

MARKET WATCH

	08-07-2019	% CHANGE
Sensex	38,721	-2.01
US Dollar	68.66	-0.35
Gold	35,470	0.00
Brent oil	64.72	1.79

NIFTY 50

	PRICE	CHANGE
Adani Ports	397.80	-4.65
Asian Paints	1340.25	-18.45
Axis Bank	782.90	-23.30
Bajaj Auto	2777.80	-64.75
Bajaj Finserv	7593.05	-842.30
Bajaj Finance	3413.30	-305.85
Bharti Airtel	356.40	-8.40
BPCL	360.85	-9.20
Britannia Ind	2781.15	-43.70
Cipla	538.45	-11.55
Coal India	232.40	-9.50
Dr Reddys Lab	2595.70	-5.25
Eicher Motors	19032.90	-612.20
GAIL (India)	302.10	-4.30
Grasim Ind	888.55	-38.50
HCL Tech	1039.05	22.65
HDFC	2259.95	-18.95
HDFC Bank	2409.60	-62.80
Hero MotoCorp	2380.15	-132.15
Hindalco	197.60	-1.30
Hind Unilever	1753.55	-37.85
Indiabulls HFL	689.00	-32.35
ICICI Bank	425.80	-10.45
IndusInd Bank	1476.50	-56.05
Bharti Infratel	262.50	1.50
Infosys	717.60	-0.40
Indian Oil Corp	144.05	-8.15
ITC	277.45	-2.00
JSW Steel	262.25	-4.40
Kotak Bank	1475.30	-41.90
L&T	1490.35	-68.00
M&M	635.85	-6.20
Maruti Suzuki	6038.70	-321.30
NTPC	129.60	-6.90
ONGC	152.40	-9.10
PowerGrid Corp	201.25	-4.60
Reliance Ind	1252.05	-11.30
State Bank	355.30	-15.35
Sun Pharma	366.80	-8.45
Tata Motors	154.55	-5.65
Tata Steel	468.05	-10.30
TCS	2175.40	-12.30
Tech Mahindra	680.35	-0.75
Titan	1252.45	-25.65
UltraTech Cement	4392.35	-129.70
UPL	662.10	-3.70
Vedanta	161.95	-1.70
Wipro	266.90	-4.95
YES Bank	93.15	5.00
Zee Entertainment	334.65	-11.25

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on July 08

CURRENCY	TT BUY	TT SELL
US Dollar	68.46	68.78
Euro	76.80	77.16
British Pound	85.66	86.07
Japanese Yen (100)	63.04	63.33
Chinese Yuan	9.95	10.00
Swiss Franc	68.93	69.26
Singapore Dollar	50.38	50.62
Canadian Dollar	52.41	52.66
Malaysian Ringgit	16.53	16.62

Source: Indian Bank

BULLION RATES CHENNAI

July 08 rates in rupees with previous rates in parentheses

Retail Silver (1g)	41	(40.5)
22 ct gold (1g)	3303	(3255)

Yes Bank stock rises as lender reassures

SPECIAL CORRESPONDENT
MUMBAI

Yes Bank stock rose 5.5% on Monday even as the broader indices fell 2% after the lender clarified that the financial position of the bank was sound and stable and its liquidity and operating performance continued to be robust.

The bank made the statement in view of 'unfounded speculation about its board and management stability,' Yes Bank said.

The bank's stock ended 5.56% higher to close the day at ₹93.10 a share.

The lender also made two senior level appointments. Rajeev Uberoi will be senior group president - governance and controls while Anurag Adlakha will be senior group president and head - financial management and strategy.

The bank will announce its earnings for the April-June period on July 17.

Cox & Kings drops 5% after IATA curbs

SPECIAL CORRESPONDENT
MUMBAI

Travel services firm Cox & Kings' stock fell 5% on Monday after the International Air Transport Association (IATA) suspended licence to sell tickets.

