ASSOCHAM NEWS & VIEWS

WEEKLY

Highlights

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SEPTMBER 2019

⇒ LIQUIDITY RISK MANAGEMENT FRAMEWORK
FOR NON-BANKING FINANCIAL COMPANIES AND
CORE INVESTMENT COMPANIES

⇒ JOINT STATEMENT OF 7TH INDIA – US ECONOMIC
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MINISTRY OF COMMERCE & INDUSTRY

India’s marine exports to China heading for USD 1 billion mark

India’s exports of marine products to China has tripled and touched almost USD 800 million, in the first nine months of 2019, as per the data released by China’s customs authority recently. India’s marine exports are expected to cross USD 1 billion mark by the end of this year. A Chinese trade delegation visited India on 9th October 2019 and signed a contract for import of marine products worth USD 500 million in the next two years.

The Embassy of India, consulates in Shanghai and Guangzhou, under the guidance of Ministry of Commerce and Marine Products Export Development Authority (MPEDA) has been promoting Indian marine products in China and is engaged with various stakeholders. In order to pitch for India’s strength in this sector, the Embassy of India organized a promotional event and buyer seller meet on marine products in collaboration with MPEDA on the side lines of China Fisheries and Seafood expo in the coastal city of Qingdao, which is also a major port of imports.

Chairman of MPEDA, K.S. Srinivas, led a delegation of more than 40 Indian exporters and exporters associations for the expo which witnessed huge response from Chinese importers with more than 50 participants from 25 major importing companies participating in the event. The CCPIT of Qingdao and CFNA partnered with the Indian Embassy for organizing this event.

Chairman MPEDA briefed about India’s strength in this sector with India emerging as the 4th largest exporters of sea food in the world. India is second largest aquaculture producer, 3rd largest fish producer in the world with exports of marine products worth USD 7 billion. China is a major importer of marine products with imports of around USD 12 billion. He also briefed about the efforts being made by India for ensuring quality of its marine products.

Speaking on this occasion, Prashant Lokhande, Economic and Commercial Counsellor of India Embassy, emphasized on the huge potential and set an ambitious target of achieving USD 2 billion exports in near future. He assured all support to Indian exporters and China’s importers and thanked China’s Commerce Ministry and GACC for their support.

Embassy of India has been promoting various products such as Indian grapes, sugar, rice, pharmaceuticals, tea, oil meals, IT and ITeS in which India has proven global strength but little market share in China.
MINISTRY OF COMMERCE & INDUSTRY

Index of Eight Core Industries (Base: 2011-12=100) September, 2019

The Eight Core Industries comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP). The combined Index of Eight Core Industries stood at 120.6 in September, 2019, which declined by 5.2 per cent as compared to the index of September, 2018. Its cumulative growth during April to September, 2019-20 was 1.3 per cent.

**Coal**

Coal production (weight: 10.33 per cent) declined by 20.5 per cent in September, 2019 over September, 2018. Its cumulative index declined by 3.5 per cent during April to September, 2019-20 over corresponding period of the previous year.

**Crude Oil**

Crude Oil production (weight: 8.98 per cent) declined by 5.4 per cent in September, 2019 over September, 2018. Its cumulative index declined by 6.0 per cent during April to September, 2019-20 over the corresponding period of previous year.

**Natural Gas**

The Natural Gas production (weight: 6.88 per cent) declined by 4.9 per cent in September, 2019 over September, 2018. Its cumulative index declined by 2.0 per cent during April to September, 2019-20 over the corresponding period of previous year.

**Refinery Products**

Petroleum Refinery production (weight: 28.04 per cent) declined by 6.7 per cent in September, 2019 over September, 2018. Its cumulative index declined by 2.0 per cent during April to September, 2019-20 over the corresponding period of previous year.

**Fertilizers**

Fertilizers production (weight: 2.63 per cent) increased by 5.4 per cent in September, 2019 over September, 2018. Its cumulative index increased by 1.1 per cent during April to September, 2019-20 over the corresponding period of previous year.
Steel

Steel production (weight: 17.92 per cent) declined by 0.3 per cent in September, 2019 over September, 2018. Its cumulative index increased by 8.5 per cent during April to September, 2019-20 over the corresponding period of previous year.

