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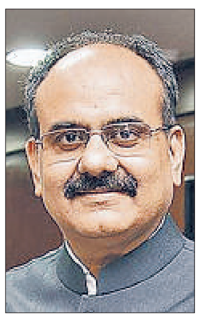
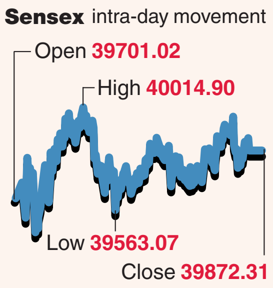
BUSINESS
CALCUTTA TUESDAY 4 FEBRUARY 2020
XXCE

"We are not saying which one is beneficial, which one is not. We have provided an option"
Revenue secretary **Ajay Bhushan Pandey** on income tax rates



STOCK CHECK

Sensex intra-day movement



Previous 39735.53

CURRENCIES

US $	Rs 71.36
UK Pound	Rs 93.21
Euro	Rs 78.94

INDICES

BSE		
Sensex	39872.31	+136.78
Midcap	15288.92	+169.27
Smallcap	14360.00	+15.30
NSE		
Nifty	11707.90	+46.05
Next 50	27534.70	+194.20
Nifty 500	9650.55	+44.50

Most active on NSE

Scrip	Price*	Traded value#
Reliance	1386	1938.68
SBI	298.5	1685.28
ITC	208.9	1670.82
HDFC	2265	1183.75
ICICI Bank	516.5	1158.16

*In Rs; #In Rs crore

COMMODITIES

Gold (10 gram in Rs)		
Pure	41360	-275
Hallmark	39830	-265
Silver (kg in Rs)		
Bar	46400	-750
Portion	46500	-750
Crude*	3644	-33
Copper#	424.7	-1.65

*per barrel in Rs; # per kg in Rs

MONEY MARKET

	Yield (%)
Call rate	3.70
91-day T-Bill	5.11
1-year Gilt	5.39
5-year Gilt	6.29
10-year Gilt	6.50

IN BRIEF

TCS bags $1.5bn deal

NEW DELHI: Tata Consultancy Services on Monday said it has bagged a $1.5 billion (about Rs 10,650 crore) contract from pharma company Walgreens Boots Alliance, spread over a period of 10 years. TCS will provide managed services, including application maintenance and support, required infrastructure and security operations. PTI

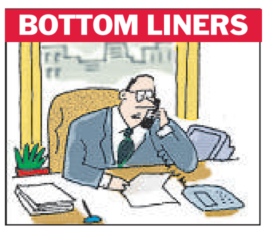
Seafarers fume

NEW DELHI: Terming the Budget 2020 proposal to tax NRIs in India as "draconian", maritime unions on Monday said they will call on Nirmala Sitharaman to express their concerns. Countries like Philippines and Ukraine compete with India for a global share of seafarers, but they do not levy high income taxes, they said. PTI

Open offer

MUMBAI: Sebi may allow the completion of open offer acquisition of shares through stock exchange settlement for all types of transactions, including bulk deals and block deals. PTI

BOTTOM LINERS



"Allow me to read you the redacted version — No!"

Thrust on asset creation

OUR SPECIAL CORRESPONDENT

New Delhi: Finance minister Nirmala Sitharaman said on Monday the government would focus on asset creation in infrastructure, which would have a multiplier effect on demand.

"We are putting money where assets will be created. When government is putting money into infrastructure, it would have a cascading effect. The money garnered from the divestment target would now go into a revenue expenditure item, but would create infrastructure for the economy and this would have a multiplier effect," Sitharaman said at a conference organised by industry chamber Ficci.

The government has set an ambitious disinvestment target of Rs 2.10 lakh crore for the next financial year, which includes selling stakes in BPCL and LIC. "We are showing clearly where the monies being raised will go. So, it's not being raised to fill a hole in the Consolidated Fund of India. The money being raised from disinvestment will go towards infrastructure."

She said the government had clearly laid out its investment plans in infrastructure through the National Infrastructure Pipeline that envisages an investment of Rs 102 lakh crore by 2025. She urged industrialists to fit in their investment plans with the government's infrastructure projects.

