The Telegraph
BUSINESS

CALCUTTA WEDNESDAY 13 MARCH 2019

XXCE

“We are going to be the first company to have a Make in India, plug-in hybrid

Volvo India MD **Charles Frump**

STOCK CHECK

Sensex intra-day movement

Previous 37054.10

CURRENCIES

US $	Rs 69.70
UK Pound	Rs 90.68
Euro	Rs 78.47

INDICES

BSE		
Sensex	37535.66	+481.56
Midcap	15192.84	+98.18
Smallcap	14920.50	+157.83
NSE		
Nifty	11301.20	+133.15
Next 50	28208.30	+120.75
Nifty 500	9440.85	+95.25

Most active on NSE

Scrip	Price*	Traded value#
Reliance	1330.85	1487.67
ICICI Bank	388.70	1433.64
IndusInd	1563.70	1142.62
BhartiAirtel	350.50	939.34
LT	1389.00	921.02

*In Rs; #In Rs crore

COMMODITIES

Gold (10 gram in Rs)		
Pure	32600	-85
Hallmark	31395	-80
Silver (kg in Rs)		
Bar	38600	+100
Portion	38700	+100
Crude*	3977	+10.00
Copper#	453.85	+3.85

*per barrel in Rs; # per kg in Rs

MONEY MARKET

	Yield (%)
Call rate	4.80
91-day T-Bill	6.41
1-year Gilt	6.56
5-year Gilt	7.02
10-year Gilt	7.51

Factory growth dips

OUR SPECIAL CORRESPONDENT

New Delhi: The growth in the index of industrial production (IIP) fell to 1.7 per cent in January compared with 7.5 per cent a year ago. The growth fell because of a subdued performance by the manufacturing sector, especially capital and consumer goods. The growth was also lower on a sequential basis from 2.4 per cent in December to 1.7 per cent in January, according to CSO data.

Manufacturing output expanded 1.3 per cent on a yearly basis, mining grew 3.9 per cent and electricity generation rose 0.8 per cent in January. Electricity had grown 7.6 per cent in the year-ago period.

Rating agency CARE said lower growth in manufacturing was expected because of a high base effect. Besides, production was less because of a higher stock built-up from the second quarter as demand did not materialise fully in the third quarter.

CARE expects IIP growth for the year “to be around 5 per cent from 4.4 per cent cumulative till January. While base effect will be there, it will diminish in size as companies also expand on production to meet annual targets”.

FALLING GRAPH

IIP growth in %

In January	2018	2019
Manufacturing	8.7	1.3
Mining	0.3	3.9
Capital goods	12.4	-3.2
Consumer durables	7.6	1.8
Non-durables	10.7	3.8
General	**7.5**	**1.7**

Data showed 11 of the 23 industry groups in the manufacturing sector witnessed positive growth, with apparel, food products, and printing performing the best. However, furniture, paper products and fabricated metal products, excluding machines and equipment, declined the most.

Data on use-based classification of goods suggest growth has slowed down in capital goods and intermediate goods. Primary goods output rose 1.4 per cent in January against a 1.2 per cent fall in December. Capital goods output contracted 3.2 per cent in January compared with a 12.4 per cent rise in January 2018.

The production of infrastructure goods rose 7.9 per cent compared with 10.1 per cent in December. The output of intermediate goods contracted 3 per cent in January compared with a 5.4 per cent rise in the year-ago period.

Consumer durables output rose 1.8 per cent compared with a 7.6 per cent rise in January 2018. Non-consumer durables output rose 3.8 per cent compared with a 10.7 per cent expansion a year ago.

IIP growth during the April-January period of the current fiscal stood at 4.4 per cent compared with 4.1 per cent in the same period a year ago.

Economic growth slowed to a five-quarter low of 6.6 per cent in the October-December period. The government estimate for the financial year ending this month has been revised down to a five-year low of 7 per cent from 7.2 percent.

The IIP numbers come ahead of the RBI’s monetary policy statement on April 4 and may increase the clamour for a cut in interest rates to boost economic activity.

