Govt introduces NaBFID Bill in Lok Sabha to support funding infra projects

Press Trust of India

New Delhi, Mar 22 : Finance Minster Nirmala Sitharaman on Monday introduced the National Bank for Financing Infrastructure and Development (NaBFID) Bill 2021 in the Lok Sabha to pave the way for setting up of a government-owned development finance institution to help fund about 7,000 infra projects under the National Infrastructure Pipeline.

The proposed legislation will give effect to the Budget announcement made by the finance minister on February 1. The government has proposed Rs 20,000 crore to capitalise the institution.

The Union Cabinet had last week approved the Budget proposal of setting up a development finance institution (DFI), which will have tax benefits to enable fund raising from investors. The National Bank for Financing Infrastructure and Development will be set up with a corpus of Rs 20,000 crore and the government will give an initial grant of Rs 5,000 crore. The government expects the DFI to leverage this fund to raise up to Rs 3 lakh crore in the next few years. The Bill seeks to establish the NaBFID to support the development of long term non-recourse infrastructure financing in India, including development of the bonds and derivatives markets necessary for infrastructure financing.

As per the statement of objects and reasons of the Bill, it seeks to enable the central government, multilateral institutions, sovereign wealth funds, and such other institutions to hold equity in the NaBFID.

It proposes to enable the institution to provide financial assistance to infrastructure projects located in India or partly in the country and to enable the company to borrow or raise money by way of loans both in rupees and foreign currencies.

It also provide adequate safeguards for decision making to address risk aversion and proposes establishment of other development financial institutions, in addition to the NaBFID established under the proposed legislation. "The Institution shall have both developmental and financial objectives. Among other things, this would include developing a deep and liquid bond market of international standards for long-term infrastructure financing in India including through widening of the issuer and investor base," it said.

It would also facilitate the development of markets for interest rate derivatives, credit derivatives, currency derivatives and such other innovative financial instruments as may be necessary for infrastructure financing, it said. "The financing objectives would involve establishing a credible framework that attracts equity investments from domestic and global institutional investors as well as debt investments, including green finance, from investors, aligned to their risk appetite and asset-liability profile, in order to cater the financing needs of Indian infrastructure sector," it said.

The government will provide the institution with grants and contributions, guarantees at concessional rates for foreign borrowings and any other concessions, the Bill said, adding that dilution or sale of stake may be considered once the NaBFID has achieved stability and scale. The Bill proposes to establish the head office of the institution in Mumbai and permits to form subsidiaries or joint ventures or branches, in India or outside. The Centre would hold at least 26 per cent of the shares at all times, it said, adding concessional rate of fees should not exceeding 0.1 per cent for government guarantee. The performance of the institution would, once in every five years, be reviewed by an external agency to be appointed by the central government, it said. In her Budget 2019-20 speech, Sitharaman had proposed a study for setting up DFIs for promoting infrastructure funding. About 7,000 projects have been identified under the National Infrastructure Pipeline (NIP) with a projected investment of Rs 111 lakh crore during 2020-25. NIP, a first-of-its-kind initiative to provide world-class infrastructure across the country and improve the quality of life for all citizens, will be crucial for attaining the target of becoming a USD 5 trillion economy by FY 2025.

During the pre-liberalised era, India had DFIs which were primarily engaged in the development of industry. ICICI and IDBI, in their previous avatars, were DFIs. Even the country's oldest financial institution IFCI Ltd acted as a DFI. In India, the first DFI was operationalised in 1948 with the setting up of the Industrial Finance Corporation of India (IFCI). Subsequently, the Industrial Credit and Investment Corporation of India (ICICI) was set up with the backing of the World Bank in 1955.

Manufacturing sector to rebound in Q4FY21; investment outlook improves

Press Trust of India

New Delhi, Mar 22 : Industry chamber FICCI's latest quarterly survey on manufacturing points to a rebound of manufacturing sector growth in the current quarter of financial year 2020-21. Sectors like medical devices, chemicals, fertilisers, pharmaceuticals, textile machinery, electronics and electricals, capital goods and metal and metal products are likely to have registered strong growth in the previous quarter (Q-3 2020-21), it said.

