INSURANCE WATCH

30-DAY EXTENSION FOR PREMIUM: LIC

Mumbai: Life Insurance Corporation (LIC) on Saturday announced an extension of 30 days for payment of premium due in March and April 2020 to mitigate the hardships being faced by policyholders in the wake of COVID-19. **PTI**

DIIs, LED BY LIC, WERE MAJOR BUYERS, THUS PREVENTING A MAJOR CRASH

Domestic institutions bought stocks worth over ₹55K cr in Mar amid panic selling by FPIs

ENS ECONOMIC BUREAU
MUMBAI, APRIL 11

WHEN FOREIGN investors and some retail investors were resorting to panic selling in Indian stock markets last month, domestic institutional investors (DIIs) led by Life Insurance Corporation (LIC) were major buyers, thus preventing a major crash in the markets.

DIIs made net purchases of stocks of worth Rs 55,595 crore in the month of March this year. Investment by DIIs in March is the biggest monthly net purchases by DIIs in the last 15 years, according to data available with BSE. DIIs had made net purchases of Rs 16,933 crore in February.

DIIs include banks, development financial institutions, insurance companies, mutual funds and New Pension System.

The benchmark Sensex had crashed 23 per cent to 29,468.49 in March, mainly on account of heavy selling by foreign portfolio investors (FPIs), who pulled out Rs 65,816 crore — also the biggest monthly withdrawals by FPIs so far.

"Domestic institutions, especially LIC, are contrarians in the market who buy shares when others sell and vice versa. Many of the blue chips were available at rock bottom prices in March," said an institutional source.

However, the trend has changed in April when the Sensex staged a partial recovery of around 3,000 points. FPIs bought stocks worth Rs 1,345 crore and DIIs sold Rs 2,025 crore till April 9.

LIC is the biggest player in the stock market, with an average investment of over Rs 50,000 crore every year.

As on January 31, 2020, the Corporation had booked profits to the tune of Rs 23,273 crore from its investment in equities in 2019-20. The state-owned insurer realised a lower profit of Rs 23,621 crore from its equity investment in 2018-19, down 7.89 per cent from Rs 25,646 crore in the previous year. It had made a gross equity investment of Rs 68,621 crore during 2018-19.

FPIs were exiting from emerging markets like India in the wake of the uncertainties created by coronavirus pandemic and the business and trade dislocations across the world.

Wall Street and European markets had also tanked amid worries over the looming recession in developed countries. "DIIs, especially institutions like LIC, have the financial capacity to hold on to stocks for several years. They have been booking profits year after year," said an analyst.

E. EXPLAINED

DIIs acting as contrarian players in market

DOMESTIC INSTITUTIONS, especially LIC, are contrarians in the market. These institutions, which hold sizeable stakes in most companies, are not alarmed by knee-jerk sell-off in the markets and normally buy shares when others sell and vice versa.

This strategy has enabled them to make decent profits from the stock markets. LIC alone had made profits of over Rs 23,000 crore from equity markets till January this year.

INTERVIEW WITH MD & CEO, PUNJAB NATIONAL BANK

'Planned for credit growth of 8% ... now we'll have to see how COVID impacts and it may be around 6%'

HAVING COMPLETED the merger with Oriental Bank of Commerce and United Bank of India and navigating through merger challenges, Punjab National Bank (PNB) is now required to support its borrowers and carry out direct benefit transfers and other government schemes for the benefit of the poor, amidst the coronavirus pandemic. Speaking on the eve of PNB's 126th foundation day, SS MALLIKARJUNA RAO, MD and CEO, told SANDEEP SINGH that the bank is comfortable on financial and capital adequacy fronts for now. Stating that while the bank had earlier planned for a 8 per cent credit growth in FY21, the COVID-19 impact may limit it to around 6 per cent. Excerpts:

"Our credit growth happened till second week of March and it was 3 per cent year-on-year. We were running negative till December 2019"

SS MALLIKARJUNA RAO

How is the moratorium relief working out for customers?