"Cox & Kings defaulted on its BSP (Billing & Settlement Plan) payment subsequent to its suspension from the BSP on June 28. IATA remains in dialogue with Cox & Kings to explore whether a resolution can be reached. Ezeggo One was cross defaulted due to its common ownership with Cox & Kings," said Albert Tjoeng, assistant director, corporate communications, Asia Pacific - International Air Transport Association.

Stocks crash on budget, global cues

Surcharge on high income group, strong U.S. jobs data lowering prospects of Fed rate cut dampeners

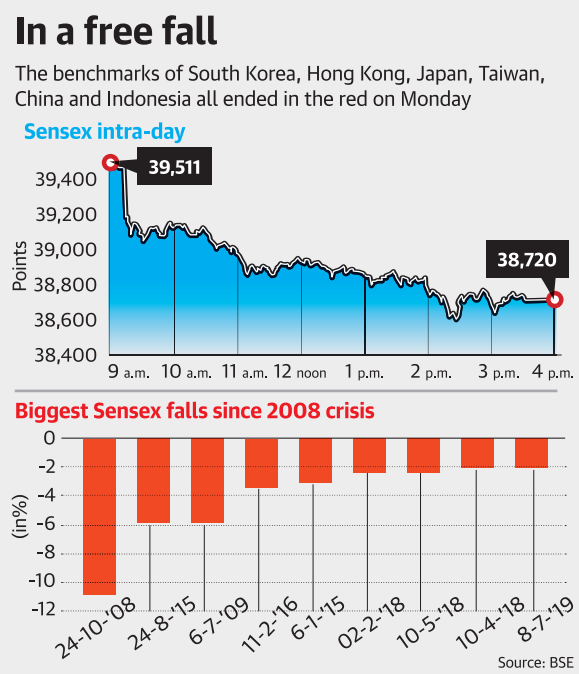
SPECIAL CORRESPONDENT
MUMBAI

The first trading session of the equity markets after the Union Budget saw stocks in a free-fall mode on Monday as a mix of global factors and domestic concerns emanating from some of the proposals in the Budget spooked investors.

The government's proposal to levy a surcharge on the high-income group coupled with the tax on buyback and increase in public holding in listed entities dampened investor sentiments, while the overall negative trend in emerging markets on account of a robust U.S. jobs data lowering the prospect of a rate cut by the Federal Reserve further played spoilsport.

Intraday low

The 30-share Sensex fell nearly 910 points during intraday trading to touch a low of 38,605.48 before marginally recouping some of the losses to close at 38,720.57, down 792.82 points or 2.01%.



The broader Nifty ended the day at 11,558.60, shedding 252.55 points or 2.14%. Further, the India VIX index, which is looked upon as a barometer of near-term volatility, gained over 6% on Monday.

The market breadth was also very weak with nearly 2,000 stocks losing ground on the BSE, as against only 534 gainers.

Most of the broader indices lost more than the benchmarks with some of the sec-

toral indices representing banking, automobiles, capital goods, power and realty falling over 3% on Monday.

Amar Ambani, president and research head, Yes Securities said that the market fall on Monday was primarily on account of concerns over future fund flow into the secondary market due to the hike in surcharge on the income of high-income individuals.

Higher surcharge

"The increased surcharge also has a bearing on FPIs coming in through the trust route and taxation of Category 3 AIFs (Alternate Investment Funds).

"This potentially reduces the post-tax attractiveness of India, vis-a-vis other markets, where such a high rate doesn't exist," said Mr. Amar Ambani.

Bluechip stocks and Sensex constituents like Bajaj Finance, ONGC, Hero MotoCorp, Maruti Suzuki India, NTPC, L&T and State Bank of India all lost between 4-5%

each on Monday.

A weak trend in most of the leading Asian markets also affected the sentiment in the Indian market.

The benchmarks of South Korea, Hong Kong, Japan, Taiwan, China and Indonesia all ended in the red on Monday.

"Globally, a positive payroll expansion, ahead of estimations, has led to a fear of anticipated Fed rate cut not coming through.

