



Coverage Report
L&T Finance Holdings
Post Budget Reaction

Mr. Dinanath Dubhashi

NBFCs get twin lifelines

TEAM TOI

Non-banking finance companies, which have been strained for liquidity after the IL&FS collapse, have got twin lifelines from the government and the RBI. The Budget decision to bring it under more stringent regulation of the RBI, which now has powers to sack an NBFC's board, has also been cheered as it is seen to inspire confidence among lenders.

The government has decided to provide a partial guarantee (for defaults up to 10%) to banks that buy up to Rs 1 lakh crore of loans from NBFCs. The RBI, on its part, has announced that it will provide the required liquidity



TANKING UP

backstop to the banks against their excess G-sec holdings. This will enable banks to avail

additional liquidity of Rs 1,34,000 crores.

The biggest boost for the sector was the recognition by the finance minister that the sector plays a crucial role in sustaining consumption demand as well as in capital formation. "NBFCs that are fundamentally sound should continue to get funds from banks and mutual funds without being unduly risk-averse," said Sitharaman, who also announced measures to strengthen regulatory control over the sector.

"The decision to bring NBFCs under increased regulation of RBI is very positive as it will give improved legitimacy to the sector and increase trust," said Dinanath Dubhashi, MD, L&T Finance.

A confidence boost for NBFCs



**DINANATH
DUBHASHI**
MD & CEO,
L&T Finance

This is a pragmatic and realistic Budget. The reduced tax burden on companies with an annual turnover of up to ₹400 crore will augment investible surplus in the economy. Start-ups have been provided various tax incentives. In particular, relaxation of conditions to offset their losses will encourage entrepreneurial spirits.

The Budget has also taken several measures to reduce risk aversion and increase lending to NBFCs. Measures like one-time partial six-month guarantee to public sector banks (PSBs) to buy loans of sound NBFCs and higher recapitalisation of PSBs are praiseworthy. Also, higher regulatory powers to the Reserve Bank of India over NBFCs and bringing housing finance companies under the banking regulator will restore the confidence for well-governed NBFCs.

The policy thrust on providing parity between scheduled banks and NBFCs in their tax treatment is a welcome move. Moreover, doing away with the need to maintain debenture redemption reserve for public issuance of bonds will unlock capital for NBFCs. The ₹70,000-crore recapitalisation of PSBs will provide them growth capital, which should also help fundamentally stronger NBFCs. Additionally, tax incentives for buyers of affordable housing and the proposed model tenancy law are positives for the struggling real estate sector.

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Higher regulatory powers to RBI over NBFCs, and return of HFC regulation back to RBI will restore confidence for NBFCs.

The government's focus on providing impetus to electric vehicle infra will help develop the segment over a long term.

To sum, revenue assumptions are marginally on the ambitious side. Markets' hope hinges on improving the GST compliance.

Digital payments will receive a tremendous boost with the levy of 2% TDS on cash withdrawals of over ₹1 crore over a year.

DINANATH DUBHASHI
MD and CEO of L&T Finance Holdings Ltd

NIKUNJ GHODAWAT
Chief financial officer, CleanMax Solar

NAVNEET MUNOT
Chief investment officer, SBI Mutual Fund

RANU VOHRA
MD and CEO, Avendus Capital

FM proposes measures to pull NBFCs back to safety

PSBs get one-time partial six-month guarantee to buy sound NBFCs' loans

KR SRIVATS

New Delhi, July 5

The Centre has "comprehensively" dealt with the NBFC crisis, Finance Minister Nirmala Sitharaman said soon after presenting her maiden Budget.

Also, in a well thought out approach through the Finance Bill, the government has strengthened the regulatory authority of RBI over NBFCs, she said. Sitharaman earlier announced a slew of measures to help NBFCs come out of the current morass.

NBFCs that are fundamentally sound should continue to get funding from public sector banks (PSBs) and mutual funds without being unduly risk averse, she said.

"For the purchase of high-rated pooled assets of financially sound NBFCs amounting to a total of ₹1-lakh crore during the current financial year, the government will provide a one-time six months' partial credit guarantee to public sector banks for a first loss of up to 10 per cent," she added.

Also, the RBI gets more regulatory powers over NBFCs.

Leg-up for NBFCs

- Can participate directly on the TreDs platform
- Can pay taxes on incomes received from NPAs only on receipt basis (and not on accrual basis)
- Those raising debt through public issues no more required to create or maintain a DRR

NBFCs raising debt through public issues will now not be required to create or maintain a debenture redemption reserve (DRR). At present, DRRs are required for public issues, with private placements being exempt. Now, DRRs need not be created for public issues of debt by NBFCs, too.

Besides requiring NBFCs to pay taxes on incomes received from NPAs only on receipt basis (and not on accrual basis), the Budget has also proposed to allow all NBFCs to directly participate on the TreDs platform. Hitherto, only those NBFCs whose main business activity was factoring, were allowed to participate on

TreDs. For this, the government has to amend the Factoring Regulation Act.

The Budget proposals around NBFCs are "quite welcome", said Raman Aggarwal, Chairman, Finance Industry Development Council (FIDC).

