

# Coronavirus pandemic burns ₹2-trillion hole in LIC's investments



## IN THE SLOW LANE

| Company         | Stake (%) | Loss (₹ crore) |
|-----------------|-----------|----------------|
| RIL             | 6.15      | 23,274         |
| ITC             | 16.25     | 15,117         |
| ICICI Bank      | 8.36      | 10,786         |
| SBI             | 9.13      | 10,580         |
| Larsen & Toubro | 14.25     | 9,112          |
| Axis Bank       | 9.02      | 8,293          |
| TCS             | 4.12      | 8,120          |
| ONGC            | 9.48      | 8,068          |
| Coal India      | 10.94     | 5,825          |
| HDFC            | 4.21      | 5,749          |

LIC stake in Nifty50 stocks as on December 31, 2019  
Source: Capitaline Plus Compiled by BS Research Bureau

DEEPAK KORGAONKAR & PUNEET WADHWAN  
Mumbai/New Delhi, 19 March

A 32 per cent drop in the S&P BSE Sensex and the Nifty50 thus far in calendar year 2020 (CY20) has weighed heavily on the fortunes of state-owned Life Insurance Corporation of India (LIC), which has suffered a notional loss of ₹2 trillion in the past two-and-a-half months.

The insurer, known for making large equity investments, has substantial holdings in many listed companies. The dent comes at a time when the government is drawing up plans of listing LIC at the bourses, subject to legislative changes and regulatory approvals.

The value of the insurer's holdings in listed companies at the end of the December 2019 quarter stood at ₹6.02 trillion, which has come down to ₹3.99 trillion now, translating into a mark-to-market hit of ₹2.03 trillion, or 34 per cent.

The study is based on 209 companies of the S&P BSE 500 index in which LIC held over 1 percentage point stake in the December 2019 quarter. These companies accounted 65 per cent of the market capitalisation of BSE-listed companies.

Financials, including banks, non-banking financial companies (NBFCs), and insurance companies, which are the top value destroyers, accounted for 30 per cent or ₹61,552 crore of LIC's value erosion during the period.

Oil and gas (₹39,041 crore), information technology (₹16,122 crore), cigarette makers (₹15,117 crore), metals (₹13,549 crore), automobiles (₹12,896 crore), and infrastructure (₹11,973 crore) are other sectors in which LIC lost a more than ₹10,000 crore during the period.

"Services-related sectors will be the worst hit due to COVID-19. Agri will largely remain unaffected, while manufacturing will be hit to the extent that there will be a supply-side issue. Within services, too, there are sub-divisions for the impact. While telecom may largely remain unaffected, hotels, travel & tourism will bear the brunt. All this will continue to impact investors' fortunes, including those of LIC. This is a systemic issue," says G Chokkalingam, founder and managing director at Equinomics Research.

Over the next few months — at least till there is clarity on the impact of COVID-19 on the economy and the fortunes of India Inc — analysts at Credit Suisse Wealth Management expect fund flows into equities, both domestic and foreign, to taper off, which again will put the Indian markets under pressure.

"Foreign portfolio investors (FPIs) are selling and cutting their exposure to emerging markets (EMs), given virus fears and crash in oil prices, as they are unwinding their aggressive bets and India is no exception. So far the domestic equity flows have been robust, but given the challenging macro conditions and unwinding of leverage positions, sustenance at this pace looks difficult," said Jitendra Gohil, head of India equity research at Credit Suisse Wealth Management.

That said, while most analysts agree that the markets are yet to fully price in the impact COVID-19 has on the economy and the fortunes of India Inc, they do not rule out a sharp recovery once the health scare peaks. Analysts at Nomura, for instance, maintain a Nifty50 target of 11,030 for March 2021 based on 15x March 2022 earnings. This is after accounting for the 8 per cent lower than the consensus current earnings estimates.

# El Niño may be 'neutral', raises hopes of normal rains this year

SANJEEB MUKHERJEE  
New Delhi, 19 March

Amid the gloom, there is some good news on the weather front. The latest forecasts show that the dreaded El Niño weather phenomenon, known to disrupt the flow of the southwest monsoon, is expected to remain 'neutral' in May, June and July.