RBI has given moratorium for three instalments and we have passed it automatically to all customers. Among others things, we are looking at the fact that the daily cash withdrawal requirements are met and electronic transactions go through. We are seeing that the money is going to Jan Dhan account holders under direct benefit transfer.

In the last week, we have released four new schemes. For Kisan Credit Card holders, additional funding of 25 per cent of their limit or Rs 50,000, repayable in periods. For self help groups, we are releasing funds of up to 5,000 for each member or Rs 1,00,000 for the group, and this is also repayable in three years. We are also giving personal loan equivalent to three months of average monthly salary up to a maximum of Rs 3 lakh, which again is repayable in three years. Then, we have another scheme for big customers which is additional working capital funding. Now, we are reaching out to them for utilisation of funds.

How is the pace of PMJDY withdrawal?

Till yesterday, around 15 per cent had taken it. It has gained pace over the last 2-3 days, both at ATMs and through banking correspondents. We are following certain measures to maintain social distancing and to avoid crowding.

Do you see any uptick in credit growth?

Our credit growth happened till second week of March and it was 3 per cent year-on-year. We were running negative till December 2019. We don't expect investment or other demand in the first half of the fiscal and expect the investments to pick up in the second half onwards.

How are you positioned both on capital and risk front? Would you require any fresh capital from the government?

No, we don't need capital from the government. As of December 2019, PNB's capital adequacy ratio was 14.04 per cent, and at the end of March 2020, we expect it to be around 13 per cent, which is sufficient enough. RBI has recently decided to defer the implementation of the last tranche of 0.625 per cent of the capital conservation buffer by six months from March 31 to September 30. So I don't think we will be breaching the common equity tier 1 (CET1) level or capital to risk assets ratio (CRAR). It will be much more than what is required by regulation.

In September, we got Rs 16,000 crore because of which the capital adequacy is there. In December, we took Rs 1,500 crore as tier 2 and we have asked the government to permit for additional tier 1 for anywhere between Rs 3,000-4,000 crore. We also have more headroom in tier 2 to the extent of Rs 1,500-2,000 crore. We are planning these two in the first half of this fiscal.

As far as QIP is concerned, which we are planning in H2, we will assess after the first combined balance sheet is out after the end of June quarter. That will be the first balance sheet that will give us the position of CRAR. Originally we planned for a credit growth of 8 per cent and now we will have to see how COVID impacts and it may be around 6 per cent. Considering that, we will plan for QIP or other means in H2. The quantum we will finalise after June quarterly result.

Why are banks not extending moratorium to NBFC term loans?

It has not been extended automatically because the other window of targeted long-term repo operations (TLTRO) is working. Already RBI has come with two biddings and whatever fund we get from TLTRO bidding, we will be required to invest in bonds or CPs of the companies. Out of that, 50 per cent is earmarked for primary issuances and 50 per cent for the secondary market. Suppose a MF (mutual fund) has invested in NBFC and the MF is having a liquidity problem, we can purchase from the secondary market. Besides, NBFCs can also come in the fourth window that I spoke earlier about — the emergency credit facility regarding working capital.

While state-owned banks are passing on rate cuts to customers, private banks do not seem to be so prompt. Why this stark divergence?

If you look at the repo linked lending rates, it is mandatory for banks. When RBI cut the repo rate by 75 basis points last month, this got automatically transferred to retail and MSME borrowers beginning April 1. I don't think there is any option for private sector lenders to not pass on that. However, in case of MCLR linked rates, the reductions are not on expected lines. We have already reduced 30 basis points from April 1. RBI is talking to everybody.

The paradoxical position is that inspite of that, their credit growth is much higher.

Can you see a reason to that?

