ECONOMY

GOLD ₹32,770 | RUPEE ₹69.51 | OIL $69.02* | SILVER ₹37,500

*Indian basket as on May 23, 2019

SENSEX: 39,683.29 ▲ 248.57 NIFTY: 11,924.75 ▲ 80.65 NIKKEI: 21,182.58 ▲ 65.36 HANG SENG: 27,288.09 ▼ 65.84 FTSE: 7,277.73 ▲ 46.69 DAX: 12,069.57 ▲ 58.53

International market data till 1900 IST

POLICY WATCH
BUDGET FY20

Creating fiscal room for big-ticket infra spend, financial sector reforms key priorities

AANCHAL MAGAZINE & ANIL SASI
MUMBAI, MAY 27

Friday marked the first of the Budget meetings in the Finance Ministry's Department of Economic Affairs

A SPENDING plan that focuses on finding the fiscal space for capital investment of around Rs 25 lakh crore annually in the infrastructure sector — including a national gas grid project, doubling the number of regional airports and an amenities scheme alongside national highways — is learnt to be under discussion with the Finance Ministry beginning work on the FY20 Budget. A new industrial policy with specific focus on technology and the MSMEs sector is also learnt to be in the works.

Friday marked the first of the Budget meetings in the Finance Ministry's Department of Economic Affairs. With another two-month extension to task force formed to draft a new direct tax law and review the Income-tax Act till July 31, major direct tax reforms are unlikely this year, though some minor relief on the rates front, as was also indicated after the presentation of the interim Budget in February this year, is not ruled out. Budget targets for direct tax, however, may be lowered since there was a significant shortfall in the mop-up for 2018-19, officials said.

For Goods and Services Tax (GST) though, the Budget targets are unlikely to be tweaked even though it is being seen as a challenging target to meet. "Any major reduction in revenue targets would imply a reduction on the expenditure side, which the new government may not be keen to do," an official said, adding that already a lot of expenditure compression was done to narrow the fiscal deficit gap for previous fiscal. As per the interim Budget presented in February for 2019-20, direct tax revenues are estimated to grow 15 per cent to Rs 13.80 lakh crore, while indirect taxes are estimated to rise 11.8 per cent to Rs 11.66 lakh crore.

On Monday, industry body CII also met Revenue Secretary Ajay Bhushan Pandey with its list of suggestions for the upcoming Budget, which included removal of Long Term Capital Gains tax on equities and MAT along with rationalisation of dividend distribution tax to 10 per cent.

Sorting out the mess in the financial sector is one of the key priorities, with action in this area expected to be catalysed by the submission of a report over the next fortnight by the committee under former RBI Governor Bimal Jalan mandated with reviewing the economic capital framework of the RBI. Indications are that the panel would estimate excess capital held by the RBI, which can either be transferred to the government or used for setting up of an asset reconstruction company or ARC in the public sector to clean up the bad loans of the public sector banks (PSBs). The proposals made by the panel would be adopted after it is reviewed by the RBI central board. The Finance Ministry, in its discussions with the panel, has maintained there is no legal challenge in dipping into the RBI's past reserves built over the years.

Access to the funds is being seen as vital in the government's renewed attempts to sort out the financial sector mess. The closing balance of NPAs of all scheduled commercial banks (SCBs), which was close to Rs 8 lakh crore in 2016-17, rose to Rs 10.4 lakh crore in 2017-18. After the IL&FS group started defaulting on its aggregate debt of over Rs 90,000 crore since last September, financial sector entities including NBFCs, mutual funds, corporate-focused lenders have faced liquidity challenges. The situation only worsened over the last month as rating agencies started downgrading debt papers issued by NBFCs, thereby weakening their ability to raise funds to do business.

The RBI is also expected to address the liquidity issue when it meets for its second bi-monthly monetary policy review on June 6. Though the RBI has not shown keenness for a special liquidity window for NBFCs, there is possibility of more liquidity boosting measures and a possible easing of the stance, the last such space to act ahead of vagaries of the monsoons and its consequent impact on inflation.

YIELD CLOSES AT 7.167%, LOWEST LEVEL SINCE APR 5, 2018

Bond yields fall to 14-month low on expectation of rate cut

ENS ECONOMIC BUREAU
MUMBAI, MAY 27

THE YIELD on benchmark 10-year government bonds on Monday dropped to its lowest level in nearly 14 months on expectations of an interest rate cut and announcement of another round of open market operations by the Reserve Bank of India (RBI).

While the 10-year bond prices moved up, the yield closed at 7.167 per cent, the lowest level since April 5, 2018 as against 7.225 per cent on Friday. Bond yields and prices move in opposite directions.

Bond dealers said the sentiment for bonds are likely to be better ahead of the upcoming monetary policy committee meeting on June 6 with the subdued crude oil prices favouring another rate cut. The RBI last week announced an open market operation (OMO) to buy up to Rs 15,000 crore worth of bonds on June 13. The RBI had conducted two OMOs for a total of Rs 25,000 crore in May.

The softening of yields during the week can be attributed to moderation in crude oil prices coupled with the resounding victory of the incumbent government which improved market sentiments and raised expectations of higher foreign portfolio inflows. "Market speculation that the RBI would ease monetary policy further at its upcoming policy meet also aided in lowering yields," said a Care Ratings report. A falling bond yield could also mean interest rates in the banking system are set to move down.

"We are thus pencilling a larger rate cut (35-50 bps) by the RBI in the forthcoming policy. Interestingly, the RBI for the first time could use the rate change in non multiples of 25 bps as a first step towards providing second generation signals to market of future policy stance. However even such larger rate cuts will not help fully, but its transmission will," said Soumya Kanti Ghosh, group chief economic adviser, SBI. On April 4, the RBI cut its benchmark policy rate, Repo rate, by 0.25 per cent or 25 basis points to 6 per cent — the second such back-to-back cut this year, the lowest level in one year in the face of low headline inflation and moderation in economic growth, both in India and globally.

