

## MARKET WATCH

	31-01-2020	% CHANGE
Sensex	40,723	-0.47
US Dollar	71.32	0.24
Gold	41,453	-0.32
Brent oil	58.19	-0.85

## NIFTY 50

	PRICE	CHANGE
Adani Ports	369.40	-8.60
Axis Bank	1795.65	-9.35
Bajaj Auto	3180.05	34.55
Bajaj Finserv	9441.40	-198.25
Bajaj Finance	4365.90	1.60
Bharti Airtel	496.45	6.65
BPL	456.95	-12.70
Britannia Ind	3200.70	-10.00
Cipla	446.90	-4.10
Coal India	181.70	-6.25
Dr Reddys Lab	3114.50	-40.35
Eicher Motors	20289.30	-51.00
GAIL (India)	120.45	-2.90
Grasim Ind	778.90	-12.35
HCL Tech	591.40	-16.45
HDFC	2414.00	-1.00
HDFC Bank	1226.30	0.25
Hero MotoCorp	2501.85	19.55
Hindalco	189.35	-4.10
Hind Unilever	2034.25	-23.85
ICI Bank	525.65	-6.55
Indusind Bank	1258.85	27.35
Bharti Infratel	248.30	2.15
Infosys	775.95	-4.75
Indian Oil Corp	113.45	-3.70
ITC	235.15	1.10
JSW Steel	250.70	6.25
Kotak Bank	1691.75	63.50
L&T	1369.30	-0.90
M&M	567.15	-0.70
Maruti Suzuki	6913.50	-106.95
Nestle India Ltd.	15359.45	-161.35
NTPC	112.85	-0.80
ONGC	108.95	-6.55
PowerGrid Corp	186.85	-7.55
Reliance Ind	1411.65	-32.10
State Bank	318.45	-7.75
Sun Pharma	434.30	-9.60
Tata Motors	176.60	-9.85
Tata Steel	438.70	-9.85
TCS	2079.05	-58.80
Tech Mahindra	796.60	5.25
Titan	1187.75	8.50
UltraTech Cement	4416.10	-69.90
UPL	526.55	-17.60
Vedanta	137.90	-3.05
Wipro	236.80	-3.90
YES Bank	39.25	0.20
Zee Entertainment	269.15	1.30

## EXCHANGE RATES

Indicative direct rates in rupees a unit except Yen at 4 p.m. on January 31

CURRENCY	TT BUY	TT SELL
US Dollar	71.14	71.46
Euro	78.48	78.83
British Pound	93.32	93.74
Japanese Yen (100)	65.28	65.60
Chinese Yuan	10.25	10.51
Swiss Franc	73.39	73.72
Singapore Dollar	52.08	52.32
Canadian Dollar	53.75	54.00
Malaysian Ringgit	17.35	17.44

Source: Indian Bank

## BULLION RATES CHENNAI

January 31 rates in rupees with previous rates in parentheses

22 ct gold (1g)	50.3	(50.1)
Retal Silver (1g)	3883	(3891)

## Privatisation: Survey suggests new vehicle

Economic Survey says public sector units performed better than peers after privatisation

SPECIAL CORRESPONDENT

MUMBAI

The Economic Survey has aggressively pitched for divestment in public sector undertakings (PSUs) by proposing a separate corporate entity wherein the government's stake can be transferred and divested over a period of time.

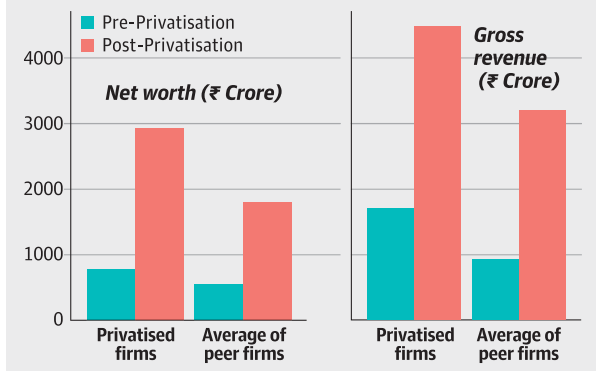
Further, the survey has said privatised entities have performed better than their peers in terms of net worth, profit, return on equity and sales, among others.