The survey assessed the performance of manufacturers for Q3 (October-December 2020-21) and the sentiments for Q4 for twelve major sectors including automotive, capital goods, cement, chemicals, pharmaceuticals, electronics, etc. Responses were drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of around Rs 5.3 lakh crore.

The survey said the percentage of respondents reporting higher production in Q3 of 2020-21 had increased vis-a-vis Q2 of 2020-21. "The proportion of respondents reporting higher output during October-December 2020 rose to 33 percent, as compared to 24 percent in Q2 of 2020-21. The percentage of respondents expecting low or same production is 67 percent in Q3 2020-21 which was 74 percent in Q2 2020-21. The percentage of respondents expecting increase in exports has increased substantially to 29 percent when compared to previous quarters during lockdown period, wherein 24 percent respondents were expecting a rise in exports. Hiring outlook for the sector improved, with 37 percent (against 20 percent in previous quarter) planning to hire additional workforce."

According to the survey, the overall capacity utilisation in manufacturing witnessed a rise to 74 percent in Q3 as compared to 65 percent in previous quarter. The future investment outlook was slightly better as 30 percent of respondents reported plans for capacity additions for the next six months as compared to 18 percent in previous quarter.

High raw material prices, high cost of finance, shortage of skilled labor and working capital, high logistics cost, low domestic and global demand due to imposition of lockdown across all countries to contain spread of coronavirus, excess capacities due to high volume of cheap imports into India, lack of financial assistance, uncertain demand scenario across globe, complex procedures for obtaining environmental clearances, high power tariff, are some of the major constraints which were highlighted.

Sensex ends 87 pts lower; financial stocks drag

Press Trust of India

Mumbai, Mar 22 : Equity benchmark Sensex declined 87 points on Monday, tracking losses in index majors HDFC Bank, ICICI Bank and Reliance Industries amid a weak trend in global markets.

After slumping over 570 points in mid-afternoon trade, the 30-share BSE index recovered some lost ground to end at 49,771.29, down 86.95 points or 0.17 per cent.

On similar lines, the broader NSE Nifty dipped 7.60 points or 0.05 per cent to 14,736.40.

IndusInd Bank was the top loser in the Sensex pack, shedding 4.33 per cent, followed by PowerGrid, ICICI Bank, HDFC Bank, Axis Bank, Bajaj Finance and SBI.

On the other hand, Tech Mahindra, TCS, Sun Pharma, Infosys and HCL Tech were among the gainers.

Global markets reeled and the Turkish lira plunged to near record lows after President Tayyip Erdogan unexpectedly replaced the country's central bank governor, shocking investors and stoking fears of capital controls.

"Indian markets opened weak with marginal decline following mixed to negative cues from its Asian market peers as investors watched the weakening Turkish lira and fears of rise in cases due to COVID virus which increased volatility in markets.

"During the afternoon session, the markets extended their losses and sentiments were dented due to major dampener in the form of fast-rising COVID-19 cases... Restricted economic activity in these regions may impact the optimistic growth projections for FY22," said Narendra Solanki, Head-Equity Research (Fundamental), Anand Rathi.

Strong buying was seen in IT, FMCG and pharma space, while financials and automobiles witnessed selling pressure.

"Notably, investors lapped-up quality midcap and small cap stocks after recent corrections in these spaces," said Binod Modi, Head - Strategy at Reliance Securities.

BSE bankex, finance, consumer durables, energy, telecom and auto indices fell up to 1.51 per cent, while realty, IT, FMCG, teck, basic material and healthcare rose as much as 2.86 per cent.

In the broader markets, the BSE midcap and smallcap indices climbed up to 0.99 per cent.