On the global front, the benchmark 10-year US Treasury bill yields declined to its lowest levels since November 8, 2017. The yields on the 10 year benchmark Treasuries ended the week at 2.32 per cent, 7 bps lower than the close of week ago. The yields dragged lower owing to the fall in local stock markets driven by the deepening of the trade conflicts between US and China and political uncertainty surrounding the Brexit negotiations. Also, indications that the US central bank is unlikely to raise interest rates in the near future added to the decline of yields.

The liquidity deficit in the banking system widened further during the week ended May 24, 2019.

The estimated average liquidity deficit during the week, based on the net outstanding repo transactions (difference between the total outstanding reverse repo and outstanding repo operation including MSF (marginal standing facility) and SLF (standing liquidity facility) was at 3-week high of Rs 51,857 crore, 21 per cent higher than the average deficit in the previous week.

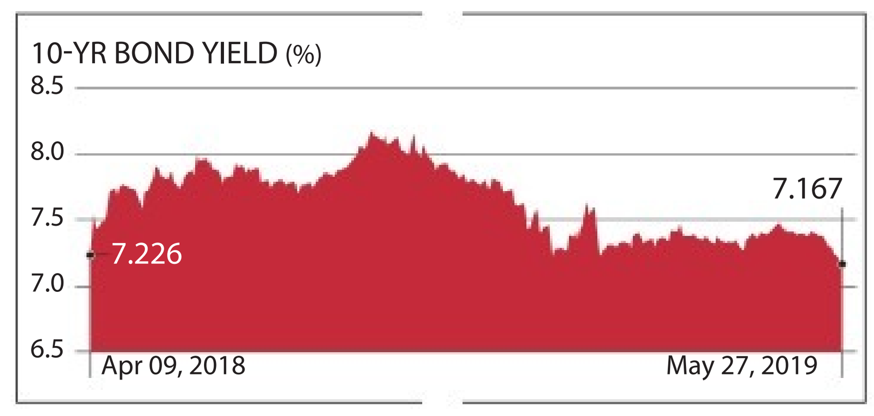
"The banking system liquidity pressures during the week were primarily on account of outflows towards tax payments (GST). Additionally, the high quantum of currency in circulation with the public (over Rs. 22 lakh as of May 17,2019) and the higher bank credit offtake in comparison to deposit growth continued to weigh on the liquidity situation," Care Rating said.

EXPLAINED

Stable oil prices, OMOs, fund inflows pushing down yields

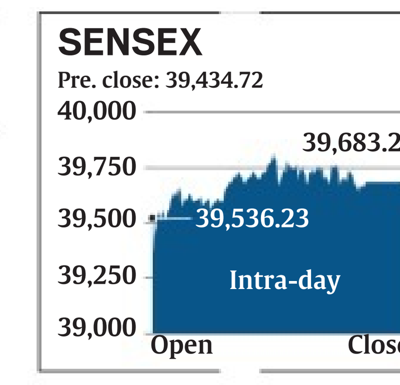
THERE COULD be further softening of interest rates as a host of factors, including stable crude oil prices, open market operations by the central bank and more capital inflows are pushing down bond yields. The markets are expecting an interest rate cut in the forthcoming monetary policy review next week.

The resounding mandate for the NDA government has added to the yield's decline as the market is anticipating a host of measures to boost the economy and markets. In fact, bond yields are globally on the decline with the benchmark 10-year US Treasury bill yields down to its lowest levels since November 8, 2017.



Broad-based rally: Sensex at new peak

ENS ECONOMIC BUREAU
MUMBAI, MAY 27



THE SENSEX on Monday jumped another 249 points to hit an all-time closing high amid expectations of more reforms by the NDA government.

After soaring nearly 400 points intra-day, the 30-share Sensex ended 248.57 points, or 0.63 per cent, higher at 39,683.29, its all-time closing high. The index hit an intra-day high of 39,821.94 and a low of 39,353.16. The broader NSE Nifty jumped 80.65 points, or 0.68 per cent, to 11,924.75, a closing peak for the index.

The stock market is witnessing a broad-based rally on expectations of a better outlook for the economy in the next one to two quarters. "It is very attractive to invest in mid and small caps in spite of runaway in prices during the last few trading sessions. The economy is expected to revamp from second half of FY20 led by growth agenda. On an average they are available at one year forward P/E of 15 times compared to average of 18 times in the last 5 years with a peak of 25 time. The undercurrent is expected to be buoyant with hope over the upcoming final budget," said Vinod Nair, head of research, Geojit Financial Services.

Tata Steel which rallied 5.78 per cent was the biggest gainer in the Sensex pack. The broader BSE midcap and smallcap indices outperformed benchmarks, ending up to 1.77 per cent higher. Jayant Manglik, president - retail distribution, Religare Broking, said, "Nifty extended its prevailing upward bias and ended with decent gains. After a flat start, it gradually inched higher, thanks to buying interest in banking, realty and metal majors. The broader indices too participated in the move and gained over a percent each.

"With the general elections behind us, the focus would return to earnings, upcoming macroeconomic data and global cues. Volatility will remain high due to scheduled derivatives expiry," he said.

The 30-share BSE Sensex rose over 1,503 points and the broader Nifty gained 437 points during the last week that witnessed volatile movements ignited by political factors. On May 20, when the Exit polls predicted a clear victory for the NDA in the elections, stock markets witnessed an unprecedented euphoric rally that sent the benchmark Sensex skyrocketing 1,422 points to close at a record high of 39,352.67. Investors wealth, or market capitalisation, shot up by a whopping Rs 612,000 crore to Rs 152.71 lakh crore last week.

Meanwhile, the rupee on Monday surrendered its morning gains and closed with a marginal rise of 2 paise at 69.51 against the US dollar amid a recovery in the greenback against Asian currencies and foreign fund flows. The marginal rise in the rupee was in line with the uptrend in equities and foreign fund inflows. However, rising crude oil prices dampened the sentiment of traders.