"We are showing the direction. We are telling you where the money is going to be spent so that you can plan your investments and your expansion well in alignment with what government does... you will facilitate the government and we will equally facilitate the private sector," she said.

Nirmala Sitharaman in New Delhi on Monday. PTI

Economic affairs secretary Atanu Chakraborty said the government had not included the AGR dues of telecom players in the budget.

About 15 operators owe the government about Rs 1.47 lakh crore in past dues — Rs 92,642 crore in unpaid licence fee and another Rs 55,054 crore in outstanding spectrum usage charges. "AGR dues payment has not been taken into account in the budget," Chakraborty said.

The past AGR or statutory dues payments have not been included as the matter is in the court, PTI said, quoting sources. Bharti Airtel, Vodafone Idea, and Tata Teleservices have jointly filed a modification application in the Supreme Court seeking more time to pay their statutory dues.

Fitch view

Fitch Ratings on Monday said India is expected to clock a GDP growth of 5.6 per cent in the next financial year, lower than the projection made by the government's Economic Survey, as the budget has not "materially altered" its view on the country's growth outlook.

The Economic Survey, released a day before Sitharaman presented the budget on February 1, had projected a GDP growth of 6-6.5 per cent, up from 5 per cent estimate for 2019-20.

"The fiscal slippage announced in the government's new budget is modest relative to its previous targets, and is consistent with our expectations when we affirmed India's "BBB-" rating with a stable outlook last December, given slowing growth momentum," said Thomas Rookmaaker, director and primary sovereign analyst for India, Fitch Ratings.

Cigarette price hike to cover tax

SAMBIT SAHA

Calcutta: Market leader ITC may be forced to make a double-digit hike in cigarette prices to tackle the tax whammy dealt by the Union Budget on Saturday.

Brokerages and industry sources differed on the extent of the hike but concurred that the company would have to pass on the tax burden to the end consumers by raising prices. Given that ITC sells three out of every fourth cigarette legally sold in India, Godfrey Phillips and VST Industries are likely to follow suit.

Writing in a research note, Abneesh Roy, executive vice-president of Edelweiss Securities, said there would be an 11 per cent hike in the incidence of tax. "Negative for ITC and other cigarette companies such as VST, Godfrey Philips as an 11 per cent tax rise would mean a 7 per cent price hike, which would impact cigarette volumes by 3-4 per cent year-on-year," Roy wrote.

A section of the industry, however, pegged the price hike as much as 10 per cent to cover the hit. The increase in tax came in the form of a rise in the National Calamity Contingent Duty (NCCD), which is a form of excise duty imposed on specified goods at rates specified in the seventh schedule to the Finance Act, 2001.

The cigarette industry had hoped that the government would only tinker with the tax by way of the GST after the introduction of the duty in July 2017. Industry observers said the cigarette industry has to monitor both the GST and the budget for taxation. While almost all cess and surcharge were subsumed in the GST, NCCD continues.

The Tobacco Institute of India slammed the tax proposal saying the increase in NCCD and the resulting escalation in cigarette taxation leading to higher tax arbitrage will serve as a huge incentive to illegal cigarette trade operators, who target India as a preferred destination for smuggled cigarettes.

STOCK IMPACT

ITC on BSE (in Rs)

Previous 218.85

Stock slumps

The ITC stock crashed from the high of Rs 238.20 before finance minister Nirmala Sitharaman spelt out the tax proposal for 2020-21 on Saturday to close at Rs 207.70 on Monday, the 52-week low for the scrip.

Most of the brokerages have either put the stock on 'hold' and some recommended 'sale' for its clients. The company is no longer among the top 10 listed companies in terms of market capitalisation.

Rush to finish BPCL sale

OUR SPECIAL CORRESPONDENT

New Delhi: The Modi government seems to be working on a tight timeline for the strategic sale of BPCL, with a high-level interministerial body, called Alternative Mechanism, led by home minister Amit Shah, expected to meet in the coming days to discuss the expression of interest for the sale .