Cement

Cement production (weight: 5.37 per cent) declined by 2.1 per cent in September, 2019 over September, 2018. Its cumulative index increased by 0.7 per cent during April to September, 2019-20 over the corresponding period of previous year.

Electricity

Electricity generation (weight: 19.85 per cent) declined by 3.7 per cent in September, 2019 over September, 2018. Its cumulative index increased by 3.6 per cent during April to September, 2019-20 over the corresponding period of previous year.
MINISTRY OF FINANCE

Monthly Review of Accounts of Government of India upto the month of September 2019 for the Financial Year 2019-20

The Monthly Account of the Government of India upto the month of September 2019 has been consolidated and reports published. The highlights are given below:

The Government of India has received Rs 8,37,065 crore (40.19% of corresponding BE 19-20 of Total Receipts) upto September 2019 comprising Rs 6,07,429 crore Tax Revenue (Net to Centre), Rs 2,09,038 crore of Non-Tax Revenue and Rs 20,598 crore of Non-Debt Capital Receipts. Non-Debt Capital Receipts consists of Recovery of Loans (Rs 8,239 crore) and Disinvestment Proceeds (Rs 12,359 crore).

Rs 3,11,218 crore has been transferred to State Governments as Devolution of Share of Taxes by Government of India upto this period which is Rs 10,971 crore lower than the previous year.

Total Expenditure incurred by Government of India is Rs 14,88,619 crore(53.4% of corresponding BE 19-20), out of which Rs 13,01,082 crore is on Revenue Account and Rs 1,87,537 crore is on Capital Account. Out of the Total Revenue Expenditure, Rs 2,70,696 crore is on account of Interest Payments and Rs 2,11,388 crore is on account of Major Subsidies.
MINISTRY OF FINANCE

Tariff Notification No. 79/2019-CUSTOMS (N.T.) in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver

In exercise of the powers conferred by sub-section (2) of section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Indirect Taxes & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001, namely:-

In the said notification, for TABLE-1, TABLE-2, and TABLE-3 the following Tables shall be substituted, namely: -

**TABLE-1**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Chapter/heading/ sub-heading/tariff item</th>
<th>Description of goods</th>
<th>Tariff value (US $Per Metric Tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>1511 10 00</td>
<td>Crude Palm Oil</td>
<td>560</td>
</tr>
<tr>
<td>1</td>
<td>1511 90 10</td>
<td>RBD Palm Oil</td>
<td>582</td>
</tr>
<tr>
<td>2</td>
<td>1511 90 90</td>
<td>Others – Palm Oil</td>
<td>571</td>
</tr>
<tr>
<td>3</td>
<td>1511 10 00</td>
<td>Crude Palmolein</td>
<td>583</td>
</tr>
<tr>
<td>4</td>
<td>1511 90 20</td>
<td>RBD Palmolein</td>
<td>586</td>
</tr>
<tr>
<td>5</td>
<td>1511 90 90</td>
<td>Others – Palmolein</td>
<td>585</td>
</tr>
<tr>
<td>6</td>
<td>1507 10 00</td>
<td>Crude Soya bean Oil</td>
<td>743</td>
</tr>
<tr>
<td>7</td>
<td>7404 00 22</td>
<td>Brass Scrap (all grades)</td>
<td>3454</td>
</tr>
<tr>
<td>8</td>
<td>1207 91 00</td>
<td>Poppy seeds</td>
<td>3395</td>
</tr>
</tbody>
</table>

**TABLE-2**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Chapter/heading/ sub-heading/tariff item</th>
<th>Description of goods</th>
<th>Tariff value (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>71 or 98</td>
<td>Gold, in any form, in respect of which the benefit of entries at serial number 356 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed</td>
<td>480 per 10 grams</td>
</tr>
</tbody>
</table>

November 03-09, 2019
2. 71 or 98
   Silver, in any form, in respect of which the benefit of entries at serial number 357 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed 579 per kilogram

3. 71
   (i) Silver, in any form, other than medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92;
   (ii) Medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92, other than imports of such goods through post, courier or baggage.
   Explanation. - For the purposes of this entry, silver in any form shall not include foreign currency coins, jewellery made of silver or articles made of silver. 579 per kilogram