"This fear of consequential impact on global flows has been felt across emerging markets," said Pradeep Kesavan, senior vice-president, equity strategy, institutional equities, Elara Capital. The weakness in the equity markets also spilled over in the currency market with the rupee weakening 24 paise against the dollar.

The rupee closed at 68.66 a dollar as compared to the previous close of 68.42.

Most emerging market currencies weakened against the dollar on the back of strong U.S. job data.

FPIs press the panic button on tax surcharge

Are taxed as per individual tax slabs

SPECIAL CORRESPONDENT
MUMBAI

The government may well have targeted high-income individuals while proposing a tax surcharge but that has taken a toll on foreign investors in the Indian capital market.

According to experts, a large number of foreign portfolio investors (FPIs) in India operate through a trust or a limited liability partnership (LLP) structure that are not recognised as a corporate entity by the Income Tax Act and hence, are taxed as per the individual tax slabs based on their earnings. While presenting her maiden Budget on Friday, Finance Minister Nirmala Sitharaman said that the effective tax rate for individuals having taxable income between ₹2 crore and ₹5 crore would increase by around 3%.

Those earning above ₹5 crore would see an increase of 7% due to the surcharge. Experts believe that the sur-

charge would see the effective tax rate go up by 3.2 percentage points for those earning between ₹2 crore and ₹5 crore, and by 6.9 percentage points for those earning more than ₹5 crore.

"A significant number of foreign portfolio investors are organised as a trust and they will have an impact in terms of additional tax," said Riaz Thingna, director, Grant Thornton Advisory.

"Most of these funds would have an income of more than ₹5 crore and their tax burden would go up from the current 35.8% to 42.7%. For those entities, that earn more than ₹2 crore but less than ₹5 crore would see their tax outgo increase from 35.8% to 39%," explained Mr. Thingna. "The proposed tax regime will hurt non-corporate FPIs as well as several domestic funds, particularly open-ended Category III AIFs (Alternate Investment Funds)," said Tejesh Chitlangi, Senior Partner, IC Universal Legal.

Public, private sectors have to invest: Garg

'Bulk of investment from govt. firms'

TCA SHARAD RAGHAVAN
NEW DELHI

The government hopes to get investments from public sector companies as well as the private sector, according to Finance Secretary Subhash Chandra Garg.

Mr. Garg said that the government's own contribution to gross capital formation was small and so, in the unlikely event that this was even doubled, the overall impact on capital formation would not make much difference. The bulk of the public sector's investment came from companies owned by government, he added, and it is hoped that this would grow.

"The gross capital formation is about ₹55 lakh crore, about 30% of the GDP," Mr. Garg told *The Hindu*. "A greater part happens in the

private sector and a smaller part happens in the public sector. In the public sector, a much smaller part happens in the government. The larger part happens by the public sector companies." The Secretary said that in his estimation, the government expenditure on infrastructure or capital formation was not more than 7-8% of the total capital formation. "So, if somebody says you can expand the investment by expanding the government investment, that can't actually make a lot of difference," he added. "It's impossible for the government to double the expenditure, which will make the deficits go up substantially. But even if it were to do it, on the total investment, this will make a relatively small contribution."

Equity MF inflows jump threefold in June

Driven by lower inflation, rates

PRESS TRUST INDIA
MUMBAI

Net inflows into the equity-oriented schemes grew close to almost three times to ₹2,256.37 crore in June over ₹797 crore in May, according to Association of Mutual Funds in India (AMFI) data.

Net inflows for the open-ended growth and equity-oriented schemes have been consistently rising since April, the data showed.

Net flows into the open-ended growth and equity-oriented schemes rose to ₹7,663.14 crore in June from ₹4,608.74 crore in April, largely driven by multi-cap and large-cap fund categories.

"Political stability, lower inflation coupled with the Reserve Bank of India's stance to lower interest rates is driving the en-

hanced retail inflows towards equity-oriented schemes," AMFI chief executive N.S. Venkatesh said.

