The Telegraph

BUSINESS

CALCUTTA FRIDAY 13 MARCH 2020

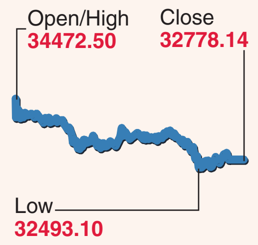
XXCE

“The aviation sector is under a lot of pressure. But this is temporary. We have been here before

SpiceJet chief **Ajay Singh**

STOCK CHECK

Sensex intra-day movement



Previous 35697.40

CURRENCIES

US $	Rs 74.28
UK Pound	Rs 94.46
Euro	Rs 83.26

INDICES

BSE		
Sensex	32778.14	-2919.26
Midcap	12380.36	-1052.78
Smallcap	11614.89	-1110.26
NSE		
Nifty	9590.15	-868.25
Next 50	22776.40	-2179.20
Nifty 500	7901.35	-716.70

Most active on NSE

Scrip	Price*	Traded value#
HDFc Bank	1032.00	3056.97
Reliance	1059.00	2753.79
SBI	215.40	2201.43
ICICI Bank	432.95	2200.62
Bajaj Fin	3729.00	1974.53

*In Rs; #In Rs crore

COMMODITIES

Gold (10 gram in Rs)		
Pure	43800	-350
Hallmark	42180	-340
Silver (kg in Rs)		
Bar	45500	-550
Portion	45600	-550
Crude*	2318	-167
Copper#	417.35	-8.15

*per barrel in Rs; # per kg in Rs

MONEY MARKET

	Yield (%)
Call rate	3.70
91-day T-Bill	4.88
1-year Gilt	5.01
5-year Gilt	5.81
10-year Gilt	6.23

Dollar swap drive to quell panic

OUR SPECIAL CORRESPONDENT

Mumbai: The RBI on Thursday announced a dollar sell/buy programme that will provide banks the much needed foreign exchange to stem the freefall of the rupee that has plummeted to a 17-month low of Rs 74.28 at the end of the day on account of the global panic caused by the coronavirus pandemic.

The central bank under the swap programme will sell dollars to banks and buy them after six months.

The swaps will be conducted through the auction route in multiple tranches. The auctions will be multiple price based — successful bids will be accepted at their respective quoted premiums.The first auction of $2 billion will be held on Monday.

”On a review of current financial market conditions and taking into consideration the requirement of dollars in the market, it has been decided to undertake 6-month dollar sell/buy swaps to provide liquidity to the foreign exchange market,” the RBI said in a statement.

RBI STEPS IN

- RBI to sell dollars to banks through auction
- Central bank to buy back dollars after six months
- First auction of $2bn on Monday
- Bid to check slide in rupee
- Forex reserves almost at $500bn

The swap will be in the nature of a simple sell/buy foreign exchange swap from the Reserve Bank side. A bank will buy dollars from the RBI and simultaneously agree to sell the same amount of dollars at the end of the swap period.

The central bank said financial markets worldwide were facing intense selling pressures on extreme risk aversion because of the coronavirus, compounded by the slump in international crude prices and a decline in bond yields in the advanced economies.

The flight of capital from the emerging markets has led to a spike in volatility across all asset classes, with several EM currencies experiencing downside pressures and mismatches in dollar liquidity have become accentuated across the world.

The RBI further pointed out that the level of forex reserves at $487.24 billion as on March 6 remains comfortable to meet any exigency.

States advised to keep deposits

The RBI has asked state governments not to transfer their deposits out of private sector banks, saying apprehensions about the safety of deposits in private lenders are highly misplaced.

In a letter written to the chief secretaries of all states, the central bank said moving deposits out of private sector banks could have implications for banking and financial sector stability.

Out-of-turn rate cut hope

OUR SPECIAL CORRESPONDENT

Mumbai: Analysts expect the RBI to go for an out-of-turn rate cut — earlier than the scheduled meeting of its monetary policy committee next month — to prop up the economy, hit by the coronavirus, with falling inflation providing it a ballast to cut the rates.

