The Telegraph
# BUSINESS
CALCUTTA THURSDAY 15 AUGUST 2019 XXCE

“We expect export growth to be in double digits”

Commerce secretary **Anup Wadhawan**

## STOCK CHECK

**Sensex** intra-day movement


**Previous** 36958.16

## CURRENCIES

| | |
|---|---|
| US $ | Rs 71.27 |
| UK Pound | Rs 86.14 |
| Euro | Rs 79.67 |

## INDICES

| | | |
|---|---|---|
| **BSE** | | |
| Sensex | 37311.53 | +353.37 |
| Midcap | 13477.05 | +114.15 |
| Smallcap | 12570.17 | +50.74 |
| **NSE** | | |
| Nifty | 11029.40 | +103.55 |
| Next 50 | 25914.00 | +277.90 |
| Nifty 500 | 8971.10 | +81.00 |

**Most active on NSE**

| Scrip | Price* | Traded value# |
|---|---|---|
| Reliance | 1288.00 | 1871.91 |
| IBulHsgFin | 544.65 | 1804.29 |
| Yes Bank | 76.60 | 1307.01 |
| BajFinance | 3288.30 | 912.02 |
| HDFC Bank | 2227.90 | 792.29 |

*In Rs; #In Rs crore

## COMMODITIES

| | | |
|---|---|---|
| **Gold** (10 gram in Rs) | | |
| Pure | 38135 | -295 |
| Hallmark | 36725 | -280 |
| **Silver** (kg in Rs) | | |
| Bar | 43900 | -700 |
| Portion | 44000 | -700 |
| **Crude*** | 3981 | -56 |
| **Copper#** | 448.50 | -1.85 |

*per barrel in Rs; # per kg in Rs

## MONEY MARKET

| | Yield (%) |
|---|---|
| **Call rate** | 4.10 |
| **91-day T-Bill** | 5.48 |
| **1-year Gilt** | 5.90 |
| **5-year Gilt** | 6.48 |
| **10-year Gilt** | 6.62 |

## IN BRIEF

### June WPI slows

■ **NEW DELHI:** The wholesale price-based inflation dipped to a 25-month low of 1.08 per cent in July as the economic slowdown deepened, especially in the manufacturing sector. Manufacturing inflation rose just 0.34 per cent in July compared with 0.94 per cent in June and 4.53 per cent in July 2018. As a result, headline WPI inflation weakened more than expected from 2.02 per cent in June.

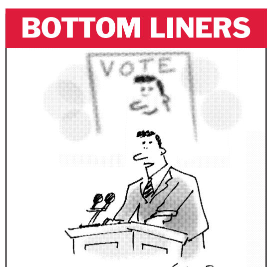
### Indiabulls rating

■ **NEW DELHI:** Moody's Investors Service on Wednesday downgraded Indiabulls Housing Finance Ltd's long-term corporate family rating to Ba2 from Ba1, citing renewed pressure on the cost and availability of funds. PTI

### SBI cards

■ **NEW DELHI:** The State Bank of India (SBI) on Wednesday said it was planning to dilute stake in its card business through the initial public offer route. PTI

## BOTTOM LINERS




“I really like being on television, so I've decided to run for president.”

# Trump ire at ‘grown-up’ India, China

**Washington:** US President Donald Trump has said that India and China were no longer “developing nations” and were “taking advantage” of the tag from the WTO and asserted that he will not let it happen anymore.

He said the WTO views certain countries such as China and India as “they're growing”. “Well, they've grown,” he said and warned that the US will not let such countries to take advantage of the WTO.

“We're not letting that happen anymore... Everybody is growing but us,” he said.

Addressing a gathering at Pennsylvania on Tuesday, Trump said India and China — the two economic giants from Asia — are no longer developing nations and as such they cannot take the benefit from the WTO. However, they are taking the advantage of a developing nation tag from the WTO, putting the US to disadvantage, he said.

Trump, championing his “America First” policy, has been a vocal critic of India for levying “tremendously high” duties on US products and has described the country as a “tariff king”.

The US and China are engaged in a bruising trade war after Trump imposed punitive tariffs on Chinese goods and Beijing retaliated.