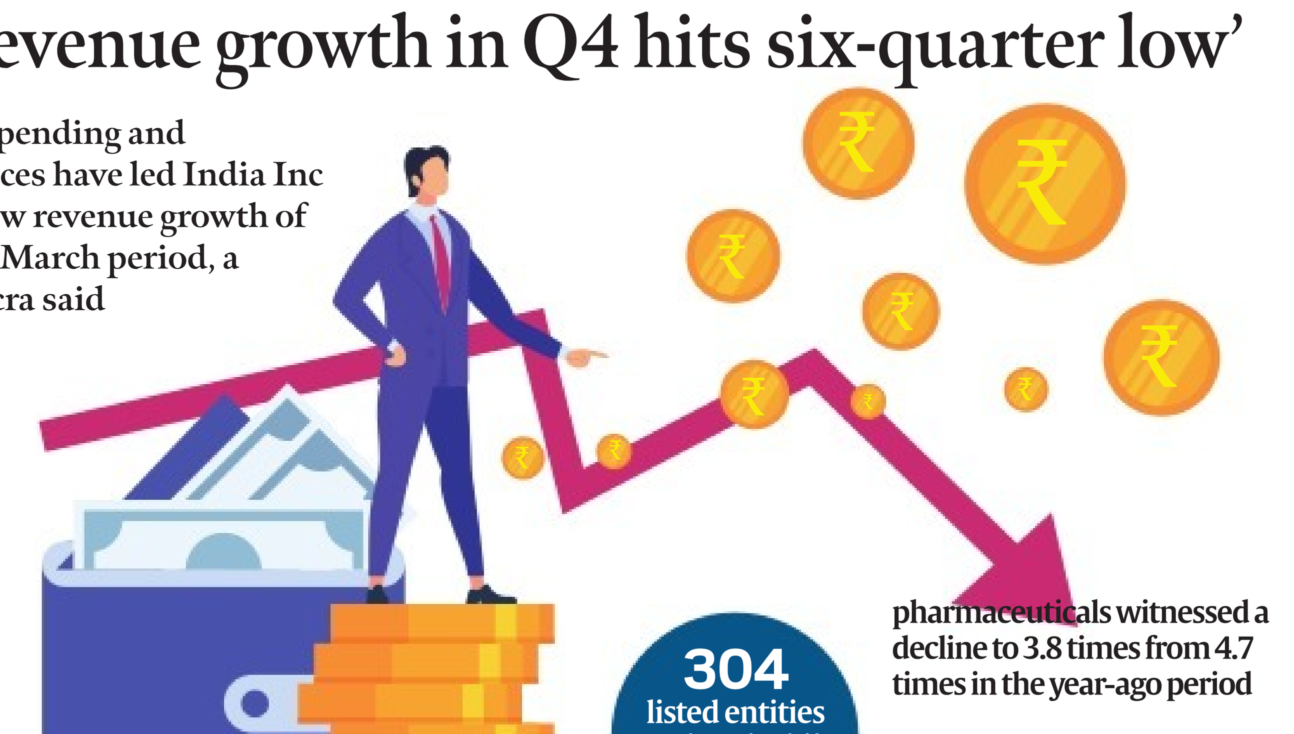
'India Inc revenue growth in Q4 hits six-quarter low'

Weakness in consumer spending and softening commodity prices have led India Inc to deliver a six-quarter low revenue growth of 10.7 per cent for January-March period, a report by rating agency Icra said

2.3% growth for consumer firms: For consumer companies, revenue growth declined to 2.3 per cent in March quarter, down from 9.8 per cent in the preceding quarter

16.8% operating margins: From profitability perspective, operating margins narrowed 0.78 per cent to 16.8 per cent during the period, but were up 0.93 per cent on lower commodity prices and price hikes

12.4% growth for commodity-linked sectors: For firms in the commodity-linked sectors, the growth was 12.4 per cent



304 listed entities analysed while arriving at the aggregate

3.8-time fall in interest coverage ratio: The interest coverage ratio adjusted for sectors with low debt levels like IT, FMCG and pharmaceuticals witnessed a decline to 3.8 times from 4.7 times in the year-ago period

Slowdown in rural growth: The commentary on rural growth from auto original equipment manufacturers (OEMs) and FMCG companies too indicates a slowdown in growth which can be attributed to a muted rabi harvest

R-Capital to sell BIG FM to Music Broadcast for ₹1,200 cr

ENS ECONOMIC BUREAU
MUMBAI, MAY 27

RELIANCE CAPITAL of the Anil Ambani group has decided to sell its FM radio business by divesting its entire stake in BIG FM Radio to Jagran Prakashan-owned Music Broadcast Ltd (MBL) for an estimated value of Rs 1,200 crore.

Reliance Capital and Reliance Land will divest their entire equity stake in Reliance Broadcast Network Ltd (RBNL) to Music Broadcast Ltd (MBL). The move would help in reducing the loan burden of the Reliance group firms, it added. "This transaction is part of our overall strategy to reduce exposure in non-core businesses and will reduce our debt by an estimated Rs 1,200 crore," the statement Reliance Capital CFO Amit Bapna said in a statement.

RBNL operates under the brand name BIG FM Radio network with 58 stations across the country. MBL will initially acquire a 24 per cent equity stake of RBNL by way of a preferential allotment for Rs 202 crore. Thereafter, subject to the receipt of all regulatory approvals, MBL will acquire all of the remaining equity stake held by Reliance Capital and Reliance Land in RBNL at a total enterprise value of Rs 1,050 crore.

RCap will receive an around Rs 150 crore from the disposal of other assets of RBNL which do not form part of the transaction with MBL, in accordance with the regulations. MBL, which operates Radio City said its board has approved the acquisition of RBNL. "Together with the recently announced stake sale in Reliance Nippon Asset Management for Rs 6,000 crore and other ongoing monetisation plans, we expect RCap's debt to reduce by nearly Rs 12,000 crore (close to 70 per cent) in the current financial year," Bapna said.

