

17 ECONOMY

SENSEX: 38,730.86 ▼ 323.82 NIFTY: 11,641.80 ▼ 84.35 NIKKEI: 22,307.58 ▲ 107.58 HANG SENG: 29,549.80 ▼ 256.03 FTSE: 7,435.78 ▼ 35.97 DAX: 12,304.43 ▼ 8.73

GOLD	RUPEE	OIL	SILVER
₹32,870	₹70.25	\$73.74*	₹38,520

*Indian basket as on April 24, 2019

SECTOR WATCH PETROL & DIESEL

OMCs keep fuel prices in check, even as global crude gets dearer

Questions over firms' independence in determining prices in poll season

SANDEEP SINGH
NEW DELHI, APRIL 25

Brent crude prices have risen over 13.5% from \$66.11 per barrel on March 15 to \$75.25 per barrel on April 25, while retail petrol prices in Delhi have gone up by just 0.5% from Rs 72.55 per litre to Rs 72.95 per litre

EVEN AS stable fuel prices come as a big relief to consumers, the fact that retail petrol and diesel prices have not moved up over the last six weeks despite a 13.5 per cent jump in Brent crude oil prices that breached \$75 per barrel mark on April 25 raises questions over the independence of oil marketing companies (OMCs) in price determination of petrol and diesel.

The trend during this election season is in sharp contrast to that seen seven months earlier, when oil marketing companies raised the retail fuel price by around 10 per cent between August 2018 and October 2018, following a 19 per cent jump in Brent crude oil prices in the same period. While the Brent crude oil prices have risen over 13.5 per cent from \$66.11 per barrel on March 15 to \$75.25 per barrel on April 25, retail petrol prices in Delhi have gone up by just 0.5 per cent from Rs 72.55 per litre to Rs 72.95 per litre. Interestingly, in the same period, the price of diesel in Delhi has come down from Rs 67.22 per litre on March 15 to Rs 66.46 per litre on April 24.

Brent crude prices have shot up over the last few days, following the United States announcing that it will withdraw the waiver given to countries importing crude oil from Iran. Following the rise in crude oil prices, the rupee too has weakened against the dollar. On Thursday, the local currency fell 39 paise against the greenback. As rupee movement against US dollar is another key factor in determining the price of petrol and diesel, market participants say that a decline in rupee by 1.8 per cent over six week period from 68.96 to a dollar on March 15 to 70.25 on April 25, 2019, should have also ideally led to a hike in retail petrol and diesel prices. While market experts feel that the OMCs' decision to hold on to any price rise of petrol and diesel despite a spike in global crude oil prices may be on account of ongoing elections, as fuel prices are known to hurt consumer sentiment, they feel that a strong inflow of foreign portfolio investors money over the last two months may have offered some respite to the OMCs, as it arrests the slide of rupee against the dollar. It is important to note that while foreign portfolio investors poured in a net of Rs 61,778 crore between March and April 2019 in Indian equity and debt markets, in the period between August 2018 and September 2018 they had pulled out a net of Rs 15,889 crore. So, while the rupee has fallen nearly 2 per cent over the last six weeks, it fell nearly 8 per cent between August and September 2018. In October last, Petroleum and Natural Gas Minister Dharmendra Pradhan had said that the government does not interfere in the pricing of petroleum products, which had been deregulated, allowing state-owned retailers to fix rates based on the international benchmark. As the OMCs raised the prices in line with the rising global crude oil prices and fall in rupee against the dollar in the period between August and October 2018 — with prices of petrol and diesel hitting a high of Rs 84 per litre and Rs 75.45 per litre, respectively, in Delhi — the government moved to cut excise duty on the fuels by Rs 1.50 a litre along with asking the state-owned oil PSUs to subsidise petrol and diesel by Re 1 per litre. Emails sent to Indian Oil Corporation, HPCL and BPCL did not elicit any response.

