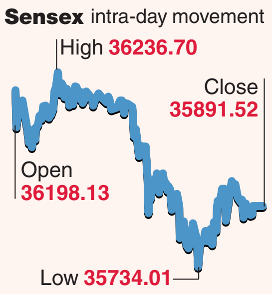
The Telegraph
BUSINESS
CALCUTTA THURSDAY 3 JANUARY 2019
XXCE

Two-wheelers provide basic mobility to masses

Hero MotoCorp chairman **Pawan Munjal** on the need to reduce the GST rate on two-wheelers from the 28% 'luxury' bracket to 18% for mass use items

STOCK CHECK

Sensex intra-day movement



Previous 36254.57

CURRENCIES

US $	Rs 70.17
UK Pound	Rs 88.88
Euro	Rs 80.23

INDICES

BSE		
Sensex	35891.52	-363.05
Midcap	15232.15	-194.23
Smallcap	14658.20	-108.66
NSE		
Nifty	10792.50	-117.60
Next 50	27876.95	-234.70
Nifty 500	9103.40	-94.50

Most active on NSE

Scrip	Price*	Traded value#
Eicher Mot	21014	1040.86
Reliance	1104.35	795.52
M&M	740.55	791.11
Axis Bank	619.45	772.04
SBIN	293.80	762.19

*In Rs; #In Rs crore

COMMODITIES

Gold (10 gram in Rs)		
Pure	32320	+235
Hallmark	31125	+230
Silver (kg in Rs)		
Bar	38550	+200
Portion	38650	+200
Crude*	3147	-30
Copper#	406.60	-1.05

*per barrel in Rs; # per kg in Rs

MONEY MARKET

	Yield (%)
Call rate	5.00
91-day T-Bill	6.58
1-year Gilt	6.81
5-year Gilt	7.21
10-year Gilt	7.35

IN BRIEF

Bengal Chem feat

■ **CALCUTTA:** Bengal Chemicals has registered its highest-ever income in its 120 years of history, by earning Rs 95.5 crore in the first nine months of 2018-19 against Rs 94.8 crore in 2017-18. "The company also registered a profit of Rs 15 crore during the April-December period against Rs 10 crore profit in the entire 2017-18," BCPL managing director P.M. Chandraiah said. PTI

Paints duty

■ **NEW DELHI:** Commerce ministry's Directorate General of Trade Remedies has recommended an anti-dumping duty on a chemical used in paint and printing industries, imported from Brazil, Indonesia, and Thailand for a period of five years. PTI

IT growth

■ **HYDERABAD:** The ongoing digital transformation globally is making India's IT industry stronger, a trend that would continue its momentum at least in the future, former Nasscom president R. Chandrashekhar said. PTI

BOTTOM LINERS

"I told management I was becoming a workaholic... they complimented me."

Stocks trip on triple worries

OUR SPECIAL CORRESPONDENT

Mumbai: A day after ringing in the New Year on a positive note, investors were in for a heartbreak on Wednesday as fears over the impact of a slowdown in China amid disappointing auto sales and GST collection numbers back home saw the benchmark index crashing over 363 points.

Profit booking was triggered after adverse cues came in from overseas markets, which opened weak following the year-end holidays on apprehensions that a slowdown in China could pull down most global bourses.

In Asia, while South Korea's Kospi ended 1.52 per cent lower, Hong Kong's Hang Seng fell 2.77 per cent and the Shanghai Composite Index slipped 1.15 per cent.

Similarly, in Europe, Paris's CAC shed 1.95 per cent, while Frankfurt's DAX fell 0.76 per cent and London's FTSE by 1.28 per cent.

To compound matters for the investor in India, auto sales were weak during December. Moreover, GST collections continued to disappoint as they dropped to Rs 94,726 crore in December, lower than Rs 97,637 crore in the previous month.

Traders were also tracking the PMI data, which revealed that the country's manufacturing sector activity in December slowed down from the previous month.

The Nikkei India Manufacturing Purchasing Managers' Index eased to 53.2 in December from 54 in November.

Reflecting the trend, the 30-share BSE Sensex opened lower at 36198.13, fell below the 36000-mark to hit an intraday low of 35734.01 and later closed at 35891.52 — a fall of 363.05 points or 1 per cent. The broader NSE Nifty plunged 117.60 points, or 1.08 per cent, to settle at 10792.50.