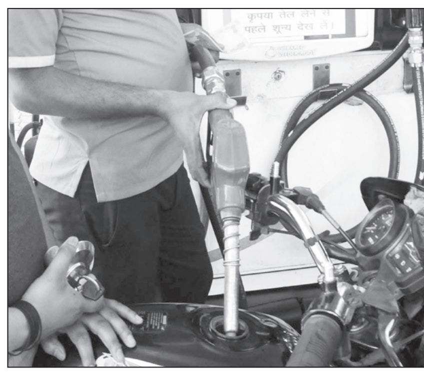
Petrol, diesel prices remain unchanged on Monday

Press Trust of India

New Delhi, Mar 22 : Fuel prices in the country have remained steady for over three weeks now as softening crude and Assembly elections in four states and one union territory has kept Oilcos from revising the retail prices.

Accordingly, petrol continues to be priced at Rs 91.17 a litre and diesel Rs 81.47 a litre in the national capital on Monday. Fuel prices have not been revised now for 23 days.

Across the country as well the petrol and diesel price remained unchanged. But the pause has not helped in bringing down fuel prices that have crossed Rs 100 per litre (petrol) mark in several parts of the country. Earlier, Minister of state for Finance Anurag Thakur said in Parliament that states and Centre should look at taxes on petroleum products to see if relief can be provided to consumers.



Since the beginning of February crude has gained more than $7 per barrel that pushed OMCs to increase fuel prices on 14 occasions raising the prices by Rs 4.22 per litre for petrol and by Rs 4.34 a litre for diesel in Delhi.

Crude has now slipped 6 per cent in the last six days and is now sitting a tab lower around $ 64.5 a barrel on the back of rising US inventory.

The petrol and diesel prices have increased 26 times in 2021 with the two auto fuels increasing by Rs 7.46 and Rs 7.60 per litre respectively so far this year.

The officials in public sector oil companies said that retail price may rise again once daily revision starts post voting in various state elections. The crude is expected to move up further on demand rise and continued production cut by OPEC+ in April. Oilcos are already making losses of Rs 2 and Rs 4 per litre on current retail prices of petrol and diesel respectively. Sources said that to cover this, the fuel prices may remain unchanged even if there is a need to cut retail rates on softening of global product prices.

Gold declines Rs 302; silver tanks Rs 1,533

Press Trust of India

New Delhi, Mar 22 : Gold in the national capital tumbled by Rs 302 to Rs 44,269 per 10 grams on Monday, reflecting overnight decline in global gold prices and rupee appreciation, according to HDFC Securities.

In the previous trade, it had closed at Rs 44,571 per 10 grams.

Silver also tanked Rs 1,533 to Rs 65,319 per kg, from Rs 66,852 in the previous trade.

In the international market, gold was trading marginally up at USD 1,731 per ounce while silver was trading lower at USD 25.55 per ounce.

HDFC Securities Senior Analyst (Commodities) Tapan Patel said, "Gold prices traded under pressure limiting the upside on Monday as traders and investors are eyeing US bond auctions this week."

"The yellow metal also witnessed some selling in early trade on stronger US bond yields and stronger dollar," he added.

Decline in corruption gave 100bps boost to India's GDP in 2012-18: SBI Ecowrap

Press Trust of India

New Delhi, Mar 22 : India's economic growth increased 100 basis points (bps) between FY13 and FY19, courtesy a 16 point improvement in its ranking on corruption perception Index, a report shows. This decline in corruption levels also translated into better foreign direct investment (FDI) inflows, it further added.

A recent Ecowrap report by State Bank of India (SBI) economists correlates decline in corruption levels to economic growth. The report established that the nation was ranked 77th on the TRACE Bribery Risk Matrix in November 2020, improving from 185th in 2014. TRACE is an anti-bribery standard setting organisation that measures business bribery risk in 194 countries, territories, and autonomous and semi-autonomous regions.

