

METAL & ENERGY Trade with Trust

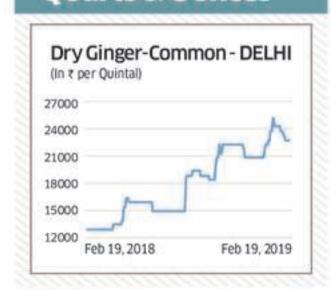
Tweet of the Day

Jim Rickards

@JamesGRickards

In 2010, central banks flipped from net sellers to net buyers of gold. In 2018, gold purchases by central banks were the highest since Nixon closed the gold window in 1971. The Fed pretends gold is a mere "tradition". The numbers say otherwise. It's money.

Quarts & Ounces



ndex COMMODITIES

(2003=1000)Bullion CHANGE DAYS INDEX 4956.4

PREV DAYS

2011.2

LAST WEEK

4824.7

LAST WEEK

2011.2

1633.4

2308.8

Cement DAYS INDEX 2011.2

5003.4

Edible Oi CHANGE DAYS INDEX 1629.9 1629.2

Foodgrains CHANGE -0.3 2312.9

PREV DAYS 2313.2

Did You Know? A Summer of Storms and Smog Is Coming



Air pollution is the 6th biggest killer worldwide, more than alcohol use, kidney failure or too much salt.

The cause is the burning of fossil fuels, which generates soot and other airborne particles that hang in the atmosphere. In a new example of the vicious cycles spun up by climate change, research from the MIT suggests that pollution is lingering longer over cities and summer storms are becoming more powerful. When it comes to the global warming crisis, rising seas, catastrophic flooding, devastating heatwaves and unprecedented hurricanes get all the press. You can connect observations that people are making about weather phenomena to changes in the mean state of the climate, said author Charles Gertler. – Bloomberg

SIGNS OF INCREASED ACTIVITY MCX gold futures' open interest hits a five-and-a-half year high

RBI Rule Pushes up Gold Hedging on Commexes



WHAT THE RBI MEANT

Blg. listed gold jewellers and refiners, and copper smelt ers, who derive gold as a byproduct of copper concentrate refining, would perforce have to hedge gold price risk on domestic commodity bourses against doing so on the Comex one of the four exchanges that make up the CME group

took effect on April 1, 2018, meantthat big, listed gold jewellers and refiners and copper smelters, who derive gold as a by-product of copper concentraterefining, would perforce

have to hedge gold price risk

on domestic commodity bourses against doing so on the Comex, one of the four exchanges that make up the CME group. Market participants said the idea behind ex-

cluding gold from the eligible

Idea behind excluding gold

accounted for around 13% of the

from the eligible list was to re-

Gold futures contracts

25,395 crore average daily

turnover of MCX in the fiscal

yearthrough February 2018.

duceforex outflow

copper refiners have begun to hedge their bullion output on its platform. For instance, one of the smelters hedges its total bullion output on the bourse. Also, with the introduction of GST on July 1, 2017, small jewellers have begun to hedge their raw material price risk on MCX, brokers said. "The RBI circular has meant that smelters, listedjewellers and biggold refiners now have to hedge their bullion exposure on domestic exchanges, which, in turn, deepens the market," said Kishore Narne, associate di-

rector at Motilal Oswal

list was to reduce forex out-

flow. The plus for MCX is that

Financial Services, "Earlier, these constituents hedged their exposure on CME group."

Gold futures contracts accounted for around 13% of the ₹25,395 crore averagedaily turnover of MCX in the fiscal vear through February 2018. Gnanasekar Thiagarajan,

director, Commtrendz, said domestic hedging activity on gold had picked up post RBI's circular. He said in a volatile gold price environment. hedging was imperative. Hedging is a practice of a genuine commodity user taking exposure to a futures or forward contract to offset its pricerisk.