A fall in crude oil prices, which is expected to have a positive rub-off on inflation, and lower retail inflation for February have added to the optimism of an impending cut from the central bank.

“While we are expecting a 25-50 basis point cut in the repo rate, the key question is only if it will happen in the April policy meeting or whether the RBI will take a pro-active step and go for an inter-meeting policy cut in the next few days,” an analyst said.

The MPC is scheduled to meet between March 31 and April 2.

Data released by the government on Thursday showed CPI inflation declining sharply to 6.58 per cent in February from a 68-month high of 7.59 per cent in the previous month.

A note from the economic research wing of SBI said inflation was expected to slide below 6 per cent in March 2020 and is likely to be close to 5 per cent in August.

The six-member monetary policy committee (MPC) had in its previous meeting in February left the repo rates unchanged because of concerns over inflation.

A report from a foreign brokerage said with a heightened risk of deterioration in global growth, the RBI is likely to go for an inter-meeting repo rate cut of 25-40 basis points.

“Given the evolving macroeconomic situation and deteriorating global backdrop, we believe the risks of an inter-meeting cut of 25-40 basis points have increased materially,” Barclays said in the note.

Even if the RBI does not make an inter-meeting move, it will cut the benchmark repo rate by at least 65 basis points by June, with risks biased towards more easing, the analysts at Barclays said.

SBI takes Rs 7,250cr equity call in Yes Bank

OUR SPECIAL CORRESPONDENT

Mumbai: The State Bank of India on Thursday announced a Rs 7,250-crore fund infusion into crippled Yes Bank under which it will pick up to a 49 per cent equity in the private sector lender.

The fund infusion is part of the Reserve Bank-mandated rescue plan.

SBI said its shareholding in Yes Bank will remain within 49 per cent of the paid-up capital of the private lender and following the fund infusion, it will pick up 725 crore shares.

“The executive committee of the central board at its meeting held on March 11 accorded approval for the purchase of 725 crore shares of Yes Bank at a price of Rs 10 a share, subject to regulatory approvals,” SBI said in a filing on Thursday.

The bank, however, did not mention the exact amount of the stake it will be buying in Yes Bank.

People wait outside a Yes Bank branch in Ahmedabad. File photo/Reuters

Under the reconstruction scheme, SBI will have to buy 49 per cent of Yes Bank and cannot reduce its holding below 26 per cent for the next three years.

The SBI investment of Rs 7,250 crore is much higher than the Rs 2,450 crore it had planned initially for a 49 per cent stake in the private sector lender that began its operations in 2004.

Last week, SBI chairman Rajnish Kumar had told reporters that the bank would invest Rs 2,450 crore to buy 245 crore shares of Yes Bank. He had spoken about bringing in other investors and that SBI’s investment would not exceed Rs 10,000 crore.

On March 5, the RBI imposed a moratorium on Yes Bank, restricting withdrawals to Rs 50,000 per depositor till April 3.

The RBI also superseded the board and placed it under an administrator, Prashant Kumar, who is a former deputy managing director and chief financial officer of SBI.

Since the RBI action, central agencies ED and CBI have arrested Yes Bank’s co-founder and former CEO Rana Kapoor for alleged money laundering and corruption, while his wife Bindu and three daughters are also being quizzed for their role in the siphoning of public funds.

One of the charges against Kapoor is that he illegally benefitted Rs 3,000 crore by lending to certain troubled companies like DHFL, Anil Ambani group and Essel group — all the loans worth around Rs 20,000 crore that have turned into bad debt.

RIL snaps up Saudi crude

OUR BUREAU

Mumbai: Reliance Industries is understood to have bought 2 million barrels of Saudi oil amid a fall in the prices of crude, which is an outcome of the brutal output war between the Gulf kingdom and Russia that has seen prices falling to $30 levels.

Saudi Aramco recently announced plans to raise output, which brought down prices in the Asia region by up to $6 per barrel. On Thursday, Reuters reported that Reliance has bought two million barrels of additional Saudi oil for loading in April. Officials of RIL could not be reached for comments.