The latest India Meteorological Department (IMD) forecasts show that sea surface temperatures might further cool, enhancing the probability of La Niña after July. These weather phenomena indicate that the monsoon may be normal in India this year.

The southwest monsoon enters India in June and starts withdrawing in September. July is the critical month as the quantum of rains is highest then. A good monsoon is crucial for Indian agriculture and the economy in general as less than half of India's farmland is irrigated.

The El Niño is defined as an increase of Eastern Tropical Pacific's sea surface temperature (SST) of 0.5 degree Celsius from long-term aver-



IMD forecasts show sea surface temperatures might cool down, enhancing probability of La Niña

age, while its opposite, the La Niña, is defined as a decrease of SST over the same area by -0.5 degree Celsius from the average.

El Niño plays a big role in the performance of India's southwest monsoon. Data studied by private weather forecasting agency Skymet shows that in the 135 years starting 1880, about 90 per cent of all evolving El Niño years led to below normal rain-

fall, while 65 per cent of evolving El Niño years saw droughts.

"During an El Niño year, the rainfall is generally below the normal average, which has its negative bearing on crop production," the Skymet report had said.

If that's not all, the Indian Ocean Dipole (IOD), another factor that has a bearing on the southwest monsoon's performance, is also expected

to remain neutral during most of the forecasted period, according to IMD.

All these factors provide hope that unless there is a dramatic change in conditions, initial indications show that the southwest monsoon might be normal in 2020.

"So far, we haven't noticed any major adverse conditions as far as southwest monsoon in 2020 is concerned, but much of it will get clearer after middle of April," a senior IMD official said. Weathermen though warn that it is still early days and predictability of El Niño is limited.

"We will come out with a detailed first stage forecast of southwest monsoon 2020 after middle of April, till then it is difficult to say how things will move," said IMD Director General Mrutyunjay Mohapatra.

Skymet, meanwhile, on Thursday also said the current model projections indicate 'neutral' El Niño conditions during monsoon months with a probability of over 50 per cent. "In other words, in this monsoon, El Niño is likely to remain neutral with a probability of 50 per cent," the private weather forecaster said.

## ALL IN A DAY

### Nirbhaya case: End of road for convicts as HC snubs plea

The Delhi High Court on Thursday dismissed the plea filed by three of the four death row convicts in the Nirbhaya gang-rape and murder case challenging the trial court order declining to stay their execution, which was scheduled for early Friday morning (5:30 am). In a late night hearing, a bench comprising justices Manmohan and Sanjeev Narula, dismissed the plea saying it was devoid of merits. The trial court on Thursday afternoon dismissed the plea of Akshay Kumar Singh, Pawan Gupta, Vinay Sharma seeking to stay their death warrants. PTI



Nirbhaya's mother flashes the victory sign as she leaves Patiala House Courts Complex in New Delhi

### NABARD gives ₹42K cr for rural infra

Apex agriculture financial institution National Bank for Agriculture and Rural Development (NABARD) has extended ₹42,313 crore financial support during 2019-20 for building rural infrastructure. It has so far this fiscal disbursed ₹20,869 crore in addition to providing ₹5,686 crore for rural connectivity, a statement by NABARD said. The other segments supported by NABARD are drinking water supply, renewable energy, storage and dairy, etc. PTI

### SC to MP Speaker: Hold floor test

The Supreme Court directed the Speaker of Madhya Pradesh's legislative Assembly to conduct a vote test of the government's majority on Friday and complete the proceedings before 5 pm. SANDEEP KUMAR

### Vivad se Vishwas rules notified

To avail full benefit of direct tax dispute resolution scheme—Vivad se Vishwas—the government notified the rules on Thursday. The facility for online filing of such forms on the portal was also subsequently enabled by the I-T department. BS REPORTER

### J&K Bank open offer: Relief for state govt

Sebi has exempted the Jammu and Kashmir government from making an open offer to shareholders of Jammu & Kashmir Bank following proposed equity infusion that would hike its stake in the lender by 8.95 per cent. The order comes after the bank filed an application in February on behalf of its promoter seeking exemption from applicability of Substantial Acquisition of Shares and Takeovers (SAST). PTI