MARKET WATCH

	28-03-2019	% CHANGE
Sensex	38,546	1.08
US Dollar	69.30	-0.61
Gold	33,095	0.11
Brent oil	67.11	-0.76

NIFTY 50

	PRICE	CHANGE
Adani Ports	381.30	15.00
Asian Paints	1497.00	24.95
Axis Bank	780.70	21.40
Bajaj Auto	2948.80	-31.30
Bajaj Finserv	6952.55	-27.80
Bajaj Finance	2995.85	50.60
Bharti Airtel	329.95	7.45
BPCL	385.85	6.90
Cipla	525.60	0.10
Coal India	236.10	1.65
Dr. Reddys Lab	2717.20	-47.85
Eicher Motors	20899.00	-75.15
GAIL (India)	358.30	2.45
Grasim Ind	830.15	1.55
HCL Tech	1082.90	39.75
HDFC	1944.45	24.55
HDFC Bank	2302.80	3.35
Hero MotoCorp	2525.75	-17.45
Hindalco	202.35	-5.30
HPCL	272.45	3.25
Hind Unilever	1683.90	3.10
Indiabulls HFL	811.15	60.75
ICICI Bank	400.55	7.35
IndusInd Bank	1821.10	16.85
Bharti Infratel	317.10	0.90
Infosys	737.80	8.10
Indian OilCorp	161.30	-0.15
ITC	300.00	6.90
JSW Steel	288.25	0.75
Kotak Bank	1340.75	7.90
L&T	1386.70	20.25
M&M	655.95	-4.10
Maruti Suzuki	6596.25	78.25
NTPC	135.75	-1.25
ONGC	155.90	-4.20
PowerGrid Corp	198.25	-1.95
Reliance Ind	1360.00	10.75
State Bank	319.00	10.20
Sun Pharma	475.45	10.60
Tata Motors	170.55	0.70
Tata Steel	506.30	-9.50
TCS	2000.30	32.40
Tech Mahindra	771.70	6.75
Titan	1134.25	17.75
UltraTech Cement	3908.95	7.00
UPL	929.05	27.15
Vedanta	178.05	2.60
Wipro	254.75	0.20
YES Bank	276.10	7.65
Zee Entertainment	442.80	19.75

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on March 28

CURRENCY	TT BUY	TT SELL
US Dollar	69.14	69.46
Euro	77.62	77.98
British Pound	90.72	91.15
Japanese Yen (100)	62.66	62.95
Chinese Yuan	10.27	10.31
Swiss Franc	69.42	69.74
Singapore Dollar	50.94	51.18
Canadian Dollar	51.47	51.74
Malaysian Ringitt	16.94	17.05

Source:Indian Bank

BULLION RATES CHENNAI

March 28 rates in rupees with previous rates in parentheses

Retail Silver (1g)	40.7	(41)
22 ct gold (1 g)	3049	(3064)
Retail Silver (1g)	40.7	(41)
22 ct gold (1 g)	3049	(3064)

Etihad in talks with partner to bid for Jet

Airline eyeing 49% stake, the maximum permitted under FDI rules in India

MANOJIT SAHA
LALATENDU MISHRA
MUMBAI

Pie of Indian sky: Etihad may bid with National Investment and Infrastructure Fund for stake in Jet. ▪ SPECIAL ARRANGEMENT

Etihad Airways is in talks with a partner to jointly bid for Jet Airways which has been put up for sale by banks which have taken control of the financially-troubled airline.

Government sources said Etihad has not given up on Jet in which it held 24% stake. After banks acquired 50.1% stake in Jet, shareholding of all existing investors fell by half with Etihad left holding 12% stake.

"Etihad will not bid alone. They are in talks with an investor for jointly bidding for Jet Airways," said the sources. Aviation rules allow a foreign investor to pick up a maximum of 49% stake in an airline.