India takes a call to ground Boeing Max

OUR SPECIAL CORRESPONDENT

New Delhi: Civil aviation regulator DGCA late on Tuesday night decided to ground all Boeing 737 Max immediately in the country, after several nations across the world had taken such a step for passenger safety following twin crashes in the past few months.

“DGCA has taken the decision to ground the Boeing 737 Max planes immediately. These planes will be grounded till appropriate modifications and safety measures are undertaken to ensure their safe operation,” ministry of civil aviation in a tweet said.

It said “passenger safety remains our top priority. We continue to consult closely with regulators around the world, airlines and aircraft manufacturers to ensure passenger safety”.

On Sunday, a 737 MAX 8 aircraft operated by Ethiopian Airlines crashed near Addis Ababa killing 157 people, including four Indians.

SpiceJet has around 12 such aircraft in its fleet, while Jet Airways has five, which are currently grounded.

While Jet Airways has grounded the model 8 variants, SpiceJet had earlier on Tuesday defended the jets and called them “highly sophisticated”.

Many countries, including South Korea, Singapore and China, have grounded the jets following the second fatal accident of the aircraft in just five months.

In October, a Lion Air plane crashed into the sea off the Indonesian capital of Jakarta 13 minutes after take-off, killing all 189 onboard.

HARD TIMES

Civil aviation minister Suresh Prabhu in a tweet said “directed secretary to hold an emergency meeting with all airlines to prepare contingency plan to avoid inconvenience to passengers. While passenger safety is a zero tolerance issue, efforts are already on to minimise the impact on passenger movement as their convenience is important”.

Additional checks

The DGCA had on Monday ordered additional maintenance checks for the planes but stopped short of ordering their grounding.

It also directed Indian carriers to ensure that pilots have 1,000 hours and co-pilots 500 hours of flying experience on the 737 MAX 8.

SpiceJet said it had implemented the additional “precautionary measures” and was “actively engaged” with Boeing and the Indian Directorate General of Civil Aviation.

Mahindra CIE buys Aurangabad Electricals

OUR SPECIAL CORRESPONDENT

Mumbai: Auto component firm Mahindra CIE Automotive (MCIE) is acquiring Aurangabad Electricals Ltd (AEL) for an enterprise valuation of Rs 875.6 crore.

Founded in 1985, AEL is a manufacturer of automotive aluminum die casting products and has five manufacturing facilities in India across Aurangabad, Pune and Pantnagar.

Promoted by the Bagla group, it has more than 3,300 employees and had posted a turnover of Rs 651 crore in 2017-18. The company is a supplier to a number of domestic and global two-wheeler and passenger car OEMs.

A statement from MCIE on Tuesday said its board has resolved to acquire the business of AEL through the acquisition of 100 per cent equity shares for an enterprise value of Rs 875.6 crore in an all-cash deal, which includes a future deferred payment estimated up to Rs 62.2 crore.

The acquisition is proposed to be completed on or before April 10, it added. While the management team of AEL will be fully retained, the acquisition will be funded from cash in MCIE’s books.

“This acquisition allows MCIE to enter the aluminum die casting technology,” MCIE chief executive officer Ander Arenaza said.

He added AEL’s complementary product and customer mix led to further diversification of the business portfolio of MCIE India and that its presence in the two-wheeler space will be strengthened further.

MCIE is part of Spanish group CIE Automotive. While CIE through its subsidiaries holds a 56.28 per cent stake in the firm, the Mahindra group owns around 11.5 per cent.

Its key products are in technologies such as forgings, stampings, gears, magnetic products and composites. The company’s key customers in India are those in passenger cars, utility vehicles, light commercial vehicles, two-wheelers and tractors.

“We are convinced that the partnership with MCIE and CIE will give the company a great boost and allow AEL to benefit from global best practices in aluminum die casting,” AEL chairman and managing director Rishi Bagla said.

Shares of Mahindra CIE on Tuesday settled with gains of 0.25 per cent at Rs 240 on the BSE.