WEAKNESS IN ASIAN MARKETS ALSO WEIGHS ON THE CURRENCY

Rupee, Sensex feel the heat as oil surges above \$75 mark

ENS ECONOMIC BUREAU
MUMBAI, APRIL 25

THE RUPEE and the equity benchmarks on Thursday ended sharply lower as crude oil prices blazed above the \$75 mark, sparking concerns over India's growth and macro-economic stability. The Indian currency fell 39 paise to close at more than six-week low of 70.25 against the US dollar due to rising crude oil prices and a late sell-off in domestic equity markets.

The BSE Sensex slumped 323.82 points, or 0.83 per cent, to close at 38,730.86, while the broader NSE Nifty declined 84.35 points, or 0.72 per cent, to 11,641.80.

Global oil benchmark Brent breached the \$75 per barrel level for the first time in 2019 following stricter US sanctions on Iran oil. Saudi Arabia's comments that it sees no immediate need for intervention in the oil market also fuelled the rally even as the US data showed larger-than-expected increase in oil stocks.

"Rising crude and dollar Index weighed on the rupee. Besides stronger crude oil prices, weakness in Asian currencies weighed on the rupee," V K Sharma, head PCG & capital markets strategy, HDFC Securities, said.

A 10 per cent spike in crude prices can result in a 0.40 per cent widening of the current account deficit (CAD), which could result into a 3-4 per cent depreciation in the rupee and also

EXPLAINED Crude realisation for financial markets in India

THE VOLATILITY in crude oil prices is here to stay. This means the rupee and stock markets will have to dance to the tune of the crude oil price movements in the coming days. The markets are worried over the impact of crude oil prices on the country's growth and the macro-economic stability. If oil continues to rise, inflation will also rise, foreign portfolio inflows will come down and growth is likely to take a hit. It will also put pressure on the Reserve Bank of India to jack up interest rates.

push up inflation by 0.24 per cent, Sharma said. It could also impact foreign portfolio investments which have of late come down, analysts said.

"The currency will be the first point of contact as the trade deficit and CAD will widen. FI, FDI etc would need to balance out this deficit or else the balance of payments would be under pressure. The sharp increase in import bill will hence tend to put pressure on the rupee. The rupee will be under pressure on account of both sentiment which will drive the currency in the short run and dollar outflows which will be the natural outcome of higher oil prices," Care Ratings said in a report.

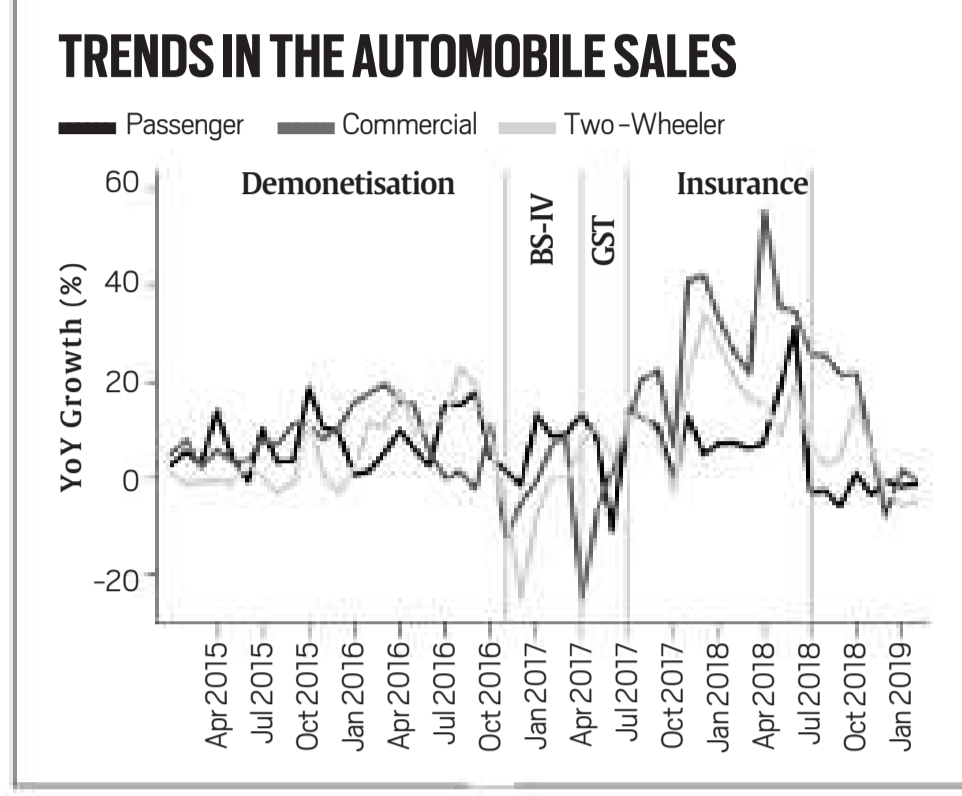
A sustained increase in the price in the range of \$70-75 per barrel or higher can move the rupee down by 3-4 per cent on an annual basis given that the dollar

