## MARKET WATCH

| | 28-08-2019 | % CHANGE |
|---|---|---|
| Sensex | 37,452 | -0.50 |
| US Dollar | 71.77 | -0.41 |
| Gold | 39,970 | 0.76 |
| Brent oil | 60.4 | 2.94 |

## NIFTY 50

| | PRICE | CHANGE |
|---|---|---|
| Adani Ports | 365.95 | -6.10 |
| Asian Paints | 1603.15 | 3.70 |
| Axis Bank | 678.20 | -4.75 |
| Bajaj Auto | 2766.75 | 0.25 |
| Bajaj Finserv | 7035.95 | -90.55 |
| Bajaj Finance | 3326.35 | -31.40 |
| Bharti Airtel | 345.80 | -2.50 |
| BPCL | 350.55 | 8.25 |
| Britannia Ind | 2703.10 | 17.20 |
| Cipla | 464.25 | -1.10 |
| Coal India | 185.05 | -6.80 |
| Dr Reddys Lab | 2512.10 | -28.60 |
| Eicher Motors | 16297.45 | 302.05 |
| GAIL (India) | 128.05 | -2.15 |
| Grasim Ind | 713.50 | -10.45 |
| HCL Tech | 1123.95 | 30.85 |
| HDFC | 2187.15 | 12.85 |
| HDFC Bank | 2247.50 | -12.45 |
| Hero MotoCorp | 2568.50 | -45.95 |
| Hindalco | 178.40 | -2.80 |
| Hind Unilever | 1828.10 | -33.30 |
| Indiabulls HFL | 457.25 | -14.25 |
| ICICI Bank | 412.95 | -5.65 |
| IndusInd Bank | 1365.85 | -20.25 |
| Bharti Infratel | 248.80 | 3.75 |
| Infosys | 802.50 | 17.85 |
| Indian OilCorp | 122.90 | -2.85 |
| ITC | 245.95 | 0.45 |
| JSW Steel | 205.75 | -7.65 |
| Kotak Bank | 1483.65 | -17.90 |
| L&T | 1344.65 | -12.30 |
| M&M | 539.70 | -14.35 |
| Maruti Suzuki | 6103.40 | -174.35 |
| NTPC | 119.90 | -3.30 |
| ONGC | 121.20 | -4.40 |
| PowerGrid Corp | 205.75 | -0.80 |
| Reliance Ind | 1263.30 | -11.55 |
| State Bank | 284.90 | -0.80 |
| Sun Pharma | 413.10 | -3.65 |
| Tata Motors | 116.35 | -4.00 |
| Tata Steel | 336.95 | -13.95 |
| TCS | 2239.25 | 2.75 |
| Tech Mahindra | 690.20 | 13.85 |
| Titan | 1110.95 | -12.75 |
| UltraTech Cement | 4119.80 | -15.90 |
| UPL | 557.00 | 1.00 |
| Vedanta | 132.35 | -5.75 |
| Wipro | 249.25 | -0.85 |
| YES Bank | 59.50 | -5.00 |
| Zee Entertainment | 364.20 | 0.45 |

## EXCHANGE RATES

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

| CURRENCY | TT BUY | TT SELL |
|---|---|---|
| US Dollar | 71.57 | 71.89 |
| Euro | 79.33 | 79.69 |
| British Pound | 87.40 | 87.80 |
| Japanese Yen (100) | 67.70 | 68.00 |
| Chinese Yuan | 9.99 | 10.04 |
| Swiss Franc | 72.94 | 73.27 |
| Singapore Dollar | 51.54 | 51.78 |
| Canadian Dollar | 53.77 | 54.02 |
| Malaysian Ringitt | 16.99 | 17.07 |

Source:Indian Bank

## BULLION RATES CHENNAI

August 28 rates in rupees with previous rates in parentheses

| | | |
|---|---|---|
| Retail Silver (1g) | 51.9 | (50) |
| 22 ct gold (1 g) | 3713 | (3680) |

# Nod for sugar export subsidy

### Cabinet okays offer of ₹10.45 per kg to incentivise mills to export surplus stocks

SPECIAL CORRESPONDENT
NEW DELHI

With record sugar production continuing to drive down prices even as cane farmers face huge arrears in payment, the Centre has decided to offer a ₹10.45 per kg subsidy to incentivise mills to export their surplus stocks. The export subsidy package will cost the exchequer ₹6,268 crore, according to an official statement.

The decision was taken at a meeting of the Cabinet Committee on Economic Affairs on Wednesday.

**60 lakh tonnes**

The subsidy package will facilitate the export of up to 60 lakh tonnes in the 2019-20 marketing season, which begins in October. It will benefit millions of farmers in U.P., Maharashtra and Karnataka, as well as other states, Information and Broadcasting Minister Prakash Javadekar told journalists.