Sources have said the EoI could be issued before the end of this month after it is cleared by the ministerial panel, which comprises finance minister Nirmala Sitharaman and oil minister Dharmendra Pradhan, among others.

The government has already organised investor road shows in London, Singapore and the US in December, receiving a positive response. Some investors expressed concern on the combined sale of the refining and fuel retailing businesses.

BPCL operates four refineries in Mumbai, Kochi, Bina in Madhya Pradesh and Numaligarh in Assam with a combined capacity to convert 38.3 million tonnes of crude oil into fuel. However, the company's refinery in Assam would not be part of the sale and would be carved out of BPCL. The PSU has 15,078 petrol pumps and 6,004 LPG distributors.

Big international oil companies, including Saudi Aramco, are said to be keen on investing in BPCL, given the refiner's strong presence in fuel retailing.

The government currently holds a 53.29 per cent stake in BPCL and at prevailing market prices, the sale would fetch about Rs 60,000 crore.

FAST-FORWARD

- Ministerial panel to meet on details of EoI
- EoI likely by month-end
- Global roadshows over in Dec
- BPCL has four refineries, 15,000 petrol pumps and 6,000 LPG distributors. Three refineries part of sale

The proceeds from the stake sale will accrue to the government in the next fiscal beginning April 1.

The sale faces opposition from Sangh Parivar outfit, Bharatiya Mazdoor Sangh, the labour union, at a time the government is banking on BPCL to meet its revenue targets.

"Previously the government wanted to sell loss making units, but found that no sensible parties are ready to buy them. So, now the new policy is to sell hot selling profit making PSUs. It is not good economics. Hence, the government has to rethink seriously about its crisis in revenue management," Virjesh Upadhyay, general-secretary, BMS, said.

The Department of Investment and Public Asset Management (Dipam), which manages selloffs, has set a huge target of Rs 1.20 lakh crore from the sale of PSU shares for the next fiscal. It has targeted to mop up another Rs 90,000 crore from the sale of government equity in banks and financial institutions.

In the current fiscal, the government has missed its budgeted disinvestment target of Rs 1.05 lakh crore by a huge margin. The revised estimates in the budget has pegged the target at just Rs 65,000 crore.

Job assurance

Buyers of loss-making airline Air India and BPCL will not get a free hand to shed excess workforce as the government will build in certain protection to employees in the share sale agreement, Dipam Secretary Tuhin Kanta Pandey said.

Public sector companies often have more people on rolls than their private sector counterparts and companies wanting to take them over would likely right-size them to remove inefficiencies.

In an interview with PTI, Pandey said the government would follow a two-stage bidding process for selling its entire holding in Air India and BPCL.

First preliminary interest from potential bidders is invited, followed by them being given access of data room on the companies for due diligence. In the second stage, price bids are invited.

While in the case of Air India, the expression of interest (EoI) has been invited by March 17, an offer seeking the same for BPCL is likely to be floated in the next few days.

Two-phase plan to clear GST dues

OUR SPECIAL CORRESPONDENT

New Delhi: All the dues of states on account of GST compensation will be released by the Centre in two instalments, junior finance minister Anurag Thakur said in the Lok Sabha on Monday.

His reply came after MPs from Telangana and Odisha complained during Question Hour that their states were not getting their share of the Goods and Services Tax (GST) and Integrated Goods and Service Tax (IGST).

"All due GST compensation will be given to the states in two instalments," Thakur said.

The minister said GST (Compensation to States) Act, 2017 provides for compensation to states and union territories once every two months on account of revenue loss because of the implementation of the GST.

He said the states have been paid GST compensation on a bi-monthly basis with effect from July, 2017.

The compensation has been released till September, 2019 and the next compensation will cover October and November.

A sum of Rs 2.1 lakh crore has been released as compensation to states, including the union territories of Delhi and Puducherry, after the implementation of the new tax regime from July 1, 2017.

States might face a consolidated revenue gap of up to Rs 1.23 lakh crore on account of the withdrawal of compensation after the five-year GST transition period ends on June 30, 2022, said a report by economic think tank National Institute of Public Finance and Policy (NIPFP).