Claiming that corruption levels have fallen since 2014 "solely due to government has mandated to remove corruption and bribery from all sections of society", the report presents a cross-country analysis of change in corruption levels and economic growth to establish a link between the two.

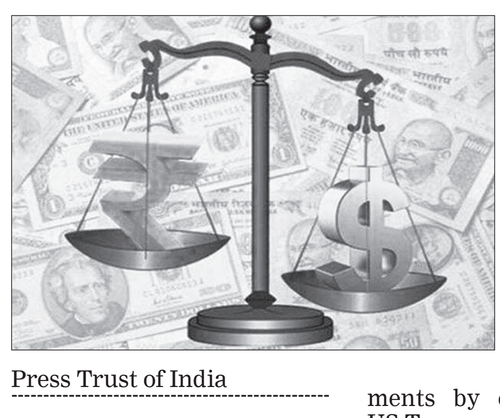
The SBI Ecowrap report states that India saw a 16-rank improvement in corruption perception index by Transparency International, from 94 in 2012 (FY13) to 78 in 2018 (FY19). During the same period, the nation recorded rise of 100 bps in economic growth, with GDP growth in FY19 pegged at 6.5 per cent.

The report further gives examples of Egypt, Ukraine, Paraguay and Austria, which saw rise in economic growth with lower corruption levels. "Interestingly, countries like Russia, South Africa, Brazil, Turkey, China have slipped in the overall ranking have faced a lower economic growth," the report further states.

"Apparently, the improvement in corruption level in India has translated into FDI inflows. Data shows there has been a significant improvement in foreign investor confidence towards India. Net FDI inflows to India have increased by 263 per cent in the last decade ($11.8 billion in FY11 to $43.0 billion in FY20). During FY12 to FY18, net FDI has increased by 37 per cent. In the current year so far (April-November, FY21), net FDI has grew by 27.5 per cent to $34 billion compared to last year," the report states.

Suggesting further amendment to Prevention of Corruption Act, the report proposes to "declare the act of giving a bribe as legitimate activity", implying that "the giver of a harassment bribe should have full immunity from any punitive action by the state. But the person, taking the bribe should be punished." Presently, the Act criminalises both giving and taking bribes. "Under our proposed law, when a person gives a bribe, he will try to keep evidence of the act of bribery so that immediately after the bribery she can turn informer and get the bribe taker caught. The upshot of this is that the bribe taker will never take the bribe in the first place. In this way, we can actually achieve a Nash Equilibrium with an optimal payoff for the society," SBI economists said.

Rupee rises for 3rd straight session, up 15 paise against USD



Press Trust of India

Mumbai, Mar 22 : The Indian rupee continued its winning run for the third straight session on Monday, adding another 15 paise to close at 72.37 against the US dollar as some stability in crude oil prices and sustained foreign fund inflows kept investor sentiment upbeat.

At the interbank forex market, the local unit opened at 72.47 against the greenback and gained further to touch an intra-day high of 72.34.

It finally ended at 72.37 against the American currency, registering a rise of 15 paise over its previous close.

In the previous session, the rupee had settled at 72.52 against the American currency.

"Indian rupee gains by the most in almost a week on continued foreign inflows through primary market. The rupee is likely to be well supported by continued equity inflows offsetting the strength of the dollar and risk aversion sentiments, Dilip Parmar, Research Analyst, HDFC Securities, said.

"Rupee has gained 1.5 per cent month to date, the only Asian currency to have advanced in a month following strong foreign fund inflows," he added.

In the near term, currency movements will be influenced to great extent by scheduled statements by central bankers, US Treasury yield movement and news on continued lockdown in countries across Europe, Parmar noted. "Foreign portfolio investors (FPIs) have bought close to a net USD 2.5 billion worth of Indian equities so far this month. FPIs bought a net USD 179.40 million as of March 18, 2021. For the month of March, FPIs were net buyers of a total of USD 2.454 billion," according to Reliance Securities.

