MARKET WATCH

	03-09-2019	% CHANGE
Sensex	36,563	-2.06
US Dollar	72.39	-1.36
Gold	38,987	1.40
Brent oil	57.43	-5.34

NIFTY 50

	PRICE	CHANGE
Adani Ports	361.30	-4.40
Asian Paints	1576.75	-39.45
Axis Bank	645.70	-18.20
Bajaj Auto	2764.20	-24.10
Bajaj Finserv	7026.30	-93.25
Bajaj Finance	3258.50	-74.00
Bharti Airtel	336.85	-9.95
BPCL	356.20	0.95
Britannia Ind	2707.85	6.20
Cipla	469.55	-2.90
Coal India	181.05	-3.70
Dr Reddys Lab	2532.80	-24.70
Eicher Motors	15775.80	-482.65
GAIL (India)	126.80	-3.00
Grasim Ind	696.25	-14.70
HCL Tech	1108.35	8.00
HDFC	2089.90	-76.55
HDFC Bank	2210.95	-17.00
Hero MotoCorp	2557.45	-14.60
Hindalco	178.40	-6.05
Hind Unilever	1841.85	-40.05
Indiabulls HFL	454.55	-0.80
ICICI Bank	392.15	-17.50
IndusInd Bank	1343.95	-51.80
Bharti Infratel	248.25	-2.20
Infosys	814.25	-0.65
Indian OilCorp	117.25	-5.20
ITC	241.55	-4.10
JSW Steel	210.15	-7.30
Kotak Bank	1414.30	-17.15
L&T	1294.40	-33.85
M&M	515.45	-13.35
Maruti Suzuki	6049.70	-74.05
NTPC	117.65	-4.00
ONGC	117.15	-4.05
PowerGrid Corp	197.05	-3.45
Reliance Ind	1206.40	-42.15
State Bank	268.40	-5.45
Sun Pharma	439.35	-11.05
Tata Motors	112.65	-4.05
Tata Steel	331.40	-13.50
TCS	2251.60	-8.00
Tech Mahindra	704.50	10.85
Titan	1059.65	-45.45
UltraTech Cement	3885.55	-166.70
UPL	553.35	-9.85
Vedanta	134.15	-5.00
Wipro	253.65	-0.75
YES Bank	58.75	-1.20
Zee Entertainment	361.00	-12.10

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on September 03

CURRENCY	TT BUY	TT SELL
US Dollar	71.20	71.52
Euro	78.59	78.94
British Pound	86.72	87.12
Japanese Yen (100)	66.97	67.27
Chinese Yuan	9.96	10.00
Swiss Franc	72.03	72.36
Singapore Dollar	51.31	51.55
Canadian Dollar	53.58	53.82
Malaysian Ringitt	16.93	17.00

Source:Indian Bank

BULLION RATES CHENNAI

September 03 rates in rupees with previous rates in parentheses

Retail Silver (1g)	52.6	(51.9)
22 ct gold (1 g)	3729	(3713)

Anchor banks' stocks in free fall

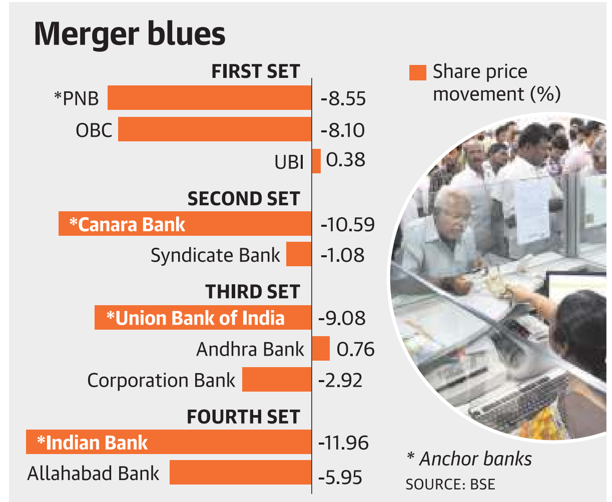
Indian Bank, with the lowest NPAs among PSB merger candidates, is the worst hit

SPECIAL CORRESPONDENT
MUMBAI

Stocks of public sector lenders (anchor banks), with which some of their counterparts will be merged, lost anywhere between 8.5% and 12% on the BSE on Tuesday.