CORPORATE RESULTS

IndiGo Q4 net jumps five-folds on greater volume

ENS ECONOMIC BUREAU
NEW DELHI, MAY 27

"The gains from grounding of Jet (Airways) started from last week of February and whole of March, helping unit revenues to increase by 3-4%... In May we expect gains to somewhat dissipate and by June to fully disappear,"

RONOJOY DUTTA
CHIEF EXECUTIVE OFFICER, INDIGO

INTERGLOBE AVIATION, that runs IndiGo, recorded a five-fold year-on-year jump in its net profit to Rs 590 crore for the March quarter.

The airline's shares, which have skyrocketed as much as 39 per cent since January, closed up 2.5 per cent on the BSE on Monday, outperforming a 0.6 per cent rise in the Sensex.

IndiGo seems to have weathered the damaging impact of the cancellation of over 30 flights a day in February and March 2019 owing to a shortage of pilots and the repair work at Mumbai's Chhatrapati Shivaji International Airport. In the third quarter of FY19, the airline had posted a profit of Rs 191 crore.

While revenue from operations jumped 36 per cent year-on-year to Rs 7,883 crore in the March quarter, operating margins or the Ebitda (earnings before interest, tax, depreciation, amortisation and rentals) rose 6.7 basis points to 29.4 per cent, aided partly by relatively low fuel prices.

IndiGo's revenues were pushed up by greater volume — it carried 17 per cent more domestic passengers in the January-March period, way above the 4.9 per cent rise for all airlines — and better yield.

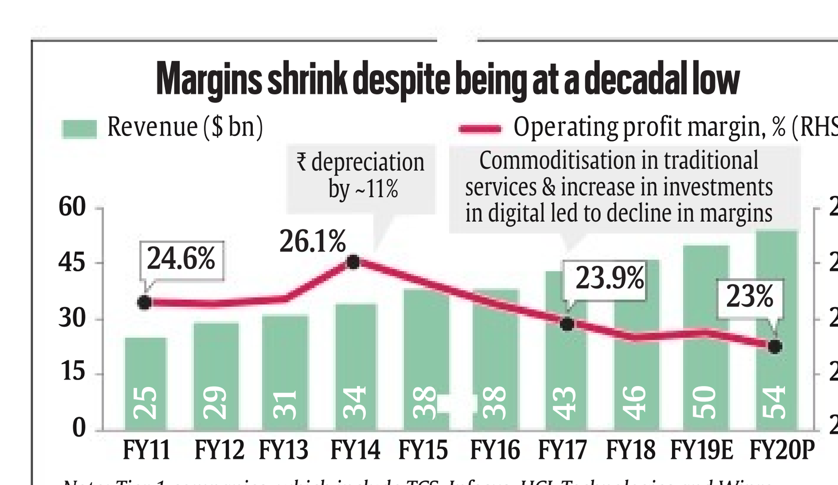
The revenue stood at Rs 3.7/km per passenger in the last quarter, up 12 per cent from a year before. Experts say the average fare during the quarter rose 10 per cent from the same period last year.

Full-service carrier Jet Airways faced regular grounding of aircraft for non-payment to lessors throughout the last quarter before it shut down all operations on April 17 as it ran out of cash.

It was also a tough quarter for some other airlines. After 17 quarters of double-digit growth, domestic passenger traffic for all airlines slowed to just 4.9 per cent in the March quarter due to a fall in capacity amid higher air fares. **FE**

'US visa rules to hit profits, margins of IT firms in FY20'

ENS ECONOMIC BUREAU
MUMBAI, MAY 27



Note: Tier 1 companies, which include TCS, Infosys, HCL Technologies and Wipro, are taken into consideration; Source: Crisil Research, company reports

THE STRICT stance adopted by the US government on the H-1B visa policy would put the profit margins of Indian information technology (IT) services companies at risk in the current financial year, as staff onsite costs continue to rise.

An increase in employee costs can be attributed to tightening of visa norms for Indian players, resulting in higher onsite costs for them. Ever since the US government tightened its H-1B visa policy in 2017, challenges have mounted for the sector, according to ratings firm Crisil.

"Employee expenses which account for nearly 60-65 per cent of total operating costs and cost per employee for Tier 1 players rose faster at about 17 per cent and around 9 per cent on-year in fiscal 2019, respectively, compared with nearly 6 per cent and about 3 per cent a year before," analysts at Crisil noted. Tier 1 players like Tata Consultancy Services, Infosys, HCL Technologies and Wipro added more than 82,000 employees in fiscal 2019, compared with only 10,000 employees in entire fiscal 2018, which is the highest in past five fiscals. The increase in cost per employee can be attributed to the rising number of onsite local hires and higher (about 2x) salaries of employees with digital skills, as the wage hike was only in the range of 6-8 per cent for the employees for the period. "Employee cost has been trending up for the past eight quarters even though employee addition was muted during fiscal 2018, which was on account of higher onsite costs for players," they said.

For mid-tier players, increase in employee expenses was around 13 per cent on-year for nine months ended December of FY19 as many are yet to declare fourth quarter results. Margins have been declining structurally for the past five fiscals, as billing rates and utilisation stabilise. The rising employee costs are expected to add to the pressure further. "Employee utilisation was high at about 85 per cent in fiscal 2019, with only a marginal room for improvement in the future. Billing rates are expected to remain under pressure, as traditional services become commoditised," the report said.

While the revenues are expected to grow by 7-8 per cent in dollar terms for the sector in FY20, helped by a double-digit growth in digital services. Operating margin is forecast to decline 30-80 basis points for the sector in FY20 as local hires increase for onsite job, who cost 25-30 per cent more than their H1-B counterparts. While, traditionally, sector has relied on labour arbitrage for maintaining margins, gap has been narrowing owing to various market forces — mainly changing US policy stance towards H-1B visas. **FE**

BHEL Q4 net surges to ₹683 cr

PRESS TRUST OF INDIA
NEW DELHI, MAY 27

STATE-OWNED BHEL on Monday posted 49.33 per cent jump in standalone net profit at Rs 682.70 crore for March quarter 2018-19 mainly on the back of higher revenues. The company's profit in the year-ago period stood at Rs 457.17 crore, according to a BSE filing.