Ahmedabad Civic Body to Raise \$200m via Dollar Bond Sale

This will be the first offshore bond sale by any state level entity

Saikat.Das1@timesgroup.com

Ahmedabad: Ahmedabad Municipal Corporation (AMC) will in property taxes in 2018 combe the first municipal body in In- pared with 2017, though the local diatoraise \$200-million via dollar authorities have not raised tax bond sale, after being the first in rates. Moreover, it has imposed a Southeast Asia to raise money through municipal bonds in 1998.

"We planned to raise up to \$200million via overseas bond sale," said Vijay Nehra, commissioner at AMC. "We have already tied up with IFC (International Finance Corporation), a World Bank arm, which will help us to arrange the international bond issue. We will use the entire proceeds in buildingcity infrastructure."

The bond sale is likely to begin after the elections. The money could be raised in one or two tranches depending on investor AMC's creditworthiness to AA+ response. Maturity could be in (SO)/Stable'from AA. Structured the range of three to 10 years.

In January, AMC commissioned Sardar Vallabhbhai Patel Hospital, inaugurated by PM Modi, raised ₹200 crore by selling 'muni which is being run by the munici-bonds' to fund urban infrastrucpal body. "We need money as we ture development.

will improve standards of city infrastructure, healthcare services and basic amenities," said Nehra.

"We would like to go the corporate way instead of depending only on government grants," said the commissioner, an alumnus from IIT, Bombay.

AMC has seen higher tax collection. For example, it has reported about 28% year-on-year increase levy of one rupee for every household for garbage collection. For commercial establishment, it is ₹2 per day. Similarly, other such measures may follow soon to ramp up tax collections. The local body will now seek credit ratings for its offshore fundraising as it is trying to strengthen financials.

"You need to demonstrate transparency while reporting robust financials. This is how you can woo overseas investors," said Nehra. In January, credit rating company Crisil has upgraded Obligation or SO is a kind of additional support adding to investor confidence. In January, AMC

Copper Slips Ahead of Fresh **US-China Talks**

Copper prices slipped on Tuesday ahead of more US-China trade negotiations.



Benchmark Copper on the London Metal **Exchange**



\$6,275 pertonne

Monday

1100 At close on GMT

Fall in benchmark copper on LME at 1100 GMT

13,430 yuan a tonne Aluminium price on the Shanghai Futures Exchange

0.2%

Fall in aluminium prices on the Shanghai Futures Exchange

\$1,860 a tonne Price of three-month LME Aluminium

REASON

Investors moved to the sidelines due to uncertainty about whether a trade deal would be reached

Source Routers

MONEY TRAIL May shed stake fully or in parts to raise ₹ 900 cr

Andhra Bank Plans to Sell 30% in IndiaFirst Life Co

SHAREHOLDERS

44% Bank of Baroda

26% Warburg Pincus

30% Andhra Bank

INDIAFIRST LIFE

premium through

bancassurance

Generates 90% of its

Premium collected till

January: ₹1,506 crore

period a year earlier

This is 65% above the same

IN INDIAFIRST

Shilpy.Sinha@timesgroup.com

Mumbai: Andhra Bank plans to sell its 30% stake in India First Life Insurance Company in full or in part to raise ₹900 crore, a person close to the matter said. Existing investor Warburg Pincus is one of the suitors for the stake.

Warburg Pincus had acquired a 26% stake in IndiaFirst Life Insurance from UK-based Legal & General Group in June 2018 for ₹710 crore, valuing the insurer at ₹2,900 crore. It had bought the stake after the insurance regulatorallowed private equity firms to become promoters of insurance companies. "Investors, including

Warburg Pincus, arelining up

to buy the 30% stake in

IndiaFirst Life Insurance," said the person. WarburgPincus said it would not like to comment. In December. Andhra Bank had said in a statement

that it would sell its stake in the life insurance busi-Bank of Baroda owns 44% of IndiaFirst, while Andhra

Bank holds 30%. Warburg Pincus

can buy a 23% stake on top of the

group business of ₹190.88 crore and renewal premium of ₹214.31 crore. Andhra Bank also sells gen-

eral insurance products of United India Insurance, Reliance General and Cigna TTK Health.

