI at 74 per cent and some even wanted 100 per cent. Earlier, a government document prepared had indicated about the directions the Centre may be heading for. For the insurance sector, the document proposed that investment of up to 74 per cent should be allowed with necessary government approvals, above the current 49 per cent limit that is allowed without approval under a so-called automatic route.

The move would have come as a boost to two dozens of foreign companies such as Germany's Allianz, Italy's Generali Group, France's AXA and US insurer MetLife Inc, which already are already operating joint ventures in India. Explaining the rationale, the document said the private banking sector was "financially more sensitive" but allowed up to 74 per cent foreign investment, and so limits for insurance sector should be relaxed to provide parity.

An Assocham report had said the Indian insurance industry is expected to grow to $280 billion by FY19-20. An rise in FDI limit would mean an inflow of funds from existing foreign JV partners and entry of new players.

Insurance is a capital-intensive sector. When the insurance FDI rose in 2015, there was an expectation that almost Rs 60,000 crore would flow into the sector. However, the actual flows were less than half that number. India's move corresponds well with the deregulatory measures some other countries in APAC have undertaken, particularly in easing restrictions on foreign ownership of domestic insurance companies. China had indicated in July 2019 that it will permit foreign firms.

Meanwhile, the Budget has two proposals that can potentially affect the growth and profitability of life insurance firms. One is the withdrawal of Section 80C deduction for assessees who opt for the new tax regime and the other is withdrawal of dividend distribution tax (DDT) and transferring the tax liability of dividend income to investors. "While the former one will impact new business volumes, we expect the impact to be limited due to relatively reducing relevance the 80C deduction. Withdrawal of DDT will increase the tax liability of life insurance companies, though the same may be partially managed by setting off dividend paid to its shareholders," said a Kotak Research report.

Fitch pegs FY21 growth at 5.6%: Budget has not 'materially altered' outlook

PRESS TRUST OF INDIA
NEW DELHI, FEBRUARY 3

FITCH RATINGS Monday said India is expected to clock a GDP growth of 5.6 per cent in the next fiscal, lower than the projection made by the government's Economic Survey, as Budget 2020 has not "materially altered" its view on the country's growth outlook.

The Economic Survey, released a day before Finance Minister Nirmala Sitharaman presented the Budget for 2020-21 on February 1, had projected a GDP growth of 6-6.5 per cent, up from 5 per cent estimate for 2019-20.

"The fiscal slippage announced in the government's new FY21 budget is modest relative to its previous targets, and is consistent with our expectations when we affirmed India's 'BBB-' rating with a stable outlook last December, given slowing growth momentum," said Thomas Rookmaaker, director and primary sovereign analyst for India, Fitch Ratings. The Budget missed deficit target for the third year in a row, pushing shortfall to 3.8 per cent of GDP in FY20 as against 3.3 per cent previously planned.

GOVT TALKING TO UNIONS TO RESOLVE DIFFERENCES

AI divestment: 'Reasonable level of protection' for staff

PRANAV MUKUL & AANCHAL MAGAZINE
NEW DELHI, FEBRUARY 3

"You have to balance it between the point of view of investors, the flexibility which you have to give to the investors and the security of the employees. There has to be a balance"

TUHIN KANTA PANDEY
SECRETARY, DIPAM

THE GOVERNMENT will offer a "reasonable level of protection" to the employees when it divests its stake in Air India, but at the same time offer flexibility to the investors, Secretary, Department of Investment and Public Asset Management (DIPAM) Tuhin Kanta Pandey said. In an interview with *The Indian Express*, Pandey said "there has to be a balance" on protection for employees.

When asked if the new investor will be compelled to retain the national carrier's employees, Pandey said: "Those things have been worked out in the SPA (share purchase agreement) and they would be revealed to the investors and their views would be taken on that. Of course, there will be certain protection for the employees but only a reasonable level."

Further, in run up to the disinvestment, the Civil Aviation Ministry has been in discussions with Air India unions to iron out certain differences. "You have to balance it between the point of view of investors, the flexibility which you have to give to the investors and the security of the employees. There has to be a balance," he added.

The Centre last month floated the expression of interest (EoI) for Air India, seeking bids from interested parties by March 17 for a 100 per cent stake in the flag carrier.