Protecting investment

People familiar with the development said that Etihad Airways, though now financially-constrained on account of its years of losses, is keen on increasing its holding in Jet to protect its investment as well as to ensure traffic flow into its network from India.

So far, Etihad had invested or arranged more than $1 billion in/for Jet Airways and since 2014, Jet had been sending passengers from across India to the Abu Dhabi hub of Etihad.

With its two main demands namely the removal of promoter Naresh Goyal and his spouse Anita Goyal from the board and bringing down their stake to below 10% having been met through the new bank-led provisional resolution plan, Etihad Airways is believed to be considering increasing its stake to a maximum of 49% and rope in a partner to operate the airline.

As per foreign direct investment rules, the effective control of Indian carriers has to remain with Indians.

So, even if Etihad increases its holding to 49% it cannot control Jet Airways and would need a reliable Indian partner to do so, according to analysts.

The partner is believed to be National Investment and Infrastructure Fund (NIIF) in which Abu Dhabi Investment Authority has a stake.

NIIF is majority owned by Indian government and some Indian financial institutions.

Very attractive franchise

"Jet is a very attractive franchise. It has the routes, the network and the brand. And all these make it an attractive package. Yes, there were issues among the key investors [Goyals and Etihad] which is now a thing of the past with the founders stepping down," a person familiar with the development said.

"Since Jet will now be auctioned by the lenders, Etihad will find it convenient to get control through some partners," the person said.

A final decision is expected to be taken on March 31 when Etihad Airways board would meet in Abu Dhabi.

When contacted, an Etihad Airways spokesperson said, "Etihad Airways does not comment on rumours or speculation."

With banks taking control of Jet Airways, lenders would now nominate two members on the board for the interim period (till such time the new investor comes in).

One of them would be former State Bank of India Chairman A.K. Purwar who would be the non-executive chairman of the board.

Best bet: Banks were zooming in on repo rate, the key policy rate of RBI, as the external benchmark. ▪ AFP

New loan pricing scheme may be put off

RBI yet to release final guidelines

MANOJIT SAHA
MUMBAI

Banks will be getting more time to migrate to the new loan pricing regime which was scheduled to be implemented from April 1. This new pricing scheme, based on an external benchmark, will be applicable for floating rate loans extended to individuals and small businesses.

Bankers said with the central bank yet to come up with the final guidelines, the introduction of the scheme was expected to be postponed.

During the December monetary policy review – the last such review by former RBI Governor Urjit Patel – the central bank had said that all new floating rate retail loans such as housing and auto loans, and floating rate loans extended by banks to micro and small enterprises from April 1, 2019, should be linked to an external benchmark. RBI also said that the final guidelines would be issued by December-end.

"The final guidelines on the loan pricing based on external benchmark are yet to be released by RBI. Banks would need some time to prepare after the final norms are issued. So, it is likely to be postponed," said a banking industry official.

Last week, the RBI indefinitely postponed the implementation of IND-AS, a new accounting policy for banks.

While RBI had given four options to banks to choose the external benchmark, most banks were zooming in on repo rate, the key policy rate of RBI, as the external benchmark.

Most banks have opposed the decision of linking lending rates to an external benchmark saying their cost of funds is not linked to those external benchmarks. They argued that lending rates should depend on the cost of funds.

SBI rate

State Bank of India, in order to make the cost of funds responsive to an external benchmark, has already linked its savings bank rate with repo rate, with effect from May 1. At the current repo rate of 6.25%, SBI's savings rate has been fixed at 3.5%.

RBI has also mandated that the spread over the benchmark rate, which will be decided by banks at the inception of the loan, should remain unchanged through the tenure of the loan, unless the borrower's credit assessment undergoes a substantial change or as agreed upon in the loan contract.

Jet Airways delays ECB repayment

PRESS TRUST OF INDIA
NEW DELHI

Crisis-hit Jet Airways said it has delayed the repayment of overseas borrowing due to "temporary liquidity constraints."

This is at least the fourth time that the airline had defaulted on debt repayment in the recent months.