26% it currently owns — the limit

for foreign direct investment in

insurance is now 49% — which

could make the American private

equity firm the largest sharehold-

Andhra Bank wishes to either

fully or partially divest its stake to

third parties in IndiaFirst Life in

accordance with the provisions of

the joint venture agreement, the

bank had said in its request for

It issued the request for proposal

for selection of an expert to carry

out independent equity evalua-

tion of the stake, on a per-share

basis. In 2017-18, Andhra Bank had

received ₹32 crore as fee from ban-

cassurance for selling

life insurance prod-

During the finan-

cial year, the bank

had mobilised new

business premi-

ums including

retail and

er of the insurer.

proposal letter.

Sugar Mills' Operating Margins to Rise on ₹3.3k-cr Cash Flow: Report

Jayashree.Bhosale @timesgroup.com

Pune: An increase in sugar prices by 7%, and improved export realisations driven by a modest rise in international prices, will aid Indian sugar mills to improve their operating margins as the mills will get an additional cash flow of ₹3,300 crore, rating agency Crisil Ratings said. Mills will also be able to reduce arrears by 18%.

Gautam Shahi, director at Crisil said, "Higher minimum support price (MSP) would mean non-integrated millers could break even or report low singledigit operating margins of 2-5% this season compared with 1-2% in SS (sugar season) 2018, while integrated players could see that number up 13-15% compared an exporters by ₹1 per kg, infus- Maharashtra and Karnataka.



This is estimated to benefit Indi-

with 9-12%. Integrated sugar millers will also continue to benefit by fast-tracking ethanol manufacturing." With world production expected to decline by around 5% and the output of Brazil, the largest sugar producer, declining by 12%, international sugar prices are expected to strengthen by 3% to \$360 a tonne.

ing additional liquidity of ₹100-200 crore. Hetal Gandhi, director of Crisil said, "Increase in MSP would definitely reduce arrears from current highs to ₹16,500 crore by end of SS 2019, nevertheless they will continue to stay above the average of ₹9,000 crore over the last three sugar seasons." Crisil estimates the rise in domestic sugar prices to add ₹3,200-3,400 crore to millers' cash-flow. An increase in international sugar prices would add a further ₹100-200 crore, taking the total fillip this season to ₹3,400-3,600 crore.

Even standalone mills are expected to break even in SS 2019, given the pick-up in sugar prices. This would enable the mills to just about cover their cost of production, which is estimated to be ₹33 per kg in UP, and ₹31-32 in

Retail Tails Off

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Apple began assembling the iPhone SE in 2016 through Wistron in Bengaluru and expanded operations to include the iPhone 6s in 2018. Wistron has applied for the Modified Special Incentive Package Scheme (M-SIPS), notified to attract investments in electronic manufacturing, to invest Rs 5,000 manufacturing iPhone 8 too.

However, insiders say it's still a long way away, given the lack of cutting-edge ecosystem in India. Plansfor a bigger retail presence

fault entirely, with the government sitting on its proposal for almost three years. Three years ago, the clause requ-

way, but it might not be Apple's

iring 30% mandatory local sourcing for foreign players to open single-brand retail stores was relaxed, provided they had state-ofthe-art (the SOTA category) facilities. "Apple, along with other crore over five years and begin high-tech companies, queued up at the government's door," a person in the know of Apple's application tells ET, not wishing to be identified. "Not a single company has received approval so far." have also not made much head-

Apple is now believed to be plan-resumes in full swing.

ning half a dozen 5,000-sq ft, franchisee-operated Flagship Apple Premium Reseller outlets this year, three each in Delhi-NCR and Mumbai, sources tell ET. It's a piecemeal effort. As Mahesh Uppal, an independent telecom policy analyst, says, "Right now, policymakers are unlikely to take any bold, or let us say significant, decisions since there is an air of uncertainty, which is typical of an election year."

