



# US trade threat looms

OUR SPECIAL CORRESPONDENT

**New Delhi:** Amid growing trade tension between India and the US, there is a worry lurking that Washington may withdraw the facility of Generalised System of Preferences (GSP) on more items.

Under the GSP, India enjoys zero tariffs on \$5.6 billion of exports to the US. In November last year, the Trump administration had partially withdrawn the GSP on 50 items worth \$70 million.

Indian has been pressing for the reinstatement of the GSP.

If Washington goes ahead and withdraws the GSP on more items it would be the strongest punitive action since President Donald Trump took office in 2017 and vowed to re-

duce the US deficit with large economies.

The threat comes at a time the commerce ministers of India and the US are scheduled to meet next week to discuss issues such as steel duties by Washington, e-commerce rule changes by the Modi government and the opening up of the Indian market to American goods and the reduction of trade deficit.

According to senior commerce ministry officials, US Secretary of Commerce Wilbur Ross and commerce and industry minister Suresh Prabhu will meet on February 14 to discuss these issues threadbare. The meeting will be held under the aegis of the US-India Commercial Dialogue.

They also indicated India would press for the extension

## TREND WATCH

(in \$ bn)	Exports	Imports
2013-14	39.1	22.5
2014-15	42.4	21.8
2015-16	40.3	21.7
2016-17	42.2	22.3
2017-18	47.8	26.6



of the waiver on the import of Iranian crude that is slated to end in March. The extension of the waiver by the US would enable India to secure cheap crude from Tehran.

In November, the US had allowed eight countries to buy oil from Iran for a period of 180-days, while imposing economic sanctions against the Is-

lamic nation.

Top CEOs from both the countries, led by ATC's James Taiclet and Tata Son's N. Chandrasekaran, will also brainstorm on areas of bilateral co-operation at the India-US CEO Forum to be held simultaneously on February 14.

The trigger for the latest downturn in trade ties is India's new rules on e-commerce that restrict the way Amazon and Walmart-backed Flipkart do business and the steps to force global card payments companies such as Mastercard and Visa to move their database to India.

The US has been pushing India to open up more areas where it can export or to reduce tariff on products such as high-end motorbikes.

Washington is upset with New Delhi for tightening the

FDI rules on e-commerce that would force US majors such as Amazon and Walmart to change their model of operation in the online space in India and could cause revenue loss.

The US is also unhappy with India imposing import duties on smartphones and some other electronic and telecom equipment.

India, on the other hand, is aggrieved by America's refusal to remove penal duties on its steel and aluminium.

Next week's meeting assumes importance in the wake of the US concern about its trade deficit with India.

India's trade surplus with the US was \$21.27 billion in 2017-18. In the April-November period of the current fiscal, this gap was \$10.5 billion in India's favour.

# Anil group blames duo for crash

OUR SPECIAL CORRESPONDENT

**Mumbai:** The Anil Ambani-led Reliance Group on Friday accused L&T Finance and Edelweiss of "illegal and motivated" action in invoking pledged shares and selling them recently in the open market. The sale of the pledged shares resulted in a 55 per cent fall in the market capitalisation of its listed companies, the group said.

The charges were rejected by Edelweiss and L&T Finance who said they followed the due process of contract and law to sell the shares.

Investors clobbered a clutch of Anil Ambani companies on the bourses since group company Reliance Communications (R-Com) announced last week it was moving the NCLT for debt resolution. With the value of pledged stock falling, the lenders sold shares of R-Com, Reliance Power, Reliance Capital and Reliance Infrastructure.

According to the Anil group, a few non-banking finance companies, "substantially" L&T Finance and certain entities of Edelweiss Group, invoked the pledge of listed shares of the group and made open market sales of around Rs 400 crore from February 4 to February 7.

"The illegal, motivated and wholly unjustified action by the two groups has precipitated a fall of Rs 13,000 crore, an unprecedented nearly 55 per cent, in market capitalisation of Reliance Group over just these four days, causing substantial losses to 72 lakh institutional and retail shareholders, and harming the interests of all stakeholders," the group said.

Citing legal advice, the group alleged the purported exercise of rights to enforce the security is illegal and excessive, and against the

## A BREATH

Anil Ambani firms on BSE (Close in Rs, gain in %)

Script	Close	Gain
R-Com	5.37	3.47
RPower	10.90	9.55
Rel Cap	129.25	11.23
Rel Infra	118.05	6.54
Rel Naval	8.24	5.78

process and requirements of the respective borrowings' documentation.

In a statement, the Edelweiss group said it had granted credit facilities against the pledge of shares to the Reliance group and that over the last several months, it had reached out numerous times to the group to address concerns on shortfall in margins (through regular margin call notices) and the resultant fall in collateral valuation.