Metal stocks were hit hard as it is feared the sector will be adversely affected by any slowdown in China. Auto stocks reacted to the December sales numbers.

The biggest losers in the Sensex pack were Vedanta, Tata Steel, M&M, Tata Motors, Maruti, Hero MotoCorp, PowerGrid, Bharti Airtel, SBI and Coal India — falling up to 4.48 per cent. Sectorally, auto and metal indices took the worst hit, falling over 3 per cent.

While investors will now focus on corporate results that will kick off next week, market circles are of the view that global factors will continue to have its impact. Some experts remain optimistic.

"Selling pressure was seen on account of the fall in global markets. I expect the index (Nifty) to test 11000 levels back in the next few trading sessions and suggest using this correction as a buying opportunity. We expect the pace of the up-move to be slow but remain confident of a breakout of the trading range," Sahaj Agrawal, Derivatives Analyst, Kotak Securities said.

TOP LOSERS

BSE Auto	LTP	% fall
Eicher	21164	8.71
TVS	535.0	5.34
M&M	741.5	4.15
BhrtForge	495.1	3.10
TataMotor	168.5	2.91
BSE Metals	**LTP**	**% fall**
JSW Steel	288.7	4.89
VEDL	193.1	4.48
TataSteel	493.8	4.21
Hindalco	214.4	3.77
JindalSteel	158.0	2.80

MSMEs get all the attention

OUR SPECIAL CORRESPONDENT

Mumbai: Reserve Bank of India (RBI) governor Shaktikanta Das is set to meet representatives of micro, medium and small enterprises (MSMEs) next week even as the representatives from the sector have expressed dissatisfaction with the restricted conditions attached to the one-time loan restructuring scheme announced by the central bank on Tuesday.

The MSMEs are demanding that the scheme should be extended to cover firms that are not registered under the goods and service tax (GST).

RBI governor Shaktikanta Das tweeted: "Will hold meetings with MSME associations and representatives of NBFCs next week."

Das had earlier met the heads of various PSU and private sector banks.

The RBI also said it will form an expert committee to identify the issues and propose long-term solutions for economic and financial sustainability of small businesses. The panel will be headed by U.K. Sinha, former chairman of the Securities and Exchange Board of India, according to a press statement published on the central bank's website.

Das's meeting with MSMEs could see their representatives raking up the issue of exclusion of non-GST registered units from the restructuring scheme.

"The borrowing entity should be GST-registered on the date of implementation of the restructuring," the RBI had said while citing the conditions of the mechanism.

"It would have been far more effective if the scheme covered all MSMEs, GST-registered or not, as a large number of units are adversely affected due to delays in payments owing to stressed economic conditions as a result of the twin shocks of demonetisation and GST," Federation of Indian Micro and Small and Medium Enterprises secretary-general Anil Bhardwaj said.

But the controversy over the scheme has been further inflamed by brokerage analysts who have expressed surprise over the timing of the notification and the rationale for a loan bailout plan for small and medium firms when there is no data to buttress the need for forbearance as lenders are not reporting any rising trend in loan impairment.

On Tuesday, the central bank announced a one-time restructuring of loans to the sector that are in default but treated as a "standard asset" on the books of the banks as on January 1, 2019. A restructuring of a loan account happens when certain changes are made to the conditionalities attached to the loan that may include an extension of the repayment tenure.

A report put out by Kotak Institutional Equities said that the overall exposure of banks and NBFCs is Rs 13 lakh crore (of loans up to Rs 25 crore) of the overall Rs 23 lakh crore MSME portfolio.

A note from Icra estimated that MSME loans under the forbearance stood at less than Rs 10,000 crore as on September 30, 2018.

Analysts expressing bewilderment over the bailout plan for MSMEs, which stood in stark contrast to Prime Minister Narendra Modi's stand that his government would not step in to bailout farmers who have been similarly plagued by loan distress.

In its note, Kotak Institutional Equities said the forbearance comes as a surprise move as the lenders are not witnessing any build-up of stress in the segment.

