MARKET WATCH

	03-02-2020	% CHANGE
Sensex	39,872	0.34
US Dollar	71.35	-0.04
Gold	41,748	-0.67
Brent oil	55.84	-4.04

NIFTY 50

	PRICE	CHANGE
Adani Ports	367.35	5.05
Asian Paints	1867.65	112.30
Axis Bank	708.95	3.50
Bajaj Auto	3284.50	141.20
Bajaj Finserv	9086.15	138.75
Bajaj Finance	4359.35	83.30
Bharti Airtel	510.05	12.85
BPCL	460.30	16.80
Britannia Ind	3230.05	132.45
Cipla	444.55	0.35
Coal India	178.65	5.15
Dr Reddys Lab	3144.15	21.10
Eicher Motors	19883.45	-175.80
GAIL (India)	114.50	-3.20
Grasim Ind	780.40	21.00
HCL Tech	579.10	-11.80
HDFC	2259.75	-8.50
HDFC Bank	1192.80	-5.90
Hero MotoCorp	2376.15	-70.75
Hindalco	181.80	-2.60
Hind Unilever	2178.95	104.05
ICICI Bank	515.55	10.95
IndusInd Bank	1263.10	52.00
Bharti Infratel	229.30	-17.85
Infosys	767.40	-12.10
Indian OilCorp	108.05	-0.85
ITC	207.60	-11.40
JSW Steel	251.50	6.75
Kotak Bank	1676.25	28.30
L&T	1286.65	-0.75
M&M	558.70	13.50
Maruti Suzuki	7011.30	198.65
Nestle India Ltd.	16301.00	776.25
NTPC	110.25	0.95
ONGC	103.45	-0.90
PowerGrid Corp	187.35	4.95
Reliance Ind	1385.50	2.15
State Bank	298.10	-4.50
Sun Pharma	417.55	-5.25
Tata Motors	163.85	-1.75
Tata Steel	436.05	12.25
TCS	2102.50	-62.35
Tech Mahindra	793.15	-14.40
Titan	1186.40	13.15
UltraTech Cement	4370.65	105.40
UPL	513.30	9.65
Vedanta	134.15	-0.75
Wipro	237.40	0.60
YES Bank	36.00	-1.90
Zee Entertainment	256.60	3.65

EXCHANGE RATES

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

CURRENCY	TT BUY	TT SELL
US Dollar	71.13	71.45
Euro	78.70	79.06
British Pound	92.89	93.31
Japanese Yen (100)	65.55	65.85
Chinese Yuan	10.13	10.18
Swiss Franc	73.80	74.14
Singapore Dollar	51.99	52.23
Canadian Dollar	53.73	53.98
Malaysian Ringitt	17.27	17.37

Source:Indian Bank

BULLION RATES CHENNAI

February 03 rates in rupees with previous rates in parentheses

Retail Silver (1g)	50	(50.3)
22 ct gold (1 g)	3894	(3883)

Manufacturing activity reaches a near 8-year high in January

Sharp rise in demand drives growth of new business, exports, jobs: IHS Markit

PRESS TRUST OF INDIA
NEW DELHI

The country's manufacturing sector activity climbed to a near eight-year high in January, driven by a sharp rise in new business orders amid a rebound in demand conditions that led to a rise in production and hiring activity, a monthly survey said on Monday.

Following a sharp improvement in demand, January saw growth of new business, output, exports, input buying and employment. At the same time, business sentiment strengthened and there were softer rises in both input costs and output charges. The IHS Markit India Manufacturing Purchasing Managers' Index rose from 52.7 in December to 55.3 in January, its highest level in just under eight years.

"Manufacturing sector growth in India continued to strengthen in January, with operating conditions improving at a pace not seen in close to eight years," said Pollyanna de Lima, Principal Economist at IHS Markit.

This is the 30th consecutive month the index has remained above the 50-point mark. A print above 50 means expansion, while a score below that denotes contraction. Companies noted the strongest upturn in new business intakes for over five years, which they attributed to better underlying demand and greater client requirements.

The rise in total sales was supported by strengthening demand from external markets, evident from the fastest increase in new export orders since November 2018.

Hiring activity also rose, with firms increasing employment at the quickest rate in close to seven-and-a-half years. Manufacturers were more upbeat about the year-ahead outlook for production.