Total income rose to Rs 10,418.03 crore in March quarter from Rs 10,351.07 crore in the same period of 2017-18. During 2018-19 fiscal, the standalone profit rose to Rs 1,215.39 crore from Rs 806.60 crore a year ago. Total income jumped to Rs 31,026.59 crore from Rs 29,507.28 crore in 2017-18.

Consolidated profit during the fiscal went up at Rs 1,009.16 crore from Rs 438.19 crore in the previous fiscal. Income also rose to Rs 31,029.17 crore from Rs 29,506.72 crore in 2017-18. In addition to interim dividend of Rs 0.80 per share (40 per cent) already paid (on share with face value of Rs 2 each), the company's board Monday recommended a final dividend of Rs 1.20 per share (60 per cent). **PTI**

NHPC Q4 net up over 2-fold at ₹492 crore

New Delhi: State-owned hydro power giant NHPC Monday posted over two-fold jump in standalone profit at Rs 492.29 crore for March quarter mainly due to higher revenues. The company's profit in January-March, 2017-18 stood at Rs 199.80 crore, a BSE filing said. Total revenues rose to Rs 2,186.25 crore in March quarter compared to Rs 1,406.07 crore in the year-ago period. The standalone net profit in 2018-19 slipped to Rs 2,630.55 crore from Rs 2,769.03 crore a year ago. **PTI**

GAIL posts highest-ever net profit

PRESS TRUST OF INDIA
NEW DELHI, MAY 27

STATE-OWNED gas utility GAIL India Ltd on Monday reported its highest-ever net profit, record dividend payout and largest-ever capital expenditure of Rs 54,000 crore as it builds infrastructure to take clean fuel to unconnected parts of the country.

The transporter and marketer of natural gas reported that net profit rose 10 per cent in the fourth quarter to Rs 1,122 crore and by 30 per cent to record Rs 6,026 crore in the financial year ended March 31, its chairman and managing director B C Tripathi said here.

GAIL board recommended a final dividend of Rs 1.77 per share to take total dividend payout to highest ever of Rs 8.02 per share in the fiscal, he said. "The year saw highest-ever capex (capital expenditure) spending in a single year of Rs 8,344 crore and we are investing another Rs 54,000 crore over the next 2-3 years in laying of gas pipeline network that will feed households and industries such as fertiliser plants," he said.

SC upholds arrest for GST evasion

Dismisses plea challenging Telangana High Court verdict

ENS ECONOMIC BUREAU
NEW DELHI, MAY 27

The SC posted for Wednesday the government's appeals against the Bombay High Court's interim order. The Bombay HC had on April 11 given a contrary view, restraining revenue authorities from taking any "coercive action" against alleged evaders

THE SUPREME Court on Monday dismissed a plea challenging the Telangana High Court verdict that a person can be arrested by the concerned authority in cases of Goods and Services Tax (GST) evasion. Under GST laws, specified offences involving an alleged tax evasion of above Rs 2 crore as also post-conviction repeat offences sans any monetary limit could lead to arrest; if the tax amount involved is above Rs 5 crore, then the offence will be non-bailable.

While it rejected appeals against the Telangana HC, the apex court posted for Wednesday the government's appeals against the Bombay High Court's interim order. The Bombay HC had on April 11 given a contrary view, restraining the revenue authorities from taking any "coercive action" against the alleged evaders and also asked them to cooperate with the investigations.

"Having heard counsel for the petitioner and upon perusing the relevant material, we are not inclined to interfere (with the Telangana HC order). The special leave petition is accordingly dismissed," an SC vacation bench of Chief Justice Ranjan Gogoi and Justice Aniruddha Bose said.

On April 18, the Telangana HC had said it was not inclined to grant relief against arrest, for alleged tax evasion, to the petitioners who had approached it challenging the summons issued by Superintendent (Anti-Evasion) of the Hyderabad GST Commissionerate, under the Central Goods and Services Tax (CGST) Act, 2017, and invocation of penal provisions under the law.

The Telangana HC had delivered the verdict which dealt with a batch of petitions filed by some private firms, its top officials and others. The Centre had told the HC that petitioners before it were allegedly involved in incorporating several partnership firms and had claimed input tax credit (ITC) on the basis of certain invoices, without there being any actual physical receipt of goods. It had alleged that the fraudulent ITC claimed by them was around Rs 224.05 crore.

The HC bench felt that sub Section (1) of Section 69 of the CGST Act empowers the commissioner to order arrest of a person, when such a person is believed to have committed a cognisable and non-bailable offence. It had said: "If reasons to believe are recorded in the files, we do not think it is necessary to record those reasons in the authorisation for arrest under Section 69(1) of the CGST Act. Since Section 69(1) of the CGST Act, 2017, specifically uses the words 'reasons to believe', in contrast to the words 'reasons to be recorded' appearing in Section 41A(3) of CrPC, we think that it is enough if the reasons are found in the file, though not disclosed in the order authorising the arrest." **FE WITH PTI**

MULTI-CRORE FRAUD INVOLVING NIRAV MODI, MEHUL CHOKSI

HC stays trial court proceedings against PNB, former officials

On March 26, Patiala House Court had issued summons against 11 PNB officials

ENS ECONOMIC BUREAU
MUMBAI, MAY 27

THE DELHI High Court has stayed the trial court proceedings against Punjab National Bank (PNB), its former managing director and CEO Usha Ananthasubramanian and 11 other senior PNB officials in a case relating to the multi-crore fraud involving Nirav Modi and Mehul Choksi.

The Reserve Bank of India (RBI) had filed the complaint in the Court of Metropolitan Magistrate, New Delhi, against PNB, its MD and CEO and other officials, including former executive director R S Sangapure and former general manager Rakesh Kumar, for alleged violation of Section 46 of the Banking Regulation Act.

The Metropolitan Magistrate had summoned them, including PNB on May 24.

However, based on a petition filed by the public sector lender, the high court last week stayed the proceedings of the trial court and listed the next hearing on the matter on July 17.

"The counsel for the second respondent (complainant) on being asked was unable to give an explanation as to why a general reference was made in the complaint leading to similar general mention in the summoning order to Section 46 of the Banking Regulation Act, 1949, without the specific penal clause being indicated," the Delhi High Court order said.