"Measures like one-time, partial six-month guarantee to PSBs to buy sound NBFCs' loans and higher recapitalisation of PSBs require a special mention," remarked Dinanath Dubhashi, MD & CEO, L&T Finance Holdings.

Positive for housing

Srinath Sridharan, Member, Group Management Council, WGC, said the Budget is a positive for the housing sector. The government rightly acknowledges the importance of the growth of housing finance companies/ NBFC industry as integral to the growth of the Indian economy, he said.

Jiger Saiya, Partner-Tax and Regulatory Services, BDO India, was appreciative of the move to provide credit guarantee to PSBs for the purchase of high-rated pooled assets of financially-sound NBFCs.

The move will improve the "trust" factor, concurred Sunil Mehta, Chairman, Indian Banks' Association.

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Headline:	Relief for NBFCs		

NBFC के लिए राहत



बिजनेस डेस्क: संकट के दौर से गुजर रही गैर-बैंकिंग वित्तीय कंपनियों (एनबीएफसी) ने बजट में तरलता बढ़ाने के लिए किए गए प्रस्तावों का स्वागत किया है। कंपनियों का कहना है कि इन कदमों से क्षेत्र के लिए धन की उपलब्धता बढ़ाने में वृद्धि मिलेगी। इसमें सरकार वित्तीय तौर पर ठीक स्थिति वाली एनबीएफसी कंपनियों की कुल मिलाकर एक लाख करोड़ रुपये की दबाव वाली परिसंपत्तियों के सरकारी बैंकों के खरीदने पर होने वाले 10 प्रतिशत तक के प्रथम नुकसान के लिए छह महीने की आंशिक ऋण गारंटी प्रदान करेगी।

“ बजट में सरकारी बैंकों के एनबीएफसी के ऋण खरीदने के लिए सरकार की ओर छह महीने के लिए एक बार दी जाने वाली आंशिक ऋण गारंटी और बैंकों में पूंजी डालने जैसे कदम उठाए गए हैं।

- दीनानाथ दुभाषी, एलएंडटी फाइनेंस होल्डिंग के एमडी

“ उम्मीद है कि यह कदम एनबीएफसी को वैसा ही दीर्घकालिक सहयोग देगे जैसा रिजर्व बैंक, बैंकों को देता है। ग्राहक और लघु उद्योग क्षेत्र की मांग को पूरा करने में एनबीएफसी की अहम भूमिका है।

- संजीव बजाज , प्रमुख, बजाज फिनसर्व

“ सरकारी बैंकों के खरीदने पर सरकार की ओर से 10 प्रतिशत तक के पहले नुकसान पर छह महीने तक के लिए एक बार दी जाने वाली आंशिक ऋण गारंटी का कदम विश्वास बहाली करने की दिशा में अहम है।

- के. वी. श्रीनिवासन, एफआईडीसी के सह-चेयरमैन

Online Coverage

Publication:	The Times of India	Edition: NA	Online Coverage
Published Date	6 July 2019		

NBFCs get twin elixirs

<https://timesofindia.indiatimes.com/business/india-business/nbfc-get-twin-elixirs/articleshow/70099574.cms>

NEW DELHI: Non-banking finance companies, which have been strained for liquidity after the IL&FS collapse, have got twin lifelines from the government and the RBI. The Budget decision to bring it under more stringent regulation of the RBI, which now has powers to sack an NBFC's board, has also been cheered as it is seen to inspire confidence among lenders. The government has decided to provide a partial guarantee (for defaults up to 10%) to banks that buy up to Rs 1 lakh crore of loans from NBFCs. The RBI, on its part, has announced that it will provide the required liquidity backstop to the banks against their excess G-sec holdings. This will enable banks to avail additional liquidity of Rs 1,34,000 crores. The biggest boost for the sector was the recognition by the finance minister that the sector plays a crucial role in sustaining consumption demand as well as in capital formation. "NBFCs that are fundamentally sound should continue to get funds from banks and mutual funds without being unduly risk-averse," said Sitharaman, who also announced measures to strengthen regulatory control over the sector.

"The decision to bring NBFCs under increased regulation of RBI is very positive as it will give improved legitimacy to the sector and increase trust," said Dinanath Dubhashi, MD, L&T Finance

Publication:	Business Standard	Edition: NA	Online Coverage
Published Date	5 July 2019		

Budget 2019: A confidence boost for NBFCs, says L&T Finance MD & CEO

https://www.business-standard.com/budget/article/budget-2019-a-confidence-boost-for-nbfc-says-l-t-finance-md-ceo-119070501603_1.html

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Dinanath Dubhashi, MD & CEO L&T Finance

The Budget has also taken several measures to reduce risk aversion and increase lending to NBFCs. Measures like one-time partial six-month guarantee to public sector banks (PSBs) to buy loans of sound NBFCs and higher recapitalisation of PSBs are praiseworthy. Also, higher regulatory powers to the Reserve Bank of India over NBFCs and bringing housing finance companies under the banking regulator will restore the confidence for well-governed NBFCs.

