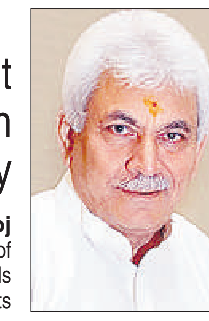
The Telegraph
BUSINESS
CALCUTTA THURSDAY 6 DECEMBER 2018 XXCE

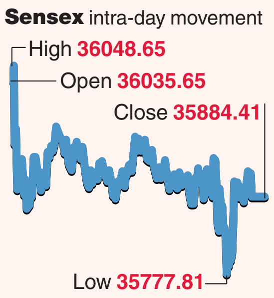
“We have sought permission of law ministry

Telecom minister **Manoj Sinha** on rules to allow use of mobile phones for making calls and internet surfing during flights



STOCK CHECK

Sensex intra-day movement



Previous 36134.31

CURRENCIES

US $	Rs 70.46
UK Pound	Rs 90.03
Euro	Rs 80.03

INDICES

BSE		
Sensex	35884.41	-249.90
Midcap	14913.60	-184.00
Smallcap	14337.90	-176.32
NSE		
Nifty	10782.90	-86.60
Next 50	27215.25	-383.90
Nifty 500	9029.45	-87.00

Most active on NSE

Scrip	Price*	Traded value#
SunPharma	417.20	2076.29
Yes Bank	173.10	914.70
Reliance	1158.15	669.45
HDFCBank	2103	618.00
HDFC	1970.50	614.46

*In Rs; #In Rs crore

COMMODITIES

Gold (10 gram in Rs)		
Pure	31455	-110
Hallmark	30295	-100
Silver (kg in Rs)		
Bar	36800	-300
Portion	36900	-300
Crude*	3762.00	-6.00
Copper#	434.60	+0.10

*per barrel in Rs; # per kg in Rs

MONEY MARKET

	Yield (%)
Call rate	5.00
91-day T-Bill	6.72
1-year Gilt	7.12
5-year Gilt	7.37
10-year Gilt	7.44

IN BRIEF

Services hold out hope

■ **NEW DELHI:** The country's services sector activity in November expanded at its quickest pace since July, driven by new work orders and favourable market conditions, which in turn led to a continued rise in jobs, a monthly survey said on Wednesday. The seasonally adjusted Nikkei India Services Business Activity Index rose to a four-month high of 53.7 in November, from 52.2 in October. PTI

ICICI Bank

■ **NEW DELHI:** The government has appointed Lalit Kumar Chandel, economic adviser in the department of financial services, as its nominee on the board of ICICI Bank with effect from December 4. PTI

Zomato buy

■ **NEW DELHI:** Zomato on Wednesday said it has acquired Lucknow-based startup TechEagle Innovations, for an undisclosed amount, to explore drone-based food delivery in India. PTI

Novartis exit

■ **NEW DELHI:** Novartis India on Wednesday said its vice-chairman and managing director Milan Paleja has decided to step down with effect form May 31, 2019. PTI

Hotels concerned

■ **CALCUTTA:** Hotels in eastern India have expressed concern about high commission rates with disparity and arbitrary adjustment payment against cancellations charged by online booking portal MakeMyTrip. The industry is not in favour of a commission of more than 15 per cent compared with the current range of 15-35 per cent.

BOTTOM LINERS

“Let my record speak for itself — my anger disorder's under control and I was never indicted for embezzlement.”

Borrowers can look forward to cheap money if RBI finds the inflation trajectory to be benign

Rate cut hint in status quo

OUR SPECIAL CORRESPONDENT

Mumbai: Home loan and retail borrowers can look forward to the prospect of cheaper loans next year.

The Reserve Bank of India governor Urjit Patel on Wednesday hinted that the central bank could lower its policy repo rate if consumer price inflation doesn't overshoot its comfort level of 4 per cent.

The six-member Monetary Policy Committee (MPC) held the policy repo rate at 6.50 per cent and stuck to its stance of calibrated tightening.

The repo is the rate at which banks borrow short-term funds from the RBI. The central bank has raised this benchmark rate on two occasions this calendar year.

In its monetary policy announced in October, the central bank had changed its stance to calibrated tightening from neutral, which signalled that a rate cut was off the table and that any further hikes would be data dependent.

But the unexpectedly low retail inflation — currently ruling at 3.31 per cent — has potentially opened up a window for a rate cut sometime next year. Inflation has tumbled as a result of weak food price inflation and a sharp 30 per cent fall in crude oil prices since October.

The RBI cut its inflation forecast for the second half to 2.7-3.2 per cent from an earlier projection of 3.8-4.5 per cent.

But it is expected to bump up to 3.8-4.2 per cent in the first half of 2019-20 but it will still be lower than the earlier forecast of 4.8 per cent in the first quarter of 2019-20.