per cent decline in net profit. "Higher oil prices can have a negative impact on the current account deficit (CAD), the rupee, inflation and does not augur well for the domestic markets. General elections will keep the markets buzzing in the near term. "However, the major factor that will decide the direction of the market is Q4FY19 earnings. A revival in earnings will help the markets sustain the current valuation," said Hemang Jani, head - advisory, Sharekhan by BNP Paribas.

Sectorally, the BSE telecom index saw the biggest losses, falling 2.26 per cent, followed by metal, bankex, finance, auto, energy and tech. In the broader markets, the BSE midcap and smallcap indices lost up to 0.58 per cent. According to Jayant Manglik, president — retail Distribution, Religare Broking, markets turned volatile on the F&O expiry day and settled with a cut of over half a per cent. "This volatility indicates caution among the participants and it's not going to subside soon. Mixed earnings announcements combined with weak global cues are currently weighing on the sentiment. Besides, the recent surge in the crude has further deteriorated the condition," Manglik said.

Brent crude futures were at \$75.24 by 1156 GMT, up 67 cents. They earlier hit a session high of \$75.60, their strongest since October 31. US West Texas Intermediate crude was at \$66.14 per barrel, up 25 cents, according to a Reuters report.

Fuel price affects vehicle sales, not credit: RBI study



ENS ECONOMIC BUREAU
MUMBAI, APRIL 25

100 bps growth in fuel prices today will decrease auto sales growth by 72 bps two months down the line, according to the RBI study on 'What Drives Automobile Sales? It's not Credit'

FUEL PRICE movement affects automobile sales negatively whereas credit appears to have no significant impact, says a study by the Reserve Bank of India. A 100 basis points growth in fuel prices today will decrease automobile sales growth (excluding two-wheelers) by 72 bps two months down the line, the central bank study said.

"Based on our analysis, we find that the recent slowdown can be explained by relatively high fuel prices. Using firm-level stock prices data, we further show that the valuation of auto firms reacts inversely to fuel price movements," the RBI study said. "This evidence corroborates the importance of fuel price movements for the automobile sector."

In addition, the evidence from micro data on automobile registrations suggests that policy changes like vehicle insurance can also induce short-term fluctuations in the automobile sector, the study said. The maturity in the ride-hailing service segment may have also contributed to the slowdown in vehicle registrations over the last few years, according to the RBI study on "What Drives Automobile Sales? It's not Credit". The study said, "On average, automobile credit has no significant impact on automobile sales. This is consistent across all the sub-components of automobiles. Fuel prices, however, show an interesting picture. We find that both contemporaneous and lagged increases in fuel prices have no statistically significant effect on total automobile sales." "On average, we find that a 100 basis points growth in fuel prices today will decrease automobile sales growth (excluding two-wheelers) by 72 bps two months down the line. Thus, by using this parsimonious specification, we find evidence that fuel prices do affect automobile sales (excluding two-wheelers); however the effects are not seen contemporaneously," it said. "Between fuel prices and credit, we find that only domestic fuel prices have a lagged (two months) negative impact on auto sales growth. The biggest impact of crude prices is seen on the sales of commercial vehicles and passenger vehicles, suggesting fuel price is more important for these segments compared to two-wheelers," it said. "Our analysis suggests that on average, the valuation of automobile companies takes a hit due to an increase in crude price. In fact, the negative impact of an increase in crude price on the adjusted stock returns of firms in the commercial automobile segment is the highest, which is in line with our results on automobile sales, the RBI study said. "In addition to the government-induced policy changes, we also provide evidence that automobile sales in India were also affected by a surge in ride-hailing services across major cities in India. This development led to a sharp initial rise in new taxi registrations," the RBI study said. At the peak, taxis accounted for 6 per cent of total car registrations across these cities. However, post 2015, the roll-out of ride-hailing services as well as the growth of taxis have declined significantly, due to maturity of these services. "This alone accounts for a 54 bps decline in car sales during the last two years," it said.