I think that because of the settlement of cases under the IBC process, the loan outstanding has gone down. Suppose if Rs 10,000 crore is settled, while the amount received is only Rs 5,000 crore (50 per cent haircut), but the loan outstanding is reduced by Rs 10,000 crore. Majority of the IBC accounts are in public sector banks and private banks have few. So, the credit growth of public sector banks should be understood more intrinsically with the outstanding that gets reduced because of the settlements.

PRADHAN MANTRI GARIB KALYAN YOJANA

₹28,256 cr disbursed to 31.77 crore beneficiaries

ENS ECONOMIC BUREAU
NEW DELHI, APRIL 11

CASH AMOUNTING to Rs 28,256 crore, or 17 per cent of the estimated value of the Rs 1.7 lakh-crore packaged announced by the Centre, has been transferred to the bank accounts of 31.77 crore beneficiaries as on April 10.

On March 26, Finance Minister Nirmala Sitharaman announced the relief package under Pradhan Mantri Garib Kalyan Yojana (PMGKY) for the poor to help them amid the lockdown. The package was a mix of fresh sops, front-loading of some of the planned expenditures and utilisation of some of the autonomous funds (no implication on the Budget) at the state/district level.

By front-loading PM-KISAN, the Centre has transferred Rs 13,855 crore as the first instalment of Rs 2,000 to each of the 6.93 crore farmers as on Friday, the Finance Ministry tweeted. Under the scheme, the government has been providing Rs 6,000 to each farmer spread over three equal instalments in a year.

It also transferred Rs 500 to each of 19.86 crore women Jan Dhan account holders (97 per cent of the total beneficiaries), involving an outgo of Rs 9,930 crore. Two more instalments to these account holders will be provided in the subsequent months.

From the one-time grant of Rs 1,000 each to senior citizens, widows and differently-abled people, the Centre has transferred one portion of that amounting Rs 1,405 crore to 2.82 crore beneficiaries through direct benefit transfer (DBT) mode.

To give support to building and other construction workers, Rs 3,066 crore was transferred to 2.16 crore beneficiaries.

As part of the package, the Centre had asked states to use roughly Rs 31,000 crore available with them under the Welfare Fund for Building and Other Constructions Workers (created under a Central Act) to protect such workers against economic disruptions. **FE**

20 control rooms set up to address issues of workers

ENS ECONOMIC BUREAU
NEW DELHI, APRIL 11

THE UNION Labour and Employment Ministry has set up 20 control rooms across the country to address distress calls and complaints for workers in central sphere, amid the ongoing 21-day national lockdown to contain the COVID-19 pandemic.

About 60 officers, three each in the 20 regions, have been given the task of monitoring the complaints and issues being faced by workers in the central sphere, i.e. establishments under the central government, Railways, mines, oil-fields, major ports or any other central public sector undertaking.

The Centre is learnt to have taken this step to deal with complaints coming from low-income and MSME (micro, small and medium enterprise) workers, who are expected to be among the worst hit by the slow economic activity due to the coronavirus-induced lockdown.

The Ministry had earlier issued advisories to all public sector and private sector employers to not terminate any employee — casual or contractual — and not reduce wages.

BRIEFLY

Apple, Google plan software to slow virus

Bengaluru: Apple Inc and Google said on Friday that they will work together to create contact tracing technology that aims to slow the spread of the coronavirus by allowing users to opt into logging other phones they have been near.

'Oil output cut decision to have major impact'

Cairo: United Arab Emirates' energy minister Suhail Al Mazrouei said Saturday that a decision by the Organization of Petroleum Exporting Countries and its allies to cut oil supply will have a major impact on rebalancing the oil market amid the COVID-19 outbreak.

Malpass upbeat on debt relief progress

Washington: World Bank Group President David Malpass on Friday said he was confident of progress on his joint call with the International Monetary Fund for a temporary standstill in official bilateral debt payments by the world's poorest countries. **REUTERS**

Contribution to CM relief funds, paying wages during lockdown not part of CSR

ENS ECONOMIC BUREAU
NEW DELHI, APRIL 11

Ex-gratia payment to temporary or casual workers for fighting COVID-19 could count as CSR expenditure, an MCA release said

CONTRIBUTIONS BY companies to the chief minister's disaster relief funds of various states and payment of salaries and wages to temporary workers will not count towards mandatory corporate social responsibility (CSR) expenditure, said a Ministry of Corporate Affairs (MCA) release on Saturday.