This is the second attempt for sale of Air India after the failed attempt in 2018. Losses notwithstanding, it has some lucrative assets that include prized slots at London's choked Heathrow airport, a fleet of more than 100 planes and thousands of trained pilots and crew.

In the last disinvestment attempt, those potentially looking at bidding for the airline had also raised issues of the airline's employee strength.

The airline has 17,984 employees, of which 9,617 are permanent staff. According to the preliminary information memorandum, 36 per cent of the permanent staff are set to retire in the next five years.

However, Air India's Chairman and Managing Director Ashwani Lohani had earlier stated that the airline did not have any excess employees.

Shortly after the EoI was released last month, Civil Aviation Minister Hardeep Singh Puri had said that the government was open to revising, refining and tweaking its terms of sale.

The government has set an ambitious target of Rs 2.1 lakh crore from disinvestment receipts in the Budget for 2020-21. A chunk of this amount — nearly Rs 90,000 crore — is expected to be raised from the sale of Life Insurance Corporation and IDBI Bank.

Additionally, the Centre is banking on proceeds from the big ticket sale of Bharat Petroleum Corp Ltd, the EoI of which is likely to be floated in the next few days, Pandey told this newspaper.

BRIEFLY

Last monetary policy for FY20 on Thursday

Mumbai: The Reserve Bank of India (RBI) will unveil its last monetary policy for the current fiscal Thursday. The sixth bi-monthly monetary policy statement for 2019-20 would be the last one for the current financial year. The Monetary Policy Committee will meet during February 4-6 for the policy review, the RBI said Monday.

Bank credit rises 7.21%, deposits 9.51%

New Delhi: Banks credit and deposits grew 7.21 per cent and 9.51 per cent to Rs 100.05 lakh crore and Rs 131.26 lakh crore, respectively, in the fortnight ended January 17, according to the latest Reserve Bank data. In the year-ago fortnight, banks advance stood at Rs 93.32 lakh crore while deposits at Rs 119.85 lakh crore.

Re derivatives trade at IFSCs: Position limit set

New Delhi: Paving the way for trading in rupee-linked currency futures and options at international financial services centres (IFSCs), Sebi on Monday fixed position limit of up to $1 billion for brokers, institutional investors and eligible foreign investors. The move will benefit Indian bourses at IFSCs by bringing rupee trading to India, as such derivative contracts are presently dominated by exchanges in Dubai and Singapore.

IDBI Bank raises ₹745 cr through bonds

New Delhi: LIC-owned IDBI Bank Monday said it has raised Rs 745 crore via issue of Basel III compliant tier 2 bonds which will help improve its capital position. The 10-year bond was priced at a coupon rate of 9.50 per cent per annum payable annually, the bank said in a statement. "The amount mobilised would be counted as part of tier 2 capital and enhance the capital adequacy of the bank." **PTI**

Prabhakar takes charge as Canara Bank MD-CEO

New Delhi: Canara Bank announced that LV Prabhakar has assumed office as Managing Director and CEO of the public sector lender. Prabhakar holds a Master Degree in Agriculture and is a Certified Associate of Indian Institute of Bankers. Prior to his appointment, Prabhakar served as Executive Director in Punjab National Bank, where he oversaw its recovery efforts. During his tenure, the gross domestic business rose by Rs 1 lakh crore to landmark figure of Rs 11.45 lakh crore, with gross recovery of over Rs 20,000 crore. **ENS**

Anti-dumping duty sought on MEG: Textile cos' body opposes move

PRABHA RAGHAVAN
NEW DELHI, FEBRUARY 3

A GROUP of textile companies on Monday approached the Directorate General of Trade Remedies (DGTR) against a move by Reliance Industries Ltd and India Glycols Ltd seeking imposition of anti-dumping duties on a raw material used to make polyester.

In a letter to DGTR Director General BS Bhalla, an association representing companies like Indo Rama Synthetics India, Filatex India, Garden Silk Mills and Bombay Dyeing had argued that imposing such a duty on the material — mono ethylene glycol (MEG) — would lead to a "significant" loss to India's textile units.