HEALTH WATCH

Lender-wise NPL ratios for different range of ticket size (Q1, 2018-19)

(Ticket size in Rs million; NPL ratio in %)

	PSU	Pvt	NBFC
<1	5.0	3.7	2.3
1-5	2.7	1.4	1.6
5-10	2.6	1.3	1.1
10-50	2.2	0.3	1.2
50-100	4.5	0.9	2.1
100-250	5.6	3.4	2.1

Source: Sidbi, TransUnion CIBIL

Small unit exports to get interest subsidy

OUR SPECIAL CORRESPONDENT

New Delhi: The government on Wednesday decided to provide an interest subsidy of 3 per cent to merchant exporters on shipments of products from MSMEs and labour intensive units.

"The proposal will entail benefits of around Rs 600 crore to exporters on interest equalisation for the remaining period of the scheme," a government release said.

The Cabinet Committee of Economic Affairs took the decision, approving a proposal of the commerce ministry.

The government release said the proposal sought "including merchant exporters under the interest equalisation scheme for pre- and post-shipment rupee export credit by allowing them interest equalisation rate of 3 per cent on such credit for export of products covered under 416 tariff lines (products) identified under the scheme".

The products are largely in MSME/labour-intensive sectors such as agriculture, textiles, leather, handicraft and machinery.

"Additional exports by them (merchant exporters) will increase production by MSME giving a fillip to employment generation as MSME are generally in the employment-intensive sectors," the release said.

Commerce minister Suresh Prabhu had earlier suggested loans to exporters should be considered as priority sector lending by banks.

Citing RBI data, the commerce minister had stated outstanding export credit had come down to Rs 22,300 crore on June 22, 2018, from Rs 39,000 crore as on June 23, 2017.

The president of the Federation of Indian Export Organisations (Fieo), Ganesh Kumar Gupta, said the move would benefit exporters.

"Loans at affordable rates would help exporters to promote exports."

"The support to merchant exporter is most timely as interest rates are moving northward in the country and the 3 per cent subsidy will reduce their cost of operation.

"This will help the MSME sector as most of exports by the merchant exporters are in respect of products manufactured by MSMEs. Therefore, the benefit will give a push to manufacturing in MSME creating job opportunities as well," Gupta said.

EXTRA EDGE

- Subsidy for merchant exporters to procure items from small units
- List of 416 items that exporters can procure
- Items in labour-intensive sector of economy
- Interest subsidy of 3%

Trai contests tribunal order

New Delhi: Telecom regulator Trai has approached the Supreme Court against the TDSAT order that dismissed its predatory pricing tariff rule.

"Trai has filed an appeal before the Supreme Court against the order of the TDSAT dated December 13, 2018. The appeal is yet to be listed," telecom minister Manoj Sinha said in a written reply to the Lok Sabha on Wednesday.

Under the predatory pricing tariff rule, the Telecom Regulatory Authority of India (Trai) had barred telecom operators, with over 30 per cent market share, from offering services at a price which is below the average cost of service that is intended to reduce competition or eliminate the competitors.

The regulator has also said that telcos will have to provide services to all subscribers under the same tariff plan in a non-discriminatory manner.

However, the same was dismissed by the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) in an order dated December 13, 2018 citing lack of transparency in the guidelines over determining market share and rates of services.

In February 2018, Trai had said it would impose financial disincentive of up to Rs 50 lakh per circle on operators if their service rates are found to be predatory in nature.

The amendment was issued after old telecom operators Airtel, Vodafone and Idea alleged that Reliance Jio is offering services at predatory rates.

Sinha said that transparency in tariff is and has always been an issue of prime concern for the government and to protect the interests of the consumers of telecommunications services, the regulator has issued several tariff orders, directions and guidelines in order to ensure transparency in tariff offers from time to time. PTI

Jet defaults on debt

OUR BUREAU

Mumbai: Cash-strapped Jet Airways Ltd has defaulted on a debt payment to a consortium of domestic banks, prompting ratings agency Icra to downgrade the carrier and sending its shares sharply lower on Wednesday.

The payment of interest and principal instalment was delayed "due to temporary cash flow mismatch", Jet said in a statement, adding that it was in talks with the consortium led by the State Bank of India. The deadline for payment was December 31.

The news of debt default badly hit the Jet scrip that ended at Rs 263.75, down Rs 17.30 or 6.16 per cent, on the Bombay Stock Exchange.