It did, however, note that ex-gratia payments to temporary or casual workers specifically for "fighting COVID-19" may be counted as CSR expenditure as a one-time exemption. The release did, however, say that contributions made to state disaster management authorities to combat COVID-19 would qualify as CSR expenditure.

The move will likely channel a greater portion of corporate contributions to the PM-CARES Fund, which was set up for disaster relief after the virus outbreak. The MCA had earlier clarified that contributions to the PM-CARES Fund would count towards mandatory CSR expenditure by companies.

The release also clarified that payment of salaries and wages during the lockdown would not be counted as CSR expenditure. "... payment of salary/ wages to employees and workers even during the lockdown period is a moral obligation of the employers, as they have no alternative source of employment or livelihood during this period," it noted.

'COVID-19 severe demand shock for Indian economy'

The coronavirus pandemic is a "severe demand shock" for the Indian economy and could lead to further moderation in the country's GDP growth, Dun & Bradstreet said in a report

4.8%: ESTIMATE FOR GDP GROWTH FOR FISCAL YEAR 2020, REVISED DOWNWARDS BY 0.2 PERCENTAGE POINTS

6%: ESTIMATE FOR GDP GROWTH FOR FISCAL YEAR 2021, REVISED DOWNWARDS BY 0.5 PER CENT

6,606: INDIAN ENTITIES THAT HAVE LEGAL LINKAGES WITH FIRMS IN COUNTRIES WITH A LARGE NUMBER OF CONFIRMED CASES

ADVERSE EFFECTS OF CORONAVIRUS-INDUCED LOCKDOWN:

- Significant disruption across multiple sectors
- Affect on human lives
- Hampering global supply chain
- Steep fall in consumption

GREEN SHOOTS OF RECOVERY OFFSET:

The pandemic is a severe demand shock has offset the green shoots of recovery of the economy that were visible towards end-2019 early 2020

SECTORS THAT MAY BE HIT MOST BY COVID-19:

- Logistics
- Auto
- Tourism
- Metals
- Drugs and pharmaceuticals
- Electronic goods
- MSMEs
- Retail

Source: Dun & Bradstreet/PTI

According to the D&B report, the three major channels of impact for Indian businesses are legal linkages, supply chain and macroeconomic factors

Banks seek govt guarantee for lending to some sectors, says SBI Chairman

ENS ECONOMIC BUREAU
MUMBAI, APRIL 11

"The risk capital comes from the government, liquidity comes from RBI and the intermediation is done by the public sector banks. So that is a workable model because the risk appetite of the banks is limited"

RAJNISH KUMAR
CHAIRMAN, STATE BANK OF INDIA

BANKS HAVE asked the government to offer guarantees for lending to certain sectors amid the COVID-19 lockdown, so that they have greater comfort while sanctioning loans, State Bank of India (SBI) Chairman Rajnish Kumar said on Saturday.

Speaking to representatives from the real estate industry over a video conference, Kumar said this guarantee-based model is ideal in the current circumstances. "The risk capital comes from the government, liquidity comes from RBI and the intermediation is done by the public sector banks. So that is a workable model because the risk appetite of the banks is limited," he said.

Whether the government will be in a position to guarantee ending by the private sector or to restrict guarantees to lending by the public sector only is up to them, he added. It will be quite helpful even if the government guarantees only incremental lending to these industries.