4. 71
   (i) Gold bars, other than tola bars, bearing manufacturer’s or refiner’s engraved serial number and weight expressed in metric units;
   (ii) Gold coins having gold content not below 99.5% and gold findings, other than imports of such goods through post, courier or baggage.
   Explanation. - For the purposes of this entry, “gold findings” means a small component such as hook, clasp, clamp, pin, catch, screw back used to hold the whole or a part of a piece of Jewellery in place. 480 per 10 grams

### TABLE-3

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Chapter/ heading/ sub-heading/tariff item</th>
<th>Description of goods</th>
<th>Tariff value (US $ Per Metric Tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>080280</td>
<td>Areca nuts</td>
<td>3872&quot;</td>
</tr>
</tbody>
</table>

Note: - The principal notification was published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide Notification No. 36/2001–Customs (N.T.), dated the 3rd August, 2001, vide number S. O. 748 (E), dated the 3rd August, 2001 and was last amended vide Notification No. 75/2019-Customs (N.T.), dated the 15th October, 2019, e-published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S.O. 3716(E), dated 15th October, 2019.
MINISTRY OF FINANCE

Joint statement of 7th INDIA - US Economic and Financial Partnership meeting

The following is the complete text of the Joint Statement issued after the conclusion of 7th India-US Economic and Financial partnership dialogue here today.

The Seventh Meeting of the Economic and Financial Partnership (EFP) was held in New Delhi on 1st November, 2019, between the Ministry of Finance of the Republic of India and the Department of the Treasury, United States of America.

The Indian delegation was led by Smt. Nirmala Sitharaman, Minister of Finance, Government of India and the U.S. delegation was led by Mr. Steven Mnuchin, U.S. Secretary of the Treasury.

The Seventh Meeting of the India-U.S. Economic and Financial Partnership is meant to deepen the economic partnership between the two countries as a framework, commensurate with the growing importance of our economic relations and significant business and cultural ties that already exist between the two nations, and to undertake further work in a number of areas to improve cooperation and support for economic development. During this meeting of the EFP, both sides had in-depth exchanges of views on a range of issues such as the global, US, and Indian economic outlooks, global debt sustainability, financial sector reforms, leveraging of capital flows and investment, and tackling money laundering and combating the financing of terrorism (AML/CFT).

India and the United States discussed policies to stimulate economic growth and noted the significant steps India has taken to strengthen the financial sector, including Public Sector Bank recapitalization and plans to merge some of the state-owned banks. Both sides also discussed capital flows, investment promotion related issues, and the external economic environment.

Both sides are committed to greater economic cooperation on global economic issues, both bilaterally and multilaterally in the G20 and other fora. India and the United States look forward to enhanced collaboration to address the challenges to global growth under the G20 Presidency of Saudi Arabia. As India gears up for the 2022 Presidency of the G20, the United States stands ready to support India in hosting a successful and focused Presidency.

Our respective financial regulatory authorities have also recently discussed financial regulatory developments in the Financial Regulatory Dialogue. The United States and India recently signed a Memorandum of Understanding for cooperation, coordination, consultation and exchange of information relating to the Regulation of the Insurance Sector. Both sides look forward to the ongoing discussion on issues related to data localization.

The United States and India recognize the importance of foreign portfolio investors for supporting economic growth, and discussed ways to build on India’s positive steps in further opening to greater foreign portfolio investment. Both sides welcome the growing bilateral foreign direct investment between our countries and underscore the importance of India taking steps to improve its
investment climate for all types of investors. These investments will help to boost growth for both countries.

Both sides are working together to attract more private sector capital to finance India’s infrastructure needs and further raise growth for both countries. India has set up the National Infrastructure and Investment Fund (NIIF) to catalyze private institutional investment in Indian infrastructure, for which the United States has provided technical support. The United States helped the Indian city of Pune successfully launch municipal bonds in 2017 to finance local infrastructure needs to support the government’s Smart Cities initiative. India and the United States look forward to working together for preparing more cities to issue municipal bonds, including technical assistance, and to having a more broad-based relationship with respect to institutional investment into infrastructure in India.