"... the repayment of the external commercial borrowing (ECB), availed by the company for working capital purposes, falling due on March 28, 2019, has been delayed owing to temporary liquidity constraints," the airline said in a filing to the BSE.

Data ownership, a bone of contention

Issue figures during DPIIT and industry representatives' talks on e-com policy

YUTHIKA BHARGAVA
NEW DELHI

▪ GETTY IMAGES/ISTOCK

The ownership of aggregate data remains a bone of contention between the Department for Promotion of Industry and Internal Trade (DPIIT) and stakeholders, including start-ups and SMEs, in the ongoing consultations over the draft e-commerce policy. The issue had come up for discussion during a recent meeting between industry representatives and DPIIT officials.

While the draft e-commerce policy stated, "India and its citizens have a sovereign right to their data... Even after anonymisation, the interests of the individual cannot be completely separated from the derivatives that may be obtained by analysing and drawing inferences from a certain set of data," some of the technology firms that *The Hindu* spoke to said that they invest capital and resources to collect this data. Hence, so saying that it also belongs to the citizens is unfair.

Sachin Taparia, founder and chairman, LocalCircles confirmed, "One key area where we have a difference of opinion is in the ownership of aggregate data which, for many start-ups, is the only IP. So, we will work with DPIIT in the coming months to bridge this gap."

Concerns on source code

Mr. Taparia added that the concerns were raised over government reserving the right to seek disclosure of source code and algorithms. "We have sought that the government should only have the right to seek aggregated data, source code and algorithms only in case of law and order or investigation situations and they have taken note of it."

The policy added that business models of companies are increasingly centered around data with targeted advertisements and personalised recommendations "as a means to attain competitive advantage... the importance of ownership of data must not be undermined."

The government put out the draft e-commerce policy in February and had invited comments from all stakeholders till March 29.

IN BRIEF

M&M to hike vehicle prices from April 1

MUMBAI

Mahindra & Mahindra (M&M) has announced an increase in the prices of its personal and commercial vehicles by 0.5-2.7% effective April 1. Rajan Wadhera, president, automotive sector, M&M, said: "This year has seen record high commodity price increases. Further, there are regulatory requirements effective April 1 that have also led to cost increases. While we have made efforts to reduce our costs, it has not been possible to hold back the price increase."

Lenders seek fresh bidding for Amtek

NEW DELHI

Lenders of Amtek Auto on Thursday sought permission from the NCLAT to conduct a second round of bidding for the debt-ridden auto component maker after the highest bidder U.K.-based Liberty House backed out. The committee of creditors (CoC), led by the Corporation Bank, informed the National Company Law Appellate Tribunal (NCLAT) that the second highest bidder Deccan Value Investors LP is also considering to submit a revised offer. PTI

Infosys to acquire 75% stake in ABN Amro arm

NEW DELHI

IT services firm Infosys said it would acquire 75% stake in ABN Amro Bank's wholly owned subsidiary, Stater, for €127.5 million (about ₹989 crore). Both the companies have signed an agreement to this effect. Stater provides end-to-end mortgage administration services in the Netherlands, Belgium and Germany. Infosys said the partnership was in alignment with its strategy to strengthen its mortgage servicing capabilities in continental Europe. PTI

INTERVIEW | RATHIN ROY

'When growth is inclusive, a universal basic income is not necessary'

Such a scheme will be fiscally prudent only when spending is reduced on things such as health, education and irrigation

MANOJIT SAHA

Rathin Roy, *a member of the Prime Minister's Economic Advisory Council, and Director, National Institute of Public Finance and Policy, says inflation targeting is a technocratic exercise. Rather, it should be a political decision. Edited excerpts from a conversation with The Hindu:*

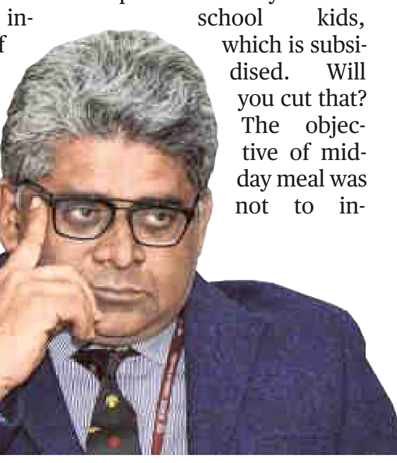
The Congress party has promised Universal Basic Income (UBI) if they come to power? What are your views on such a scheme?