Global oil benchmark Brent crude futures fell 0.46 per cent to USD 64.23 per barrel.

Meanwhile, foreign institutional investors turned net sellers in the capital market on Monday as they offloaded shares worth Rs 786.98 crore, as per exchange data.

The dollar index, which gauges the greenback's strength against a basket of six currencies, rose 0.05 per cent to 91.97.

On the domestic equity market front, the BSE Sensex slipped 86.95 points or 0.17 per cent to close at 49,771.29, while the broader NSE Nifty ended lower by 7.60 points or 0.05 per cent at 14,736.40.

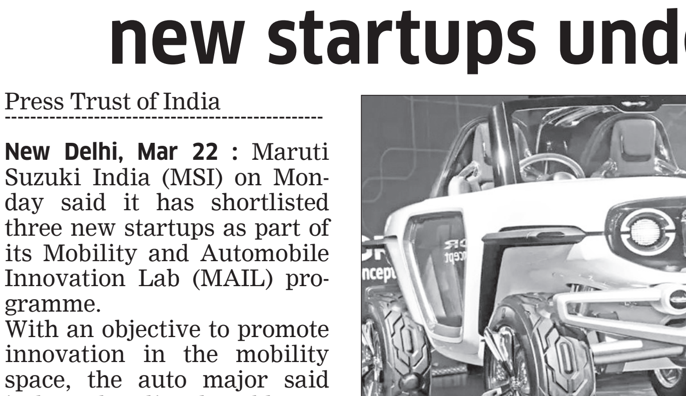
Maruti Suzuki India shortlists 3 new startups under MAIL

Press Trust of India

New Delhi, Mar 22 : Maruti Suzuki India (MSI) on Monday said it has shortlisted three new startups as part of its Mobility and Automobile Innovation Lab (MAIL) programme.

With an objective to promote innovation in the mobility space, the auto major said it has shortlisted Nable IT, Redbot and Sleave as part the fourth cohort of the MAIL programme.

"The startups are poised to disrupt the consumer technology world. The company's MAIL initiative supports them by co-creating innovative business solutions," MSI MD and CEO Kenichi Ayukawa said in a statement.



The three new startups will now engage with the company for paid projects, he added. MSI had launched the MAIL initiative in partnership with GHV Accelerator in January 2019.

The company said this initiative is more than just a start-up accelerator as it aims to create a suitable environment to nurture, foster and guide the early-stage startups.

With the latest addition of three startups, Maruti Suzuki is now engaged with 17 startups under the MAIL programme in the last two years.

Muthoot Fincorp looks to close fiscal with 28% loan growth

Press Trust of India

Thiruvananthapuram, Mar 22 : Muthoot Fincorp, the flagship of the diversified Muthoot Pappachan Group and the third largest pure-play gold loan player, is expecting to close the current fiscal with a full 28 per cent asset growth, a top company official has said. Driven by the surge in gold prices in the first half of the fiscal, the city-based headquartered company's gold loan assets grew 24 per cent in the first three quarters of the current fiscal to around Rs 17,500 crore, while the group's lending businesses as a whole has grown to Rs 27,000 crore by end of December 2020, the official said, adding of this real growth is 14 per cent as the rest was boosted by rising gold prices. "We have been doing better in the current quarter, growing at over 27 per cent, than the previous three quarters and close the year with a total growth of 28 per cent by march-end," Thomas John Muthoot, chairman and managing director of the group, told PTI on Monday.

The privately held Muthoot Fincorp is the third largest gold loan company after Muthoot Finance, Manappuram Finance. It has around 3,600 branches across the country and the group, which is also into automotive retail, realty, hospitality, IT and green energy apart from running four credit business, employing 27,000.

The group also known as Muthoot Blue has four NBFCs -- Muthoot Fincorp which is into gold loans, Muthoot Capital, its listed entity which is into two-wheeler and used car loans, Muthoot Microfin, and Muthoot Housing Finance.