More hands: Firms increased employment at the quickest rate in close to seven-and-a-half years. • G.R.N. SOMASHEKAR

Markets shrug off Budget blues

SPECIAL CORRESPONDENT
MUMBAI

The first trading session after the Union Budget — which led to an intraday fall of almost 1,100 points on Saturday — saw the benchmarks close with marginal gains as buying in select index stocks lifted the indices, even as the broader market remained in the red. The 30-share Sensex gained 136.78 points, or 0.34%, to close at 39,872.31. The broader Nifty settled at 11,707.90, up 46.05 points or 0.39%.

Market breadth was weak with more than 1,500 stocks losing ground against 945 gainers.

Among top gainers in the Sensex pack were Nestle India Asian Paints, HUL, Bajaj Auto, Maruti Suzuki and M&M.

Bond yields fall as Centre avoids extra borrowing

Yield on 10-year bonds declines 10 bps

SPECIAL CORRESPONDENT
MUMBAI

The yield on government bonds fell sharply on Monday — the first trading session after the Union Budget presentation on Saturday — as the government avoided extra borrowing and also opened certain government securities for non-resident investors.

The yield on 10-year benchmark government bonds closed the day at 6.51%, down 10 bps from its previous close on Friday.

Bond markets were closed on Saturday. Despite missing the target for fiscal deficit of 3.3% for FY19, and projecting a fiscal deficit target of 3.5% for the next financial year, the gross borrowing programme of the government was retained at ₹7.1 lakh crore for the current financial year. Gross borrowing for the next year is pegged at ₹7.8 lakh crore which is in line with market expectations.

The fiscal deficit for FY19 will be 3.8% of the GDP, Finance Minister Nirmala Sitharaman had said in her Budget speech. "The Budget delivered credible numbers in terms of its fiscal deficit estimates, raising the deficit by 50 basis points (bps) this year and the next. The Budget used up the 0.5% GDP leeway provided by the FRBM, instead of sticking to the fiscal consolidation path that laid out a target of 3% for FY20-21," Abheek Barua, Chief Economist, HDFC Bank, said.

We expect the 10-year g-sec to trade between 6.5% and 6.6% in the short run
ABHEEK BARUA, Chief Economist, HDFC Bank

"We expect the 10-year G-Sec to trade between 6.5%-6.6% in the short run as markets are likely to get some relief in terms of no additional borrowings this year and in line with expectations [on the] borrowing target for next year," Mr. Barua added. Though bond yields are expected remain range bound, market participants ruled out the possibility of any further rate reduction. This is because higher fiscal deficit may push up headline inflation, which is already high due to a spike in food prices.

Status quo likely

The RBI is expected to maintain status quo in the sixth bimonthly monetary policy review, which will be announced on Thursday.

"With fiscal policy taking a growth-supportive role, on the back of the monetary policy being ahead of the curve last year, the calibrated policy mix should bode well for growth. We look for the central bank to remain on an extended pause on rates [even as supply-induced shocks dissipate] but maintain an accommodative bias to ensure the cost of capital remains stable and favourable," said Radhika Rao, senior vice-president and economist, DBS Group Research.

After reducing the interest rate by 135 bps between February and October, the RBI decided, in December, to keep the rate unchanged, citing inflation concerns.

Taxing investor on dividends will hurt REIT, InvIT funding

'Move will dampen sentiment of foreign investors'

LALATENDU MISHRA
MUMBAI

The proposal in the Union Budget to tax dividend in the hands of unit holders/investors would hurt future InvITs and REITs, say real estate and infrastructure industry officials and analysts.

A team of industry executives is planning to meet Finance Ministry officials in New Delhi on Tuesday in this regard.

Calling for a roll-back, they said such a decision is contrary to the government's move to encourage InvITs and REITs to provide tax stability to long-term infrastructure investors.

Uncertainty in the tax regime would hurt the sentiment of foreign investors who are already wary of the stability of tax regime in India, they added. The resultant tax burden on the part of investors will put at risk plans for raising about $100 billion with regard to INVITs and REITs, they said.

Till this Budget, business trusts in India had a single level of tax at source, or the corporate tax paid by the special purpose vehicles (SPVs) that owned the assets. The SPVs paid tax only on their annuity income.

Under the provisions of the Income Tax Act, no dividend distribution tax is now chargeable on any amount declared, distributed or paid by a 100% SPV by way of dividends (whether interim or otherwise) to a business trust out of current income.

Bobby Parikh, founder, Bobby Parikh Associates said the REIT / InvIT taxation framework was designed to provide a taxing outcome where income would effectively be subject to one level of tax.