Today is the first trading day after the government announced the merger of ten public sector banks (PSBs) into four, after market hours on Friday. Indian Bank – which has the lowest non-performing assets (NPAs) among the banks chosen for merger – was worst-hit with shares declining almost 12%.

Indian Bank, which is merging with Allahabad Bank, has a net NPA ratio of 3.75% as on March 31 while the Kolkata-based lender's net NPA is 5.22%. "The asset quality of anchor banks like Indian Bank will suffer due to its merger with Allahabad Bank," broking firm Motilal Oswal said.



Shares of Punjab National Bank – which is the anchor bank for the merger of PNB, Oriental Bank of Commerce and United Bank of India – tanked 8.5%. Union Bank and Canara Bank – the other two anchor banks – dropped 9.1% and 10.6% respectively.

"Given the limited flexibility on restructuring and rationalisation, meaningful cost synergies from PSU bank mergers are unlikely," Credit Suisse said in a report. "While the large recap improves the capacity for banks to grow loans, recent experience of SBI and BOB indicates that focus on integration impacts near-term growth," the report said.

Outlining the merger contours, Finance Minister Nirmala Sitharaman had also announced a capital infusion of ₹55,250 crore in PSBs out of the ₹70,000 crore budgeted for the current fiscal. "Under our swap ratio assumptions (market price), we believe the negative impact would be the highest for Union Bank and Indian Bank," Kotak Securities said. Among the 10 PSBs, only shares of United Bank and Andhra Bank gained on Tuesday.

Tata Steel drops on U.K. plant closure, sale of assets

SPECIAL CORRESPONDENT
MUMBAI

Shares of Tata Steel fell 3.93% on Tuesday to close at ₹331.4 on the BSE after the sale of a few European assets and the closure of Orb Electrical Steels.

The company had announced in May 2018 the potential sale of five non-core businesses to enable it to strengthen focus on strategic markets.

One of the five non-core businesses was Cogent Electrical Steels, which is made up of Orb Electrical Steels in Newport, South Wales, Cogent Power Inc. in Burlington, Canada and Surahammars Bruks AB in Surahammar, Sweden.

Tata Steel said it had signed a sales and purchase agreement for Cogent Power Inc. (CPI) with Japanese steel firm JFE Shoji Trade Corporation.

Tata Steel had also found buyers for Kalzip and Firsteel, helping to secure 275 jobs.

Tata Steel had been unable to find a way forward for Orb Electrical Steels and so proposed to close the site, with a potential loss of up to 380 jobs.

Henrik Adam, CEO of Tata Steel's European operations, said: "Today's proposal will be sad news for colleagues at Orb in South Wales. This is necessary to enable us to focus our resources on our core business and markets."

Orb had been loss-making for several years as it struggled to compete in the fast-moving market to supply steels used in electricity transformers in which customer requirements have outstripped the site's capability.

Auto sector worried as slowdown worsens

'Only a cut in GST to 18% can help'

LALATENDU MISHRA
MUMBAI

A further decline in automobile sales in August despite recent liquidity enhancement measures announced by the government has left the sector worried.

The industry has now reiterated its demand for reduction of Goods and Services Tax (GST) from 28% to 18% to create demand in the sluggish market.

The downtrend in the auto industry intensified in August 2019, led by economic slowdown, resulting in weak retail sales and inventory correction by original equipment manufacturers (OEMs) in 2019, analysts said.