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Published Date	5 July 2019		

Budget 2019 Updates: Sitharaman calls for structural reforms, relaxing FDI norms

<https://www.livemint.com/budget/news/union-budget-2019-live-updates-1562297269692.html>

17 min read. Updated: 05 Jul 2019, 03:35 PM IST Staff Writer

Live: In her first budget, Nirmala Sitharaman said the govt will consider relaxing FDI in aviation, insurance, single-brand retail

The Narendra Modi government has proposed to corporate tax on companies with turnover up to ₹400 crore reduced to 25%

NEW DELHI: Finance Minister Nirmala Sitharaman presented the first budget of Modi 2.0 government in today. In February's interim budget, the then acting finance minister Piyush Goyal had provided several income tax sops to the middle-class and introduced zero tax liability for those in the ₹5 lakh income bracket. The interim budget had also increased standard deduction to ₹50,000 from ₹40,000 for the salaried class. Nirmala Sitharaman is the second finance minister after Indira Gandhi, to present the budget today.

Live Updates on Nirmala Sitharaman's Union Budget speech:

1:33 pm: Dinanath Dubhashi, Managing Director & CEO, L&T Finance Holdings Ltd on the announcements relating to NBFCs made today: "Union Budget has taken several measures to reduce risk aversion and increase lending to NBFCs. Measures like one time partial 6 month guarantee to PSBs to buy sound NBFCs' loans and higher recapitalisation of PSBs require a special mention. Higher regulatory powers to RBI over NBFCs and return of regulation of HFCs back to RBI will definitely restore the confidence for well governed NBFCs."

Publication:	ET Now	Edition: NA	Online Coverage
Published Date	8 July 2019		

FM is following sound principles of lending: Dinanath Dubhashi, L&T Finance

<https://economictimes.indiatimes.com/markets/expert-view/fm-is-following-sound-principles-of-lending-dinanath-dubhashi-lt-finance/articleshow/70125703.cms>

While the FM wants to help the NBFC sector, she definitely does not want to burden the banking sector with bad assets, says Dinanath Dubhashi, MD & CEO, L&T Finance Holdings, Excerpts from interview with ETNOW.

Given the kind of steps that were announced in the budget -- RBI getting regulatory powers for HFCs, tax relief on NPAs for NBFCs -- how positive are the overall announcements for the sector?

In one word, they are extremely positive. But I would like to put in two time frames. The NBFC sector needed two things – one is the immediate liquidity boost to the sector as a whole, and second is long-term confidence. The most positive thing about the budget is it addressed both ends of the spectrum. Obviously, the guarantee that the government has announced and RBI's announcement for additional liquidity to fund NBFCs and HFCs will go a long way in addressing the immediate liquidity constraints, the lack of limits and the lack of confidence in lending to NBFCs. It will definitely help highly-rated NBFCs who look at securitisation. I have not looked at the ratings yet. I expect it to be AA or above. And of course, all the AAA companies, like we are, will benefit tremendously. But much bigger than that are the structural announcements.

The intent of bringing tax parity or income recognition on NPAs along with banks is what the sector has been asking for. While NPA parity had come with banks, these kind of parities were not there. So this parity of NBFCs with banks is very positive. When it comes to giving RBI more powers to supervise and regulate NBFCs, we do not know the details. But more powers (recent circulars of CRO), liquidity, asset-stress recognition have shown that more regulation always brings more confidence. Today what the sector needs is confidence and RBI getting more powers is better for keeping the sector and investors confident. We always believed that sudden growth and big shocks are never good for the sector. Good regulated performance is always better, and this long-term directional measure is most positive.

What do you think are the immediate steps that RBI should take in order to address liquidity, as well as regulatory issues?

As we speak, RBI has already taken that. RBI providing additional window of Rs 1,34,000 crore to banks for funding liquidity came within a few hours of the budget. This was expected after the monetary policy speech by the governor. But this announcement coming immediately after the budget shows that the direction is clearly towards providing immediate liquidity to NBFCs -- that is very positive. As far as what more regulations can come, we do not know. It is too early to say. But let us look at the direction of regulations which have come in the last one month. Making an independent CRO compulsory for larger NBFCs, or making clear how to manage short-term liquidity or liquidity-coverage ratio for long term, are positives. Liquidity is not regulation as of now, it is only a paper for discussion and it will come in regulation. So, these are very positive directions, both for the structure of NBFCs and CRO. Liquidity is on the liability-side improvement. The new June 7th circular talked about asset classification and dealing with stressed assets in which NBFCs were treated on par with banks for the first time. The previous circular, that was challenged in the Supreme Court, did not have NBFCs in it. We think all these regulations which have come are very positive.

The finance minister gave liquidity relief to fundamentally sound NBFCs. How do you see the overall environment developing for the not-so-sound NBFCs because that is where the concern lies?

While the FM wants to help the NBFC sector, she definitely does not want to burden the banking sector with bad assets. I mean, you cannot create a problem while solving another. And hence, very clearly what was said is that this one time facility for six months – which is extremely needed and a positive step -- is available

only to good assets of financially sound NBFCs. She is the FM and she definitely cares about the banking sector, so she is following the sound principles of lending. While helping the sector you obviously have to take care of credit and the health of banking balance sheets, and she has achieved that. She very clearly differentiated the well-managed and financially-sound NBFCs, which should be encouraged. See, we have to differentiate profitability and feasibility from liquidity. Liquidity is a temporary problem, and while addressing liquidity, banks should not end up funding NBFCs that are not sound. She is doing that and it is a very good step.