A month ago, the Food Ministry told the Lok Sabha that sugar mills across the country owed cane farmers a total of ₹17,518 crore, of which ₹9,935 crore was due to U.P. farmers alone.

However, surplus stocks and crashing prices left mills with a liquidity crisis. The 2019-20 marketing season is expected to start with an opening stock of 142 lakh tonnes, and end with a closing stock of 162 lakh tonnes.

This surplus will only be partially mitigated by previously announced government measures to create a buffer stock and incentivise diversion of cane for the production of ethanol. Global sugar prices are more than ₹10/kg lower than domestic prices. The lump sum export subsidy will be provided for expenses on marketing costs including handling, upgrading and other processing costs, costs of international and internal transport and freight charges.

"The subsidy would be directly credited into farmers' account on behalf of mills against cane price dues and subsequent balance, if any, would be credited to mills' account," the statement said.

**Booster shot:** The subsidy will be directly credited into the farmer's account on behalf of mills against the dues. • REUTERS

# Producers welcome decision

### 'WTO-compliant subsidy will aid shipping of 6 mn tonnes'

M. SOUNDARIYA PREETHA
COIMBATORE

The approval by the Cabinet Committee on Economic Affairs on Wednesday for sugar export subsidy would help reduce the surplus sugar inventory, according to the Indian Sugar Mills Association (ISMA).

Abinash Verma, director general, ISMA, said that the export of six million tonnes of sugar during the 2019-20 marketing season would not only reduce the surplus inventory of the commodity in the country next season but also result in an additional cash flow of ₹18,000 crore in the sector, including subsidy amount.

With an expected global deficit next season of nearly four million tonnes, "the timely announcement of India's export programme with a WTO compliant export subsidy of ₹10,448 per tonne will enable Indian millers export the six million tonnes," he said.

An industry source said sugar production this season (October 2018 to September 2019) in the country was almost 33 million tonnes and close to four million tonnes of sugar were exported.

The opening stock next season (2019-20) is expected to be 14.5 million tonnes and the production 28.5 million tonnes. In the current season, though exports were expected to be five million tonnes, it is close to four million tonnes, mainly as international prices were down. In the next season, a global deficit is expected.

Hence, exports are likely to be viable for the Indian sugar sector. "It is a huge stock [that we have] and we need to export. Now, people can plan for the next season," the source said.

R. Varadarajan, whole-time director, Rajshree Sugars and Chemicals, said while the export subsidy would benefit mills in north India, sugar mills in Tamil Nadu need a "larger support package." The mills in Tamil Nadu were already operating below capacity.

So, the units here might still not be able to export. The Tamil Nadu mills need incentives without linking them to exports, he said.

# Indian Oil Corp. to set up greenfield refinery in Nagai

### Company plans aluminium anode battery plant in Chennai

PIYUSH PANDEY
MUMBAI

Indian Oil Corporation Limited (IOCL) is planning to set up a 9 million metric-tonnes per annum (mmtpa) greenfield refinery at Nagapattinam in Tamil Nadu to expand its refining capacity and help meet the rising energy demand in India.

The expansion will be carried out by its subsidiary Chennai Petroleum Corporation Limited (CPCL).

"Besides the West Coast refinery, we are looking at a greenfield refinery expansion on India's East Coast in Nagapattinam, Tamil Nadu. The financials of the refinery project need to be worked out and approved by the board of CPCL," IOCL chairman Sanjiv Singh told *The Hindu*. In a bid to diversify into non-fossil fuel, IOCL is also planning to set up an aluminium anode battery plant in Chennai.

> **The financials of the project need to be approved by the CPCL board**
> SANJIV SINGH, IOCL Chairman

"We are looking at manufacturing various batteries, storage, [and] improving conventional battery. We are talking something beyond lithium, as lithium batteries are not the best answer, for, India doesn't have lithium," Mr. Singh said.

Gurmeet Singh, IOCL's Director – Marketing, said, "We are in an advanced stage of development of aluminium anode-based batteries, as aluminium is available in India in abundance. We will manufacture these batteries in Chennai. These will be self charging and much cheaper and lighter than the conventional lithium ion battery."

"The battery plant is expected to come up in joint venture with a foreign player. The ideal size of the unit may be one giga watt," said S.S.V. Ramakumar, Director – R&D at IOC.

# IOCL plans investments of ₹2 lakh crore

### Oil major to expand refining, petrochemicals and natural gas businesses

SPECIAL CORRESPONDENT
MUMBAI

Indian Oil Corporation Limited (IOCL), India's largest refiner, plans to invest ₹2 lakh crore in the next 5-7 years to expand its refining, marketing, petrochemicals and natural gas business.

"Indian Oil has planned ₹2 lakh crore investments in the next five to seven years to evolve into a future-ready corporate that provides comprehensive energy solutions to diverse user groups," said IOCL chairman Sanjiv Singh.