Icra cut Jet's long- and short-term ratings on Wednesday, citing the payment delays.

"There have been delays in the implementation of the proposed liquidity initiatives by the management, which have aggravated its liquidity. The company has already been delaying its employee salary payments and lease rental payments to the aircraft lessors," Icra said in a note.

Further, the rating agency said Jet Airways has "large debt repayments due over December 2018 to March 2019 (Rs 1,700 crore)".

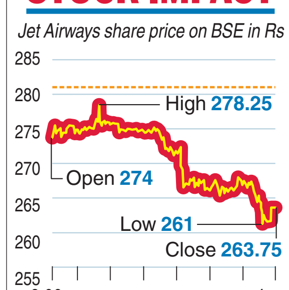
Timely implementation of liquidity initiatives, including equity infusion and a stake sale in the airline's loyalty programme Jet Privilege, will be critical to the company's credit profile, Icra said.

The 25-year-old airline is facing financial difficulties and owes money to pilots, lessors and vendors. Intense pricing competition, a weak rupee and rising fuel costs have weighed on Indian airlines in 2018.

As of September last year, Jet, India's biggest full-service carrier by market share, had a debt of Rs 8,052 crore ($1.15 billion). The carrier has posted three consecutive quarterly losses of over Rs 1,000 crore each since March 2018.

STOCK IMPACT

Jet Airways share price on BSE in Rs



January 10 date set for GST meet

New Delhi: The GST Council is slated to meet on January 10 to discuss lowering the GST on under-construction flats and houses to 5 per cent as well as hiking the exemption threshold for small and medium enterprises.

The council, in its previous meeting in December, had rationalised the 28 per cent tax slab and reduced rates on 23 goods and services.

"The next meeting is scheduled for January 10," an official told PTI.

This would be the 32nd meeting of the council, which is chaired by finance minister Arun Jaitley and comprises his state counterparts.

Briefing reporters after the recent council meeting, Jaitley had said that the next meeting would consider the rationalisation of tax rates on residential properties and raising the threshold for MSMEs from the current Rs 20 lakh.

The council would also consider a composition scheme for small suppliers, apart from discussing levying a calamity cess as well as GST rates on lottery.

The GST Council is likely to consider lowering the GST on under-construction flats and houses to 5 per cent, an official said.

At present, the goods and services tax (GST) is levied at 12 per cent on payments made for under-construction property or ready-to-move-in flats where completion certificate has not been issued at the time of sale. However, the GST is not levied on buyers of real estate properties for which completion certificate has been issued at the time of sale. PTI

Share swap set for merger of bank trio

OUR SPECIAL CORRESPONDENT

Mumbai: Three PSU lenders on Wednesday announced swap ratios for their merger that will create the third largest bank after the State Bank of India (SBI) and ICICI Bank.

The announcement by Bank of Baroda, Dena Bank and Vijaya Bank came on a day the Union cabinet approved the merger of Dena and Vijaya with BoB to turn them into a globally competitive lender.

"There will be no impact on the service conditions of the employees and there will be no retrenchment following the merger," Union law minister Ravi Shankar Prasad told reporters in New Delhi after the cabinet meeting.

The three banks also held their respective board meetings where the fair exchange ratio, subject to regulatory approval, was approved.

According to the scheme of amalgamation, the shareholders of Vijaya Bank will get 402 equity shares of BoB for every 1,000 shares held. Similarly, for Dena Bank, its shareholders will get 110 shares of BoB for every 1,000 shares.

While the announcement came after the market hours, the shares of BoB settled 3.16 per cent lower at Rs 119.40, while Dena Bank settled at Rs 17.95, which marked a fall of 0.28 per cent over its last close. However, the Vijaya Bank share gained 0.29 per cent to finish at Rs 51.05.

"Using the merger route, the banking sector can consolidate further to reduce operating and funding overheads. Such mergers will definitely add to the operational efficiencies," Vinayak Burman, managing partner of law firm Vertices Partners, said.

In September last year, the Union government had given its in-principle approval for the merger of Vijaya Bank and Dena Bank, with their larger peer Bank of Baroda.