"Despite our best efforts, not only did Reliance ADAG Group fail to address any of the concerns raised by Edelweiss Group, but also continued to breach contractual obligations. On February 4, there was a sharp drop in the prices of Reliance ADAG group shares, which led to further erosion in the collateral value. Edelweiss group once again gave due opportunity for remediation. Since there was no response from Reliance ADAG Group, it necessitated liquidation of the collateral as per the agreed contractual terms," Edelweiss added.

In a separate statement, L&T Finance said that it had granted loans against pledge of shares to the Reliance group firms and that as per loan and pledge agreements, the "borrower did not cure various events of defaults including providing margin for shortfall in the stipulated security cover".

# Token rate cut by SBI

OUR SPECIAL CORRESPONDENT

**Mumbai:** The State Bank of India on Friday reduced the interest rate on home loans up to Rs 30 lakh by five basis points.

However, as the country's largest bank has not yet revised its marginal cost of lending rate (MCLR), the benefit of the lower rate will only be available to new borrowers.

In a late evening statement, the lender said the decision came on the back of the monetary policy announced by the RBI on Thursday where it reduced the policy repo rate by 25 basis points to 6.25 per cent.

"The SBI has the highest market share of the home loans market and it is only appropriate that we empower the large lower and middle class segment by transmitting the rate cut announced by the RBI," SBI chairman Rajnish Kumar said on the reduction.

The SBI's one year MCLR against which home loans are

## A TRICKLE

- Interest rate on home loans up to Rs 30 lakh cut by five basis points
- Only new borrowers to benefit as MCLR remains unchanged
- One year MCLR now stands at 8.55%

priced currently stands at 8.55 per cent. According to its website, the interest rate on home loans up to Rs 30 lakh is 8.75-8.90 per cent for women and other borrowers. Similarly, for its Maxgain scheme, the interest rate varies from 8.80-8.95 per cent.

Soon after the announcement of the monetary policy, banking circles had said home and car loan customers can look forward to lower interest rates. It is expected the banks will revise their benchmark rates over the coming weeks that should bring relief to existing borrowers as well.

# GST tweak call to hit affordable housing

R. SURYAMURTHY

**New Delhi:** A high-level ministerial panel's recommendation to cut the GST on under-construction residential properties but, at the same time, do away with input tax credit may increase the price of affordable housing, analysts said.

The group of ministers under Gujarat deputy chief minister Nitin Patel has recommended the reduction in the GST on under-construction residential properties to 5 per cent from 12 per cent and affordable housing to 3 per cent from 8 per cent — but without input credit.

Analysts said the margin in affordable housing was low, and without input credit the builders would pass on the cost to consumers, which would increase the price of the house.

However, the margin per square feet in the non-affordable segment is substantial, and the developer could ab-

## HOME TRUTHS

- Panel proposes lower GST for affordable and non-affordable homes
- However, there will be no input tax credit
- Analysts fear price of affordable homes to rise
- GST Council to decide

sorb some or even the whole of the material and construction costs.

## Cost impact

Abhishek Jain, tax partner, EY said "for real estate properties where the cumulative impact of tax cost on account of denial in credits and 5 per cent output GST rate is lower than the current 12 per cent rate, this rate cut would be quite positive."

"But where the cumulative cost is higher than 12 per cent, this rate reduction could entail an increased cost."

## STOCK CHECK

Sensex intra-day movement



## CURRENCIES

US \$	Rs 71.31
UK Pound	Rs 92.43
Euro	Rs 80.88

## INDICES

BSE		
Sensex	36546.48	-424.61
Midcap	14328.81	-203.18
Smallcap	13656.75	-122.01
NSE		
Nifty	10943.60	-125.80
Next 50	26536.60	-419.55
Nifty 500	9036.90	-108.90

## Most active on NSE

Script	Price*	Traded value#
Tata Motors	150.15	1546.53
Rel Infra	118.60	966.77
IBullHshFin	607.30	887.31
Reliance	1277.80	834.63
Rel Capital	129.80	760.78

## COMMODITIES

Gold (10 gram in Rs)		
Pure	33570	+5
Hallmark	32330	+5
Silver (kg in Rs)		
Bar	40000	-150
Portion	40100	-150
Crude*	3735	+9.00
Copper#	444.90	-1.40

\*per barrel in Rs; # per kg in Rs

## MONEY MARKET

	Yield (%)
Call rate	5.00
91-day T-Bill	6.38
1-year Gilt	6.64
5-year Gilt	7.23
10-year Gilt	7.52