Overall net inflows for hybrid schemes was ₹862.61 crore in the reporting month. He attributed the outflows from the liquid schemes from the fixed income side to "the usual quarter-end phenomena where the industry does witness temporary redemptions from liquid funds."

Flows into gilt schemes and long duration schemes stood positive, owing to the dovish stance of the RBI on interest rates. Net outflows from income and debt-oriented schemes to the tune of ₹1.71 trillion in June led to the overall decline in the June month-end AUMs to ₹24.25 trillion from ₹25.93 trillion in May.

'Financial system has surplus liquidity'

Repo transmission taking 2-3 months against the 6 months earlier, says Das

SPECIAL CORRESPONDENT
NEW DELHI

The financial system is "hugely surplus" with liquidity, Reserve Bank of India Governor Shaktikanta Das said on Monday, adding that this would facilitate better transmission of rate cuts implemented by the central bank.

"You have to keep in mind the fact that from June 1 onwards, the system is more than adequately surplus in liquidity," Mr. Das said at a press conference following a post-Budget meeting of the RBI Board with Finance Minister Nirmala Sitharaman.

"Today, as we speak, the system liquidity is hugely surplus and we have also announced a liquidity backstop for the banks to implement the NBFC package which the Finance Minister announced in the Budget."

"When there is adequate liquidity, it always facilitates



From left: Finance Minister Nirmala Sitharaman, Governor Shaktikanta Das and Finance Secretary Subhash Chandra Garg at the RBI board meeting in New Delhi on Monday. >PTI

better transmission," Mr. Das added. "So, I would expect in the coming weeks and months, that we would see better transmission taking place." The Governor said that a positive development taking place recently is that the banks are taking a shorter

time to transmit the repo rate cuts implemented by the RBI. "In the last Monetary Policy Committee meeting, by that time 50 basis point repo rate cut had already been announced and out of this 21 basis points had been transmitted," Mr. Das

said. "One positive thing that is happening is that earlier it used to take six months for the transmission to happen. Now, it is taking a much shorter period of 2-3 months."

In the last meeting, the RBI announced a further repo rate cut of 25 basis points,

which took the total cut to 75 basis points over three consecutive meetings. The RBI is collecting the data regarding the transmission of the latest rate cut, the Governor said.

Mr. Das said that it was a very positive development that the government had cut its fiscal deficit target for financial year 2019-20 to 3.3% from the earlier 3.4%.

"The RBI will always be happy when the fiscal deficit is maintained," Mr. Das said. "And this time, the fiscal deficit has been improved actually to 3.3%. The RBI will be happy mainly because it completely limits the so-called crowding-out effect."

Reuters adds

Ms. Sitharaman said there was no need for any clarification on the additional tax burden that could apply to FPIs due to higher surcharges introduced in her Budget last week.

RBI board finalises 'Utkarsh 2022'

Three-year road map to improve regulation, supervision

MANOJIT SAHA
MUMBAI

The Reserve Bank of India (RBI) board, which met in New Delhi, finalised a three-year roadmap to improve regulation and supervision, among other functions of the central bank.

This medium term strategy - named Utkarsh 2022 - is in line with the global central banks' plan to strengthen the regulatory and supervisory mechanism, sources aware of the board meeting told *The Hindu*.

"It is a three-year road map for medium term objective to be achieved for improving regulation, supervision of the central bank," said a source.

"Worldwide, all central banks strengthen the regulatory and supervisory mechanism, everybody is formulating a long-term plan and a medium-term plan.



So, the RBI has also decided it will formulate a programme to outline what is to be achieved in the next three years," the source added.

An internal committee was formed, which was anchored by outgoing Deputy Governor Viral Acharya, to identify issues that needed to be addressed over the next three years. While around a dozen areas were identified by the committee, some board members felt that areas could be filtered and lesser number of areas

can be identified for implementation in the next three years.