**Future ready:** IOCL is expanding almost all refineries from Panipat to Paradip, says chairman Sanjiv Singh. • M. MOORTHY

When asked about the break-up of investments, Mr. Singh told *The Hindu*, "As the conventional fuel business is growing, we are expanding almost all our refineries from Panipat to Paradip. We are also clubbing petrochemicals in all the refineries. We are making necessary investments in pipeline and marketing infrastructure so that there will be no shortage in meeting the growing energy demands of the country."

IOCL accounts for about one-third of India's refining capacity of 250 million metric tonnes per annum (mmtpa) with 11 refineries.

The company plans to invest over ₹20,000 crore in expansion of its petrochemicals project till 2023-24, after spending ₹25,000 crore in major petrochemicals projects in the Panipat and Paradip refineries.

IOCL, along with HPCL and BPCL, is building the world's longest – 2,757-km – LPG pipeline from Kandla in Gujarat to Gorakhpur in Uttar Pradesh.

The company is taking up 17 pipelines at a combined cost of ₹24,000 crore to expand the network to about 21,500 km in the next three years.

Indian Oil plans to invest ₹10,000 crore in the development of the city gas distribution (CGD) network in the next eight years.

IOCL has spent ₹28,000 crore in the last fiscal and plans to invest ₹25,000 crore this fiscal.

# China eases drug import restrictions

ATUL ANEJA
BEIJING

In a humanitarian gesture, China has decided not to impose heavy penalties on the import of unapproved but cheaper generic drugs, which are needed to treat critically ill patients, from countries such as India.

Monday's announcement will give hope especially to less-affluent patients and their relatives who have struggled to get affordable medicines to treat chronic diseases such as cancer.

Prior to the latest decision, drugs not approved by the National Medical Products Administration (NMPA) of China were considered "fake." Companies and individuals caught selling such drugs could face heavy fines or even imprisonment up to three years.

# Toyota, Suzuki to buy stakes in each other

### Auto giants plan to collaborate in new fields, including autonomous driving

SPECIAL CORRESPONDENT
NEW DELHI

Japanese auto giants Toyota and Suzuki on Wednesday announced entering into an agreement under which the firms will buy stakes in each other to promote a long-term partnership for collaboration in new fields, including autonomous driving.

Under the pact, Toyota will acquire 2.4 crore shares, or a 4.96% stake, in Suzuki valued at ¥96 billion, while Suzuki will buy shares worth ¥48 billion in Toyota.

**Business partnership**

The automakers had first announced a business partnership in October 2016. In March, this year, they agreed to jointly develop products, collaborate in production and promote mutual supply of products by bringing together Toyota's strength in electrification technologies and Suzuki's strength in technologies for compact vehicles.

In this file photo, Toyota Motor Corp. President Akio Toyoda, left, is with Suzuki Motor Corp. Chairman Osamu Suzuki. • AP

Explaining the purpose of the alliance, the two firms said in a statement, "... the automobile sector is currently experiencing a turning point unprecedented in both scope and scale, not only because of enhanced environmental regulations, but also from new entries from distinct industries and diversified mobility businesses."

**Sustainable growth**

The companies "intend to achieve sustainable growth, by overcoming new challenges surrounding the automobile sector by building and deepening cooperative relationships in new fields while continuing to be competitors, in addition to strengthening the technologies and products in which each company specialises and their existing business foundations," the statement added.

"Specifically, to take up challenges together in this transitional era, the two companies plan to establish and promote a long-term partnership between the two companies for promoting collaboration in new fields, including the field of autonomous driving," the statement said.

The communique added that the execution of the capital alliance agreement was a confirmation and expression of the outcome of 'sincere and careful discussions' between the two automobile companies, and will serve to build and promote their future partnership in new fields.

# 'Imprudent to ground entire fleet of P&W-powered planes'

### Strong mitigation measures in place, says aviation regulator

SPECIAL CORRESPONDENT
NEW DELHI

Aviation safety regulator DGCA on Wednesday said it would be imprudent to ground the entire fleet of Pratt and Whitney (P&W) powered planes with Indian airlines, adding that strong mitigation measures were in place.


**'Serious consequences'**

"About 40% of the domestic seat capacity of India is powered by Neo Engines and therefore, any knee-jerk reaction to completely shut their operations will have serious consequences;... with strong mitigation measures in place and strict adherence to SOPs by the airlines, the problem is being contained, the Directorate General of Civil Aviation (DGCA) said in a press statement following an emergency meeting with IndiGo and GoAir.

There are 127 P&W-powered engines in the country, out of a total of 436 planes. Of these, 92 are with IndiGo and 35 with GoAir.

It added, "we are alive to the situation and will take the strictest action possible".