## IN BRIEF

### Airtel Kenya

**NEW DELHI:** Bharti Airtel said on Friday that its subsidiary Airtel Networks Kenya has inked an agreement with Telkom Kenya to combine operations, including mobile, enterprise and carrier services businesses. PTI

### Indiabulls funds

**NEW DELHI:** Indiabulls Housing Finance on Friday said Japan's Softbank is investing Rs 2,800 crore of equity capital in its associate OakNorth, a commercial bank in the UK. PTI

### Britannia move

**NEW DELHI:** Britannia Industries has appointed of Tanya Dubash as an additional director. PTI

### Jet board meet

**NEW DELHI:** The Jet Airways board will meet on February 14 to approve the unaudited financial statements for the third quarter. PTI

## BOTTOM LINERS



"I've been elected three times and accomplished nothing. Obviously, I'm doing something right."

# TaMo scrip skids

OUR SPECIAL CORRESPONDENT

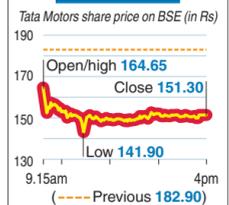
**Mumbai:** The Tata Motors stock on Friday tanked nearly 18 per cent after the company reported a massive quarterly loss of Rs 26,960.8 crore for the December quarter.

The sharp drop in the share price wiped out Rs 9,123.41 crore from its market capitalisation. Tata Motors' valuation now stands at Rs 43,685.59 crore.

On the BSE, the scrip ended sharply lower by 17.28 per cent at Rs 151.30 after cracking 22.41 per cent to Rs 141.90 — its multi-year low — during intra-day trade.

On the NSE, the stock fell 17.88 per cent to Rs 150.15 after crashing to a day's low of Rs 129 — a drop of 29.45 per cent.

## IN SHOCK



The stock was also the biggest percentage loser in the Sensex pack.

On Thursday, Tata Motors had reported a consolidated net loss of Rs 26,960.8 crore for the third quarter ended December 31, 2018, because of a one-time asset impairment in its arm Jaguar Land Rover. This was the third consecu-

tive quarterly loss reported by the company. Analysts had expected the homegrown auto major to report profits for the period. JLR's revenue declined marginally to \$6.2 billion in the quarter.

Analysts remain cautious about the stock. "We await the nature of assets impaired to ascertain the probability of a similar action ahead given the huge capex programme (£12 billion over three years). That said, the management is trying hard to revive the brand by focusing on sustainable profitability for the company and dealers," Edelweiss Securities said in a note.

The brokerage cut its 2019-20 consolidated EBITDA estimate by 8 per cent and revised its target price to Rs 179 from Rs 201.

# Tata Steel net profit rises 54%

OUR BUREAU

**Mumbai:** Tata Steel on Friday reported a 54.33 per cent jump in consolidated net profit to Rs 1,753.07 crore during the quarter ended December 31, 2018, helped by higher income.

The company posted a net profit of Rs 1,135.92-crore for the same quarter a year ago. Total income on a consolidated basis rose to Rs 41,431.37 crore during October-December 2018, from Rs 33,672.48 crore in the year-ago quarter.

Total expenses during the quarter were at Rs 38,362.03 crore against Rs 30,552.03 crore in the corresponding period of the previous fiscal. Tata Steel CEO and managing director T.V. Narendran said: "Tata Steel is committed to growing its India footprint while focusing on benchmark operational performance, superior market presence, strong customer relationships and sustainability."

Despite a sharp drop in international prices, the company was able to maintain overall realisations and increased volumes significantly in India. The integration of Tata Steel BSL continues and the company's 5MTPA (million tonnes per annum) expansion at Tata Steel Kalinganagar is also making good progress.

"We are also looking forward to enhancing our long products and downstream capability through the acquisition of the IMTPA steel business of Usha Martin," Narendran said. The phase II review of the Tata Steel Europe-ThyssenKrupp JV is ongoing and "we are closely working with the European Commission to facilitate the same".

# Ikea in pact for Bengal foray

PINAK GHOSH & SAMBIT SAHA

**Calcutta:** Swedish giant Ikea has inked a memorandum of understanding with the Bengal government as part of its plans to expand in the country.

At the concluding day of the Bengal Global Business Summit, which the government claimed had managed to draw Rs 2,84,288.33-crore investment, the MoU was signed between Ikea India Pvt Ltd and WBIDC.

Ikea officials said Calcutta was a priority market for the furniture retailer and after the MoU, it will evaluate the business and revenue potential, the investment, employment and location.