## Independent board

"The government can transfer its stake in listed CPSEs to a separate corporate entity. This entity would be managed by an independent board and would be mandated to divest the government stake in these CPSEs over a

## Impact of privatisation

Graph shows net worth, gross revenue of privatised CPSEs and their peers before and after privatisation of the CPSEs



SOURCE: SURVEY CALCULATIONS BASED ON DATA FROM CMI PROWESS

period of time," stated the Economic Survey presented on Friday.

"This will lend professionalism and autonomy to the divestment programme which, in turn, would improve the economic perfor-

mance of the CPSEs," it added. The survey analysed the data of 11 PSUs that had been divested from 1999-2000 and 2003-04 and compared the data with their peers in the same industry.

"Analysis shows that these

privatised CPSEs, on an average, performed better post-privatisation than their peers in terms of their net worth, net profit, return on assets (ROA), return on equity

## SURVEY 2019-20

(RoE), gross revenue, net profit margin, sales growth and gross profit per employee," the Survey said.

"More importantly, the ROA and net profit margin turned around from negative to positive, surpassing that of peer firms, which indicates that privatised CPSEs have been able to generate more wealth from the same resources... The analysis clearly affirms privatisation unlocks the potential of CPSEs to create wealth," it added.

Interestingly, according to the government document,

the recent approval of strategic disinvestment in Bharat Petroleum Corporation Limited (BPCL) led to an increase in value of shareholders' equity of BPCL by ₹33,000 crore compared to its peer Hindustan Petroleum Corporation Limited.

"Aggressive disinvestment, preferably through the route of strategic sale, should be utilised to bring in higher profitability, promote efficiency, increase competitiveness and to promote professionalism in management in CPSEs," stated the Survey.

"The focus of the strategic disinvestment needs to be to exit from non-strategic business and directed towards optimising economic potential of these CPSEs," it added, highlighting there were about 264 CPSEs under 38 Ministries or departments.

## Core sector grows at 1.3% in Dec. 2019

PRESS TRUST OF INDIA

NEW DELHI

Growth of the eight core industries recovered to 1.3% in December 2019 after remaining in the negative zone in the previous four months, helped by expansion in the production of coal, fertiliser and refinery products.

The growth was, however, lower than the 2.1% recorded in December 2018. Production of crude oil, natural gas, and electricity contracted in the month under review. Sectors which recorded positive growth were coal, refinery products and fertiliser.

However, growth rate in the steel and cement sectors slowed down to 1.9% and 5.5% respectively.

## Food inflation higher in urban areas

Economic Survey moots tighter monetary policy in case of food, fuel price shock

SPECIAL CORRESPONDENT

MUMBAI

There has been a sudden change in trend so far as food inflation is concerned, in the current financial year, for urban and rural areas, the Economic Survey said, highlighting higher food inflation in urban areas.

"Since July 2019, urban areas have registered much higher food inflation when compared to rural areas. Divergence in rural-urban food inflation in 2019-20 was mainly led by cereals, eggs, fruits, vegetables etc.," the economic survey said.

Headline inflation has been consistently higher for urban areas since July 2018, which is in contrast to the earlier experience, and the divergence has been mainly



Hungry

due to differential rates of food inflation between rural and urban areas.

"The slide in rural inflation could be because of a fall in the growth of real rural wages," the survey said.

The report further noted that the divergence in rural-urban inflation was not just observed in the food compo-

nent, but also in other components like clothing and footwear.

"The decline in rural inflation in items like clothing and footwear, fuel and light could be due to fall in growth of real rural wages, while rise in rural price index for items like education, health, personal care, etc., also raises the question of affordability of these items to the rural segment," the survey said.