"As per our estimate, passenger vehicles (PV) and two-wheeler industry volumes declined by double digits in August 2019," analysts at Kotak Institutional Equity said.

'30% drop in PV sales'

Rajan Wadhera, president, Society of Indian Automobile Manufacturers (SIAM), said that the sales report for the month of August 2019 presented a dismal picture with over 30% erosion in PV sales. Commercial vehicle (CV) and two-wheeler sales were also significantly negative, indicating that the market had still not responded to the various measures initiated by the Finance Minister last month, he said in a statement.

"The series of announcements on credit availability and reducing the cost of credit that were made do not seem to have percolated down to the NBFCs which support the bulk of finance for the automotive industry. Consumer sentiment also continues to be low and there is clearly a trust deficit in lending money to the dealers," he added.

He said all this while, the industry had pulled out all stops in offering attractive deals and discounts to the consumers.

"However, the ability of the industry to provide large discounts is limited and this only highlights the need for government to consider reducing the GST rates from 28% to 18% which would significantly reduce the cost of vehicles and, in turn, create demand," he added.

Crisil Ratings has estimated that tractor makers would witness 5-7% sales contraction this fiscal. "Crisil believes weak growth in rural income, moderation in rural infrastructure spending, higher channel inventory, and the effect of a high base will lead to de-growth in tractor sales volume by 5-7% this fiscal, from an all-time high of 8.78 lakh units in fiscal 2019," it said.

Meanwhile, automobile dealers' body FADA said on Tuesday that recent measures by the Centre to help the auto industry overcome the ongoing slowdown were yet to take effect at the ground level and uncertainty over GST reduction was making customers postpone purchases.

(With PTI inputs)

Cabinet gives approval for ₹4,557 crore one-time infusion into IDBI Bank

It may help bank to raise further capital on its own and exit the PCA framework

SPECIAL CORRESPONDENT
NEW DELHI

The Cabinet on Tuesday approved a one-time capital infusion of ₹4,557 crore into IDBI Bank in a bid to help the bank return to profitability, the government said.

The Life Insurance Corporation of India, which owns a 51% stake in the bank, will infuse another ₹4,743 crore in IDBI. "It will help in completing the process of IDBI Bank's turnaround and enable it to return to profitability and normal lending, and giving the government the option of recovering its investment at an opportune time," it said in a release.

The Centre says IDBI Bank has reduced net NPAs from 18.8% in June 2018 to 8% in June 2019. • G. RAMAKRISHNA

"IDBI Bank needs a one-time infusion of capital to complete the exercise of dealing with its legacy book," it added. "It has already substantially cleaned up [its books], reducing net NPA from a peak of 18.8% in June 2018 to 8% in June 2019. The capital for this has to come from its shareholders."

"Of the ₹9,300 crore needed, LIC would meet 51% (₹4,743 crore)," the Centre said. "The remaining 49%, amounting to ₹4,557 crore, is proposed from the government as its share on one-time basis."

The infusion is expected to help IDBI raise further capital on its own and come out of the Reserve Bank of India's Prompt Corrective Action framework next year. The infusion will be through recapitalisation bonds. The government will infuse the capital into the bank and the bank will buy the recapitalisation bonds from the government on the same day, with no impact on liquidity or the current year's Budget, the government added.

'GST return form too complex to meet filing deadline'

'Small businesses face huge challenge in preparing GSTR-9'

TCA SHARAD RAGHAVAN
NEW DELHI

Although the government has postponed the deadline for the filing of annual returns under the Goods and Services Tax (GST) for the fourth time, tax analysts say that the problems with the form are so confounding that most filers won't be able to meet even the new deadline of November 30.

The GST legislation requires the filing of the GST annual returns by specified categories of taxpayers along with a GST audit if the turnover is more than ₹2 crore in a financial year.

As of July 1, 2019, the third year of GST implementation had started and yet, tax filers had not been able to file the returns even for the first year. The government had extended the due date for filing the returns four times, with the latest being the extension from August 31 to November 30.