"Ikea had approached us earlier and now they have decided to come to Bengal. There is scope for thousands of employment in an Ikea store because of complete vertical integration," finance and industries minister Amit Mitra said after the conclusion of the fifth edition of BGBS.

The company, according to Mitra, is eyeing middle-income consumers and is keen on a location where public transport is available.

Ikea had earlier written to Bengal chief minister Mamata Banerjee, informing her of its plans to build 1-2 stores. Each store, spread over 400,000 square feet, will require an investment of Rs 1,000 crore, creating 800 direct and 1,200 indirect jobs.

Given the size of the stores, which will require around an 8-acre plot, and the need for pub-

## Summit closes on a high note



Mamata Banerjee with Amit Mitra at the Bengal Global Business Summit on Friday. Picture by Sanjoy Chattopadhyaya

lic transport, the retailer has to buy land on its own. Asked if the state will facilitate, Mitra said, "There will be nothing outside the rules and regulation. If they want land in our parks, we would give them."

"Calcutta is one of our priority cities when it comes to establishing Ikea stores. We very much look forward to government support to establish the stores, jobs and to put investments," David P.W. McCausland, vice-president (property and expansion), Ikea India Pvt Ltd, said at the summit.

"Bengal is an important market for us and we are in talks with the state government to facilitate our expansion plans. The MoU intends to provide clarity on the working methods and ensure a legally

and ethically-compliant business environment," Ikea India spokesperson said in a statement.

Besides Hyderabad and Navi Mumbai, Ikea has land in Telangana, Maharashtra, Karnataka and Delhi/NCR as part of a plan to build 25 stores in India.

## Investments galore

The two-day flagship business summit of the Bengal government saw a total of 86 MoUs across different sectors, prompting chief minister Banerjee to call it a "fantastic outcome".

During her concluding remark, she said 8-10 lakh jobs will be created when the new proposals fructify. "Our focus is to provide job for everyone. While India lost 2 crore job because of demonetisations and hasty implementation of the GST, Bengal reduced unemployment by 40 per cent," Banerjee said.

She reminded investors that "political stability" was the hallmark of Bengal. "Bengal is the safest and warmest place to invest," she said.

There was a perceptible change in the response of overseas delegates as 16 ambassadors from countries such as Korea, Italy, France, Poland and Japan participated.

Mitra said Amazon, Alstom, Accor, Caggemini, Schneider and P&G were some of the big companies that participated in BGBS. The state published two booklets, giving details of the ready-to-allot plots in industrial parks and clusters in Bengal.

# Car sales on a downhill ride

OUR SPECIAL CORRESPONDENT

**New Delhi:** Passenger vehicle sales in the country declined for the third month in a row in January, falling 1.87 per cent, as manufacturers continued to cut inventory at dealers following tepid festive season sales.

According to data released by the Society of Indian Automobile Manufacturers (SIAM), passenger vehicle (PV) sales in January stood at 2,80,125 units against 2,85,467 units in the same month last year. Domestic car sales were also down for the third consecutive month, declining 2.65 per cent to 1,79,389 units compared with 1,84,264 units in January 2018.

"Stock correction by manufacturers continued in January and they cut inventory that were piled up during the festive period, which saw sluggish sales," SIAM deputy director general Sugato Sen said. Sen, however, said retail sales were

## HITTING A SLOW LANE

Sales in units; change in %		
Jan. 2019	Sales	Change
Maruti	1,01,865	-4.12
Hyundai	35,439	-1.58
Honda	14,383	+51.67
Cars	1,79,389	-2.65
PVs	2,80,125	-1.87

better than the wholesale segment in January, and the industry expects demand to grow in the remaining two months of the fiscal.

Analysts expect sales to get a boost as loans could turn cheaper following the Reserve Bank of India's decision to cut the repo rate by 25 basis points on Thursday.

During the month, market leader

Maruti Suzuki India (MSI) posted a marginal growth of 0.18 per cent in its PV sales at 1,39,440 units. Rival Hyundai Motor India Ltd (HML) also posted a 0.65 growth at 45,803 units. Similarly, homegrown utility vehicles major Mahindra & Mahindra saw a 0.88 per cent rise in its PV sales at 23,864 units last month.

In the car segment, MSI's sales stood at 1,01,865 units, down 4.12 per cent. HML's car sales were also down 1.58 per cent at 35,439 units last month. Honda Cars India, however, saw its car sales grow 51.67 per cent to 14,383 units.

The muted response by consumers has resulted in car makers continuing with discounts to clear their stocks.

"Discounts on cars are quite high this fiscal. It is not a good picture. Inventories are higher and companies want to clear the stock," Nikunj Sanghi, director (international affairs) of the Federation of Automotive Dealers Associations, said.