RBI governor Urjit Patel in Mumbai on Wednesday. (PTI)

Patel told reporters at the customary post-policy press conference that “if the upside risks (to inflation) do not materialise or are muted in their impact as reflected in incoming data, there is the possibility of space opening up for commensurate policy actions by the MPC”.

Patel indicated that incoming data will determine whether the RBI cuts the policy rate or not. The rate cut hint sent a shiver through the bond markets.

Amplifying on Patel's remarks, deputy governor Viral Acharya said MPC would wait for more data before taking a call.

The central bank chose not to tinker with the cash reserve ratio, which is currently at 4 per cent, to pump liquidity into the system.

“The CRR is not within the ambit of the MPC,” Patel said.

“Secondly, we see no reason to use the CRR when we have so many other instruments at our disposal and which we have implemented over the last two months for liquidity management.”

New loan benchmark

OUR SPECIAL CORRESPONDENT

Mumbai: Floating interest rates on home and car loans as well as to micro and small enterprises will be linked to external benchmarks from next April, the RBI said on Wednesday.

The move will raise the level of transparency through which banks set interest rate on their loans.

The new system will replace the existing marginal cost of funds based lending rate (MCLR), calculated by banks after factoring in the incremental cost of funds, apart from return on equity and negative carry on account of the cash reserve ratio.

Banks had moved to the MCLR system from April 2016. However, the RBI was not satisfied by the transmission of monetary policy changes under this system.

The complaint by retail individuals often was that while banks were quick to pass on any policy rate hikes, they did not show the same enthusiasm when rates were reduced.

A panel headed by Janak Raj, principal adviser in the RBI's monetary policy

People outside the RBI headquarters in Mumbai on Wednesday. (AFP)

department, had observed that internal benchmarks adopted by banks such as the base rate and MCLR did not deliver effective transmission of monetary policy.

The committee had recommended the use of external benchmarks by banks for their floating rate loans instead of the present system of internal benchmarks.

In its “Statement on Developmental and Regulatory Policies”, the RBI on Wednesday suggested all new floating rate personal or retail loans (housing, auto among others) and floating rate loans to micro and small enterprises extended by banks from April 1, 2019 will be benchmarked to either the RBI's policy repo rate or the government's treasury bill yields.

The final guidelines to link the interest rate to external benchmarks will be issued by the end of this month, the RBI added. The central bank pointed out the spread over the benchmark rate — to be decided wholly at the banks' discretion at the inception of the loan — should remain unchanged through the life of the loan.

It can only be changed if the borrower's credit assessment undergoes a substantial change and as agreed upon in the loan contract.

It further said banks are free to offer such external benchmark-linked loans to other types of borrowers as well. “In order to ensure transparency, standardisation and ease of understanding of loan products by borrowers, a bank must adopt a uniform external benchmark within a loan category; in other words, the adoption of multiple benchmarks by the same bank is not allowed within a loan category,” the RBI disclosed.

RBI deputy governor Viral Acharya in Mumbai on Wednesday. (Reuters)

MSME panel to be set up

OUR SPECIAL CORRESPONDENT

Mumbai: The RBI on Wednesday took yet another step to ease the tension with the government when it announced the appointment of an expert committee to identify causes and propose long-term solution for the economic and financial sustainability of micro, small and medium enterprises (MSMEs).

The panel's composition and its terms of reference will be finalised by the end of December and the committee will submit its report by June next year.

The condition of the MSME sector has been one of the friction points between the central bank and the government with Centre's nominees like S. Gurumurthy wanting the RBI to take more measures to help the segment.

Apart from MSMEs, liquidity squeeze to NBFCs has also been another sore point between the two sides.

On this issue, RBI deputy governor Viral Acharya said the central bank is ready to be the lender of last resort to the shadow banking units.

“The RBI stands ready to be the lender of last resort but that is provided conditions warrant that sort of an extreme measure. In our assessment, there is no such necessity at the present,” he said.

The measures taken by the central bank over the last two months have eased liquidity for NBFCs, Acharya added.

Rules for PPIs soon

OUR SPECIAL CORRESPONDENT

Mumbai: The RBI is set to come out with a framework for limiting customer liability in unauthorised electronic payment transactions involving prepaid payment instruments.

The central bank has already issued instructions on limiting customer liability in respect of unauthorised electronic transactions involving banks and credit card issuing non-banking financial companies (NBFCs).

The guidelines for prepaid payment instruments will be issued by the end of December. PPIs facilitate purchase of goods and services, including funds transfer, against the value stored on such instruments in the form of reloads using cash, debit from a bank account, or by credit card. The pre-paid instruments can be issued as smart cards, magnetic stripe cards, internet accounts and wallets and mobile wallets.