Several announcements for deepening bond markets were announced -- steps on the sovereign bond side, proposals for allowing AA bonds as collateral. How positive are some of these steps for the markets and the NBFC sector?

It is great for the sector. I will talk a little about companies like ours that are AAA and supported by large groups. So, let us take a few steps back and see that the government and RBI want to deepen the debt market; especially the long-term debt market. This is essentially why the liquidity crisis happened for some companies. The long-term debt market is not deep enough, so you have to deepen and expand it -- that is the first objective. These are all long-term objectives. Second, as you know, this is when banks limits on various large groups etc. come into picture. Strong companies should be encouraged to directly approach the market. A higher proportion of their borrowing should come directly from the market rather than through banks and intermediaries. Now, if these two are largely positive directions for the economy and for the strong participants in the corporate market, then corporate bonds as a investment, or as a traded instrument, need to be encouraged at each step. Whether it is encouraging FPIs to invest, whether it is allowing FPI investment in infrastructure debt funds, whether it is corporate debt being allowed as collateral for liquidity. Each of the steps that the industry had recommended will provide relief to long-term funds in the short term. And more importantly, it is perhaps the first step in making the structural change in the long term debt market.

We have already seen bond yields easing nearly 15 bps post the budget. Do you see greater monetary transmission from banks to NBFCs actually improving? Will the cost of borrowing for NBFCs come down?

Transmission of interest cost cuts has nothing to do with the budget, right? I mean, transmission depends on the cost of funds of the bank. Each monetary benchmark rate cut definitely reduces the bank cost, but banks have other costs to think of. Some of the banks have already passed on some part of it, I do not see the budget as a step towards increasing transmission, it is not about interest rates. Interest rates are done through monetary policy by RBI. It is not a function of the Union budget. The Union Budget makes structural changes and that is where we see this budget taking strong steps.

The finance minister announced various steps to boost affordable housing, MSME, SME, rural sector etc. How positive are these announcement for the sectors? Do you think that it will actually help to spur rural demand and pick up overall consumption growth?

All are very positive. We do not have a big presence in MSME at this point of time, but we are planning. We announced during our annual results that the next product that we will be launching will be SME loans. The boost in housing sector is definitely very positive. Agri, even though there are no direct benefits, but lot of announcements in the rural sector about rural businesses or large allocation for rural roads will be positive for rural India. Of course the rural demand will largely depend on how the monsoon progresses. But this is definitely positive. How positive? We will know only know after another month of seeing how the monsoons progress.

Ms. Rupa Rege Nitsure

Published Date: 6 July 2019

Publication:

Free Press Journal

A Progressive Budget

RUPA REGE NITSURE

The first Budget by India's first full-time woman Finance Minister reflects the finesse and the prudence of a woman in charge of financial management. In terms of the overall Budget arithmetic, there isn't much deviation from the interim budget, as the fiscal deficit number has been marginally lowered from 3.35% in the interim budget to 3.34% now. But a higher reliance on tax revenues from high net-worth individuals (HNIs), increase in basic custom duty on precious metals (gold & silver) and increase in excise on petrol & diesel, on the one hand, and substantial discount in taxes on affordable housing, start-ups and electric vehicles, on the other hand, clearly indicate the "progressive" direction of the Budget. Responding to the ongoing slowdown in the industrial sector, the Finance Minister has also increased the coverage of companies that will now pay corporate tax at 25% (from the earlier 30%), which should boost their profitability. The revenue arithmetic of the Budget is quite conservative. Factoring in the protracted slow-down phase and a shortfall in personal income tax revenue and GST receipts, the "gross tax revenue" projections have been lowered from their level in the interim budget. However, the projections of "non-tax revenue receipts" and "capital receipts" have been increased from the interim budget cashing in on the likely higher disinvestment receipts (strategic sales), new asset monetisation programme and the 5G spectrum auction proposed to be held in October 2019. However, as in the interim budget, the quality of expenditure remains weak as the proposed growth in current expenditure at 14.3% in FY20 exceeds that in capital expenditure (at 6.9%) by a wide margin. What is worrisome is the drastic reduction in allocations to the sectors like road transport, highways and civil aviation during FY20 versus FY19. On the positive side, the Budget has paid special attention to highly stressed sectors like real estate, construction finance and the broader financial system. Many notable announcements are made for the real estate sector, which has reached a near stagnancy level on account of several factors, the major one being the ongoing funding crunch in the financial system. The Budget has announced an additional Rs 1.5 lakh deduction in income-tax for home loans up to Rs 3.5 lakh for affordable housing to give the stagnant sales in this segment and bring new participants into the market. It has proposed a Model Tenancy Law (new reforms for rental housing) to give a big boost to the sector, as the current high cost of houses and high levels of property taxes have made renting out an un-remunerative proposition. It has also proposed the use of government's land parcels for public infrastructure and affordable housing to narrow the demand-supply gap. Furthermore, it has given permission to FPIs to subscribe to listed debt papers of REITs and INVITs, which will increase the flow of funds to the real estate sector. The Budget has taken excellent measures to re-energise credit intermediaries like PSBs and NBFCs. Re-capitalisation of PSBs by Rs 70,000 crore will not just give these banks a provision cover but also growth capital for on-lending. This will indirectly benefit NBFCs, as "bank-borrowings" is one of their major funding avenues. There are a few corrective measures for NBFCs too. For example, the government has decided to grant a one-time six months' partial credit guarantee to PSBs to buy high-rated pooled assets of financially sound NBFCs, amounting to a total of Rs 1 trillion during FY20. It has also proposed to further strengthen regulatory control of RBI over NBFCs and return regulation of HFCs back to RBI from the NHB. On balance, these measures should help reduce risk aversion and improve funds-flow to the NBFC sector. It has also been proposed to allow investments made by FIDICPs in debt securities issued by Infrastructure Debt Fund (IDF-NBFC) to be transferred and/or sold to any domestic investor within the specified lock-in period.