'INTERNET USERS IN INDIA TO RISE BY 40%, SMARTPHONES TO DOUBLE BY 2023'

With data costs falling by 95% since 2013, India will see internet users rise by about 40% and number of smartphones to double by 2023, according to a report by McKinsey

- 1.2 bn:** Indians have 1.2 billion mobile phone subscriptions and downloaded more apps — 12.3 billion in 2018 — than residents of any other country except China
- FASTEST DIGITISING:** Analysis of 17 mature and emerging economies finds India is digitising faster than any other country in the study, save Indonesia
- 40%:** Just over 40% of the populace has an internet subscription in India
- COST OF 1 GB:** Cost of one gigabyte fell from 9.8% of per capita monthly GDP in 2013 to 0.37% in 2017
- 560 mn:** India is one of the largest and fastest-growing markets for digital consumers, with 560 million internet subscribers in 2018, second only to China
- 8.3 GB data/month:** Indian mobile data users consume 8.3 gigabits (GB) of data each month on average, compared with 5.5 GB for mobile users in China and 8-8.5 GB in South Korea
- \$355-435 bn:** It also expects core digital sectors to jump two-fold to \$355-435 billion by 2025
- 152%:** Monthly mobile data consumption per user is growing at 152% annually — more than twice the rates in the US and China
- 750-800 MILLION:** India will increase the number of internet users by about 40% to between 750 million and 800 million and double the number of smartphones to between 650 million and 700 million by 2023
- WHY THE GROWTH?:** India's internet user base has grown rapidly in recent years, propelled by the decreasing cost and increasing availability of smartphones and high-speed connectivity

ENFORCEMENT DIRECTORATE CONDUCTS ONLINE AUCTION

Luxury cars of Nirav Modi, Choksi receive bids of ₹3.29 cr

KHUSHBOO NARAYAN
MUMBAI, APRIL 25

WINNING BIDS

- **Winning bid for Modi's most expensive car, a Rolls-Royce Ghost model, was ₹1,33,10,000 — ₹10,000 more than its base price fixed by the ED at ₹1.33 crore**
- **Winning bid for his Porsche AG was ₹54.6 lakh, while for Mercedes Benz 4Matic GL 350 CDI was ₹53.76 lakh**
- **ED conducted auction through state-owned MSTC Ltd, after a court gave go-ahead**

AN ONLINE auction of 13 luxury cars of fugitive diamond traders Nirav Modi and his uncle Mehul Choksi by the Enforcement Directorate (ED) on Monday received bids of Rs 3.29 crore, according to sources. The overall value of bids is over 9 per cent higher than the total base price of the cars fixed at Rs 3.01 crore.

The winning bid for Modi's most expensive car, a Rolls-Royce Ghost model, was Rs 1,33,10,000 — Rs 10,000 more than its base price fixed by the ED at Rs 1.33 crore. While the winning bid for his Porsche AG was Rs 54.6 lakh, the highest bid for his Mercedes Benz 4Matic GL 350 CDI was Rs 53.76 lakh — over Rs 15 lakh more than its base price of Rs 37.8 lakh. The highest bid for Modi's Mercedes Benz CLS 350 was Rs 16 lakh, and for his Honda CR-V RV was Rs 10.26 lakh. The ED conducted the auction through state-owned MSTC Ltd, after a Mumbai court gave the go-ahead to the agency, last month, to sell Modi's cars — a Porsche AG, Mercedes Benz CLS 350,