"The idea is that the central bank plays a proactive role and takes preemptive action to avoid any crisis," said another source, highlighting the IL&FS debt default issue and the crisis of confidence the non-banking financial sector faced in the aftermath.

In a statement after the board meeting, the RBI said the board finalised the three-year medium-term strategy document of the Reserve Bank, "which covered, inter alia, its mission and vision statement."

The board also approved the RBI's budget for the July 2019-June 2020 period. Other matters discussed by the board included issues relating to currency management and payment systems, the statement added.

Spectrum auction: TRAI sticks to position

'Concerns over high 5G prices voiced'

SPECIAL CORRESPONDENT
NEW DELHI

In a setback to the operators, the Telecom Regulatory Authority of India (TRAI) has stuck to its earlier recommendation on the forthcoming spectrum auction, including on base price and valuation of spectrum to be put on sale.

Last month, the Digital Communications Commission (DCC) - the highest decision making body in the DoT - had asked the sectoral regulator to reconsider its recommendations to ensure competition and greater participation in auctions.

'High prices'

The back and forth comes amid industry voicing concerns over high spectrum prices, including that of airwaves used to offer 5G services. Some players have also hinted that they may sit out of auctions given the high pricing.

The DCC had asked TRAI to revisit the recommendations keeping in view the larger objective of Digital India and broadband for all.

The DoT had, in its communication to the TRAI, cited concerns over the financial health of the sector, its revenue growth and the reduction in number of players to three from about the eight previously.

In its detailed response to the clarifications sought by the DoT, the TRAI said it had considered all the relevant factors, including the methodology, assumptions, developments between the



spectrum auction in 2016 and its suggestions of August 1, 2018, and the rationale for spectrum valuation and reserve price while giving its recommendations.

"In view of the above, the authority reiterates the spectrum valuation and reserve prices as contained in its recommendations dated August 1, 2018," the TRAI said.

The regulator has, however, agreed with DoT on increasing the lock-in period for spectrum in 3300-3600 MHz band - used for 5G services.

"The Authority recommends that no roll-out obligations should be mandated for spectrum in 3300-3600 MHz band. However, to avoid any misuse of not mandating any roll-out obligations, the lock-in period for spectrum in this band for becoming eligible for spectrum trading should be five years instead of two years."

The government had earlier said it is targeting holding spectrum auctions in the current financial year.

Despite global challenges, 3M India remains bullish

India is an important talent contributor to our global leadership in the U.S., says Ramadurai

MINI TEJASWI
BENGALURU

Minnesota-based 3M Company, that manufactures more than 60,000 products for homes, schools, enterprises, governments and hospitals, may be starting at a barrage of market challenges.

These include flagging demand for cars and smartphones, growing end-market softness in China, company's recent exit from Venezuelan market citing "unstable environment" and an urgent need to cut its flab by 2,000

through a global lay-off as part of the company's "aggressive action" to drive costs down. Despite these challenges, 3M's India operations remain unaffected and bullish, newly-appointed managing director Ramesh Ramadurai told *The Hindu*.

Listing out his immediate priorities as the country head, Mr. Ramadurai said 3M India had a strong history of building sustainable businesses based on its deep customer orientation and innovation.



Ramesh Ramadurai

Mr. Ramadurai said 3M's priority was to use the breadth of its technologies and platforms to make a dif-

ference to people in India on the ground. The company offers highway safety signs, smart variable messaging signs and road furniture (objects used for safety and traffic control on State and national highways). It's solutions also go into manufacturing industries and 3M's advanced infection prevention solutions are widely used by hospitals in the country.

On India's contribution to 3M's global businesses, he said 3M India had been one

of fastest growing subsidiaries. "India is also an important talent contributor to our global leadership in the U.S., to the scientific community and to several regional leadership positions in the Asia Pacific," he added.

On online sales push, he said, digitisation and the digital economy have opened up a great opportunity. "Our e-commerce business is growing rapidly and we expect this momentum to build as shopping behaviour continues to evolve," he said.