Price pinch in February

OUR SPECIAL CORRESPONDENT

New Delhi: Retail inflation rose to a four-month high of 2.57 per cent in February, driven by higher food prices, but remained lower than the RBI’s expectations, giving hope the central bank could cut the key interest rate in its policy review next month.

Retail inflation based on Consumer Price Index (CPI) stood at 1.97 per cent in January and 4.44 per cent in February 2018. Food inflation based on CPI, however, was in negative at 0.66 per cent. The Reserve Bank factors in retail inflation while deciding on its monetary policy.

“With inflation remaining below the RBI target, inflationary expectations declining and growth profile weakening, the RBI may front load monetary easing in the beginning of 2019-20,” said Devendra Pant, chief economist of India Rating.

INFLATION WATCH

Retail inflation in %

In 2019	Jan	Feb
Vegetables	-13.3	-7.69
Fruits	-4.18	-4.62
Fuel/power	2.20	1.24
Food index	-2.17	-0.66
General	**2.05**	**2.57**

Economists said inflation remained subdued because of high unemployment and decline in rural incomes following a fall in food prices.

The unemployment rate rose to 7.2 per cent in February, the highest since September 2016, and up from 5.9 per cent in February 2018, according to data compiled by the Centre for Monitoring Indian Economy.

Data showed food inflation stood at -0.66 per cent in February compared with -2.17 per cent in January, fuel and light inflation stood at 1.24 per cent in February compared with 2.2 per cent in January.

Housing inflation stood at 5.10 per cent compared with 5.2 per cent in January. Clothing and footwear inflation was at 2.73 per cent against 2.95 per cent in January.

Inflation in the households goods and services segment was 6.29 per cent against 6.45 per cent in January. Inflation in the transport and communication segment came in at 3.08 per cent compared with 3.44 per cent in January.

Rating agency CARE said it expected CPI inflation “to move towards 3 per cent by March”.

IN BRIEF

Beneficial ownership

NEW DELHI: Sebi has revised the disclosure requirements for significant beneficial ownership for various listed entities. A revised format for reporting companies to disclose details such as name, PAN and nationality of the significant beneficial owner as well as registered owner, among others, would be put in place. PTI

GST return forms

NEW DELHI: The GST Network on Tuesday said businesses registered under the GST can now compare the tax liability declared as well as input tax credit claimed in their final and summary sales returns forms. PTI

Maserati launch

NEW DELHI: Italian car maker Maserati has launched the latest edition of Quattroporte in India with prices starting at Rs 1.74 crore. PTI

Adidas move

NEW DELHI: Adidas has elevated its India head Dave Thomas as the managing director for emerging markets. PTI

BOTTOM LINERS

Court denies interim relief to Kotak Bank

OUR BUREAU

Mumbai: The Bombay high court on Tuesday declined to give any interim relief to Kotak Mahindra Bank in its dispute with the Reserve Bank of India (RBI) over the latter’s direction to pare promoter’s holding in the private sector lender.

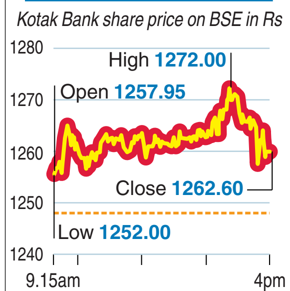
The court turned down the bank's plea for an interim protection from regulatory action and posted the matter for further hearing to April 1.

The petition came up for hearing before a division bench of justices A.S. Oka and M.S. Sanklecha. Senior counsel Harish Salve, appearing for the bank, proposed capping the voting rights of the promoters at 20 per cent.

“We need interim protection. The RBI’s concern is with regard to concentration of control of power. We will give assurance that till May 2020 promoters shall not vote in excess of 20 per cent,” Salve told the court. The court, however, felt that “It cannot be that simple”.

STOCK IMPACT

Kotak Bank share price on BSE in Rs



Salve said the RBI cannot force the bank’s promoters to sell their shares. The court then adjourned the matter to April 1.

