MARKET WATCH

	27-08-2019	% CHANGE
Sensex	37,641	-0.39
US Dollar	71.48	0.75
Gold	39,670	0.00
Brent oil	58.67	-0.72

NIFTY 50

	PRICE	CHANGE
Adani Ports	372.05	3.85
Asian Paints	1599.45	1.90
Axis Bank	682.95	-0.75
Bajaj Auto	2766.50	29.70
Bajaj Finserv	7126.50	-64.30
Bajaj Finance	3357.75	33.50
Bharti Airtel	348.30	-12.35
BPCL	342.30	6.90
Britannia Ind	2685.90	152.05
Cipla	465.35	-1.20
Coal India	191.85	3.10
Dr Reddys Lab	2540.70	-26.50
Eicher Motors	15995.40	447.20
GAIL (India)	130.20	3.80
Grasim Ind	723.95	-13.35
HCL Tech	1093.10	0.25
HDFC	2174.30	25.95
HDFC Bank	2259.95	3.80
Hero MotoCorp	2614.45	23.50
Hindalco	181.20	2.45
Hind Unilever	1861.40	-15.15
Indiabulls HFL	471.50	-16.25
ICICI Bank	418.60	6.95
IndusInd Bank	1386.10	37.60
Bharti Infratel	245.05	-0.40
Infosys	784.65	-17.90
Indian OilCorp	125.75	0.25
ITC	245.50	3.00
JSW Steel	213.40	-0.70
Kotak Bank	1501.55	-11.25
L&T	1356.95	23.30
M&M	554.05	9.75
Maruti Suzuki	6277.75	22.20
NTPC	123.20	3.15
ONGC	125.60	1.85
PowerGrid Corp	206.55	3.65
Reliance Ind	1274.85	8.05
State Bank	285.70	5.50
Sun Pharma	416.75	-2.60
Tata Motors	120.35	9.80
Tata Steel	350.90	12.85
TCS	2236.50	-39.80
Tech Mahindra	676.35	-14.80
Titan	1123.70	21.25
UltraTech Cement	4135.70	97.30
UPL	556.00	6.20
Vedanta	138.10	3.05
Wipro	250.10	1.00
YES Bank	64.50	1.60
Zee Entertainment	363.75	-1.15

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on August 27

CURRENCY	TT BUY	TT SELL
US Dollar	71.28	71.60
Euro	79.16	79.52
British Pound	87.50	87.90
Japanese Yen (100)	67.39	67.72
Chinese Yuan	9.96	10.00
Swiss Franc	72.76	73.10
Singapore Dollar	51.35	51.59
Canadian Dollar	53.87	54.13
Malaysian Ringitt	16.95	17.04

Source:Indian Bank

BULLION RATES CHENNAI

August 27 rates in rupees with previous rates in parentheses

Retail Silver (1g)	50	(49.8)
22 ct gold (1 g)	3680	(3685)

'Review capital framework every 5 years'

Jalan panel for aligning RBI's accounting and financial years to cut need for paying interim dividend

SPECIAL CORRESPONDENT
MUMBAI

The Bimal Jalan Committee, set up to review the Reserve Bank of India's (RBI's) economic capital framework, has suggested that the framework may be periodically reviewed after every five years.

"Nevertheless, if there is a significant change in the RBI's risks and operating environment, an intermediate review may be considered," the report, which was made public on Tuesday, said.

The panel recommended to align the central bank's accounting year with the financial year which could reduce the need for paying interim dividend.

"It could reduce the need for interim dividend being paid by the RBI. The payment of interim dividend may then be restricted to extraordinary circumstances," the report said.

For 2018-19, the RBI had paid ₹28,000 crore as interim dividend.

The panel is for clear distinction between realised equity and revaluation balances as such balances are volatile. ▪REUTERS

Former RBI Governor Bimal Jalan.

Historically, the July-June year would have been linked to the agricultural seasons which is not a consideration in these times, it said.