Earlier in July, Trump asked the World Trade Organisation to define how it designates developing-country status, a move apparently aimed at singling out countries such as China, Turkey and India.

In a memorandum, Trump had empowered the US Trade Representative to start taking punitive actions if any advanced economies are inappropriately taking benefits of the WTO loopholes.

The Geneva-based WTO is an intergovernmental organisation that regulates international trade between nations.

### Trade deficit

India's trade deficit narrowed to a four-month low of $13.43 billion as imports contracted by 10.43 per cent to $39.76 billion because of sluggish oil imports. Exports, however, rose 2.25 per cent to $26.33 billion in July recovering from the contraction in June. PTI

# Phased transfer of RBI surplus

OUR SPECIAL CORRESPONDENT

**New Delhi:** The surplus reserves of the Reserve Bank of India (RBI) will be transferred in tranches to the government over a period of three to five years, according to a report by the Bimal Jalan Committee on the central bank's economic capital framework.

The panel was constituted to assess the optimum size of capital reserves the central bank should hold.

The panel, which met on Wednesday, has almost finalised the report, which would be submitted soon to RBI governor Shaktikanta Das, officials said.

“Recommendations such as phased transfer of RBI reserves to the government in three-five years stay,” the official said.

“We have discussed everything. We will now come out with the final report,” the official said. The panel, headed by former RBI governor Bimal Jalan, will not meet again.

“It would be difficult to tell what is the exact amount of transfer or the calculation. Transfer would be in a phased manner as is the practice,” the official said.

Besides the surplus capital transfer, the government is expecting Rs 90,000 crore dividend from the RBI in the current financial year against Rs 68,000 crore received last fiscal.

The panel's term was extended after the transfer of former economic affairs secretary Subhash Chandra Garg to the power ministry. The transfer took place when the panel was making final changes to the report. The vacancy was filled by newly appointed finance secretary Rajiv Kumar.

Garg had submitted a dissent note. He was believed to have favoured a one-time transfer of surplus reserves instead of a staggered one. “I don't want to speak on that. He's no longer there,” the official said, on being asked if Garg's dissent note would be carried in the final report.

The views of the new finance secretary will be included in the report, the official said.

The six-member panel was appointed on December 26, 2018 to review the economic capital framework for the RBI after the finance ministry wanted the central bank to follow global best practices and transfer more surplus to the government.

While finance ministry officials had estimated RBI's surplus to be Rs 3.6 lakh crore, the Centre for Advanced Financial Research and Learning, a Mumbai-based think-tank, had said the central bank had insufficient capital.

The study, which covered the balance sheets of 45 central banks, found the global average capital to asset ratio — net of revaluation capital — was 6.56 per cent. The level for those in emerging economies was 6.96 per cent, with the RBI's standing at 6.6 per cent.

“The main takeaway from the above comparisons is that the RBI is not over-capitalised relative to overall international standards. In fact, it is marginally undercapitalised,” the authors, led by Amartya Lahiri, the think-tank director and a professor at the University of British Columbia, wrote in their paper after discussions with RBI deputy governor Viral Acharya and former chief Raghuram Rajan.

RBI's annual report for 2017-18 shows its contingency funds and revaluation reserves at Rs 2.32 lakh crore and Rs 6.92 lakh crore, respectively. Revaluation reserves have more than tripled to Rs 6.92 lakh crore in 2017-18 from Rs 1.99 lakh crore in 2008-09.

## RESERVES WATCH

■ RBI's surplus reserves to be transferred in tranches over three to five years

■ Jalan panel has finalised report. Will not meet again

■ Report to be submitted to RBI governor Shaktikanta Das


The Centre is expecting Rs 90,000 crore dividend from the RBI this financial year against Rs 68,000 crore received last fiscal

# Coffee Day sells tech park to Blackstone

OUR SPECIAL CORRESPONDENT

**Mumbai:** Coffee Day Enterprises has sold its Global Village Tech Park in Bangalore to Blackstone for up to Rs 3,000 crore to cut its debt.

The announcement on Wednesday comes weeks after Coffee Day Enterprises founder V.G. Siddhartha allegedly committed suicide. In a letter purportedly written by him, Siddhartha had mentioned the severe financial stress his group firms were facing.