"I believe there are various suggestions and the government has appointed various empowered groups so all that information will be gathered and analysed and then we can expect some package and an exit plan from the lockdown," the SBI chief said. **FE**

Trai suggests interoperable STBs, changes in FM radio auction prices

ENS ECONOMIC BUREAU
NEW DELHI, APRIL 11

THE TELECOM Regulatory Authority of India (Trai) has suggested that all set-top boxes (STB) in the country must support interoperability, meaning that a user can change their direct-to-home (DTH) and cable service provider without having to change the box every time In its recommendations, the telecom regulator said that this would foster innovation in the segment, and make STBs more affordable.

"The lack of interoperability of STBs between different service providers not only deprives customer of the freedom to change his service provider but also creates a hindrance to technological innovation, improvement in service quality, and the overall sector growth," Trai said.

It also noted that though STBs provided by DTH companies comply with licence conditions to support common interface module-based interoperability, in practice most of them were still not very readily interoperable.

The regulator has suggested that the Information and Broadcasting Ministry could make the required change in licencing norms so that interoperability could be introduced as a mandatory requirement.

In addition to STBs interoperability, Trai has released its recommendations for the reserve price for auction of frequency modulation (FM) radio channels. In its fresh suggestions, the regulatory body said that the reserve price for the valuation of FM radio channels should be calculated by taking into consideration the population of the city, the latest per capital gross state domestic product, and the listenership of radio channels, among other factors.

"The reserve price for FM radio channels for each of the 273 new cities has been fixed at 80 per cent of the valuation for each city, except for the cities of situated in north east region, and Jammu and Kashmir, for which reserve price has been fixed at 40 per cent of the valuation of each city," the Authority said.

Among the major cities up for auction, the reserve prices for Kolkata has been kept at Rs 53.39 crore, while that of Ludhiana in Punjab and Vijayawada in Andhra Pradesh have been kept at Rs 7.83 crore and Rs 7 crore, respectively.

AS IMF CALLS IT 'WORST CRISIS SINCE GREAT DEPRESSION', SOME BET ON A SOLID REBOUND

V-shaped or U-shaped? Economists divided on virus recovery

AGENCE FRANCE-PRESSE
WASHINGTON, APRIL 11

A Marshalls department store, closed due to the outbreak of coronavirus in Washington, DC, US. Reuters

THE CORONAVIRUS pandemic has unleashed a worldwide hurricane, shutting activity in most economies simultaneously, but some forecasters are more optimistic about the prospects for recovery once the worst has past.

International Monetary Fund managing director Kristalina Georgieva has called it the worst crisis since the Great Depression a century ago, and warned the damage could linger. And yet there are private economists betting on a solid rebound as soon as people can get back to work.

With 1.5 million confirmed cases and 100,000 deaths, the virus has forced economies worldwide to shut down, which in the United States caused 17 million workers to lose their jobs in just three weeks.

Economists at the New York Federal Reserve Bank said the impact is more akin to a natural disaster like a hurricane, rather than a traditional financial or economic crisis. "Recessions typically develop gradually over time," researchers Jason Bram and Richard Dietz said in a blog post Friday.

"The coronavirus pandemic, in contrast, came on suddenly, hitting the economy at full force in one month." And like a hurricane, it first hit the travel and tourism industry, they said.

But unlike a natural disaster, the authors said the pandemic has not left physical destruction in its wake, "which may well facilitate a quicker economic recovery."

Karen Dynan, a former US Treasury chief economist, is looking at a 20 percent drop in the American economy in April and May, leading to an eight percent contraction for the year.

But Dynan, who helped produce the semi-annual forecast put out by the Peterson Institute for International Economics, is more upbeat about the recovery, projecting a 7.2 percent US rebound in 2021 year-over-year.

While US officials have expressed hope about a "V-shaped" recovery, with a sharp, rapid return to growth, private economists are more cautious given the uncertainty around the duration and severity of the pandemic.

"We're getting the 'check-mark' not that classic V," Dynan told reporters, referring to the steep decline and gradual recovery. "We're going to have to proceed slowly, in terms of opening up the economy again. And we're going to have some setbacks," she said, while acknowledging that many of her Peterson colleagues disagree with her more upbeat view.