The bank had moved the court on December 10, 2018, challenging an RBI directive of August 13, 2018, which had directed it to dilute the promoter’s shareholding from around 30 per cent to a maximum of 20 per cent of its paid-up voting equity capital by December 31, 2018 and to 15 per cent by March 31, 2020.

This is the second time the bank has failed to get any interim relief from the court.

On the first day of the hearing on December 10, 2018, the court had rejected a request for a stay on the December 31 deadline.

The bank board had in August 2018 approved the allotment of 100,00,00,000 perpetual non-cumulative preference shares (PNCPS) to eligible investors aggregating to Rs 500 crore to comply with the RBI directive to bring down the stake.

Following the issue, the paid-up capital of the bank increased to Rs 1,453.16 crore from Rs 953.16 crore and promoter holding reduced to 19.70 per cent from about 30 per cent. However, this did not find the approval of the RBI.

The bank then took the regulator to the court.

Sensex up 481 points

OUR SPECIAL CORRESPONDENT

Mumbai: The stock markets continued to remain in high spirits on Tuesday as the Sensex gained more than 481 points to 37535.66 on the back of foreign funds raising their exposures to Indian stocks in the hope of the current government coming back to power after the national elections.

The 30-share Sensex rose almost 533 points to a high of 37586.63 before shaving its gains and ending the day with a gain of 1.30 per cent to close at 37535.66. In two days this week, the Sensex has gained more than 850 points.

On the NSE, the broader Nifty reclaimed the psychological 11300-level and closed with gains of 133.15 points, or 1.19 per cent, at 11301.20.

The Sensex in March has risen over 1668 points, while the Nifty has gained 508 points. Foreign portfolio investors have made net stock purchases of over Rs 23,000 crore this year. Provisional data from the NSE showed their net purchases were Rs 2,478 crore on Tuesday.

Market circles said with global central banks loosening their purse strings, the inflows are expected to remain robust. Moreover, optimism is high among domestic investors about the current NDA government returning back to power with stable numbers, particularly after the Balakot air strikes.

In the Sensex pack, Bharti Airtel was the top performer, with gains of 4.61 per cent. The shares of Reliance Industries touched a record high of Rs 1,333 in intra-day trade on the BSE. Banking counters also gained as investors expect their NPA problem to bottom out.

Seal on Airtel tower deal

OUR SPECIAL CORRESPONDENT

Mumbai: Shareholders of Bharti Airtel have approved the company’s proposal to transfer a part of its stake in Bharti Infratel to Nettle Infrastructure Investments (Nettle).

In December last year, the board of the telecom company in a bid to explore a potential monetisation of its stake in tower firm Bharti Infratel had approved the transfer of up to 5.92 crore equity shares (32 per cent) to its wholly-owned subsidiary Nettle.

Following the transfer, the shareholding of Bharti Airtel would come down to 18.33 per cent, while Nettle will hold 35.18 per cent.

Bharti Airtel had sought the approval of its shareholders through a postal ballot for the proposal. The company informed the bourses that 99.73 per cent votes were polled in favour of the proposal.

The development led to shares of Airtel firming up by over 5 per cent on the bourses on Tuesday. In fact, the scrip led the gainers list on the 30-share BSE Sensex. It settled at Rs 350.80 — a gain of Rs 17.10 over the previous close.

Policy prop fails to check oil imports

R. SURYAMURTHY

New Delhi: Domestic oil and gas output has fallen in the last four years and imports have increased even as the government changed the rules for exploration to attract investments.

Crude oil production has declined 4.7 per cent and natural gas by 2.9 per cent since 2014-15, while consumption increased at a healthy annual rate.

Government data showed crude oil production to have fallen to 35 million tonnes (mt) in 2017-18 from 37mt in 214-15. Gas output dropped to 32,649 million metric standard cubic meters (mmscm) from 33,657mmscm during the same period.