In his letter, Siddhartha had mentioned a list of assets and the “tentative” value of each of them.

The company had set up Tanglin, a wholly owned subsidiary, for the development of technology parks and special economic zones.

According to the company's website, Global Village (held by Tanglin) is a 114-acre IT focused SEZ in Bangalore.

“The board of directors of the company ... discussed methods of deleveraging the group... the board discussed and approved the divestment of Global Village Tech Park in favour of Blackstone,” the company said in a filing to the bourses on Wednesday.

Coffee Day said the deal was valued at Rs 2,600-3,000 crore and it has entered into a non-binding letter of intent. The closure of the transaction is subject to the completion of Blackstone's due diligence, documentation and the receipt of regulatory approvals, which are expected in the next 30-45 days.

The board also gave in-principal approval to the sale of Coffee Day's stepdown subsidiary AlphaGrep Securities to Illuminati Software for Rs 28 crore.

“The transactions will significantly help in deleveraging the Coffee Day Group, and ensure smooth operations while safeguarding the interests of all stakeholders, including investors, lenders, employees and customers,” Coffee Day Enterprises said.

The company has an estimated debt of Rs 6,500 crore.

The announcement, however, failed to lift the Coffee Day stock, which ended lower by 5 per cent. On the BSE, the stock settled at Rs 66.25 — a drop of 3.45, or 4.95 per cent, over the last close.

Siddhartha, whose body was recovered from a river near Mangalore last month after he went missing, had mentioned “serious liquidity crunch” and “tremendous pressure” from lenders and an unnamed private equity investor.

In his letter, Siddhartha had said the Café Coffee Day brand, which has 1,600 stores and 54,000 vending machines and more than 500 express stores, is valued at 3-4 times its revenue.

Late last month, the company named independent director S.V. Ranganath as interim chairman in place of Siddhartha.

## Rs 3000CR DEAL

■ On the block: Global Village Tech Park in Bangalore. A 114-acre IT focused SEZ

■ Sold to: Blackstone

■ In-principle approval for divestment in AlphaGrep Securities to Illuminati Software for Rs 28 crore

# Trade tiff thaw lifts markets

OUR SPECIAL CORRESPONDENT

**Mumbai:** The US decision to delay tariffs on some Chinese goods brought some relief to the markets and the battered rupee on Wednesday, while the prices of gold that had touched record levels recently softened.

The 30-share BSE Sensex ended with gains of 353.37 points, or 0.96 per cent higher than the previous close. The rally in stocks saw the rupee recovering from a six-month low, gaining 13 paise against the greenback at 71.27.

Both the stocks and rupee have been hit by multiple headwinds that include a slowdown in the domestic and global economy, the trade war between the US and China and the budget announcement of a higher surcharge on certain foreign portfolio investors.

The pressure has been mounting on the central government to come out with stimulus measures to lift the economy and improve investor sentiment by doing away with measures such as the long-term capital gains tax or the higher surcharge on FPIs. On Tuesday, data showed automobile sales have hit a 19-year low.

However, there was good news for investors on Wednesday after the US decision on Chinese electronic goods saw Asian markets remaining in the green.

The BSE Sensex, which opened higher at 37233.50 on positive global cues, hit a day's high of 37473.61 — a rise of 515 points. It gave up some of the gains to close at 37311.53, a gain of 353.37 points. Provisional data from the NSE showed FPIs were net sellers worth Rs 1,615 crore.

### Rupee bounces back

The gains in the stock markets had its rub-off on the rupee, which has been Asia's worst performing currency this month.

At the inter-bank forex markets, the domestic unit gained 13 paise to close at 71.27 against the dollar.

On Tuesday, the rupee had plunged 62 paise to a nearly six-month low of 71.40 on global market turmoil and the Argentine currency crash.

### Gold softens

Gold prices fell Rs 425 to Rs 37,945 per 10 gram in the national capital because of lacklustre demand from jewellers.

Prices of the yellow metal have been rising amid the global economic slowdown and the tariff war between the US and China even as central banks have ramped up their purchases of the precious metal.