Strong effects Observing that food and fuel inflation in India have had strong secondary effects leading to persistence in household inflation expectations, the report said one way to check for the presence of secondary effects of food and fuel inflation was to

look at the swiftness with which headline inflation converged to core inflation after the occurrence of a food or fuel price shock.

The report cautioned that if headline inflation did not completely revert to core inflation within a reasonably short span of time, it may indicate the presence of strong secondary effects.

"The reversion of headline inflation to core inflation has considerable implications for the conduct of monetary policy in an inflation targeting framework. In an economy with strong secondary effects, monetary policy may have to be tighter in an event of a food or fuel price shock compared to an economy where such effects are minimal," it said.

## SBI posts highest ever net on Essar Steel recovery

Asset quality improves, slippages stay elevated; no big ticket loan going forward, says CMD

SPECIAL CORRESPONDENT

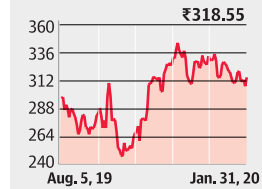
MUMBAI

State Bank of India, the country's largest lender, reported its highest-ever quarterly profit of ₹5,583 crore in the October-December period, up 41% year-on-year, mainly due to a lower provision for bad loans and higher interest income.

An ₹11,000-crore recovery from Essar Steel, which was resolved through the bankruptcy courts during the quarter, helped the lender to write back provisions as well as boost its net interest income. Provisions for bad loans dropped 41% to ₹8,193 crore.

"It has been a strong operating performance by SBI in terms of profit, profitability parameters, asset quality, provision coverage ratio and capital adequacy," said Raj-

## Scaling new heights



Not so good growth in [terms of] corporate loan book. I think that will be [the] only discordant note

Metrics	Q3 FY20	Q3 FY19	Growth (%)
Net interest income ₹ (In cr.)	27,778.79	22,690.99	22.42
Net profit ₹ (In cr.)	5,583.36	3,954.81	41.00
Gross NPAs (%)	6.94	8.71	
Net NPAs (%)	2.65	3.95	
EPS (Basic, ₹)	6.26	4.43	

nish Kumar, Chairman, SBI, in the post-earnings media interaction.

Net interest income grew 22% to ₹27,779 while other income rose by 13% to ₹9,106 crore. Domestic net interest margin (NIM) improved to

3.59% in the third quarter for fiscal 2020, ended December, registering an increase of 62 basis points (bps) year-on-year and 37 bps sequentially.

"During the quarter, [the] bank exercised the option of lower tax rate taking a

one-time hit of ₹1,333 crore," SBI said. The new tax rate will be applicable from the fourth quarter.

Slippages to bad loans, however, remained elevated at ₹16,525 crore, which included loan exposure of ₹7,000 crore to Dewan Housing Corporation Ltd. SBI also had a ₹2,900-crore bond exposure to the troubled mortgage lender and has a provision of 29% of the total exposure.

"Going forward there is no big ticket loan which is likely to slip," Mr. Kumar said. He indicated that slippages would remain in the range of ₹5,000 crore to ₹6,000 crore in the fourth quarter.

Asset quality improved, with the gross non-performing assets (NPA) ratio dropping 177 bps year-on-year and 25 bps sequentially to 6.94%.

Net NPA ratio was at 2.65%, down 130 bps year-on-year and 14 bps over the previous quarter. The provision coverage ratio was 63.5% at end December compared with 56.9% a year ago.

Domestic loan growth remained tepid, growing by only 6.8% year-on-year due to lower demand from the corporate sector, though home loan growth remained healthy at 15.6%.

"Not so good growth in corporate loan book. I think that will be only discordant note so far as bank's performance in this quarter," he said.

Domestic deposit growth was 9.9% led by term deposit growth of 10.6%. The share of current and savings account deposit in total deposits fell 51 bps year-on-year to 44.72%.