The writer is Group Chief Economist, L&T Financial Services. (Views are personal)

Online Coverage

Publication:	Money Control	Edition: NA	Online Coverage
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A prudent and progressive Budget: FM steps up to the challenge

<https://www.moneycontrol.com/news/business/budget/a-prudent-and-progressive-budget-fm-steps-up-to-the-challenge-4176931.html>

Once and for all, the FM will have to undertake a massive fiscal cleansing operation to restore the credibility of our Budget exercise

The Budget unveiled by the first full-time woman Finance Minister of India reminded me of a recent quote of Joseph Stiglitz from his article on progressive capitalism.

Stiglitz has said: “Reversing the malaise (of neoliberal policies) requires that we figure out what went wrong and chart a new course forward, by embracing progressive capitalism, which, while acknowledging the virtues of the market, also recognizes its limitations and ensures that the economy works for the benefit of everyone.”

Nirmala Sitharaman’s Budget has been a step in this direction. I will call this a prudent and progressive Budget. By placing a greater reliance on tax revenues from high net-worth individuals (HNIs), increasing basic Customs duty on precious metals and raising excise on petrol and diesel, on the one hand, and granting substantial discount in taxes on affordable housing, startups and electric vehicles, on the other hand, she indeed has given a progressive Budget.

Her “revenue arithmetic” is also conservative. By factoring in the economic slowdown and the consequent shortfall in personal income tax receipts and GST collections during FY19, she has realistically revised downwards the expected tax revenue numbers of the interim Budget for FY20. To offset this, she has relied heavily on non-tax revenue as well as capital receipts expected from disinvestment of PSUs (strategic sales), new asset remonetisation, 5G spectrum auction, etc. Market participants will now keenly watch the incoming trends for these receipts to validate the budgeted numbers.

However, she couldn’t help much with the credibility of fiscal deficit figure, which is significantly understated due to ever increasing levels of off-budgetary borrowings by the lead public sector organizations like FCI, NABARD, HUDCO, PFC, REC, IRFC, NHAI, NTPC, Power Grid and the like.

Once for all, she will have to undertake this massive fiscal cleansing operation to restore the credibility of our Budget exercise. Also, she could not do much to improve the quality of expenditure (current versus capital) that was projected by the interim Budget against the backdrop of increased public debt. But she has taken several materially important measures to boost highly stressed sectors like real estate, agriculture, MSMEs and a broader financial system.

While the tax incentives for buyers of affordable housing and the proposed Model Tenancy Law will increase activity in the stagnant real estate sector, the proposed payment platform for MSMEs would reduce delays in payments to MSMEs. A permission to FPIs to subscribe to listed debt papers of REITs and INVITs would attract more funds to the real estate sector.

A boost is given to agriculture, allied activities and also to rural infrastructure. Around 1.25 lakh km of road length is proposed to be upgraded over the next five years and national grids planned for distribution of electricity, water and gas.

She has taken excellent measures to re-energise credit intermediaries like PSBs and NBFCs. Re-capitalization of PSBs by Rs 70,000 crore will not just give PSBs a provision cover, but also growth capital. This will benefit NBFCs too, as “bank-borrowings” is one of their major funding avenues.

There are a few corrective measures for NBFCs also. Measures like one-time partial 6-month guarantee to public-sector banks to buy sound NBFCs' loans and higher regulatory powers to the RBI over NBFCs and return of regulation of HFCs back to the RBI will go a long way in reducing risk aversion towards NBFCs. She has expressed commitment to deepen markets for corporate bond repos, credit default swaps and the like with a specific focus on infrastructure sector, which is the need of the hour.

On the negative side, the Budget has announced a plan to raise foreign-exchange denominated bonds in overseas market, which involves an exchange rate risk and hence, has a potential to hamper India's financial stability in the present phase of heightened global uncertainty.

From the medium term perspective, the FM will have to work hard on stepping up our domestic savings rate and facilitating investments out of our own savings rather than the borrowings -- both domestic and overseas -- to make the growth process sustainable.

Publication:	Thomson Reuters	Edition: NA	Online Coverage
Published Date	5 July 2019		

INSTANT VIEW 5-India proposes opening up insurance, aviation wider to help revive growth

<http://news.trust.org/item/20190705080038-e3zhy/>

BENGALURU, July 5 (Reuters) - Prime Minister Narendra Modi's government on Friday proposed giving foreign investors a bigger role in India's giant insurance and aviation sectors to help reverse weakening growth and investment that threatens to take the shine off its recent landslide election victory.