The DGCA said that while some of the issues being faced by PW engines that have caused in-flight shutdowns, air turnbacks or rejected take-offs had been resolved, it asked the airlines to not induct new planes after August without modified gear box and new low pressure turbine, as these two technical problems continue to persist.

There will also be restrictions imposed on leasing of spare engines without these two issues being addressed.

There were nine incidents related to these two technical problems in 2019, as compared to seven in the previous year faced by IndiGo and GoAir, according to the latest data from the DGCA.

# Ind-Ra cuts GDP growth forecast in FY20 to 6.7%

### Agency pegs growth at six-year low

SPECIAL CORRESPONDENT
NEW DELHI

India Ratings and Research has revised downwards its projection of the country's GDP growth in financial year 2019-20 to 6.7%, a six-year low, from its earlier forecast of 7.3%, the agency announced on Wednesday.

"The agency expects FY20 to be the third consecutive year of subdued growth pushed by (i) a slowdown in consumption demand; (ii) delayed and uneven progress of monsoon so far; (iii) decline in manufacturing growth; (iv) inability of Insolvency and Bankruptcy Code to resolve cases in a time-bound manner, and (v) rising global trade tension adversely impacting exports," it said in a report.

The agency expects growth in the first quarter of the current financial year to decline for the fifth consecutive quarter to 5.7%.

Further, it said that the reform measures announced by Finance Minister Nirmala Sitharaman recently would make an impact only in the medium term.

"On August 23, 2019, Finance Minister Nirmala Sitharaman announced a slew of measures to revive the economy, which included addressing the woes facing auto sector, MSME, banking sector, capital market, etc.," the report said. "However, these measures are likely to support growth only in the medium term, and the agency expects GDP growth to recover to 7.4% in the second half of FY20, mainly on account of the base effect."

# Forex gains, OMOs aid RBI's record surplus

### The large transfer to the Union government is likely to be a one-time event

MANOJIT SAHA
MUMBAI

Large scale open market operations (OMO) conducted by the Reserve Bank of India (RBI) and higher earnings from foreign exchange operations helped boost the central bank's surplus to record levels in 2018-19.

The RBI posted a surplus of ₹1.23 lakh crore in 2018-19 compared to ₹50,004 crore in 2017-18 and ₹30,663 crore in 2016-17. On Monday, the central bank said that its board had approved the transfer of ₹1.76 lakh crore to the government, which includes the surplus of ₹1.23 lakh crore and excess provisions of ₹52,637 crore identified as per the revised Economic Capital Framework.

**Massive liquidity**

The RBI infused massive liquidity by buying back government securities. Holding cash does not yield any return but when invested in securities, interest income is earned. Market estimates suggest that the additional income during the accounting year was to the tune of ₹26,000 crore on larger OMOs.

Larger OMOs contributed an additional ₹26,000 crore income to the RBI during the accounting year. • V.V.KRISHNAN

NEWS ANALYSIS

"Interestingly, the regular dividend is much higher than the excess dividend, and almost double of the regular dividend transferred over the last five years. The reason for this is the record OMO purchases in FY19 (₹3 lakh crore, over 70% of g-sec issuances). It led to a high interest income," economists at HSBC said.

In addition, there was a gain of ₹21,000 crore due to change in methodology to calculate foreign exchange gains, which was reflected in net income.

Observing the large transfer is likely to be one-time event, India Ratings said, "As the net liquidity injection under the liquidity adjustment facility continued in FY19 and the credit offtake remains weak, the banking system continues to see surplus liquidity. Therefore, while the RBI is likely to have sustained its earning from seigniorage income in FY19, the growth will come down incrementally."

India Ratings said with the contingency fund reserve at about 5.5% of the total assets of the RBI, the central bank could be expected to appropriate its net income towards the fund in order to maintain the fund's corpus at least at the current levels.

# IRDAI to review motor third-party targets

### Forms group to identify 'difficult' areas

N.RAVI KUMAR
HYDERABAD

Insurance regulator IRDAI has decided to review the formula it applies to set motor third-party obligation targets that insurers have to meet every year.

The review is to be undertaken by an eight-member working group and may bring into focus a demand of insurers that the IRDAI should de-tariff TP premium or, in other words, permit them to decide the premium.

The demand of the insurers comes in the backdrop of traditionally motor TP not being profitable for the companies.

There are estimates of how a good number of automobiles on the road are plying without third party insurance though such a cover is mandatory as per law.

Comprising officials of the IRDAI as well as senior executives of a few general insurance firms – private as well public – the working group will identify areas of difficulty or concerns, including those relating to the formula in vogue.

It will review the framework of the obligations in the light of new developments such as long-term motor TP products.

Following a Supreme Court order, a five-year policy and a three-year policy have become mandatory for new two-wheelers and private cars respectively from last year.

The Working Group will also make recommendations regarding modifications that may be required to the current framework.