While observers say that RIL may be looking to improve its refining margins through the purchase, it also comes in the wake of an impending deal between Mukesh Ambani and Saudi Aramco in RIL’s oil-to-chemical business.

RIL is looking to sell a 20 per cent stake in the business to Saudi Aramco at an enterprise value of $75 billion. As part of the deal, the state-owned oil giant will also supply 500,000 barrels per day of crude to the Jamnagar refinery of RIL on a long-term basis.

STEP ON THE GAS

- Reliance buys 2 million barrels of crude from Saudi Aramco; Falling crude prices mean RIL expects to benefit from higher margins
- Saudi Aramco due to pick up 20% in RIL’s oil-to-chemical business
- RIL stock hits 52-week low on Thursday, offering a value opportunity to investors

While the RIL stock had rebounded on Wednesday, it came under pressure on Thursday because of a plunge in international crude prices. On the BSE, the scrip fell over 8 per cent, wiping off nearly Rs 41,152 crore from its market valuation. It ended 7.95 per cent lower at Rs 1,061.60 after falling 8.99 per cent in intra-day trades to touch a 52-week low of Rs 1,049.50. The company’s market capitalisation fell Rs 41,151.82 crore to stand at Rs 6,72,976.64 crore at the end of trading on Thursday.

Though the stock has remained under pressure during this year with the delay in the Saudi Aramco transaction causing some anxiety, brokerages remain optimistic.

“The sharp correction in RIL amid the market upheaval offers an excellent opportunity to buy with the stock pricing in only two out of the three large and robust business segments. The market’s knee-jerk reaction on the delay in the deal with Saudi Aramco seems unfounded,” analysts at Kotak Institutional Equities said in a note.

The brokerage added that the RIL share has come back to pre-AGM levels wherein the leverage-related concerns were high, capex run-rate was elevated and visibility of any improvement in telecom economics was not imminent. However, the company has benefited from a meaningful hike in telecom tariffs amid a weaker balance sheet of its telecom competitors.

IN BRIEF

CAD narrows

NEW DELHI: India’s current account deficit narrowed sharply to $1.4 billion or 0.2 per cent of GDP in the December quarter, the Reserve Bank said on Thursday. The deficit was at 2.7 per cent of the GDP in the year-ago period and 0.9 per cent in the preceding quarter. The sharp contraction was primarily due to a lower trade deficit at $34.6 billion and a rise in net services receipts. PTI

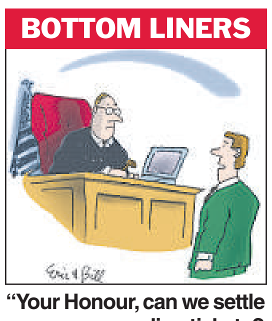
Jet deadline

MUMBAI: The committee of creditors (CoC) of Jet Airways on Thursday decided to approach the National Company Law Tribunal to seek a two-month extension of deadline for submission of bids, which expired on Tuesday. PTI

Car sales

NEW DELHI: Automobile dealers’ body Fada on Thursday said retail sales of passenger vehicles, measured by registration, declined 1.17 per cent to 2,26,271 units in February.

BOTTOM LINERS



“Your Honour, can we settle up on my speeding tickets? I’m *double parked*.”

Retail inflation at 6.6%

OUR SPECIAL CORRESPONDENT

New Delhi: Retail inflation dropped for the first time after six months in February, easing to 6.58 per cent as the prices of vegetables and other kitchen items cooled, government data showed on Thursday. The inflation numbers, coupled with the expansion in industrial production, which grew at its fastest pace in six months at 2 per cent in January, have raised hopes of a rate cut by the Reserve Bank of India at its monetary policy review next month.

Data showed inflation in vegetable prices cooled off significantly to 31.61 per cent from a high of 50.19 per cent in January. The rate of price rise was also slower in case of protein-rich items such as pulses and eggs.

Inflation was 10.2 per cent in the meat and fish segments in February compared with 10.5 per cent in the previous month.

The rate of inflation in the food basket was 10.81 per cent in February 2020, lower than 13.63 per cent in the previous month, according to CPI data released by the National Statistical Office (NSO). However, inflation in the “fuel and light” segment almost doubled to 6.36 per cent in February over the preceding month.