But following the Budget announcement, resident unitholders may be liable to tax in such income at rates that could go up to 43% while non-resident investors may be liable at rates that could go up to 20%.

With few takers for SSRC, RBI pushes deadline

Absence of any incentive puts off staff

MANOJIT SAHA
MUMBAI

Lacklustre response by the Reserve Bank of India (RBI) staff to opt for specialised supervisory and regulatory cadre (SSRC) has forced the central bank to the extend the deadline by six months.

The SSRC came into effect on November 1.

The RBI had invited applications from its staff, from grade B to grade F, to apply for the specialised cadre in January.

They were given the option to either opt in or opt out. The deadline to exercise the option ended on January 31.

According to sources, around 1,500 exercised the option, of which less than 150 decided to opt in.

There were 3,500 candidates eligible to be in the cadre.

The requirement for the specialised cadre was 1,100.

As a result of the lacklustre response from the staff, the central bank has now decided to extend the deadline by six months.

Sources in the RBI said that the absence of any incentive in this cadre had made the employees reluctant to opt in.

An RBI spokesperson declined to comment on the issue, when contacted by *The Hindu*, saying this was an internal matter of the central bank.

TVS Motor sales dip 17% in January

SPECIAL CORRESPONDENT
CHENNAI

TVS Motor Company has reported a 17% dip in its total sales for January 2020 to 2.34 lakh units due to the slowdown in the automobile sector.

During the month, the company registered total two-wheeler sales of 2.20 lakh units against 2.69 lakh units sold in January 2019. Domestic sales stood at 1.63 lakh units against 2.28 lakh units.

Sales of motorcycles dipped to 94,367 units from 1.11 lakh units and those of scooters to 72,383 units from 85,299 units.

However, three-wheeler sales grew 8% to 14,481 units from 13,353 units. Two-wheeler exports rose 41% to 57,432 units.

The firm said it had completely transitioned production to BS-VI vehicles for the domestic market.

Regulator suspends trading in Coffee Day

Breach of listing obligations cited

SPECIAL CORRESPONDENT
BENGALURU

Markets regulator Securities and Exchange Board of India (SEBI) has suspended trading in the shares of Coffee Day Enterprises Ltd. (CDEL) from Monday.

Sources said that breach of listing obligations by not submitting audited financial statements could be the reason behind the suspension.

The shares of the firm were last traded on Saturday (February 1) when the market was open for Budget announcements.

Earlier, the regulator had informed CDEL that delay in declaration of earnings beyond January 29 could lead to halting of trade in company's shares due to breach of listing regulations.

However, the company has sought more time for submission of audited results citing to non-completion of internal investigations.

The company has sought more time for submission of audited results

In August last year, the company assigned Ashok Kumar Malhotra, retired DIG of Central Bureau of Investigation (CBI) to investigate into the purported letter written by its founder chairman the late V.G. Siddhartha.

He was also assigned to scrutinise the books of accounts of the firm with the help of an accounting firm.

"As the assignment is under progress and is likely to take few more weeks for completion, there will be delay in submission of unaudited financial results [with the limited review by the auditor]," the company had said in a filing on January 29.

'Select govt. bonds in global indices soon'

INDO-ASIAN NEWS SERVICE
NEW DELHI

Select Indian sovereign bonds will be included in global indices shortly as the Finance Ministry is in fairly advanced stage to list some specified categories of government securities, a senior official has said.

India has been seeking inclusion in the global bond index, and featuring on the gauge indirectly helps the country sell bonds overseas.

"We are in a fairly advanced stage of listing some of the bonds in global indices. We will continue to meet all the requirements from our side.

"We want to get into global indices so that large passive investments come to India. It is going to happen very soon," Secretary, Department of Economic Affairs Atanu Chakraborty told IANS in an interaction.

India can create 70-100 million formal jobs easily, says Chandra

Country must adopt policy changes, suitable tech, he says

SPECIAL CORRESPONDENT
BENGALURU

India will be able to create 100 million formal jobs if all low-hanging fruits are properly tapped with the support of policy changes and suitable technologies, says Tata Sons chairman, N. Chandrasekaran.

N. Chandrasekaran

He said, "Ours is a job-strapped nation as a majority of our jobs are in the informal sector. If we can mobilise all parties, governments and private players, we will be able to formalise as many as 70-100 million jobs. This would mean at least 10% extra income in the hands of people."