"If the GST compensation is withdrawn after June 30, 2022, consolidated revenue gap of states would vary between Rs 1,00,700 crore and Rs 1,23,646 crore, depending on expected tax buoyancy and reliability of data sources," the report said.

Stocks recover

OUR SPECIAL CORRESPONDENT

Mumbai: Investors got some relief on Monday after a disappointing budget as positive news on the manufacturing activity front saw the Sensex closing higher by 137 points.

While the budget continued to let down the Street, sentiments improved after the IHS Markit India Manufacturing PMI rose from 52.7 in December to 55.3 in January, driven by a rise in new business orders even as demand conditions improved. Market circles added that the stock price movement will be dictated by developments with regard to the coronavirus apart from ongoing results season and the upcoming monetary policy.

With some of the brokerages feeling that any revival of the economy will take more time as the Union Budget 2020-21 did not contain any booster measures, the benchmark index began on a lower note at 39701.02 and fell to a day's low of 39563.07— a drop of over 172 points. However, it soon rebounded after the survey showed manufacturing activity rising to an eight-year high on new orders.

On the NSE, the 50-share Nifty gained 46.05 points or 0.39 per cent to close at 11707.90. As many as 28 Nifty stocks advanced, led by Asian Paints.

"The market is finding some sanity after the setback of not meeting high expectations from the budget, hereon the focus will be on corporate results and global trends. With valuations on the higher side, the ongoing results reported has been mostly inline with estimates. Manufacturing PMI shows notable rebound providing a hope that the economy will stabilise as mentioned in the budget," Vinod Nair, head of research at Geojit Financial Services, said.

Even as 18 of the Sensex components ended with gains, the recovery was broad as all BSE sectoral indices barring IT and Tech closed with gains. Asian Paints was the top gainer in the Sensex pack, rallying 6.32 per cent. Nestle India rose 5.3 per cent, HUL 5.06 per cent, Bajaj Auto 4.71 per cent, IndusInd Bank 4.29 per cent, Tata Steel 3.06 per cent, Maruti 2.99 per cent and PowerGrid 2.79 per cent.

Factory activity up in January

OUR SPECIAL CORRESPONDENT

Mumbai: After a disappointing budget, some good news for the economy. A survey showed manufacturing activity has hit near eight-year highs on new orders.

The IHS Markit India Manufacturing PMI rose to 55.3 in January from 52.7 in December 2019 — the highest level in just under eight years because of a sharp rise in new business orders amid a rebound in demand conditions that led to a rise in production and hiring activity.

While a print above 50 denotes expansion, a score below that shows contraction. This is the 30th consecutive month that the manufacturing PMI has remained above the 50-point mark.

A note from IHS Markit said the rate of expansion in India's manufacturing industry continued to gain strength in January as firms responded positively to a sharp improvement in demand. It added that the month saw growth of new business, output, exports, input buying and employment gather speed.

Further, business sentiments strengthened and there were softer rises in both input costs and output charges.

"Manufacturing sector growth in India continued to strengthen in January, with operating conditions improving at a pace not seen in close to eight years," said Pollyanna de Lima, principal economist at IHS Markit.

Companies noted the strongest upturn in new business intakes for over five years.

Insurance stocks gain

OUR SPECIAL CORRESPONDENT

Mumbai: Insurance stocks recovered on Monday after cracking on budget day as brokerages said the new optional personal tax system with nil exemption would only have a limited impact.

Finance minister Nirmala Sitharaman had announced in the budget that individuals would have the option of new taxes with lower rates. This will come at the cost of exemptions, which include those available on insurance premiums. The stocks of insurance companies fell on Saturday after Sitharaman's announcement.

However, brokerages feel the proposal is unlikely to have a major impact as there is the option to choose from the current and new system, with many likely maintain status quo. They, however, cautioned it will be a different story if the government does away with all the exemptions over a period of time.