The high court also directed the RBI to file its response within two weeks. "The scond respondent may file the response within two weeks. Rejoinder, if required, be filed within the same period," the HC said.

The Metropolitan Magistrate of the Patiala House Court, on March 26, had issued summons against 11 officials of PNB, for furnishing false statements and misleading the Reserve Bank that ultimately led to a fraud of more than Rs 13,000 crore at the Brady House Branch of PNB in Mumbai.

According to the submissions of the Reserve Bank counsel, during information technology inspections of PNB, it was "observed that core banking system (CBS) as not integrated with many critical applications and there was no online integration of SWIFT with CBS".

VIOLATION OF BANKING REGULATION ACT

- **The RBI had filed the complaint in the Court of Metropolitan Magistrate, New Delhi, against PNB, its managing director and CEO and other officials for alleged violation of Section 46 of the Banking Regulation Act**
- **The magistrate had summoned them, including PNB, on May 24**
- **However, based on a petition filed by the public sector lender, the high court last week stayed the proceedings of the trial court and listed the next hearing on the matter on July 17**
- **The high court also directed the Reserve Bank to file its response within two weeks**

BRIEFLY

Opiod suit: Teva to pay $85 mn to Oklahoma

Washington: Israeli pharmaceutical giant Teva agreed on Sunday to pay the US state of Oklahoma $85 million to settle a lawsuit accusing it of fueling the state's opioid epidemic, Oklahoma's attorney general said. The announcement comes after Purdue Pharma, maker of OxyContin, a key driver of the crisis responsible for many deaths in US, reached a $270 million settlement with the state in March.

OYO joins hands with China's Ctrip

New Delhi: Hospitality firm OYO said on Monday it has partnered China's largest online travel aggregator Ctrip to extend its offerings to travellers. As part of the partnership, both companies will collaborate across multiple areas of business, including demand generation by providing access to customers of both brands, online-to-offline services integration, data operation and branding, OYO said.

'Alibaba plans raising $20 bn via 2nd listing'

Bengaluru: Alibaba Group Holding Ltd is considering raising $20 billion through a second listing in Hong Kong, Bloomberg reported on Monday, citing sources. The e-commerce company is said to be working with financial advisers on the planned offering and is aiming to file a listing application in Hong Kong confidentially as early as the second half of 2019, according to the *Bloomberg* report. Alibaba did not immediately respond to a request for comment.

Airtel submits guarantee for Tata Tele merger

New Delhi: Telecom operator Bharti Airtel is learnt to have submitted a bank guarantee of Rs 644 crore in telecom tribunal TDSAT to complete the merger of Tata Teleservices' consumer business with the company. The TDSAT on May 2 granted partial stay on a Rs 8,300-crore demand raised by the telecom department from Bharti Airtel for approving its merger with the consumer business of Tata Teleservices Ltd (TTSL). **PTI**

Google to invest €600 mn in data centre

Helsinki: Google said on Monday it planned to invest about €600 million in a new data centre in Hamina, Finland. Google, owned by Alphabet Inc., already has a data centre in Hamina, where it invested 800 million euros to convert an old paper mill. Paper firm Stora Enso sold the site, which is close to the Russian border, to Google in 2009. Google said the existing Hamina facility was one of its most advanced and efficient data centres. **REUTERS**

Q4 growth likely to ease to 6.1-5.9%; may lead to RBI rate cuts: SBI report

PRESS TRUST OF INDIA
MUMBAI, MAY 27

THE COUNTRY'S economic growth in the fourth quarter ended March 2019 is expected to moderate to 6.1-5.9 per cent, which could pull down growth rate for the entire fiscal 2018-19 to below 7 per cent, according to a report by SBI.

The slip in GDP growth may force the Reserve Bank of India to move with a deeper 0.50 per cent cut in rates at its next review to propel the sluggish economy, the SBI Ecowrap report said Monday.

The growth could come at 6.1-5.9 per cent for the January-March period, getting the full-year growth to 6.9 per cent, an estimate by the economic researchers at the country's largest lender SBI ahead of the announcement of official data on Thursday, said.

"We expect GDP growth for Q4FY19 at 6.1 per cent. GVA (gross value added) growth could be at 6 per cent or slip marginally below 6 per cent at 5.9 per cent. FY19 GDP growth will be at 6.9 per cent," it said. However, it added that the current slowdown can be "transitory" if proper policies are adopted in the interim.

Calling out the high real interest rates — the differential between the policy rate and headline inflation — as an impediment to investment, it said the RBI can cut rates by 0.35-0.50 per cent at its next policy announcement.

The RBI's larger rate cut can be effective only if transmission of the rates happens quickly, it said, suggesting a few factors that the central bank needs to keep in mind while delivering a rate cut.

Pointing out to the cumulative rate cuts of 0.50 per cent by the Reserve Bank of India (RBI) since February, the note said the median marginal cost of funds-based lending rate by banks has moved down by only 0.07 per cent. The first will be to ensure adoption of external benchmark rate which moves in with the RBI's repo rate.

Meanwhile, rating agency Ind-Ra Monday said India's GDP growth in FY19 is expected at 6.9 per cent, marginally lower than Central Statistics Office's advance estimate of 7 per cent. It also urged the new government to take short-term measures to arrest slowdown in the economy.

Ficci seeks stimulus package

New Delhi: Industry chamber Ficci Monday made a strong case for fiscal stimulus to pump-prime the slowing economy amid global headwinds and weakening domestic demand in the next budget as the new government is all set to begin its second innings.

The CSO will be releasing the quarterly GDP estimate for the quarter January-March, 2019 and provisional annual estimates for 2018-19 on May 31. **PTI**

Angel tax relief for 541 startups: DPIIT Secy

ENS ECONOMIC BUREAU
NEW DELHI, MAY 27

THE CENTRE has granted exemption to 541 startups so far from the so-called angel tax, Department for Promotion of Industry and Internal Trade (DPIIT) secretary Ramesh Abhishek said Monday. As many as 36 applications for such a relief were incomplete, and the DPIIT is working with startups concerned to address their deficiencies, Abhishek said in a tweet. The move comes after the Central Board of Direct Taxes (CBDT) in February had allowed such exemptions to startup.