Factory output

The manufacturing sector output grew at a rate of 1.5 per cent in January compared with a rise of 1.3 per cent a year ago. Electricity generation rose 3.1 per cent against 0.9 per cent growth in January 2019. The mining sector output posted a growth of 4.4 per cent in January 2020 compared with a rise of 3.8 per cent a year ago.

Aditi Nayar, principal economist with Icra, said: “The extent of the reduction in the headline CPI inflation in February 2020, combined with an unchanged core print, will provide some relief. It will boost the possibility of a rate cut in the April 2020 policy review.”

M. Govinda Rao, chief economic adviser of Brickwork Ratings and former PMEAC member, said: “In the current scenario, a rate cut is not likely to spur either demand or investment. Hence we do not expect the RBI to cut rates now but rather wait for a more opportune moment.”

AGR dues on basis of telco data

OUR SPECIAL CORRESPONDENT

New Delhi: The government has for the first time said it would re-assess the statutory AGR dues based on the documents submitted by the telcos and issue revised demand notices.

“The telecom service providers have been directed to make payments on the basis of self-assessment and submit requisite documents for compliance. Following this, the DoT will carry out reassessments on the basis of documents submitted by the telecom service providers in accordance with the licence agreement and issue revised demand notices,” Sanjay Dhotre, minister of state for communications, said in a written reply to the Rajya Sabha.

Dhotre was replying to a question on whether the DoT is yet to work out final figures of adjusted gross revenue (AGR) liabilities because of a variation detected in accounting practices and steps that the government has taken to rework the dues.

Officials have indicated that it could take at least 6-8 months for the DoT to assess telcos’ self-assessment documents. The telecom companies so far have paid about Rs 25,900 crore to the DoT.

The demand for AGR dues stood at Rs 1.47 lakh crore for all telecom companies, of which Rs 1.02 lakh crore are for surviving companies such as Bharti Airtel, Vodafone Idea and Tata Teleservices.

The department of telecommunications wrote a letter on March 4 to all telecom companies seeking full payment of AGR dues and also asked companies to submit self-assessment documents at the earliest.

Bharti Airtel chairman Sunil Mittal on Wednesday said: “Nowhere in the Supreme Court order did it mention the amount to be paid against the AGR dues.”

Cloud over selloffs

R. SURYAMURTHY

New Delhi: The privatisation of Air India and BPCL should be delayed in the current global situation as they may not get the right valuation, feel analysts.

The coronavirus pandemic has led to a meltdown in the stock market, travel restrictions which have hit the global aviation industry and global crude prices tanking because of increased output by Saudi Arabia following a disagreement with Russia on production cuts.

“The present state of the markets is not favourable for divestment. Valuations will tend to be low. Besides, the impact of the virus has been sharp on the aviation industry… the Air India sale looks weak as the aviation industry is down and one is not sure how it will fare or when it will recover with the entire travel and tourism industry being affected,” according to Madan Sabnavis, chief economist at Care Ratings.

“Saudi Arabia has added a new dimension to the crude warfare, which will make oil companies less competitive and hence the sale of an oil company such as BPCL may not be appropriate now. It is expected that a bidder could be from outside, which now makes the valuation tricky given that oil prices have crashed and will be volatile,” he said.

Mark Martin of Martin Consulting said: “The government seems to have got the sale timing (for AI) wrong. The carrier has an enormous value… would be better to wait than engage in a garage sale. The global aviation industry is on a nose-dive at this juncture with coronavirus adding to their woes. Banks would be wary to fund such acquisitions.”

“Even if the coronavirus scare fades, excess supply from Saudi Arabia and Russia will persist. Econometric models are useless when trying to forecast geopolitical decisions,” Chris Lafakis, energy economist at Moody’s Analytics said in a note.

Cancellations trip tourism

OUR SPECIAL CORRESPONDENT

New Delhi: The travel and tourism industry could be severely impacted by the coronavirus pandemic. With the government suspending all visas, the economic impact is likely to run into thousands of crores of rupees. Initial estimates suggest that the sector has incurred a loss of over $28 billion in the October to March period.