Finance Minister Nirmala Sitharaman unveiled the proposals while presenting the budget for the fiscal year ending March 31, 2020 to parliament, the first since the Hindu nationalist-led government was re-elected in a vote in April and May. COMMENTARY JOSEPH THOMAS, HEAD OF RESEARCH, EMKAY WEALTH MANAGEMENT, MUMBAI

"(It is) an improvement on the interim budget with a number of reasonably good proposals on disinvestment, bank recapitalization and quite a substantial discount on affordable housing in taxes. Focus on affordable housing and infrastructure is noticeably higher compared to earlier budgets."

"Commitment to restrict fiscal deficit at 3.30% compared to 3.40% is a good intent, but we need to look at the revenue assumptions more closely to draw more comfort. A partial dependence on external markets for government borrowings may help the government meet the borrowing targets, but the dynamics of currency management and its impact on yield movements should not be ignored."

RUPA REGE NITSURE, CHIEF ECONOMIST, L&T FINANCIAL HOLDINGS, MUMBAI "I liked the progressive undertone of this budget, which is the need of the hour. Measures taken to increase the growth capital of PSBs and to address the funding crunch of sound NBFCs will put energy into important credit intermediaries."

"What I am not comfortable with is the proposed sovereign bond issue, which has the potential to impact financial stability if financial stress event takes place."

ABHIMANYU SOFAT, HEAD OF RESEARCH, IIFL SECURITIES LTD, MUMBAI "This budget is a mixed bag with a significant increase in taxation for the wealthy. Also, the increase in excise duty for petrol and diesel will stoke inflation."

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"Additional areas of spending have been created not at the cost of higher fiscal deficit. The fiscal deficit has been reduced by 10 bps to 3.3% in FY20, which is heartening." JAGANNADHAM THUNUGUNTLA, SR. VP & HEAD OF RESEARCH (WEALTH), CENTRUM BROKING LTD, MUMBAI "...While we need to await SEBI regulations regarding how much time will be given to these companies to meet with minimum public shareholding norms, the overhang of this requirement of off-loading of promoter shareholding can have a significant impact on the markets and the specific stocks. The regulator needs to provide sufficient time to meet this requirement so as to not over-flood the markets with stake sales by promoters." ANAGHA DEODHAR, ECONOMIST, ICICI SECURITIES, MUMBAI "Agriculture sector is a major employment

generator in the country and is currently reeling under stress. Hence, Sitharaman's focus on agriculture and rural sector is a welcome step."

"Moreover, the proposals to make India an electric car manufacturing hub, large investment in quality higher education, focus on building infrastructure, efforts to widen tax net, incentives for start-ups etc. are big positives. She also proposed to provide 700 billion rupees for PSU bank recapitalization and raised the disinvestment target to 1.05 trillion rupees, which will be taken positively by the market."

"On the downside, the proposal to increase minimum public shareholding in listed companies to 35% could negatively impact some companies. If budgets in the coming years keep focusing on the right areas, the target of making India a \$5-trillion economy in the next 5 years looks achievable."

"There was widespread expectation of a stimulus to combat the current slowdown. The budget did not announce any stimulus. On the contrary, (it) raised some of the taxes. Also, fiscal deficit target for FY20 was revised down to 3.3%, which is surprising." RAJIV SINGH, CEO, STOCK BROKING, KARVY, HYDERABAD "The nominal GDP growth assumption is realistic and can be achieved with giving a boost to infrastructure. The economy has enough strength to achieve this growth rate, however, the risk to this forecast would be from a financial market turmoil, or an increase in commodity prices like oil which may result in a significant depreciation of the rupee."

"The increase in public shareholding from 25% to 35% is a good step for deepening of capital markets. It also means that many companies will need to increase their public shareholding, mostly by selling of promoter stake or additional equity issuance. The requirement to meet 35% would result in companies needing to offer approximately 1 trillion rupees to the public."

"The additional supply of equity should keep a lid on valuations, but in the longer term, (it) should help in getting more retail money in equity markets." VIVEK GUPTA, PARTNER AND NATIONAL HEAD – M&A/ PE TAX, KPMG, NEW DELHI "The move to increase minimum public shareholding for listed companies from 25% to 35% must be implemented carefully. Timing, applicability, etc. (need) to be closely evaluated. We don't want this to be another 'forced sale'. (This is a) good opportunity for institutional capital and funds." ANIL TALREJA, PARTNER, DELOITTE INDIA, MUMBAI "The proposed announcement to increase minimum shareholding threshold from 25% to 35% is a move to increase public participation in listed entities, thereby fortifying the fundamentals of governance."

"One would need to evaluate once the fine print is available (as the FM mentioned that SEBI will be issuing the requisite circulars) as there would be some clarifications expected, including on grandfathering of existing situations, movement to the desired threshold." SUVODEEP RAKSHIT, SENIOR ECONOMIST, KOTAK INSTITUTIONAL EQUITIES, MUMBAI "The government has the primary focus on infrastructure building. However, we need to see what the cost and budgeting of the same will be." DEEPAK JASANI, HEAD OF RETAIL RESEARCH, HDFC SECURITIES, MUMBAI "The budget is not very different from the interim budget even as market participants await fiscal deficit proposals."