## MOOD UPBEAT

Top five Sensex gainers
(Close in Rs, gain in %)

| Scrip | Close | Gain |
|---|---|---|
| Vedanta | 146.55 | 4.87 |
| Tata Steel | 364.45 | 4.61 |
| Yes Bank | 76.55 | 4.01 |
| TechM | 658.95 | 3.12 |
| HeroMoto | 2634.95 | 2.73 |

# CESC profit up 7.4%

OUR BUREAU

**Calcutta:** CESC, part of the RP Sanjiv Goenka group, on Wednesday said its consolidated net profit for the June quarter of 2019 rose 7.4 per cent to Rs 231 crore compared with Rs 215 crore a year ago.

CESC's total income during the quarter was Rs 3,257 crore against Rs 3,007 crore in the corresponding previous period. On a standalone basis, the net profit of CESC was Rs 217 crore compared with Rs 184 crore in the corresponding previous quarter.

### WBPDSL rating

Non-revision of power tariff by state utility West Bengal State Electricity Distribution Company Limited (WBSEDCL) had its ripple effect on state power generating company WBPDCL, which was downgraded in its “rating outlook”.

India Ratings (Ind-Ra) has revised the outlook on the West Bengal Power Development Corporation Limited (WBPDCL) to “negative” from “stable”, while affirming its long-term issuer rating at IND BBB. “The negative outlook reflects an increase in WBPDCLs receivables to Rs 35.6 billion in the first quarter of 2019-20 (Rs 28.9 billion for 2018-19, Rs 23.3 billion 2017-18), leading to the tightening of liquidity,” Ind-Ra said in its rating note.

“The increase in receivables was attributed to delays in payment from its sole offtaker West Bengal State Electricity Distribution Company Limited (WBSEDCL),” it said.

# US funds prop for Edelweiss

OUR SPECIAL CORRESPONDENT

**Mumbai:** US-based investment firm Kora Management is investing Rs 850 crore ($125 million) in the Edelweiss group.

Kora, which focuses on the financial and technology sectors across emerging markets and is an existing investor in Edelweiss, will put Rs 525 crore, or $75 million, in the advisory business, Edelweiss Global Investment Advisors (EGIA).

EGIA includes the businesses of asset reconstruction, wealth and asset management and institutional client group, which together contributes to nearly 50 per cent of the group's profit.

Kora also plans to make another investment of $50 million (Rs 350 crore) in Edelweiss, the timing and structuring of which is being finalised.

“Our customers will benefit immensely from Kora's acumen in technology and financial services across emerging markets, and their investment will help us scale our businesses in a competitive market environment,” Rashesh Shah, chairman and chief executive officer of the Edelweiss group, said.

The Edelweiss group is also in talks with investors to join the first round of external investment in EGIA, which will be limited to $200 million (Rs 1,400 crore).

Kora's founder and chief investment officer Nitin Saigal said, “Over the years, the group has built a diversified financial services franchise in India. Today, EGIA is well-positioned in asset and wealth management and distressed debt, two exciting subsegments in Indian financial services.”

### HDFC Life

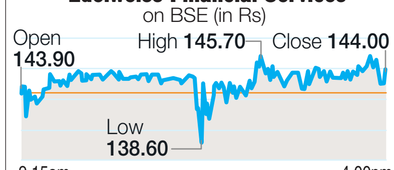
Standard Life, the foreign partner in HDFC Life Insurance Company Ltd, on Wednesday sold a 3.3 per cent stake in the insurer for Rs 3,220 crore. Standard Life Mauritius Holdings held 23.02 per cent stake in HDFC Life as on June 30, 2019, while HDFC had 51.48 per cent stake in the company.

### Yes Bank QIP

Yes Bank on Wednesday said it has raised Rs 1,930.46 crore through a qualified institutional placement (QIP) to fund its business expansion. The QIP opened on August 9 and closed on Wednesday, the bank said in a regulatory filing.

## STREET MOOD

**Edelweiss Financial Services**
on BSE (in Rs)




# Inverted US yield curve signals slump

**London:** The US Treasury bond yield curve inverted on Wednesday for the first time since 2007, in a sign of investor concern that the world's biggest economy could be heading for recession.

The inversion — a situation where shorter-dated borrowing costs are higher than longer ones — saw US 2-year note yields rise above the 10-year bond yield.