In a separate announcement, BoB said its capital raising committee has approved the issue of Tier-II capital bonds worth Rs 285 crore, which are compliant with Basel III regulations. It will consist of a base issue size up to Rs 100 crore and a green shoe option to retain over-subscription up to Rs 185 crore. The committee also gave its green signal for the issue of Tier-II capital bonds of Rs 1,000 crore, with a base issue size of up to Rs 250 crore and a green shoe option to retain over-subscription up to Rs 750 crore in single or multiple tranches.

For the second quarter ended September 30, BoB posted a net profit of Rs 425.38 crore against Rs 355.36 crore in the corresponding period of last year. On the asset quality front, fresh slippage was at Rs 2,281 crore, which was the lowest in seven quarters.

FACT SHEET

On BSE	Close	% rise
BoB	119.40	(3.16)
Vijaya	51.05	0.29
Dena	17.95	(0.28)

- Shareholders of Vijaya Bank will get 402 equity shares of BoB for every 1,000 shares held
- Dena Bank shareholders will get 110 shares of BoB for every 1,000 held

CIL supplies more to power units

A STAFF REPORTER

Calcutta: Coal India has posted a 7.6 per cent growth in supply to power stations between April and December 2018.

The national coal miner's supply to thermal power plants increased to 358.86 million tonnes during the period compared with 333.38 million tonnes in the year-ago period.

Data from the Central Electricity Authority show that as of December 31, 2018, thermal power plants had an average stock level of 10 days, with 9 plants at critical level. In comparison, as of December 31, 2017 the average stock level was for 9 days, with 13 plants at critical level.

Coal India officials said that the increased supply to power plants was supported by higher rake loading.

The average number of railway rakes loaded in the first nine months of 2018-19 was 204.9 per day, higher by 5.7 per cent over the previous year.

Coal India's production was higher by 28.54 million tonnes during the nine-month period at 412.45 million tonnes compared with 383.92 million tonnes in the year-ago period.

Barring three of the eight subsidiaries of the public sector miner, there was production growth in the remaining ones in December.

Only Bharat Coking Coalfiels and Mahanadi Coalfields have seen an overall decline in production in the nine-month period.

Total coal offtake at 444.60 million tonnes was up 5.5 per cent over 421.43 million tonnes in the year-ago period.

Iran role in Chennai refinery

OUR SPECIAL CORRESPONDENT

New Delhi: Indian Oil Corporation expects Iran to invest in the expansion of its refinery in Chennai despite US sanctions.

"They (Iran) have said they want to participate and I think they should be able to invest," IOC chairman Sanjiv Singh told reporters here on Wednesday.

IOC plans to pull down the refinery at Nagapattinam of its subsidiary Chennai Petroleum Corp Ltd that has an annual capacity of a million tonnes and build a new one of nine times capacity in six years. National Iranian Oil Co (NIOC), which holds a 15.4 per cent stake in Chennai Petroleum, is keen to participate in the expansion project.

Iran's involvement came under cloud following the US sanction on the Islamic nation that forced New Delhi to cut its oil imports from Iran.The IOC chairman's comments come a few days after India exempted rupee payments to NIOC for crude oil from withholding tax.

The exemption will allow Indian refiners to settle about $1.5 billion of outstanding payments to NIOC in rupees. It is expected the payments could help Iran invest in Indian projects, particularly in the expansion of Chennai Petroleum.

After the US reimposed sanctions against Iran beginning November, India is paying its third-largest crude oil supplier in rupees that are being made into a Uco bank account of the Iranian refiner.

The government has allowed NIOC to use the money it gets in the Uco account to pay for commodities Iran buys from India as well as for direct investment in Indian projects. Naftiran Intertrade, the Swiss subsidiary of NIOC, holds a 15.4 per cent stake in Chennai Petroleum. IOC holds a 51.89 per cent stake.

The expansion was to originally cost Rs 27,460 crore but is now estimated to cost Rs 35,698 crore. Officials said, CPCL plans to achieve financial closure of the refinery expansion in 2019. It also plans to build a petrochemicals plant of about 475,000 tonnes per annum capacity.

> They (Iran) have said they want to participate and I think they should be able to invest
>
> **SANJIV SINGH,** IOC chairman
>
> On Iran's plans to invest in the expansion of IOC's refinery in Chennai