Better estimates

By doing so, the RBI would be able to provide better estimates of the projected surplus transfers to the government for the financial year for budgeting purposes.

The committee also recommended that the RBI should put in place a framework for assessing the market risk of its off-balance sheet exposures in view of their increasing significance.

The panel also suggested a clearer distinction between the two components of economic capital – realised equity and revaluation balances – mainly because of the volatile nature of the revaluation balances.

"The committee was of the view that given the inclusion of the revaluation balances in the RBI's overall risk buffers, measures to address volatility will have to be introduced," the report said. The committee observed that even if the RBI's economic capital could appear to be relatively higher, it is largely on account of the revaluation balances which are determined by exogenous factors such as market prices and the central bank's discharge of its public policy objectives.

Going forward, the Jalan panel said that the financial resilience of the RBI may be articulated by the central board in terms of the risk protection desired for its balance sheet.

Dual sets of targets

So far as the surplus distribution policy for the future is concerned, the panel said it should move away from targeting total economic capital alone, to one where it has a dual set of targets, that is, the total economic capital of the RBI and the level at which realised equity is to be maintained.

"The committee recommends that the minimum level of realised equity to be maintained should be the sum of the monetary and financial stability risks, credit risk and operational risk," the report said.

Ray of hope: The economy and car sales should start to accelerate in the near future, says R. C. Bhargava. ▪PTI

Industry at bottom of cycle, says Bhargava

'Car sales will bounce back in FY 21'

YUTHIKA BHARGAVA
NEW DELHI

India's largest carmaker Maruti Suzuki is hopeful of bouncing back to its "usual rate of growth" in 2021 though the environment remained challenging amid transition to new regulations during the current financial year.

"My belief is that we are near bottom of the downward cycle and the economy and car sales should start to accelerate in the near future. The fiscal year 2021 should again see your company coming back to its usual rate of growth," R.C. Bhargava, chairman of the company, told shareholders at its AGM held on Tuesday.

Mr. Bhargava added the company had no plans to retrench any of its 16,050 permanent workforce. However, Maruti Suzuki had not renewed contracts of about 3,000 contractual workers.

In his message to the shareholders, the company's MD and CEO Kenichi Ayukawa said the time ahead remained "challenging and uncertain" for the automobile industry as many regulations were getting implemented during FY20.

"We will have to see how the customers will react to these changes and shape up the volume growth for the year. With many regulations coming into force, one of the major tasks of the company is to acquaint customers about the importance of new technologies," Mr. Ayukawa said.

He added the demand environment in the initial few months was not encouraging however, with "a historic mandate given to the NDA government, the political stability in the country has increased significantly. This may prove to be an important factor in reviving the customer sentiment and bringing growth to the automobile sector."

On slowdown, Mr. Bhargava said the bulk of the cars was bought by middle class consumers who did not have "unlimited deep pockets" and over the last couple of months, many factors combined to increase the final cost that the customer had to bear to buy a car.

This included new safety norms leading to car prices going up by about ₹22,000, transition to BS-VI, rise in insurance cost and non-availability of finance.

"More significantly to my mind... during slowdown, nine States increased road tax by substantial amount. There was a much sharper dip in sales in these States," Mr. Bhargava said, adding it was time that States also become a partner in the endeavour to grow manufacturing in the country.

"The Finance Minister recently announced some measures, but I think it is necessary to understand that the growth of manufacturing, growth of the economy is not entirely the responsibility of the Centre," he said.

While Mr. Bhargava said the company was committed to transitioning to electric vehicles (EVs), availability of small and affordable EVs for individual customers was "not likely in the next few years. He pitched for CNG vehicles, hybrid cars and the increasing use of biofuels to achieve the objective of reducing oil consumption and pollution.