One of the biggest pain points for tax filers, according to the analysts, is that the annual return form – the GSTR-9 – asks for a lot of information. Such information was not required to be given in the monthly or quarterly return forms – GSTR-1 and GSTR-3B. Tax filers are thus finding it very difficult to provide that information.

"GSTR-9 is nothing but complexity and confusion galore," said Ritesh Kanodia, partner, Dhruva Advisors.

"The complexity starts with the level of details required, despite the fact that most of these were waived for monthly return filing. For example, the break-up of credit into input, input services and capital goods, or the break-up of reversals type-wise, reporting of ineligible credit, which may not have been captured in the financials.

A 6-digit HSN classification is needed for filing returns, though GST law allows a 4-digit number. • GETTYIMAGES/ISTOCK

"The values derived from the system does not always match with the books and a lot of time is wasted in trying to match them, with the only conclusion that it cannot be done," Mr. Kanodia added.

Another major issue being faced is the complexity of the annual return filing itself, and the fact that it requires information that is often at odds with the GST law itself.

"The manner in which the said information is to be provided is quite complicated," said Prashanth Agarwal, partner, indirect tax, PwC India. "Although some of the aspects have been clarified by the government on this, still there are open issues which need clarity.

"There is a need to provide HSN classification for services at a six-digit level whereas the GST law allows companies to maintain the same at a four-digit level as well," Mr. Agarwal added.

"Hence, companies don't have this six-digit classification available with them. The government should allow companies to report HSN at the four-digit level."

Onerous requirement

In what is being seen as an extremely onerous requirement, the annual return also requires tax filers to provide details of the transactions on which GST is not payable. Further, in terms of discrepancies, the power lies with the government. Companies cannot claim more input tax credit (ITC) than had already been claimed in the year, but the government can ask for more tax if it feels it is needed.

"The annual return requires the details of all those transactions in respect of which no GST is payable during the relevant period, which make the entire process more complex," Rahul Dhuparh, deputy general manager, Taxmann said.

"No additional ITC can be claimed in GSTR-9, though additional tax, if found to be payable while reconciling, must be deposited with the government in cash.

"Due to the complex structure of the annual return, taxpayers are afraid to file it as there is no provision in the law to rectify the annual returns," he added.

"Small taxpayers, who run their business from multiple registrations, but do not maintain separate books of accounts and do not have information split according to GSTIN registrations, are facing a huge challenge in preparing GSTR-9," said Archit Gupta, founder and CEO, Cleartax.

"Taxpayers with a turnover of less than ₹5 crore must be allowed to report GSTR-9 on an aggregate basis, instead of GSTIN-wise," said Mr. Gupta.

Banks fine with utility bills to open accounts

However, these documents are not officially recognised as proof of address

MANOJIT SAHA
MUMBAI

At a time when banks are being merged to achieve scale, a large section of customers is still facing difficulty in opening bank accounts, particularly those who have changed cities or location for jobs or other reasons.

Rules mandate that customers have to submit any of the six officially valid documents (OVD) as proof of their present address.

The six OVDs are voter ID, passport, driving licence, letter issued by the National Population Register, NREGA job cards and Aadhaar.

If none of the OVDs carries the present address, the address in the document has to be changed in 3 months and submitted to the branch.

Options aplenty: Only for a change of address in Aadhaar, as many as 41 documents are accepted. • V.V. KRISHNAN

NRIs face hardships

Not only Indian residents, even non-resident Indians are facing problems due to this rule – their passport will not have the present address, which is mandatory, and driving licences in many countries do not carry the residential address.

For residents, changing address in the OVDs is not an easy task, except for Aadhaar for which 41 documents are accepted for change of address. This includes electricity and telephone bills not older than three months.

Banks have requested the regulator to allow them to accept utility bills not older than three months for opening accounts.

For this to happen, the Prevention of Money Laundering Act (PMLA) needs to be amended.