The decline in output has come despite the government coming out with changed exploration norms. Prime Minister Narendra Modi had spelled out the need to reduce import dependence of oil by 10 per cent by 2022.

However, data show the dependence on imports has only risen. Imports make up 82.9 per cent of total consumption in 2017-18 from 78.3 per cent 2014-15.

CRUDE COUNT

- Crude oil production fell to 35mt in 2017-18 from 37mt in 2014-15
- Gas output dropped to 32,649 mmscm from 33,657 mmscm
- Imports made up 82.9% of total consumption in 2017-18 against 78.3% in 2014-15

The oil ministry has estimated crude oil production would increase to 38mt by 2021-22 and gas production to 71.9mmscm by 2021-22 because of various policy measures to attract investment in the country’s sedimentary basins.

Demand surge

According to the International Energy Agency (IEA), oil demand is expected to grow 7.1 million barrels per day in 2024, with India and China accounting for 44 per cent of the rise in demand. By 2024, India’s oil demand growth will also match that of China.

The forecast seems to indicate the call to reduce import dependence by 10 per cent will remain a mirage given the increasing demand and lower domestic output.

The government has awarded 311 exploration blocks through a nomination basis and bidding. But only 178 blocks are under production.

According to the petroleum ministry, after the ninth round of bidding under the New Exploration and Licensing Policy (NELP), 117 companies are operating in India, of which 48 are foreign players. The government has taken several policy measures to ramp up domestic production with reforms such as Hydrocarbon Exploration Licensing Policy, or HELP.

It has also streamlined operations under NELP, though the results are yet to show on the ground.

It has approved a plan to incentivise contractors to go into unexplored areas by exempting them from sharing revenue with the government, unless windfall gains are made.

Car trio form one board

Yokohama: Car makers Renault, Nissan and Mitsubishi Motors announced the creation of a joint board on Tuesday, as they seek to plot a future for their alliance after the downfall of former boss Carlos Ghosn.

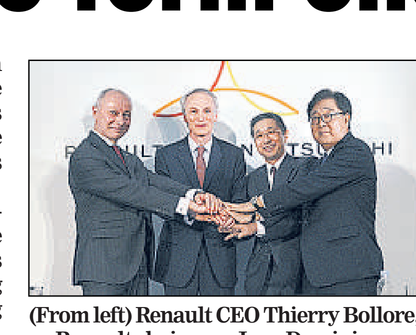
The new board structure will be headed by Renault chairman Jean-Dominique Senard and replaces two previous bodies based in the Netherlands — one joining Renault and Nissan, the other combining Nissan and Mitsubishi Motors.

“We have decided to join our forces again, to enhance the strength of our collaboration,” Senard told reporters.

This is a “new start” for the alliance, Senard said.

Ghosn, recently released on bail in Japan ahead of a trial over alleged financial misconduct, is widely credited with creating the three-way alliance, which now outsells all other rival groups.

As boss of Renault, he took what many observers at the time thought was a gamble by saving Nissan from the brink of bankruptcy and tying it to the French firm.



(From left) Renault CEO Thierry Bollore, Renault chairman Jean-Dominique Senard, Nissan CEO Hiroto Saikawa and Mitsubishi Motors CEO Osamu Masuko in Yokohama on Tuesday. AP

In a complicated management structure, Renault — itself 15 per cent held by the French state — owns a 43 per cent stake in Nissan.

However, the Japanese firm has outperformed Renault recently and it is thought that many Nissan executives were unhappy with the French company’s dominance within the alliance.

In an interview with AFP in January from inside his Tokyo detention centre, Ghosn himself said his arrest was a “story of betrayal” based on resentment in the Japanese auto maker.

His downfall was plotted due to “opposition and anxiety” over the plan to bring Nissan and Renault closer together, Ghosn alleged. The 65-year-old tycoon wanted to attend Tuesday’s board meeting in Tokyo but was barred by the court.

Although he was almost immediately fired as the head of the company when the allegations surfaced, he is still a board member until April 8, when an extraordinary meeting of shareholders is likely to remove him. AFP