Brokerage Motilal Oswal said in a report that the removal of the exemption could adversely impact the sale of life insurance policies as typically the fourth quarter of every fiscal is business-heavy owing to an increased focus on tax-saving investments.

However, the skewness has declined over the past few years with the proportion of premium being underwritten in the fourth quarter to total premium showing declining trends for all listed insurers, barring Max Life.

"Though some tax payers might shift to the new tax regime, with increasing consumer awareness, we expect the impact to be modest," it added.

Analysts at JM Financial, too, said that there would not be any near-term impact. "Given the long-term nature of insurance products catering to both the savings and mortality risk cover needs of individuals, we see limited impact on their appeal," they added.

McDonald's partner for East

New Delhi: US fast food chain McDonald's has selected MMG Group chairman Sanjeev Agrawal as its new partner to operate outlets in north and east India, the company said.

The development comes almost nine months after McDonald's bought estranged partner Vikram Bakshi's 50 per cent stake in Connaught Plaza Restaurants Ltd (CPRL), which has the licence to run its restaurants in north and east India.

A McDonald's spokesperson said Agarwal is the new partner of the company for the two markets.

"Agrawal has a strong understanding and passion for the McDonald's brand, insights into the local market, and a proven track record of driving quality and innovation in the food and beverage and hospitality industries," McDonald's Asia director, corporate relations, Barry Sum said.

Agrawal (55) is the group chairman of MMG Group, which has interests in the bottling and marketing of soft drinks, oil and gas, hospitality, among others.

MOVING ON

MMG Group also controls Moon Beverages, which is among the key bottlers for American beverage maker Coca-Cola in north India and is also manufacturing for Coca-Cola, Limca, Sprite, Maaza, Thums Up, Fanta, Minute Maid, Coke Zero & Kinley.

Sum added that Agrawal is the "right strategic partner for McDonald's to grow its brand presence in north and east India". McDonald's, however, has not shared the terms and conditions of the agreement and also the nature of the partnership. Comments from Agrawal regarding the development could not be obtained till the time of filing of the story.

The company also refrained from commenting on the ongoing matter between McDonald's and its former JV partner Vikram Bakshi before the National Company Law Appellate Tribunal (NCLAT), where state-run Hudco has opposed sale/transfer of share by Bakshi to the fast food chain after settlement.

"McDonald's remains a shareholder of CPRL, and continues to hold the shares that were acquired from Vikram Bakshi and his holding company in CPRL," said Sum, adding that Robert Hunghanfoo continues to head CPRL.

In May last year, McDonald's had announced an out-of-court settlement agreeing to buy Bakshi's stake in their joint venture. PTI

Skoda unveils lineup

OUR SPECIAL CORRESPONDENT

New Delhi: Skoda Auto Volkswagen India Private Limited, a new legal entity that will head the Volkswagen group of companies, showcased their future line-up of vehicles for India in New Delhi on Monday. While Skoda showed the Vision IN concept, Volkswagen showed their compact SUV, called Tiagun.

Addressing reporters, Bernhard Maier, chairman, board of management, and CEO of Skoda Auto, said: "We have sold 10.9 million units globally last year. Though India is a tender shoot in the global market and has experienced a high level of volatility, we believe the Indian market will only grow and will be the third largest auto market in the world.

CONCEPT CAR: Vision IN

"Skoda and Volkswagen together aim to achieve 5 per cent market share in the medium term of the Indian auto segment. India is one of our five sales markets."

Stating that Skoda and Volkswagen have invested 1 billion euros in India in their India 2.0 programme, Miers said: "We are hoping to have some predictability in government policies. New legislations should have lead time for OEMs to bring right products at the right time."

Based on the MQB-A0-IN platform, the two SUVs will be followed by two sedans from both Skoda and Volkswagen in the coming years.

The Vision IN production car will hit the market early next year as will the Volkswagen Tiagun. Both the compact SUVs will have a 90 per cent localisation at launch, which will be further enhanced to 95 per cent later, said Gurpratap Boparai, managing director of Skoda Auto. Both the vehicles, while being made for the Indian market, will be exported to Mexico, South Africa and other markets.