With the new notification, "all the startups are allowed to receive angel tax exemption regardless of their share premium values given that the aggregate amount of paid-up share capital and share premium of the startup after issue or proposed issue of shares, if any, does not exceed, Rs 25 crore."

In a substantial breather to thousands of startups, the government on February 19 raised the cap of funding by unlisted companies or individuals in a startup that would be exempted from the angel tax to Rs 25 crore from Rs 10 crore. It also relaxed a clutch of rules to ease investment flow into such entities. Investments by listed firms with net worth above Rs 100 crore or annual turnover of Rs 250 crore will be exempted from any such limit, which will enable them to invest more without fears of the angel tax. **FE**

Commerce Ministry releases draft compendium of export policy, aimed at consolidating norms

PRESS TRUST OF INDIA
NEW DELHI, MAY 27

THE COMMERCE Ministry has come out with a comprehensive draft of the export policy which includes product specific rules with a view to provide a ready reckoner for exporters.

"Based on inputs received from various partner government agencies, it is proposed to bring out a comprehensive exports policy for all ITC (HS) tariff codes (including items which are 'free' for export and do not currently exist in the policy), covering conditions/restrictions imposed by partner government agencies on exports," the Directorate General of Foreign Trade said.

The draft policy aims at consolidating the export norms for each product as applicable at different government agencies.

ITC-HS Codes are Indian Trade Clarification based on Harmonized System of Coding. It was adopted by India for import-export operations. Every product has been accorded eight digit HS codes. The compendium will help an exporter know all the applicable norms pertaining to a particular product, helping him/her understand policy conditions for that item.

This exercise is for consolidating the norms and not for making any changes in the existing export policy of the country.

The DGFT said that the updated draft has been prepared by including all existing policy conditions, all notifications and public notices issued after January 2018.

Besides, it also includes non-tariff regulations imposed by different government agencies.

Commenting on the move, exporters body Federation of Indian Export Organisations (FIEO) said that it would provide a "ready reckoner" for traders and help in digitisation. "It will help exporters in understanding export norms and conditions for items," FIEO Director General Ajay Sahai said.

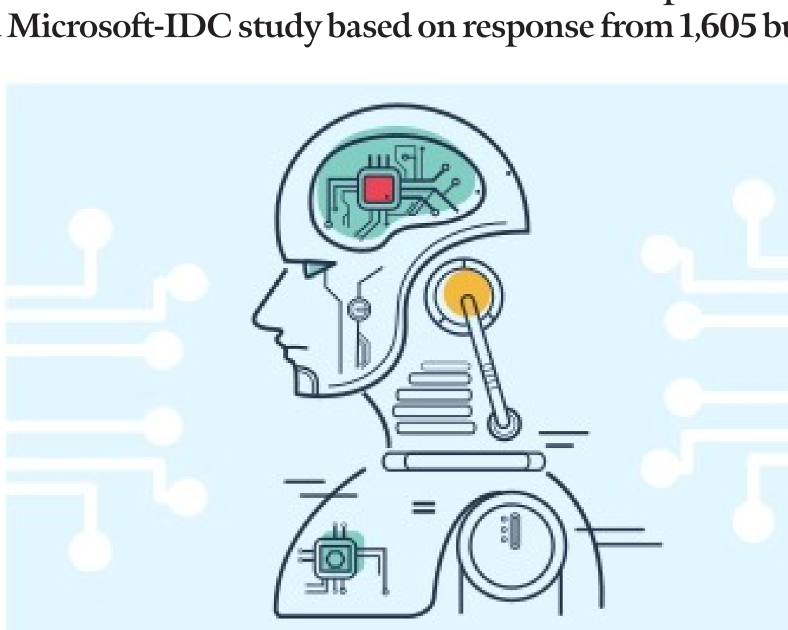
'AI will double innovations, productivity in India by 2021'

Artificial Intelligence (AI) will more than double the rate of innovation improvements and employee productivity gains in India by 2021, said a Microsoft-IDC study based on response from 1,605 business leaders from 15 nations

77% While 77 per cent of business leaders polled agreed that AI is instrumental for their firm's competitiveness, only one-third of organisations in India have embarked on their AI journeys

POSITIVE VIEWPOINT: The study found that India business leaders and workers hold positive viewpoints about the AI's impact on the future of jobs

64% About 64 per cent of business leaders and 63 per cent of workers believe that AI will either help to do their existing jobs better or reduce repetitive tasks



2.3 TIMES: Those companies that have adopted artificial intelligence expect it to increase their competitiveness by 2.3 times in 2021

2.2 TIMES: By 2021, in India, AI will more than double the rate of innovation at organisations (2.2 times) and employee productivity (2.3 times)

REPLACING JOBS: When it comes to creating or replacing jobs, 16 per cent of business leaders feel AI will create new jobs, but 18 per cent also feel that technology will replace workers

85% About 85 per cent of businesses prioritise skilling and re-skilling of workers in the future and plan to invest in the human capital evenly or even more compared to investing in technology

24% As much as 24 per cent of respondents chose higher competitiveness as number one driver for implementing AI initiatives

Fiat Chrysler, and Renault pursue $35 bn merger

REUTERS
MILAN/PARIS, MAY 27

FIAT CHRYSLER pitched a finely balanced merger of equals to Renault on Monday to tackle the costs of far-reaching technological and regulatory changes by creating the world's third-biggest automaker.

If it goes ahead, the $35 billion-plus tie-up would alter the landscape for rivals including General Motors and Peugeot maker PSA Group, which recently held inconclusive talks with Fiat Chrysler (FCA), and could spur more deals.

Renault said it was studying the proposal from Italian-American FCA with interest, and considered it friendly.