BS-VI fuel will cost more as oil companies plan to hike prices from April 2020

Move aimed at recovering ₹30,000 crore invested in upgrading refineries

PIYUSH PANDEY
MUMBAI

State-owned oil marketing companies (OMCs) are set to increase the prices of petrol and diesel with effect from April 2020 to recover over ₹30,000 crore of investments made by these firms in upgrading their refineries to meet the BS-VI standards.

Hindustan Petroleum Corporation Limited (HPCL) chairman Mukesh Kumar Surana told *The Hindu*, "Upgrading to BS-VI was part of our expansion project in our Mumbai and Visakh refineries. Upgrading to BS-VI comes at a cost. We have invested close to ₹5,000 crore for upgradation to BS-VI. Besides, we need to incur additional operating expenses to run those units as we need to produce hydrogen. We will try to get a compensation."

State-owned OMCs had so far invested over ₹30,000 crore in upgrading their refineries to produce cleaner BS-VI fuels after the government, in 2016 decided to meet global best practices and leapfrog to BS-VI, skipping BS-V norms.

Cleaner and costlier: BS-VI fuels will be priced higher by between 50 paise and ₹2 per litre. ▪SANDEEP SAXENA

On the quantum of hike, Mr. Surana said, "We will not charge more than what we are supposed to do. We need to see the pricing as it depends on the international products prices and demand and supply in the international market. We need to benchmark our prices with global prices." He, however, did not elaborate.

BS-VI norms will come into to effect from April 1, 2020. "Pricing, we have not decided yet. It will be done closer to the launch. We will start making available BS-VI fuels in our depots by January so that all our outlets have these fuels by March. It may be a marginal hike between 50 paise per litre and ₹2 per litre," the director of another OMC said on condition of anonymity.

Price build-up

Currently, the price build-up of petrol comprises the base price of ₹32.81 and freight cost of ₹0.35 per litre. The price charged to dealers (excluding excise duty and VAT) is ₹33.16. With excise duty at ₹19.98 per litre, average dealer commission of ₹3.55 per litre and VAT (including VAT on dealer commission) of ₹15.30 per litre, the retail selling price at Delhi is ₹71.99 per litre.

Similarly, price build-up of diesel includes the base price of ₹37.15 per litre. With freight cost of ₹0.32 per litre, the price charged to dealers (excluding excise duty and VAT) is ₹37.47 per litre. With an excise duty of ₹15.83 per litre, average dealer commission of ₹2.49 per litre and VAT (including VAT on dealer commission) of ₹9.64 per litre, the retail selling price at Delhi is ₹65.43 per litre.

FDI: Cabinet may consider easing norms

PRESS TRUST OF INDIA
NEW DELHI

The Union Cabinet on Wednesday will consider relaxing foreign direct investment (FDI) norms in several sectors, including single-brand retail and digital media, to attract overseas players, sources said.

Other sectors where FDI rules would be eased are coal mining and contract manufacturing. The government may approve a proposal to allow 100% FDI in contract manufacturing, they said.

In the existing foreign investment policy, 100% FDI is permitted in the manufacturing sector under the automatic route. A manufacturer is also allowed to sell products manufactured in India through wholesale and retail channels, including through e-commerce, without the government's approval. But, the policy does not talk about contract manufacturing and it is not clearly defined in the policy.

Rupee gains most in five months against dollar

SPECIAL CORRESPONDENT
MUMBAI

The rupee gained 0.75% against the dollar on Tuesday after the Reserve Bank of India (RBI) decided to transfer ₹1.76 lakh crore to the government that will improve the fiscal situation.

The rupee closed at a one-week high of 71.48 against the U.S. dollar, up 54 paisa over its previous close.

The RBI on Monday decided to transfer ₹1.76 lakh crore to the Centre – including an interim dividend of ₹28,000 crore paid in February.

"The tax revenue assumptions in the FY20 Budget were fairly optimistic. This would have meant that the government would have to cut expenditure drastically towards the end of the year to meet the 3.3% of GDP fiscal deficit target. "The 0.3% of RBI dividend bounty is likely to give some much needed breather in the fiscal math," economists at HSBC wrote in a note to its clients.