■ India is not a developed economy. So, when someone proposes a UBI in India, the first question I ask is why an UBI? The economy is at least growing at 6% and has grown at 8% in the past. Are we saying that an economy that grows at these rates is unable to secure the participation of the majority? And, therefore, the state needs to compensate them by giving them an income? If you are saying that, I do not mind, but then give up the pretense of inclusive growth. When growth is inclusive, an UBI is not necessary.

Is such a scheme fiscally prudent?

■ Sure. Then you have to spend less on other things such as health, education, irrigation etc. Then, it is fiscally prudent. Or, you increase the total size of the state, in which case, somebody, a firm, an household, will either spend less or save less.

There are consequences, but I can always make it fiscally affordable.



Do you think, all the subsidies should be abolished if such a scheme is implemented?

■ The purpose of subsidies is not to increase income. If we are abolishing subsidies, then we are saying subsidies such as credit to farmers, agriculture inputs and the like are no longer necessary. We provide mid-day meals to school kids, which is subsidised. Will you cut that? The objective of mid-day meal was not to increase income. We have to think very carefully about it [abolishing subsidy].

Coming to the implementation of GST, there are still many rates. Do you think that should come down?

■ Any economist will tell that the number of rates should be much fewer than what we have now. But you ask a politician, they have political compulsions. All I can tell the politicians is that, the more rates you have, the lower will be the compliance. The more complicated you make a tax, the more diverse you make it, the less of a single tax it becomes, the less efficient it becomes in terms of less administration and, therefore, compliance. It is a trade-off. Having said that, I see a consensus coming around that we are landing up with about three rates. So, I am confident that in the medium-term, we will come up with an effective GST regime with a limited number of rates.

> **A growth rate of 6.5-7.5% is eminently achievable, given our current institutional framework**

There are concerns over slowing growth. Do you think the country needs a stimulus?

■ I think a growth rate of 6.5-7.5% [next fiscal] is possible, depending on circumstances that prevail both within the country and outside, which are, to some extent, exogenous such as performance of agriculture or global trade. A growth rate of 6.5-7.5% is eminently achievable, given our current institutional framework.

A higher growth rate than 7.5% is only an aspiration unless we make some fundamental reforms. What underlines low growth in India is low productivity. And, what underlies low productivity in India is poor institutions and weak governance. I see no impulse, whatsoever, for fundamental reforms. So, I have to accept that productivity will remain low, and in that circumstances do not overheat the economy by giving a stimulus and settle for 7.5%.

We have tricky situation so far as inflation is concerned. While the headline numbers are low, core inflation is high. Do you think that RBI needs to be cautious in cutting rates?

■ I do not think that the instruments at RBI's disposal allow it to micro-manage inflation.

The inflation target is probably the broadest in the world. It is very difficult to think of a country where the inflation target spans 400 basis points. That being said, I am very happy with 5%, I am also happy with 4% and also with 3%. If you want to reconsider this entire framework, then the time to do it is now, because this particular inflation targeting regime ends in 2021.

I don't have the answer but we need to ask – is the CPI right target or we should be targeting core inflation? Should we have a relatively narrow band within which RBI targets inflation, but allows for higher inflation in that narrow band? What are the trade-offs involved in keeping inflation at or below 4%? Does the finance ministry or the government of India have a view on what the inflation target ought to be? Because setting the inflation target is not a technocratic exercise. But in India it has ended up being one. The inflation target is a political decision, and the ultimate owner of the setting of the inflation target has to be the government of the day.