The curve inverted to as much as minus 1.7 basis points by 10:45 GMT. However, the trend got reversed later in the day. At 17:30 GMT, the 10-year bond was ruling at 1.59 per cent against 1.58 per cent for the 2-year paper.

Wall Street main indexes slid more than 2 per cent on Wednesday on the inversion.

Such an inversion, considered a classic recession signal, occurred last in June 2007 when the US sub-prime mortgage crisis was gathering pace. The US curve has inverted before every recession in the past 50 years, offering a false signal just once.

“Historically the US curve was always thought of as a recession signal and it remains to see if that's still the case. The world certainly seems a less safe place,” said Tim Graf, chief macro strategist at State Street Global Advisors.

Weak economic data and inflation, global trade tensions and risks such as the consequences of Brexit have driven concern about world growth, fuelling market expectations of central bank rate cuts and sparking hefty falls in government bond yields.

The US 30-year Treasury yield tumbled to a record low of 2.05 per cent on Wednesday. In Germany, the 10-year bond yield fell to a record low of -0.64 per cent after data showed the euro zone's powerhouse economy shrank in the second quarter.

“The yield curve inversion is a bad omen for the economy,” said Arne Petimezas, an analyst at AFS in Amsterdam.

### Prediction power

Elsewhere, yield curves have been less accurate in predicting downturns but Germany's was at its flattest since 2008.

Britain's bond yield curve also inverted on Wednesday for the first time since the global financial crisis. In March, the inversion of the US yield curve hit 3-month T-bills for the first time in about 12 years when the yield on 10-year notes dropped below those for 3-month securities.

That metric reverted back and then inverted again in May. Over that period, the 2-/10-year curve did not invert.

Some have cast doubt on how accurate the yield curve remains as a recession predictor after a decade of multi-trillion dollar central bank money-printing stimulus. Reuters

## FEAR FACTOR

■ Yield on US 2-year treasury bonds was more than than 10-year bonds

■ Such inversion happened first time after 2007

■ In last 50 years, except once, the inversion has preceded recession

■ Trade wars, Brexit consequence cause for worry

# Slowdown shoves EIH in the red

A STAFF REPORTER

**Calcutta:** Hospitality major EIH, of the Oberoi group, has reported losses in the first quarter of the current fiscal (April-June), on account of the slowdown.

EIH Ltd posted a standalone loss of Rs 7.10 crore in the first quarter against a profit of Rs 10.19 crore in the corresponding quarter of the previous year.

Revenue from operations during the quarter stood at Rs 289.63 crore compared with Rs 334.96 crore in the corresponding period a year ago.

“The drop in revenue and profitability in the first quarter of the current year is attributable to a general slowdown in business activity, decline in air travel and a reduction in the airline catering business,” said Vikram Oberoi, managing director and CEO of EIH Limited, who read out a statement on behalf of executive chairman P.R.S. Oberoi, who was not present at the company's annual general meeting on Wednesday.

Oberoi said the hospitality industry, especially the premium segment, was adversely affected by the high GST rate of 28 per cent on published tariffs of Rs 7,500 and above.

For EIH, which operates the Oberoi and Trident brands, the average room rent is under Rs 11,250, while occupancy is around 70 per cent.

“Much lower rates of 6-10 per cent in Asian countries, such as China, Thailand and Malaysia, attract leisure travellers away from India. With leisure spending accounting for 95 per cent of the total travel and tourism spending, it is not something we should take lightly,” Oberoi said.

He said he hoped the government would lower the GST rates to 12 per cent.

The company has seen its debt equity ratio rise to 0.17:1 in 2018-19 from 0.08:1 in 2014-15. However, Oberoi said he expected the debt-equity ratio to improve in the future.

### Nita Ambani at AGM

Reliance Industries non-executive director Nita Ambani was present at the AGM as a director of EIH.

Reliance holds about 18.5 per cent stake in EIH Ltd and there is speculation that the company may hike its shareholding.

Ambani did not take any question after the AGM to clear the air.

**(From left) Vikram Oberoi with EIH executive vice-chairman S.S. Mukherji, non-executive director Nita Ambani and Arjun Oberoi, managing director, development, in Calcutta on Wednesday.**