## GST collection past ₹1.1 lakh cr. in January

PRESS TRUST OF INDIA

NEW DELHI

GST collections have crossed the ₹1 lakh-crore mark for the third month in a row in January with improved compliance and plugging of evasion, sources said on Friday.

According to provisional numbers, the total GST revenue was ₹1.1 lakh crore in January, they said.

The GST collection is in line with the target set by Revenue Secretary Ajay Bhushan Pandey after a high-level meeting with senior tax officials earlier this month.

Domestic GST collection during the month so far is about ₹86,453 crore while ₹23,597 crore has been collected through IGST and cess collection.

## Neemuchwala quits Wipro, analysts say it's good for tech giant

'His tenure was fraught with struggles'

MINI TEJASWI

BENGALURU

Abidali Neemuchwala is exiting as CEO and MD of Wipro after a turbulent period during which the company saw its business growth slide and stock value move at a slow pace compared to those of its peers in the Indian tech services market.

Wipro repeatedly underperformed and fell behind its rivals - Infosys and Tata Consultancy Services (TCS). Also, it lost its third position now and then to a highly aggressive HCL Technologies during Mr. Neemuchwala's tenure, according to market watchers.

"The exit of Abidali, I think, is something positive for Wipro as it has not grown much under his tenure. Temporarily, the company will go through some uncertainty, but the transition will take the company to stability and path of growth," said Shiram Subramanian, founder and MD of InGovern Shiram Research Services.

During Mr. Neemuchwala's tenure, Wipro's stock witnessed a conservative growth at 13%, while the stocks of Infosys and TCS grew 33% and 78%, respectively.

"Stock performance is a direct reflection of the business performance, and the company has been clocking flat or moderate growth back-to-back over many years, with a few exceptional quarters," said another analyst. However, according to Phil Fersht, chief tech analyst and CEO of HFS Research, Mr. Neemuchwala's tenure as CEO of Wipro was hampered by a constant struggle to change the leadership culture in the firm.



Abidali Neemuchwala

"He was keen to bring a start-up mentality to drive more entrepreneurship and creative ideas within the company. He didn't make all the changes he would have liked, but was in a constant battle to instil his ethos. He had some successes, such as the acquisition and expansion of Topcoder and [establishing] Rishad Premji's VC fund," he said.

Peter Bendor-Samuel, founder & CEO of consultancy Everest Group said, "Abid was handed a big task to turn Wipro around. In many ways he succeeded and has laid a strong foundation of good business and strong digital assets. The next CEO must focus on getting growth back..."

To a query from *The Hindu*, Wipro said, "The search process led by the Governance, Nomination and Remuneration committee of Wipro's board of directors will be looking only at external candidates for the position of Chief Executive Officer." However, analysts said Wipro was likely to consider internal leaders such as Wipro president Milan Rao, Rajan Kohli, who is responsible for Wipro Digital, or Rohit Adlakha, chief digital officer, chief information officer and global head, Wipro Holmes., as successor.

## Hindustan Unilever clocks 4% sales growth

Firm hit by weak consumer sentiment

SPECIAL CORRESPONDENT

MUMBAI

Hindustan Unilever Ltd. (HUL) reported a 4% growth in sales during the December quarter, one of the slowest rates of growth since demonetisation.

HUL attributed the subdued growth to weaker consumer sentiment, weather disruptions and overall challenging market environment.

"The firm believes the demand outlook is challenging as market growth continues to be sluggish.

"If you ask me, has the tide turned? In December quarter, there was no evidence of that and the market growth was lower than in the September quarter," said Sanjiv Mehta, CMD, HUL.



Sanjiv Mehta

"Is the government cognisant of the challenges. Absolutely yes. And the challenge is absolutely real... But we are still growing and not in the negative territory," he added. Domestic sales rose to ₹9,696 crore in the December quarter (₹9,357 crore). Net profit was pegged at ₹1,616 crore (₹1,444 crore).