Both sides took note of the importance of having greater attention to transparency and debt sustainability in bilateral development lending. India and the United States both support global efforts to improve debt sustainability and transparency, including through the international financial institutions’ multipronged approach and the efforts of the G20 and other groups. In 2019, India has voluntarily associated with the Paris Club to cooperate in its work, as an observer.

Both sides appreciated the recent signing of an arrangement that enables automatic exchange of Country-by-Country Reports for purposes of high level transfer pricing risk assessment. Both sides also noted the significant progress in recent years to resolve bilateral tax disputes between the two countries, and applaud ongoing efforts to prevent tax disputes and provide certainty to taxpayers through the existing Mutual Agreement Procedure and bilateral Advance Pricing Agreement relationship.

India and the United States took note of the progress made in sharing financial account information between the two countries under the Inter-Governmental Agreement pursuant to the Foreign Account Tax Compliance Act (FATCA), and encourage both sides to work together to further improve the quality and usability of data for mutual benefit. Both sides will continue to collaborate and share experiences for tackling offshore tax evasion.

India and the United States will continue to enhance our cooperation in tackling money laundering and combating the financing of terrorism (AML/CFT). Our relationship has strengthened over time as both sides have developed a holistic approach to our bilateral engagement on AML/CFT issues of shared concern. Our cooperation includes but is not limited to, information exchanges to combat global terrorist financing and to support the designation of specific terrorist facilitators and financiers, coordinating on AML/CFT and maintaining the integrity of the Financial Action Task Force (FATF) global standards for AML/CFT. India has demonstrated its support for action against non-compliant countries. In addition, India and the United States continue to work on developing AML/CFT frameworks to mitigate the associated illicit finance risks.

Both sides are encouraged with the developments that have taken place since the last meeting of the Economic and Financial Partnership and look forward to continued engagement to strengthen our bilateral relationship, our economies and our economic security.
GST Revenue collection for October, 2019

The gross GST revenue collected in the month of October, 2019 is ₹ 95,380 crore of which CGST is ₹ 17,582 crore, SGST is ₹ 23,674 crore, IGST is ₹ 46,517 crore (including ₹ 21,446 crore collected on imports) and Cess is ₹ 7,607 crore (including ₹ 774 crore collected on imports). The total number of GSTR 3B Returns filed for the month of September up to 31st October, 2019 is 73.83 lakh.

The government has settled ₹ 20,642 crore to CGST and ₹ 13,971 crore to SGST from IGST as regular settlement. The total revenue earned by Central Government and the State Governments after regular settlement in the month of October, 2019 is ₹ 38,224 crore for CGST and ₹ 37,645 crore for the SGST.

The revenue during October, 2019 is declined by 5.29% in comparison to the revenue during October, 2018. However, during April-October, 2019 vis-à-vis 2018, the domestic component has shown 6.74% growth while the GST on imports has shown negative growth and the total collection has grown by 3.38%.

The chart shows trends in revenue during the current year.
RESERVE BANK OF INDIA

Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies

Please refer to paragraph 108 and paragraph 94 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, and Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, both dated September 1, 2016, respectively.

Guidelines on Liquidity Risk Management Framework

In order to strengthen and raise the standard of the Asset Liability Management (ALM) framework applicable to NBFCs, it has been decided to revise the extant guidelines on liquidity risk management for NBFCs. All non-deposit taking NBFCs with asset size of ₹ 100 crore and above, systemically important Core Investment Companies and all deposit taking NBFCs irrespective of their asset size, shall adhere to the set of liquidity risk management guidelines given below. However, these guidelines will not apply to Type 1 NBFC-NDs¹, Non-Operating Financial Holding Companies and Standalone Primary Dealers. It will be the responsibility of the Board of each NBFC to ensure that the guidelines are adhered to. The internal controls required to be put in place by NBFCs as per these guidelines shall be subject to supervisory review. Further, as a matter of prudence, all other NBFCs are also encouraged to adopt these guidelines on liquidity risk management on voluntary basis.