Cut in SLR to free up Rs 1.5 lakh cr

OUR SPECIAL CORRESPONDENT

Mumbai: The RBI has decided to reduce the statutory liquidity ratio (SLR), the portion of funds that banks are required to park in treasury bills and other instruments, by 25 basis points every quarter beginning January.

The calibrated reduction in SLR will continue till it reaches 18 per cent. The current SLR is 19.5 per cent.

“This reduction in SLR is likely to free up Rs 1-1.5 lakh crore of funds in the next one-and-a-half year,” said Rajni Thakur, economist, RBL Bank.

The apex bank said it will reduce the SLR as part of aligning it with the liquidity coverage ratio (LCR). The first reduction will take effect in the quarter starting January.

THE PLAN

- ■ SLR will be cut by 25 basis points every quarter beginning January
- ■ Calibrated reduction will continue till it reaches 18 %
- ■ Current SLR is 19.5%

According to R.K. Gurumurthy of Lakshmi Vilas Bank, the move may release funds locked in government securities and add to lendable liquidity. Amid lower inflation expectations, this move should not impact bond sentiment in the short run, Gurumurthy said.

However, Abheek Barua, chief economist at HDFC Bank, said the reduction in SLR from the next calendar year is unlikely to have any major impact on the domestic liquidity situation, as commercial banks will have to simultaneously comply with the minimum LCR of 100 per cent by January 1, 2019.

The LCR, which is a fallout of the 2007 global financial crisis, mandates that banks must have sufficient amount of high quality liquid assets such as government securities to survive an acute stress scenario lasting for 30 days during which corrective actions can be taken.

Such securities which they hold is based on the expected net cash outflow for the next 30 days.

For urban cooperative banks (UCBs), the RBI said they should set up a board of management in addition to the board of directors. This proposal is expected to strengthen governance in these banks.

Anxious wait for Opec view

R. SURYAMURTHY

New Delhi: The country would be keeping a close watch on the two-day meeting of oil producing cartel Opec starting Thursday as any production cut could ramp up global crude prices, with adverse consequences on the Indian economy ranging from a higher import bill and a surge in current account deficit.

The Opec meet in Vienna comes days after Qatar decided to exit the cartel from January amid growing demand from member countries to cut output and raise prices. “We would be closely monitoring the Opec meeting as it would have economic implications for the country. Any move to cut the output could result in global crude prices going up and it would impact our oil import bill,” a senior oil ministry official said.

A spike in crude price would add to the concerns of the government, while a fall in prices would provide an opportunity to raise revenue through higher excise duties.

Austrian policemen guard the entrance to the Opec headquarters in Vienna on Wednesday. (AFP)

Saudi Arabia is reportedly pushing for a supply cut of 1-1.4 million barrels per day to shore up prices.

The S&P Global Platts Analytics predicts a 1.2 million-1.4 million barrel per day reduction from October levels, when prices had climbed to a high of over $86 per barrel. The benchmark British crude brent is trading around $61.74 per barrel and WTI (US) about $52.95 per barrel.

Since India is a major importer of crude — close to 80 per cent of its requirement is met through imports — any jump in prices would affect its fiscal deficit.

An increase of a dollar in oil price jacks up the country's import bill by Rs 6,158 crore and the variation in exchange rate by a rupee changes oil import by Rs 6,639 crore.

Analysts, however, said the exit of Qatar from Opec would have little impact in altering crude prices. Global energy research firm Wood Mackenzie, said: “Qatar is Opec's smallest Middle East oil producer, and the group's fifth smallest producer overall. Its total 2018 oil production is estimated at 600,000-650,000 barrels per day, less than 2 per cent of Opec's oil output.”

The research firm said “Qatar's Opec exit underlines the country's aim to maintain its place in the global LNG market”. Increased gas production by Qatar, however, should provide an opportunity for India to tap the potential to meet its growing demand. Rating agency Icra has forecast current account deficit to come at around 3 per cent of GDP because of the high oil import bill.

Meet to offer digital delight

OUR BUREAU

Calcutta: The curtains will go up on the seventeenth edition of Infocom on Thursday. The three-day conference themed “When digital becomes human” will explore issues, opportunities and changing dynamics brought in by digital transformation.

The ABP group initiative brings together over 1,200 delegates from large corporate houses, IT, SMEs and the government with close to 120 speakers from different sectors and sessions covering strategy and leadership, technology and information security, state offerings, tourism, innovation and entrepreneurship.

A congregation of technology professionals, buyers, sellers, corporate leaders, academics, visionaries and policymakers will attend the conference.

Bengal information technology and electronics minister Amit Mitra, who also heads several important ministries such

INFOCOM 2018
An ABP initiative
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Theme: When Digital Becomes Human

as finance, industry, commerce and enterprises, MSME and textiles, is expected to inaugurate the conference.