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Publication:	Business Today	Edition: NA	Online Coverage
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Experts views: India proposes opening up insurance, aviation wider to help revive growth

<https://www.businesstoday.in/union-budget-2019/news/experts-views-india-proposes-opening-up-insurance-aviation-wider-to-help-revive-growth/story/361972.html>

Finance Minister Nirmala Sitharaman unveiled the proposals while presenting the budget for the fiscal year ending March 31, 2020 to parliament

Prime Minister Narendra Modi's government on Friday proposed giving foreign investors a bigger role in India's giant insurance and aviation sectors to help reverse weakening growth and investment that threatens to take the shine off its recent landslide election victory. Finance Minister Nirmala Sitharaman unveiled the proposals while presenting the budget for the fiscal year ending March 31, 2020 to parliament.

JOSEPH THOMAS, HEAD OF RESEARCH, EMKAY WEALTH MANAGEMENT, MUMBAI

"(It is) an improvement on the interim budget with a number of reasonably good proposals on disinvestment, bank recapitalisation and quite a substantial discount on affordable housing in taxes. Focus on affordable housing and infrastructure is noticeably higher compared to earlier budgets."

"Commitment to restrict fiscal deficit at 3.30% compared to 3.40% is a good intent, but we need to look at the revenue assumptions more closely to draw more comfort. A partial dependence on external markets for government borrowings may help the government meet the borrowing targets, but the dynamics of currency management and its impact on yield movements should not be ignored."

RUPA REGE NITSURE, CHIEF ECONOMIST, L&T FINANCIAL HOLDINGS, MUMBAI

"I liked the progressive undertone of this budget, which is the need of the hour. Measures taken to increase the growth capital of PSBs and to address the funding crunch of sound NBFCs will put energy into important credit intermediaries."

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<https://www.loksatta.com/desh-videsh-news/economist-rupa-rege-nitsure-view-on-union-budget-2019-zws-70-1925625/>

रस्ते वाहतूक, महामार्ग, हवाई वाहतूक यासाठी २०१९ च्या तुलनेत २०२० साठी कमी तरतूद केली गेली आहे.

डॉ. रूपा रेगे नित्सुरे अर्थतज्ज्ञ

अर्थसंकल्पात स्थावर मालमत्ता, बांधकाम वित्त व व्यापक अर्थप्रणालीकडे विशेष लक्ष देण्यात आले आहे, हे सकारात्मक. पण काळजीचा मुद्दा असा, की, रस्ते वाहतूक, महामार्ग, हवाई वाहतूक यासाठी २०१९ च्या तुलनेत २०२० साठी कमी तरतूद केली गेली आहे.

पूर्णवेळ अर्थमंत्री असलेल्या महिलेने देशाचा अर्थसंकल्प सादर करण्याची ही पहिलीच वेळ. त्यातून दिसून आले ते आर्थिक व्यवस्थापनात असलेले महिलेचे शहाणपण. त्याशिवाय अर्थसंकल्पात एक आटोपशीरपणा, सूक्ष्मतेबरोबरच अस्सलताही प्रतिबिंबित होते.

अर्थसंकल्पाच्या गणिताचा विचार करता अंतरिम अर्थसंकल्पापलीकडे फार जाता आलेले नाही, कारण वित्तीय तूट कमी करण्याचे उद्दिष्ट गाठताना त्यांची दमछाक झालेली दिसते. ही तूट ३.३५ टक्के होती, ती आता ३.३४ टक्के आहे म्हणजे अगदी नगण्य अशी घट त्यात झालेली आहे. उच्च उत्पन्न असलेल्या व्यक्तींकडून जमा होणाऱ्या कर महसुलावरचे अवलंबित्व, तसेच सोने व चांदी या मौल्यवान धातूवरील मूलभूत सीमा शुल्कात वाढ, पेट्रोल व डिझेलवरच्या अबकारी करात वाढ असे चित्र एकीकडे आहे, तर दुसरीकडे परवडणारी घरे, स्टार्टअप, विद्युत वाहने यांना दिलेली कर सूट असे चित्र आहे. यातून हा अर्थसंकल्प हा प्रगतिशील आहे इतकाच अर्थ ध्वनित होतो. सध्या उद्योग क्षेत्रात मंदीकडे झुकणारे वातावरण आहे. अर्थमंत्र्यांनी कंपनी क्षेत्राला या स्थितीत दिलासा देताना कंपनी कर ३० टक्क्यांवरून २५ टक्के केला आहे. त्यातून या कंपन्यांना फायदाच होणार आहे.

अर्थसंकल्पातील महसुलाचे गणितही पुरोगामी आहे. उद्योग क्षेत्रातील मंदावलेली स्थिती, व्यक्तिगत प्राप्तिकर व वस्तू व सेवा कर वसुलीतून मिळालेला कमी महसूल असे चित्र असताना अंतरिम अर्थसंकल्पाच्या तुलनेत एकूण कर महसुलाचा अंदाज कमी करण्यात आला आहे. असे असले तरी करोत्तर महसूल जमा व भांडवली जमा यात अंतरिम अर्थसंकल्पाच्या तुलनेत वाढ दाखवली असून त्यात निर्गुतवणूक, नवीन मालमत्ता रोखीकरण कार्यक्रम, ऑक्टोबर २०१९ मधील ५जी ध्वनीलहरी लिलावातून येणारी रक्कम या मार्गाने जास्त जमेची अपेक्षा आहे.