While some of the current regulatory prescriptions applicable to NBFCs on ALM framework have been recast below, a few additional features including disclosure standards have also been introduced. The detailed guidelines are given in Annex A and the important changes are as under:

i) Granular Maturity Buckets and Tolerance Limits

The 1-30 day time bucket in the Statement of Structural Liquidity is segregated into granular buckets of 1-7 days, 8-14 days, and 15-30 days. The net cumulative negative mismatches in the maturity buckets of 1-7 days, 8-14 days, and 15-30 days shall not exceed 10%, 10% and 20% of the cumulative cash outflows in the respective time buckets. NBFCs, however, are expected to monitor their cumulative mismatches (running total) across all other time buckets upto 1 year by establishing internal prudential limits with the approval of the Board. The above granularity in the time buckets would also be applicable to the interest rate sensitivity statement required to be submitted by NBFCs.
ii) Liquidity risk monitoring tools

NBFCs shall adopt liquidity risk monitoring tools/metrics in order to capture strains in liquidity position, if any. Such monitoring tools shall cover a) concentration of funding by counterparty/instrument/currency, b) availability of unencumbered assets that can be used as collateral for raising funds; and, c) certain early warning market-based indicators, such as, book-to-equity ratio, coupon on debts raised, breaches and regulatory penalties for breaches in regulatory liquidity requirements. The Board of NBFCs shall put in place necessary internal monitoring mechanism in this regard.

iii) Adoption of “stock” approach to liquidity

In addition to the measurement of structural and dynamic liquidity, NBFCs are also mandated to monitor liquidity risk based on a “stock” approach to liquidity. The monitoring shall be by way of predefined internal limits as decided by the Board for various critical ratios pertaining to liquidity risk. Indicative liquidity ratios are short-term liability to total assets; short-term liability to long-term assets; commercial papers to total assets; non-convertible debentures (NCDs) (original maturity less than one year) to total assets; short-term liabilities to total liabilities; long-term assets to total assets; etc.

iv) Extension of liquidity risk management principles

In addition to the liquidity risk management principles underlining extant prescriptions on key elements of ALM framework, it has been decided to extend relevant principles to cover other aspects of monitoring and measurement of liquidity risk, viz., off-balance sheet and contingent liabilities, stress testing, intra-group fund transfers, diversification of funding, collateral position management, and contingency funding plan.

Introduction of Liquidity Coverage Ratio (LCR)

In addition, to the guidelines as detailed in Annex A of this circular, the following categories of NBFCs shall adhere to the guidelines on LCR including disclosure standards as provided in Annex B:

(A) All non-deposit taking NBFCs with asset size of ₹ 10,000 crore and above, and all deposit taking NBFCs irrespective of their asset size, shall maintain a liquidity buffer in terms of LCR which will promote resilience of NBFCs to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Asset (HQLA) to survive any acute liquidity stress scenario lasting for 30 days. The stock of HQLA to be maintained by the NBFCs shall be minimum of 100% of total net cash outflows over the next 30 calendar days. The LCR requirement shall be binding on NBFCs
from December 1, 2020 with the minimum HQLAs to be held being 50% of the LCR, progressively reaching up to the required level of 100% by December 1, 2024, as per the time-line given below:

<table>
<thead>
<tr>
<th>From</th>
<th>December 1, 2020</th>
<th>December 1, 2021</th>
<th>December 1, 2022</th>
<th>December 1, 2023</th>
<th>December 1, 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum LCR</td>
<td>50%</td>
<td>60%</td>
<td>70%</td>
<td>85%</td>
<td>100%</td>
</tr>
</tbody>
</table>

(B) All non-deposit taking NBFCs with asset size of ₹ 5,000 crore and above but less than ₹ 10,000 crore shall also maintain the required level of LCR starting December 1, 2020, as per the time-line given below:

<table>
<thead>
<tr>
<th>From</th>
<th>December 1, 2020</th>
<th>December 1, 2021</th>
<th>December 1, 2022</th>
<th>December 1, 2023</th>
<th>December 1, 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum LCR</td>
<td>30%</td>
<td>50%</td>
<td>60%</td>
<td>85%</td>
<td>100%</td>
</tr>
</tbody>
</table>

(C) Core Investment Companies, Type 1 NBFC-NDs, Non-Operating Financial Holding Companies and Standalone Primary Dealers are exempt from the applicability of LCR norms.

5. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company, Deposit taking Company (Reserve Bank) Directions, 2016, Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 and Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 are being modified accordingly.

Yours faithfully

(Manoranjan Mishra)
Chief General Manager