Mustafa Jabbar, Bangladesh minister of post, telecommunications and IT, Coal India chairman A.K. Jha, STPI director-general Onkar Rai, Bhaskar Ghosh, group chief executive of Accenture Technology Services, Amitabh Ray, managing director of Ericsson India Global Services, Kamal Nath, CEO of Sify Technologies, are among the key participants expected at Infocom 2018.

Chief information officers and chief information security officers from across India, Bangladesh, Sri Lanka, Nepal, Bhutan and Saarc countries are also participating in the event.

The conference will explore the race among organisations to embark on their digital transformation journeys. Self-service, automation and robots will dominate the customer relations of the future making human interactions rare. As a result, corporate houses need to focus on human transformation on an equal footing as digital transformation.

The Union ministry of electronics and IT, along with Digital India Plan and the National E-Governance Division, will support the event.

Bengal's department of IT and electronics and Webel are partnering as the host state.

Other partner states are Bihar and Jharkhand. The event is being supported by Saarc Chamber of Commerce and Industries, Nasscom and TiE Calcutta.

Maruti to hike prices in January

OUR SPECIAL CORRESPONDENT

New Delhi: Maruti Suzuki will increase the prices of its vehicles across various models from next month to try and offset the impact of rising commodity prices and fluctuation in foreign exchange rates.

The largest car maker of the country, however, did not specify by how much the prices of its vehicles would increase. Maruti officials said they were working out the range of hike.

Analysts feel Maruti will try and keep the increases within a moderate range as it is already finding it tough to sell cars given the slowing consumer demand. In November, Maruti's sales were down marginally by 0.7 per cent compared with the same month last year. For Maruti, steel, aluminium and engineered plastics that go into making a car have become costlier while the Japanese yen which used to cost about 57 paise in January now costs 62 paise.

“The cost of the company's vehicles has been impacted adversely due to an increase in commodity prices and foreign exchange rates,” Maruti Suzuki said in a regulatory filing with stock exchanges on Wednesday.

“Hence, it has become imperative for the company to pass on some impact of the above additional cost to customers through a price increase across various models in January 2019,” it added.

At present, Maruti Suzuki sells a range of vehicles starting from the entry-level Alto800 to premium crossover S-Cross priced between Rs 2.53 lakh and Rs 11.45 lakh.

Fertiliser sop to cost more

R. SURYAMURTHY

New Delhi: The Narendra Modi government would have to provide an additional Rs 14,000 crore to meet the fertiliser subsidy bill, compounding the problem of the fiscal deficit crossing the target for 2018-19 in October itself.

“Increase in gas cost for urea by about 34 per cent and increase in subsidy rates for P&K fertilisers would result in additional subsidy requirement of about Rs 14,000 crore this year,” Satish Chandra, director-general of the Fertiliser Association of India said.

EXTRA BURDEN

- ■ Fertiliser subsidy for fiscal set at Rs 70,000cr
- ■ Subsidy needs to be raised by Rs 14,000cr as costs have gone up
- ■ A rise in subsidy will further raise fiscal deficit

He said the budget allocation of Rs 70,000 crore for 2018-19 was inadequate in view of the pending payment situation and a likely increase in subsidy requirement during the current year because of higher costs.

The fiscal deficit has breached the budgeted target for financial year 2018-19 in October as the gap between the government's revenue and expenditure stood at Rs 6.48 lakh crore, or 103.9 per cent of the budgeted sum.

The budget document showed fertiliser subsidy has been hiked to Rs 70,079.85 crore for 2018-19 against the revised estimate of Rs 64,973.5 crore in the financial year 2017-18.

For the urea sector, the government has allocated Rs 44,989.5 crore in 2018-19 against Rs 42,721.7 crore in 2017-18.

The budget allocation for phosphatic and potassic (P&K) fertilisers under the nutrient based subsidy scheme has been increased to Rs 25,090.35 crore in 2018-19 from Rs 22,251.8 crore in financial year 2017-18.

Subsidies on food, fertilisers and petroleum have been set higher by 15 per cent to Rs 2.64 lakh crore for 2018-19.

Chandra said an additional budget allocation was needed to ensure the timely payment of subsidy on a weekly basis, as assured under the DBT (direct benefit transfer) model.

“This amount should help to clear the backlog of the previous years to a large extent. Continued weekly payments under DBT are incumbent upon adequate budget allocation,” he said.

He said the present model of DBT implemented in the fertiliser sector is not true DBT as subsidy was not directly paid to the farmers. Subsidy continues to be routed through the industry.

Earlier, the subsidy payment was linked to the material received in the district. But, under DBT, the payment of subsidy is linked to the sale of fertilisers through POS (point of sale) machine. This has increased the duration of the payment cycle of subsidy by 3 to 6 months, increasing the working capital and interest of the the industry.