"... there exists a huge demand supply gap in India because of which imports are essential to meet the requirements of our members," stated the PTA Users Association (PTAUA) in the letter dated February 3, a copy of which *The Indian Express* has viewed.

"The imposition of anti-dumping duty would increase the cost of textiles and as you are aware, the ability of textile units to increase the prices commensurate with the increase in costs is very limited," it said, adding that, under these circumstances, levying anti-dumping duty on MEG would not be in public interest.

"While the levy may help the petitioner company in a limited way, it will cause irreparable damage to our members," said PTAUA.

The association, which represents 21 end users claiming to account for two million metric tonnes per year of MEG consumption, also submitted that India's current MEG production capacity fell short of the demand of the product by around 36 per cent.

India imported around $532 million worth of ethylene glycol from countries in 2018-19, and around $320.18 million between April and November 2019, according to data from the Commerce Ministry. Kuwait, Saudi Arabia, Singapore and United Arab Emirates were the top exporters of this product to India last fiscal.

Last year, Reliance Industries — in a petition supported by India Glycols — had alleged that there was dumping of MEG from the abovementioned countries as well as Oman.

"The petitioners have claimed that domestic industry has suffered material injury by way of adverse price effects as evidenced by price undercutting and price depression leading to accumulation of inventories, deterioration in profits, decline in return on capital employed and cash profits," stated the DGTR's December 9 initiation notification on the matter.

"The petitioners have claimed that the material injury has been caused due to the dumped imports from the subject countries," it stated, adding that the authority considered that there is "sufficient" prima facie evidence of material injury to justify initiation of an anti-dumping investigation.

'Apple supplier Wistron to assemble key iPhone part in new India plant'

REUTERS
NEW DELHI, FEBRUARY 3

TAIWAN'S WISTRON Corp plans to assemble printed circuit boards (PCBs) for iPhones at its new plant in southern India, two sources said, highlighting Apple Inc's push to expand manufacturing in the country.

The local assembly of PCBs by Wistron's India unit will be a first for the contract manufacturer, which began making Apple's low-priced SE model in the southern tech hub of Bengaluru in 2017. It currently assembles the 6S and 7 iPhone models there as well.

A PCB is a bed for key components such as processors, memory and wireless chip sets that are the heart of an electronic device. Once assembled, or populated with components, PCBs account for about half the cost of a smartphone. Wistron's second iPhone plant, some 65 km (40 miles) from Bengaluru, is expected to become operational by April, the sources said, adding that it will make iPhone 7 and 8 models, some of which will be exported.

The facility will be capable of producing up to 8 million smartphones annually, they said. The plan is part of Wistron's $422.12 million investment proposal submitted to the Karnataka state government in 2018.

Adani group may take over Ahmedabad airport operations in April 2020

EXPRESS NEWS SERVICE
AHMEDABAD, FEBRUARY 3

OPERATIONS AT Ahmedabad's Sardar Vallabhbhai Patel International airport may be taken over by Adani Group in April 2020, said Ahmedabad Customs Principal Commissioner Kumar Santosh on Monday. Addressing media persons, Santosh said, when asked on the takeover, "I am told that the operations of the Ahmedabad airport is being handed over to Adani group from April 1 2020".

When contacted, officials from the Adani group said there was no written intimation as yet about the takeover.

Santosh added that his department was working with Chennai and Mumbai customs to stop smuggling of rare animals like turtles, snakes and leopards from being smuggled out of India.

In his media briefing, the customs official also disclosed four GST violation cases of "city-seizures" registered at ICD Khodiyar and Air cargo complex in Ahmedabad, where cases were pertaining to systematic smuggling by overvaluation of export goods and mis-declaration of quantity of the goods.

NTPC raises 'largest ever' Samurai loan for new projects

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 3

$750-MN TERM LOAN IN JAPANESE YEN

- **Samurai loans allow non-Japanese firms to tap into the investment capital available in Japan and borrow funds in yen, which is among the currencies with the lowest interest rates**
- **The cross border syndicated loan provides the borrower with capital to either enter the Japanese market or the ability to convert the proceeds into the firm's local currency for use in existing operations**

INDIA'S LARGEST power generator NTPC Ltd Monday said that it has raised a $750 million-worth term loan in Japanese yen, claiming it to be the "largest ever" Samurai loan raised by any Asian corporate. The funds raised would be used towards implementing systems that would help the state-owned power giant bring about a "substantial" reduction in toxic sulphur oxide emissions.