Shares in both companies jumped more than 10 per cent as investors welcomed the prospect of an enlarged business capable of producing more than 8.7 million vehicles a year and aiming for 5 billion euros ($5.6 billion) in annual savings. It would rank third in the global auto industry behind Japan's Toyota and Germany's Volkswagen.

But analysts also warned of big complications, including Renault's existing alliance with Nissan, the French state's role as Renault's largest shareholder and potential opposition from politicians and workers to any cutbacks.

Ball in US court to start trade talks, says EU's trade chief

REUTERS
BRUSSELS, MAY 27

EU-US TALKS that could prevent the United States from imposing punitive car tariffs have made some progress, but Washington must decide if it wants to negotiate with Brussels on a broad removal of import duties, the EU trade chief said on Monday.

EU countries last month cleared the start of formal trade talks with the United States on two fronts: cutting tariffs on industrial goods, and making it easier for companies to show their products meet the standards of the EU or US market.

EU Trade Commissioner Cecilia Malmstrom said the two sides had made progress on the latter, conformity assessment, as well as discussing potential for regulatory cooperation, which could avoid the need to test on both sides of the Atlantic.

"The aim is not to change our respective systems," she told a news conference after a meeting of EU trade ministers. "Here, we are making some progress."

However, Malmstrom recognised that the two sides had conflicting mandates over tariff reduction, with the United States wanting to include farm products and the European Union united in opposing this.

"The ball is now in the US court to start these negotiations," Malmstrom said.

EU trade ministers also discussed on Monday another area of tension with the United States, namely Washington's blocking of appointments to the World Trade Organization's appellate body that rules in disputes between WTO members. That body is set to be paralysed at the end of the year when two of its three remaining members step down. Three are required to hear any case.

EU countries agreed the Commission should reach out to other WTO members to find an interim solution that retains the binding character of the appellate body's decisions and the WTO's two-tier system of adjudication.

'PROGRESS MADE'

The two sides had made progress on conformity assessment, as well as discussing potential for regulatory cooperation, which could avoid the need to test on both sides, EU Trade Commissioner Cecilia Malmstrom said

Trump says China 'would like to make a deal ... we're not ready'

ASSOCIATED PRESS
TOKYO, MAY 27

US PRESIDENT Donald Trump said the United States is not ready to make a trade deal with China, but he's leaving open the possibility that the two nations could strike an agreement someday.

Speaking in Tokyo Monday, the US President said of China, "they would like to make a deal. We're not ready to make a deal." He further said, "We're taking in tens of millions of dollars of tariffs and that number could go up very, very substantially, very easily."

Still, Trump predicted a "very good deal with China sometime into the future because I don't believe that China can continue to pay these really hundreds of billions of dollars in tariffs." The two nations are in a tense standoff over trade. He said he knows his advisers think that North Korea violated UN Security Council resolutions when it fired off short-range missiles earlier this month. But Trump said he sees it differently — and that it doesn't matter anyway.

Hyderabad Ring Road Projects: NCLT dismisses ICICI Bank insolvency plea

PRESS TRUST OF INDIA
NEW DELHI, MAY 27

THE NATIONAL Company Law Tribunal (NCLT) has dismissed an insolvency plea filed by ICICI Bank against Hyderabad Ring Road Projects, observing that there was "duplicacy of the claims" of the private lender.

A two-member bench headed by President Justice M M Kumar said ICICI Bank has already raised the similar claims against its corporate guarantor Era Infra Engineering, which is currently going through Corporate Insolvency Resolution Process (CIRP). "Therefore, on account of duplicacy of the claims the petition can not be entertained," said NCLT bench, adding "this petition fails and the same is dismissed".

Hyderabad Ring Road Projects Private Ltd, is a special purpose vehicle related to Era Infra Engineering Ltd and raised an amount of Rs 193.60 crore between January 2014 to September 2015.

ICICI Bank had extended the loan over the corporate guarantee filed by Era Infra Engineering, against which the NCLT has already allowed to start insolvency proceedings after default in June 2018.

The NCLT observed that ICICI has already filed claims of Hyderabad Ring Road Projects before the RP of Era Infra Engineering, which has been admitted as financial creditor of the company.

Oil up more than 1%

REUTERS
NEW YORK, MAY 27

OIL PRICES rose more than 1 per cent on Monday, supported by Middle East tensions and OPEC-led supply cuts as well as continued crude disruptions from Russia after a contamination problem discovered last month.

Output reductions - both voluntary by the Organization of the Petroleum Exporting Countries (OPEC) and allies, plus those resulting from US sanctions — have helped Brent crude, the global benchmark, rise by about 29 per cent this year.

Brent settled at $70.11, rising $1.42, or 2.07 per cent, after having fallen by about 4.5 per cent last week. US West Texas Intermediate crude futures were up 59 cents, or 1 per cent, to $59.24 a barrel at 1752 GMT.

Public holidays in the United States and Britain on Monday limited participation, keeping volumes low.

Tensions between the United States and Iran, with Washington's announcement on Friday that it would deploy more troops to the Middle East, raised the prospect of supply disruptions and supported prices.

Some analysts said its impact could be limited.

"This move further increases tensions in the regions, but with the U.S. and UK markets closed today and most of the geopolitical tension likely already priced in to the market, effects on crude prices may remain subdued," JBC Energy said in a report.

Huawei reviewing FedEx relationship, says packages 'diverted'

REUTERS
HONG KONG, MAY 27

HUAWEI IS reviewing its relationship with FedEx Corp after it claimed the US package delivery company, without detailed explanation, diverted two parcels destined for Huawei addresses in Asia to the United States and attempted to reroute two others.

Huawei told *Reuters* on Friday that FedEx diverted two packages sent from Japan and addressed to Huawei in China to the US, and attempted to divert two more packages sent from Vietnam to Huawei offices elsewhere in Asia, all without authorisation, providing images of FedEx tracking records.

Reuters could not verify the authenticity of the records. Shown the images of the tracking records, FedEx declined to make any comment, saying company policy prevented it from disclosing customer information. Huawei said the four packages only contained documents and "no technology," which *Reuters* was unable to independently confirm.

Huawei declined to elaborate on why it thought the packages were diverted.