However, despite several rounds of discussions with the government and the RBI, things have not changed and customers continue to face inconvenience, bankers said.

Bankers said one possible reason for this is that the government wanted Aadhaar to be submitted while opening bank accounts, although the Supreme Court has ruled that Aadhaar cannot be made mandatory for opening a bank account or for mobile connections.

PMLA amendment

Following the Supreme Court's order, the government amended the PMLA in February making Aadhaar an OVD. Subsequently in May, the RBI amended the KYC master direction to make Aadhaar an OVD for opening accounts.

U.S. stocks open lower on factory data

REUTERS

U.S. stocks fell on Tuesday as data showed factory activity contracted for the first time since 2016 in August, renewing fears that a drawn-out trade war between the U.S. and China could tip the world's largest economy into recession. The Institute for Supply Management said its index of national factory activity decreased to 49.1, compared with a reading of 51.1 estimated by analysts polled by Reuters.

U.S. stocks opened lower as the lack of progress on negotiations between Washington and Beijing amid a new round of tariffs kicking in over the weekend weighed on sentiment. In U.S.' morning trade, the Dow Jones Industrial Average was down 361.35 points at 26,041.93.

Task force recommends online loan sale platform

Central loan contract registry mooted

SPECIAL CORRESPONDENT
MUMBAI

The task force set up for the development of a secondary market for corporate loans has recommended an online loan sales platform to conduct auctions.

Headed by T. N. Manoharan, chairman, Canara Bank, the task force also said that a self-regulatory body of participants should be formed to finalise detailed modalities for the secondary market for corporate loans, including standardisation of documentation.

Retarding factors

The committee noted that the secondary market for loans, in general, had not evolved to the scale of its potential and factors that had impeded development of this market were absence of a systematic loan sales platform, lack of standardisation in documentation and legal factors.

It has also recommended setting up a central loan contract registry.

Amendment of the regulations with respect to securitisation and assignment of loans, asset reconstruction, foreign portfolio investment and external commercial borrowings were also recommended.

The committee also said that amendments in regulations issued by SEBI, IRDA and PFRDA were needed to enable participation of non-banking entities such as mutual funds, insurance companies and pension funds.

Comments have been invited on the report by September 30.

Cabinet approves higher procurement price for ethanol

Ethanol availability for blended petrol may rise significantly

SPECIAL CORRESPONDENT
NEW DELHI

The Union Cabinet on Tuesday approved a higher procurement price for ethanol purchased by oil marketing companies for the ethanol blended petrol (EBP) programme, which will come into effect from December 1 for a period of one year.

According to the new decision, the price of ethanol from C-heavy molasses will be increased from ₹43.46 per litre to ₹43.75 per litre. The price of ethanol from B-heavy molasses will be increased from ₹52.43 per litre to ₹54.27 per litre. The price of ethanol from sugarcane juice, sugar, and sugar syrup has been set at ₹59.48 per litre. The oil marketing companies will also pay the Goods and Services Tax and

transportation tax associated with the ethanol supply – a provision that existed in the previous plan as well.

"OMCs have been advised to fix realistic transportation charges so that long distance transportation of ethanol is not disincentivised," the government said. "OMCs are advised to continue according priority of ethanol from 1) sugarcane juice/sugar/sugar syrup, 2) B-heavy molasses 3) C-heavy molasses and 4) damaged food grains/other sources, in that order."

"Ethanol availability for EBP programme is expected to increase significantly due to higher price being offered for procurement of ethanol from all the sugarcane based routes, subsuming 'partial sugarcane juice route' and '100% sugarcane juice route' under 'sugarcane juice route' and for the first time allowing sugar and sugar syrup for ethanol production," the government added. 0Increased ethanol blending in petrol has many benefits including reduction in import dependency, support to agricultural sector, more environmental friendly fuel, lesser pollution and additional income to farmers.