In an impact assessment of coronavirus, a CII tourism committee headed by Dipak Haksar, the chief executive of ITC Hotels and WelcomHotel, said inbound foreign tourism is valued at over $28 billion between October and March.

“As the news of the virus started picking up from December, the percentage of cancellations started going up exponentially and is reaching a peak of almost 80 per cent now in March in many Indian locations. The value at risk from this segment will be in multiples of tens of thousands of crores,” the report said.

CORONA IMPACT

- Tourism has incurred loss over $28bn in Oct-March
- Steep rise in cancellations after virus outbreak
- Visa restrictions to further affect sector

With India cancelling all visas, the association said the impact “will be worse”.

According to CII, this is the one of the worst crises ever to hit the Indian tourism industry that has impacted all its geographical segments — inbound, outbound and domestic — and almost all verticals — leisure, adventure, heritage, cruise, corporate and niche.

The whole tourism value chain across hotels, travel agents, tour operations, destinations, restaurants, family entertainment venues and air, land and sea transportation have been hit.

Interim PSU dividends boost kitty

OUR BUREAU

Calcutta: Public sector units Coal India and Power Finance Corporation (PFC) on Thursday announced interim dividends that will improve government finances, stretched by a weak revenue mop up and the coronavirus pandemic. The payouts come days before the rule of dividends being taxed on the hands of the shareholders take effect from April.

Coal India Limited on Thursday announced an interim dividend of Rs 12 per share, making the government richer by Rs 7,172 crore, which it will receive as dividend and dividend distribution tax. The total interim dividend outgo for Coal India will be Rs 7,395 crore after the company board approved the interim dividend.

PFC on Thursday paid an interim dividend of Rs 1,404.37 crore to the Government of India for 2019-20.

“Rajeev Sharma, CMD of PFC, presented bank advice of an interim dividend of Rs 1,404.37 crore on March 12, 2020,” a PFC statement said.

Investment rush in Howrah

A STAFF REPORTER

Calcutta: Bengal finance and industries minister Amit Mitra on Thursday said the Howrah district is estimated to get an investment of Rs 12,000 crore. Mitra announced a list of projects at a seminar for the MSME and textile sectors specifically located in the district with a direct employment potential of over 1 lakh.

The list of projects include a Rs 5,000 crore hosiery park at Jagdishpur covering 120 acres and space for 170 units.

“The state government is offering critical infrastructure such as access road and power supply. Around 15 acres of land is being transferred by WBSIDCL to a special purpose vehicle (SPV) for the project,” Mitra said.

He said Tata company Titan has picked up space at the gems and jewellery park at Ankurhati offering modern infrastructure to artisans and craftsmen as well as a training facility.

The minister also said a hallmarking facility would be set up at the park.

RS 12000CR PLEDGE

- Hosiery park at Jagdishpur: Rs 5,000cr
- Titan picks up space in hosiery park
- Logistic park developed by Hong Kong-based ESR
- Flipkart facility at logistics park

Amit Mitra

The list of projects also include a logistics park being developed by the Indian arm of Hong Kong-based real estate developer ESR at Uluberia. The logistics park has come out on land that was earlier with Mahabharat Motors.

E-commerce major Flipkart has taken up space at the logistics park. Rival Amazon and auto major Honda are expected to further pick up space at the park. ESR will invest Rs 600 crore and may scale up later.

Mitra also announced the signing of a memorandum of agreement between Biswa Bangla Marketing Corporation and Flipkart, whereby small artisans from the state will have training and a wider market access through the e-commerce platform.

The minister further said that the foundry park in the district being developed by the Foundry Cluster Development Association would attract more units. The project has an investment potential of Rs 2,500 crore.

The state government has received 669 applications for the conversion of land for industrial use and 374 applications have been granted. The area unlocked is to the tune of around 388 acres.

He said bankers have decided to disburse Rs 120 crore credit to 800 units in the district. “The banks have been meeting up the MSME credit disbursal target and I have given banks a target to disburse Rs 90,000 crore to the MSME sector in 2020-21,” Mitra said.