## India has low rates of formal entrepreneurship

Large number of enterprises operate in informal economy not captured by data

SPECIAL CORRESPONDENT

NEW DELHI

The Economic Survey on Friday said that India currently ranks third globally in the number of new firms created with about 1.24 lakh new entities coming up in 2018. However, India has lower rates of formal entrepreneurship on a per-capita basis compared to other countries.

As per the Survey, new firm creation had gone up dramatically since 2014. While the number of new firms in the formal sector grew at a cumulative annual growth rate of 3.8% from 2006 to 2014, the growth rate from 2014 to 2018 had been 12.2%. "As a result, from about 70,000 new firms created in 2014, the number has grown by about 80% to about 1,24,000 new firms in 2018," said Chief Economic Adviser Krishnamurthy Subramanian.

However, on a per-capita



Implementing flexible labour laws can create the maximum number of jobs in districts, the Survey said. • REUTERS

basis, India had low rates of entrepreneurship in the formal economy. "Between the 10-year period from 2006 to 2016, the mean number of

## SURVEY 2019-20

new firms registered per year per 1,000 workers was 0.10. In contrast, the mean entrepreneurial intensity for the U.K. and the U.S. was 12.22 and 12.12, respectively."

other countries, a large number of India's enterprises operate in the informal economy which was not captured in the data.

The data showed that new firm creation in services sector (at around 85,000) was significantly higher than that in manufacturing (a little less than 15,000), infrastructure (about 5,000) or agriculture (less than 5,000).

Further, the Survey added that entrepreneurship at the bottom of the administrative

pyramid - a district - had a significant impact on wealth creation at the grassroots level. "... a 10% increase in registration of new firms in a district yields a 1.8% increase in GDDP (gross district domestic product). Thus, entrepreneurship at the bottom of the administrative pyramid - a district - has a significant impact on wealth creation at the grassroots level.

It added that enhancing ease of doing business and implementing flexible labour laws in job-creating sectors, such as manufacturing, can create the maximum number of jobs in districts and thereby, in the States. Literacy, education and physical infrastructure are the other policy levers that district and State administrations must focus upon to foster entrepreneurship and thereby, job creation and wealth creation, the Survey said.

## Enfield to stop 500cc single-cylinder bikes

SPECIAL CORRESPONDENT

CHENNAI

Royal Enfield, a division of Eicher Motors Ltd., announced the end to production of the 500cc single-cylinder, long-stroke, unit construction engine motorcycles in India.

Royal Enfield Classic, Bullet and Thunderbird 500cc will be available for retail in India till March 31, 2020, while it would continue to be sold outside the country. Service and spares will remain available for current owners across all dealerships in India, a statement said.

Royal Enfield also said it would stop producing special series motorcycles, the Classic 500 Tribute Black Limited Edition. These will be the last in India to carry the iconic engine and will be made to order in a limited production run.

## IBM picks Arvind Krishna as next chief executive

Right CEO for next era, says Rometty

PRESS TRUST OF INDIA

NEW YORK

Indian-origin technology executive Arvind Krishna has been elected chief executive officer of American IT giant IBM, succeeding Virginia Rometty, who described him as 'the right CEO for the next era at IBM and well-positioned' to lead the company into the cloud and cognitive era.

The IBM board of directors elected Mr. Krishna as company CEO and member of the board effective April 6. Mr. Krishna is currently IBM senior VP for Cloud and Cognitive Software and will succeed Ms. Rometty, 62 who will retire after almost 40 years with the company at the end of the year.

Mr. Krishna, 57, had joined IBM in 1990 and has an undergraduate degree from IIT-Kanpur, and a Ph.D



Arvind Krishna

in electrical engineering from the University of Illinois at Urbana-Champaign.

The appointment adds to the growing list of Indian-origin executives at the helm of some of the biggest global firms. Others in the list include Microsoft CEO Satya Nadella, Google and Alphabet CEO Sundar