Lower collection

Lower collection of direct taxes were also a reason for concern for the government in meeting its fiscal deficit target.

A report from Bank of America Merrill Lynch said the ₹1.76 lakh-crore figure is similar to the revenue at risk for the FY20 Budget. "How the government will use this amount is yet unclear," the report said.

The U.S. currency losing strength against major global rivals also boosted the rupee sentiment, dealers said.

Meanwhile, bond yields, that had dropped 9 basis points on Monday, ended 5 bps higher due to profit booking.

Slowdown talk exaggerated, says SBI report

'Changing customer preferences retarding FMCG sales'

SPECIAL CORRESPONDENT
MUMBAI

A report from State Bank of India (SBI) questioned the 'exaggeration' of the current slowdown as it said that changing customer preferences, base effect and global factors were leading slower growth in sales in the auto and fast moving consumer goods sectors.

While acknowledging that the economy was undergoing a slowdown, Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI, said it is not all doom and gloom in the FMCG sector, where the volume growth decline of listed companies in the first quarter of the fiscal has been cited for growth slowdown. "Interestingly, it is pertinent to note that volume growth was dismal, mostly negative for major companies in Q1 FY18 due to which growth in Q1 FY19 was much higher, thereby making the volume figures in Q1 FY20 appear weaker," Mr. Ghosh said in the report.

It's not all doom and gloom in the FMCG sector, says Soumya Kanti Ghosh, Group chief economic adviser, SBI. ▪AFP

He argued that one of the reasons for a downward bias in the data could be the change in the behavioural pattern of consumers, who are leaning more towards herbal and ayurveda oriented personal care products in the unorganised or small business segments, which is not formally captured by the data survey teams.

"With increasing tilt towards e-retailers, consumers are now also buying bigger packets and thus the demand for smaller sachets is declining," the report said.

On the auto sector slowdown in India, the report said, it was a part of the global crisis that was unfolding.

The author predicts Q1FYGDP to be at 5.6% with a downward bias.

'Looking at viability of widebody for Indigo'

Need business class for option to work: CEO; airline currently offers economy class

SPECIAL CORRESPONDENT
NEW DELHI

Low-cost carrier IndiGo is deliberating on the right formula which will make widebody aircraft a viable option for the airline, CEO Ronojoy Dutta said at its 16th Annual General Meeting (AGM) on Tuesday.

"We are investigating it thoroughly. We meet every Tuesday to talk about the widebody. It is not an easy proposition. You do need a business class to make the widebody work. We cannot copy anyone because no one has succeeded in terms of widebody low cost," Mr. Dutta said. The airline is also examining inducting the A321 XLR (extra long range) aircraft. The CEO said that the shortcoming with the XLR was that it cannot reach London, a destination the airline plans to connect in future.

Ronojoy Dutta

"The XLR is a great aeroplane, but it cannot reach London. With the current range, we cannot reach Seoul. With the XLR we can reach Seoul."

IndiGo has no widebody aircraft in its fleet and offers only economy class to passengers. The airline has a total of 235 planes, which include A320ceo, A320neo, A321 and ATR turboprop.

The AGM was called to seek shareholders' votes on amending the Articles of Association of IndiGo's parent company InterGlobe Aviation Limited. This, to expand the Board of Directors from six members to 10 following Rakesh Gangwal's complaint to the SEBI about corporate misgovernance and "unusual" powers enjoyed by co-founder Rahul Bhatia. The outcome of the voting process is expected to be known later this week.

Mr. Gangwal was not present at Tuesday's meeting. Remarks made at the AGM suggested that the sparring co-founders were yet to bury the hatchet. To a question on mending of fences between the two partners, there were no straight answers on a thaw in the relationship. Mr. Bhatia just replied, "I think his [Mr. Gangwal's] actions will speak louder than his website over time."