Third party motor cover rates to stay

SPECIAL CORRESPONDENT
HYDERABAD

The Insurance Regulatory and Development Authority of India (IRDAI) has decided against any change in the premium rates for motor third party liability insurance cover for 2019-20.

IRDAI, which usually revises the rates annually, said on Thursday that the validity of the existing premium rates, which are valid till March 31, is being extended until further notice.

"Insurers shall continue to charge the rates currently being charged for motor third party liability insurance cover from April 1, 2019 onwards," a communique said.

'Centre should address States' concern on GST transfers'

Reddy stresses on the need for a federal body to ensure there is a stable formula for transfers to States

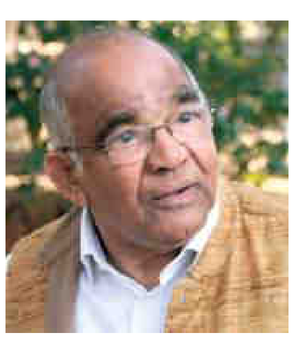
TCA SHARAD RAGHAVAN
NEW DELHI

While the Goods and Services Tax (GST) Council was designed as a federal body between the States and the Centre, the complaint of the States is that the Centre is taking advantage of the arrangement and is delaying the dues to be paid to the States longer than is needed, according to Y.V. Reddy, former chairman of the Fourteenth Finance Commission.

"The GST Council is an institution built on the cooperation of the Centre and the States in the matter of taxation," Mr. Reddy said in an interview ahead of the release of his book 'Indian Fiscal Federalism' on Thursday.

"It is a huge achievement," he added. "But, in the implementation of the GST so far, the States have a feeling that the Centre is taking advantage of the current arrangement. The Centre is supposed to give money to the States, but that distribution is taking time and accounts are not being finalised. There is a feeling that the Centre is trying to keep the money longer than required."

The former RBI Governor also pointed out that the empirical evidence showed that, while the transfers mandated by the Finance Commission from the Centre to the States had been to the benefit of the poorer States, the discretionary spending allowed by the Centre had, in fact, only been to the benefit of the richer States.



Y.V. Reddy

"Another point is that the Finance Commission (FC) awards are more in favour of the poorer States, while the non-FC expenditures actually don't go to poorer States, they are regressive," Mr. Reddy said.

"There is an impression that leaving expenditure to the Centre's discretion, instead of the FC, means that they can spend on the backward States."

"That is the assumption, but the record so far is the opposite," he added. "The empirical evidence confirms this. The explanation is possibly that political bargaining is better for the forward States, or their absorption capacity is better."

'Recast NITI Aayog'

On the future roles of the FCs and the NITI Aayog, Mr. Reddy said that there was a need for a body such as the FCs to make sure that there was a stable formula for transfers to the States. There was also a need for a federal body, which is trusted by both the States and the Centre, that would provide a forum for the political bargaining that was behind the allocation of other funds to the States, such as grants in aid.

"The right way of going about it is that there should be a political forum and expertise also, which will arrive at the criteria for such transfers," the former RBI Governor said.

"That body should come under the confidence of both the States and the Centre, and not just identify with the Centre. If the NITI Aayog were to occupy this role, then the first thing is for it to get the trust of the States."

Tata Motors, JLR rating downgraded

PRESS TRUST OF INDIA
NEW DELHI

S&P Global Ratings has downgraded the credit rating of Tata Motors and its wholly owned subsidiary Jaguar Land Rover (JLR), citing weak profitability, Tata Motors said.

"We would like to inform that based on S&P Global Ratings, the credit rating of the company and Jaguar Land Rover Automotive Plc. has been downgraded," the company said in a regulatory filing.

The rating agency cited weakness in the profitability of JLR as the main reason for downgrading credit rating of Tata Motors and its British arm.