सकारात्मक बाब म्हणजे अर्थसंकल्पात स्थावर मालमत्ता, बांधकाम वित्त व व्यापक अर्थप्रणालीकडे विशेष लक्ष देण्यात आले आहे. काळजीचा मुद्दा असा, की, रस्ते वाहतूक, महामार्ग, हवाई वाहतूक यासाठी २०१९ च्या तुलनेत २०२० साठी कमी तरतूद केली गेली आहे. स्थावर मालमत्ता म्हणजेच बांधकाम क्षेत्रासाठी अनेक घोषणा या अर्थसंकल्पात आल्या आहेत. हा उद्योग अनेक कारणांनी डबघाईस आला होता. आर्थिक व्यवस्थेत निधीची कमतरता हे बांधकाम क्षेत्र उतरणीला लागण्याचे प्रमुख कारण होते. गृहकर्जावरील व्याजासाठी २ लाखांपर्यंत प्राप्तिकर सवलत होती, ती आणखी दीड लाखांनी वाढवून दिल्याने एकूण साडेतीन लाखांपर्यंत ही सवलत आता मिळणार आहे. परवडणाऱ्या घरांसाठी ही सवलत दिली आहे, यामुळे घर खरेदीला चालना मिळेल. नवीन भागीदार बाजारात येतील. नवा भाडे कायदा आणण्याचाही प्रस्ताव असल्याने या क्षेत्रास चालना मिळणार आहे. सध्याच्या काळात घरांच्या अवाजवी किमती व जास्त मालमत्ता कर यामुळे घरे भाड्याने देणे परवडणारे नाही. सरकारी मालकीच्या जमिनीचा वापर हा पायाभूत सुविधा व परवडणाऱ्या घरांसाठी केला जाणार आहे. त्यामुळे मागणी- पुरवठा यातील अंतर कमी

होईल, एफपीआयला (फॉरेन पोर्टफोलिओ इन्व्हेस्टमेंट), रिअल इस्टेट इन्व्हेस्टमेंट ट्रस्ट व इन्फ्रान्स्ट्रक्चर इन्व्हेस्टमेंट ट्रस्ट यांचे रोखे घेण्यास परवानगी दिल्याने स्थावर मालमत्ता क्षेत्रात निधीचा ओघ वाढणार आहे.

पत व्यवस्थेतील महत्वाच्या घटकांना संजीवनी देण्याचा प्रयत्न अर्थसंकल्पात केला आहे, त्यात बँकेतर वित्त संस्था व सार्वजनिक बँकांसाठी तरतुदी आहेत. बँकांना ७० हजार कोटींची मदत देण्यात आली असून त्यातून भांडवल वृद्धी होणार आहे. त्याचा अप्रत्यक्ष फायदा बँकेतर वित्त संस्थांना होणार आहे. कारण बँक कर्ज हा त्यांच्या निधीचा एक प्रमुख स्रोत आहे. बँकेतर वित्तीय संस्थांमध्ये काही सुधारणात्मक उपाय योजना करण्यात आल्या आहेत. सरकारने सार्वजनिक बँकांना एक वेळ सहा महिन्यांची अंशतः पत हमी दिली आहे. ज्या बँकेतर वित्तीय संस्था आर्थिक पातळीवर मजबूत आहेत त्यांची मालमत्ता विकत घेण्यासाठी ही हमी आहे. २०२० या आर्थिक वर्षात ही मर्यादा १ लाख कोटी रुपयांची आहे. बँकेतर संस्थांवर रिझर्व्ह बँकेचे नियंत्रण मजबूत करण्यात येत असून गृहवित्त कंपन्यांवर नियंत्रण एनएचबीकडून रिझर्व्ह बँकेकडे जाणार आहे.

अभूतपूर्व अशा निर्णयात अर्थसंकल्पामध्ये परदेशी बाजारपेठेत रोखे उभारणीची घोषणा करण्यात आली आहे. बाजारपेठेतून निधी उपलब्ध करण्याच्या सरकारच्या योजनेचा तो भाग आहे. ऑक्टोबर २०१९ मध्ये यातून १-२ अब्ज डॉलर उपलब्ध होतील. हा पर्याय काही प्रमाणात जोखमीचा आहे. याचे कारण परदेशी चलनात अशी उसनवारी करण्यात चलनदरातील चढउतारांचा भाग आडवा येतो. जर स्थानिक चलन कोसळले तर आंतरराष्ट्रीय कर्ज परत करताना ते महाग पडते. आतापर्यंत तरी भारताची आर्थिक स्थिरता ही आंतरराष्ट्रीय चढउतारांपासून सुरक्षित राहिली आहे. त्यामुळे परदेशी बाजारपेठेतून कर्ज घेणे सध्याच्या जागतिक स्थितीत जोखमीचे आहे.