<u>Press Communique</u>

MCCI organized an Interactive Session with **Shri S. Ravi, Chairman, BSE Ltd.** on the theme **"A Robust Stock Market and Financial Services Projects Economic Power"** at the Chamber today.

Shri Ravi said that we are living in a period of rapid change with US – China and Canada trade war and friendship between US and North Korea. Trade agreements are being torn up, de-globalisation is taking place and destination taxes are being introduced.

India is also experiencing rapid changes in the form of NCLT, GST, RERA, FDI guidelines, etc. Banking sector is also changing with higher provisioning for NPA and capital augmentation by GoI. Banks are going through a consolidation phase.

The Mutual Fund industry has grown to Rs. 23.6 trilion with 7.22 crore investors. Retail investors who lack financial literacy are using Mutual Funds to enter the stock market as Mutual Funds have expertise. In order to avoid losses, investors should not invest based on 'khabar'. Every investor must see their appetite for taking losses, before they enter the stock market. With regard to the recent erosion in value of small and mid cap stocks, Shri Ravi said that the equity market is risky and erosion is a market function. Unlike banks, stock exchanges do not give early warning signals although they may stop trading in case a stock over / under shoots.

The life insurance business has grown to USD 6.64 billion. Formerly, growth took place in the life and general insurance sectors and growth is now taking place in health insurance. About 10 to 12 health insurance companies are listed with IRDAI and a few with the stock exchanges. With regard to other sectors, Shri Ravi said that NBFC valuations are mind boggling, housing finance companies are doing well and EPFO may be replaced by pension funds. For India to realize its goal of becoming a Rs. 10 trillion economy by 2025, all cylinders / sectors above must fire together.

Companies must report quarterly and not annual results in order to maintain consistency of results and avoid year-end shockers. With regard to the recent resignation of auditors of 47 listed companies, Shri Ravi said that as there is activism from RoC, auditors have realized that they should not sign results that are not accurate. He also mentioned that auditors signed last year's balance sheet; however, they are not signing this year in the face of regulatory oversight.

With regard to GST, the teething problems will be over by next year. The problems arose as the classifications were not clear.

All markets namely, insurance, banking, capital, commodities, etc. will converge and we may see a single regulator in future. The important point is that capital will be a constraint on account of de-globalisation. The governance framework will be stronger and there will be inter-operability in the market. Artificial intelligence, robotics and data analytics will be key in the financial sector.

Earlier **Shri Amitav Kothari, Past President, MCCI** in his welcome address commented that a bullish stock market does not necessarily indicate that all is well with the economy. Participation rates in the stock market are still low compared with developed countries.

Stock exchanges should direct the auditors who are resigning to address a letter to the Stock Exchanges specifying the reasons for their resignation and the management of such companies should be directed to give a point by point reply to the issues raised by the resigning auditors.