Another year may just go down in Apple's not-so-glorious India story by the time the new government comes in and policy-making

Chilli Not so Hot as Harvest Gains Momentum

Price of the premium variety, which used to be ₹100/kg, has dropped to below ₹90/kg

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Kochi: Red chilli prices fell by 10% in a month as harvest gained momentum in the chief producing regions of Andhra Pradesh and Telangana, which account for over 60% of India's total output, and production is expected to be 10 % higher than previous year.

"Though acreage was up by 25%, output will increase by only 10% because of irregular weather. Some regions had deficient rainfall, while others saw excess showers," said Ravipati Peraiah, MD of Vijayakrishna Spice Farms.

The market price of the premium variety of chillies, which used to hover around ₹100 per kg, has



tonnes

Chilli exports

touched a record in 2017-18

dropped to below ₹90 per kg. The lowest prices range is from ₹65 to ₹70 per kg. "If the arrivals increase by March, then the prices may fall further," Peraiah said.

of chilli declined

to around 23 lakh tonnes

The cost of production is around ₹70 per kgandanything below that would be unprofitable for the growers, he added. The current

SLUGGISH **DEMAND**

- AP and Telangana accounts for over 60% of India's total output
- Market price of the premium variety of chillies dropped to below ₹90 per kg
- The current sluggish demand is expected to rebound when the prices fall further China has emerged as a major buyer of chilli in the last few years

sluggish demand, though, is expected to rebound when the prices fall further.

"China is not buying now, but it may start purchasing when the prices decline further," said AP Murugan, director of Paprika Oleos (India), an exporter.

Chilli is the largest exported spice

from India and China has emerged as a major buyer in the last few years. Chilli exports touched a record 443,900 tonnes in 2017-18. But earnings fell 16% to₹4,256 crore as the prices plunged due to a bumper production in 2017. Total Indian output rose 60% to touch a record 24 lakh tonnes. In 2018, the total production declined to around 23 lakh tonnes.

Exports have been slow in the current year. "The demand is weak as many of the buying countries already have good stock," said Ashish Maheswari, export manager of Sidhhartha Corporation, another exporter. Though figures are not available, export quantity is likely to be less this year though the earnings could be better because of the improved price, he said.

Reiterates Amazon's Stance

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It barred ecommerce companies from entering into pacts for the exclusive sale of products as well. "The things that happened have

been disappointing in some ways, but they haven't shaken our confidence and excitement about what this is going to be to the company (in the) long term," added McMillon, following the earnings announcement for the fourth quarter ended January with revenues rising 3.1% to \$140.5 billion. Walmart's financials included Flipkart for the entire quarter for the first time.

Walmart's latest commentary reiterated rival Amazon's stance on how the new FDI policy for ecommerce could affect customers and sellers. "We don't think the changes help in those dimensions for both the customers in India and also the sellers." Brian Olsavsky, chief financial officer at Seattle-based Amazon, had said

following quarterly earnings earlier this month. Walmart, the world's biggest re-

tailer, acquired Flipkart last May for over \$16 billion, drawn by India's vast consumer base. Walmart said the gross pro-

Walmart, the world's biggest retailer. acquired Flipkart last May for over \$16 billion. drawnby India's vast consumer

strategy has weighed down profitability. dance, Walmart said consolidated

fit rate for its in-

points primarily

due to Flipkart,

indicating the In-

dian online firm's

deep discounting

operating income will decline by a low single-digit percentage range including Flipkart, but will increase by a low single-digit percentage range excluding the Indian ecommerce company. However, the guidance also included an impact of at least 3% on consolidated net sales growth positively through the acquisition of Flipkart but dragged down by the deconsolidation of Walmart Brazil and tobacco sales reduction at wholesale chain Sam's Club.