It would also be invested in NTPC's new hydro projects as well as projects using ultra-supercritical technology, which are plants that require less coal per megawatt-hour and, therefore, lead to lower carbon emissions.

Samurai loans allow non-Japanese firms to tap into the investment capital available in Japan and borrow funds in yen, which is among the currencies with the lowest interest rates. The cross border syndicated loan provides the borrower with capital to either enter the Japanese market or the ability to convert the proceeds into the firm's local currency for use in existing operations.

NTPC said the loan was raised under the automatic route of RBI's External Commercial Borrowing regulations and has been fully underwritten by the State Bank of India in Tokyo, Sumitomo Mitsui Banking Corporation in Singapore and Bank of India, Tokyo.

The facility has a door-to-door maturity of 11 years — the period within which the amount would have to be paid back — under two tranches.

"In an endeavour towards sustainable and cleaner environment, NTPC would utilise these loan proceeds to fund capex for installation of Flue Gas Desulphurization (FGD) system that helps in substantial reduction of SOx emission, new hydro projects and projects using ultra supercritical technology with low carbon emission," stated NTPC in a release.

Finance Minister Nirmala Sitharaman Saturday said in her Budget speech that utilities running thermal power plants with high carbon emission levels are advised to close those plants with emissions above pre-set norms.

McDonald's picks Sanjeev Agrawal as new partner for north, east India

PRESS TRUST OF INDIA
NEW DELHI, FEBRUARY 3

US FAST food chain McDonald's has selected MMG Group chairman Sanjeev Agrawal as its new partner to operate outlets in north and east India, the company said.

The development comes almost nine months after McDonald's bought estranged partner Vikram Bakshi's 50 per cent stake in Connaught Plaza Restaurants Ltd (CPRL), which has the licence to run its restaurants in north and east India.

D1/D3 gas field in RIL-BP's KG-D6 block shuts down

PRESS TRUST OF INDIA
NEW DELHI, FEBRUARY 3

D1/D3 GAS field, India's first deepwater gas field, ceased to produce on Monday after a $1 billion investment and mammoth technological intervention by Reliance Industries and its partner BP Plc of UK extended the life of dwindling fields by four years.

In a late evening statement, Reliance-BP confirmed that it has completed the safe cessation of production in a planned manner from D1/D3 field.

"The RIL-BP joint venture has successfully worked to extend the life of production from the D1/D3 Field which otherwise would have ceased production in 2015 due to issues of reservoir pressure and water ingress. Through innovation and application of 'first-of-their-kind solutions, the field's life was extended for almost five years, to February 2020, maximizing the recovery from the field," it said.

The first-gas from new fields in the block is expected in mid-2020, it added.

D1/D3 field, in Block KG D6 (KG-DWN-98/3) located in the Bay of Bengal, was India's first deepwater gas field to be put on production in April 2009.

Output, which peaked at over 61 million standard cubic meters per day in 2010, had been on a decline as sand and water ingress forced wells to shut down one after the other.

Airbus 'bribery' probe: AirAsia CEO, chairman to step aside for some time

REUTERS
KUALA LUMPUR, FEBRUARY 3

AIRASIA GROUP CEO Tony Fernandes and Chairman Kamarudin Meranun will step aside for at least two months while the airline and authorities investigate allegations Airbus paid a bribe of $50 million to win plane orders from the company. A committee comprising non-executive members of AirAsia's board will review the allegations and take any necessary action, Asia's biggest budget airline said on Monday.

Fernandes, one of the aviation industry's best known executives, and Kamarudin will remain advisers. Senior company executive Tharumalingam Kanagalingam will be the acting CEO, with the changes effective immediately. In a joint statement, Fernandes and Kamarudin denied any allegations of wrongdoing or misconduct as directors of AirAsia. "We would not harm the very companies that we spent our entire lives building up to their present global status," they said. Shares of AirAsia and unit AirAsia X fell on Monday after the allegations by Britain's Serious Fraud Office (SFO) came to light.