Mercedes Benz 4Matic GL 350, Daimler Chrysler Coupe, Rolls-Royce Ghost, Toyota Fortuner, two Toyota Innova, Honda CR-V and Honda Brio. According to sources, 10 of Modi's 11 cars put under the hammer attracted bids from buyers. The highest bids for Choksi's two cars — a BMW X1 and a Toyota Innova Crysta — was Rs 11.75 lakh and Rs 18.06 lakh respectively, said sources. The ED will submit details

USTR places India on 'Priority Watch List' over IP rights

LALIT K JHA
WASHINGTON, APRIL 25

THE US on Thursday placed India on its 'Priority Watch List' alleging lack of "sufficient measurable improvements" to its Intellectual Property (IP) framework on long-standing and new challenges that have negatively affected American right holders over the past year.

"Over the past year, India took steps to address intellectual property challenges and promote IP protection and enforcement. However, many of the actions have not yet translated into concrete benefits for innovators and creators, and long-standing deficiencies persist. India remains one of the world's most challenging major economies with respect to protection and enforcement of IP," an official US report said. The US Trade Representatives (USTR) in its report identified 11 countries, including India, in its 'Priority Watch List'. China, Indonesia, Russia, Saudi Arabia and Venezuela are among others. It has also placed 25 countries, including Pakistan and Turkey, on the Watch List. In the report, the US said that these countries will be the subject of increased bilateral engagement with the USTR to address IP concerns. Specifically, over the coming weeks, the USTR will review the developments against the benchmarks established in the Special 301 action plans for countries that have been on the 'Priority Watch List' for multiple years. The report also notes some of the best practices by India in the IP sector last year. For instance, India's Cell for Intellectual Property Rights Promotion and Management (CIPAM) organises and spearheads the government's efforts to simplify and streamline IP processes, increase IP awareness, promote commercialisation, and enhance enforcement.

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Delhi's Tank Road selling counterfeit products: US

LALIT K JHA
WASHINGTON, APRIL 25

THE US on Thursday identified Tank Road in Delhi as one of the most notorious markets selling counterfeit products in the world and urged India to take sustained and coordinated enforcement action. The US Notorious Markets List highlights 33 online and 25 physical markets that reportedly en-

gage in and facilitate copyright piracy and trademark counterfeiting. "Tank Road remains on the List in 2018. Stakeholders confirm that it remains a market selling counterfeit products, including apparel and footwear," US Trade Representative (USTR) said in a report on Notorious Markets List. Counterfeit products from Tank Road wholesalers are also reportedly supplied to other Indian markets, including Gaffar Market and Ajmal Khan Road, it said. PTI

GLOBAL RESULTS

Microsoft tops trillion-dollar mark; ahead of Apple, Amazon

PRESS TRUST OF INDIA
NEW YORK, APRIL 25

MICROSOFT HIT the trillion-dollar value mark on Thursday for the first time, becoming the third technology giant to reach the symbolic milestone. Shares in Microsoft rallied some five per cent to \$130.59 in early Wall Street trade after a robust earnings report a day earlier. That gave Microsoft a mar-

Tesla Q1 loss at \$702.1 mn as sales slump 31%

SAN FRANCISCO: Tesla CEO Elon Musk had prepped Wall Street for a first quarter loss but analysts were still stunned by its size: \$702.1 million. Tesla's sales slumped 31 per cent for the quarter. The loss of \$4.10 per share left Musk spending much of a conference call explaining how it happened. But he also extolled his forecast that demand and profit margins will increase as Tesla rolls out updated products. AP

Facebook anticipates US FTC privacy fine of up to \$5 billion

ASSOCIATED PRESS
SAN FRANCISCO, APRIL 25

FACEBOOK SAID it expects a fine of up to \$5 billion from the US Federal Trade Commission, which is investigating whether the social network violated its users' privacy. The company set aside \$3 billion in its quarterly earnings report Wednesday as a contingency against the possible penalty but noted that the "mat-