While announcing the Flipkart acquisition, Walmart had said it expected FY19's earnings per share to be eroded by about \$0.25 to \$0.30, including incremental interest expense related to the investment. Also, while Flipkart's financials will be reported as part of Walmart's international business segment, the company will be kept independent operational-In its FY20 gui- ly, it had said then. The company declined to give specific numbers for Flipkart but said its quarterly performance met expectations.

Morgan Stanley, in a recent report, has revised its estimate for the Indian ecommerce sector, expecting it to now clock \$200 billion in sales by 2027, from its initial forecast of 2026.

Trust Defended Payment

Section 13 specifies that a trust's been set up to address.

The CIT, appeals, will decide the matter based on the order submitted by the exemption wing and the grounds on which it has been contested, said one of persons cited above. The subsequent courts of appeal are the Income Tax Appellate Tribunal (ITAT), the high court and

"Generally, these matters take years to be decided upon owing to the backlog but if cases are of serious nature, they are expedited," said the person.

According to the people cited above, in its December 31 order, the department held that exemp-

19-page assessment order, the tax department arrived at a sum of Rs 317.27 crore as taxable income and initiated penalty proceedings for king was a more reliable option. "furnishing inaccurate particulars" of total income.

Section 11 has been denied for violation of condition under Section 13 of the I-T Act," said another senior official privy to the order. ET had first reported on Janua-

ry 31 that the income tax depart-Sir Dorabji Tata Trust.

While contesting the I-T's order, the trust had defended the payment to Venkataramanan by submitting a certificate from Aon Hewitt. The global HR consultancy firm was hired for "external benchmarking"

the I-T Act had been denied. In the the executive trustee. The same was cited before the exemption wing, which refused to grant relief stating that internal benchmar-

The trust was established in 1932 by Sir Dorabji Tata, the eldest son "The exemption claimed under of Tata group founder Jamsetji Tata with an endowment of Rs 1 crore to catalyse development across the nation.

Sir Dorabji Tata Trust and the Allied Trusts have been credited with the establishment of several ment had denied tax exemption to leading national institutions including the Indian Institute of Science, Tata Institute of Social Sciences, Tata Memorial Centre, Tata Medical Center, Tata Institute of Fundamental Research and National Centre for Performing

Nifty IT Index Slips

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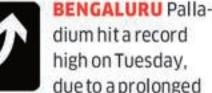
The Nifty IT index, among the biggest sectoral losers, ended down 2.08%. The Nifty IT index had rallied 24% in the past year compared with the Nifty's 2% rise. The Nifty Realty and Nifty Metal indices gained nearly 1.5% each.

"Quite similar to recent trends, massive selloff seen in the last hour, trapping momentum traders once again on the wrong foot," said Sameet Chavan, chief analyst, technical and derivatives, Angel Broking. "As far as levels are concerned, recent swing

low of 10,583 would be seen as a crucial level and any decisive move below this would lead to extended correction towards 10,500 and below. On the upside, 10,650-10,720 are the levels to watch out for." The Nifty February 2019 futures

traded at 10,615, compared with the Nifty's closing level of 10,604.35 in the cash market. Turnover of NSE derivatives stood at ₹8.68 lakh crore compared with ₹5.49 lakh crore in the previous session. Market breadth, indicating overall health, was positive. On the BSE, 1,363 shares rose and 1.186 shares fell. A total of 124 shares were unchanged.

Palladium Up on Prolonged **Supply Deficit**



dium hit a record high on Tuesday, due to a prolonged supply deficit. Spot palladium

was up 1.5% at \$1,479.49 at 1102 GMT. The deficit will widen this year as stricter emissions standards increase demand for catalytic converters, an autocatalyst manufacturer said.

Euro Weakens as Slowdown **Fears Grow** LONDON The euro



the euro.

progress in trade talks to an economic slowdown in the euro zone.Euro was buoyed on Monday as expectations grew for an easing of the trade conflict. But euro zone bond yields fell which weighed on

tion claimed under Section 11 of to arrive at the compensation for

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income or property has to been spent on the objectives that it has

the Supreme Court in that order.

Arts, among others.