Missing middle layer

Speaking at a fireside chat here on Monday in connection with the release of the book, 'Bridgital Nation' — jointly authored by him and Roopa Purushothaman — he said, the country currently had this strange scenario of high skill and high productivity and low skill and low productivity layers.

"The middle layer is totally missing and we need to build this middle layer by augmenting technology,' he said. He also observed that processes were weak in high-skilled jobs. For instance, he elaborated, specialists or doctors could do only 50% of their jobs as they had to take care of tasks which were not part of the job profile due to paucity of qualified people in the middle layer.

"It is important we demystify the job of specialists so that half of their work can be taken up by bridgital workers."

He said the fundamental difference between India and the Western countries was that the latter used technology to drive efficiency. In India, the country did not have a market itself, so it was important to use technology to provide access and develop markets, which can lead to distribution, consumption, jobs and income growth.

Shaktikanta Das

RBI chief Das is Central Banker of the Year

SPECIAL CORRESPONDENT
MUMBAI

RBI Governor Shaktikanta Das has been chosen as the Central Banker of the Year for the Asia Pacific Region by *The Banker* magazine.

"The recent spike [in inflation] is expected to be transient; sustainable current account deficit and rising [forex] reserves have contributed towards maintaining financial stability, laying a platform for sustained growth," Mr. Das had said.

Budget 2020, a tightrope walk indeed

Addressing divergent needs in the backdrop of sluggish growth is no mean task

HARSH GOENKA

As I reached out for the remote at the end of the Budget presentation, I could not but help think about the daunting task of the FM and the bureaucracy, who spend months preparing for this exercise. As she made her Budget speech, trying to balance the expectations of the common man, industry and keeping India as an aspirational destination for investment through Sabka Saath, Sabka Vikas, Sabka Vishwas credo, it was evident that the task was difficult.

To address the divergent economic needs of multiple sections of society in the backdrop of sluggish growth, a dip in tax collections and slowing domestic demand while maintaining fiscal prudence at the same time, is no easy task.

Harsh Goenka

The hallmark of the Budget was structural reforms in the financial sector. A robust financial infrastructure with adequate liquidity and credit access is the backbone of any economy.

The Budget proposed changes in the banking laws to enable public sector banks to raise funds from capital markets and flexible debt restructuring for the NBFCs. All of this along with looking to enhance professionalism and transparency in the functioning of the financial sector will augment India's position as an investor destination and facilitate ease of doing business.

The opening up of Government securities to NRIs and FII stake in corporate bonds to 15% is a landmark move, which would provide the necessary depth to the bond market.

While there was no big-ticket announcement on infrastructure or investment outlay that would make one jump in excitement, it has become the norm to expect the impossible in every Budget. India has done some fundamental structural alignments over the past few years; GST being the most important of them all. In most situations like this, the economic growth prognosis will almost certainly be gloomy. The markets have fallen clearly indicating that the sentiment is not upbeat. But is there reason to be circumspect? On the expenditure side, the FM has allocated ₹2.83 lakh crore to agriculture. There is emphasis on warehousing facilities, solar pumps for farmers, agriculture credit facilities and support for horticulture.

The proposed ₹99,300 crore for education will go a long way to impart knowledge and upgrade skills of the workforce of tomorrow. Launch of the National Police University and National Forensic University are novel concepts.

(The writer is chairman, RPG Group.)

ALL is world's third-largest busmaker

SPECIAL CORRESPONDENT
CHENNAI

Ashok Leyland Ltd., the flagship of the Hinduja Group, has been ranked as the number three globally in the medium and heavy commercial vehicle (M&HCV) busmaker segment for the calendar year 2019.

During the period, ALL sold 23,100 buses, the company said in a statement.

The ranking is based on reports released by SIAM , OICA (Organisation Internationale des Constructeurs d'Automobiles) and IHS Markit, it added.

In January, ALL reported a 60% dip in its M&HCV truck sales to 5,072 units while M&HCV bus sales rose 42% to 2,682 units.

VW unveils made-for-India SUVs

Products part of group's €1 bn investment plan for country

SPECIAL CORRESPONDENT
NEW DELHI

Almost 18 months after announcing its India 2.0 strategy, Skoda Auto Volkswagen India on Monday unveiled the first products developed for India — two SUVs viz. Skoda's Vision IN and Volkswagen's Taigun.

In 2018, the Volkswagen Group had announced an investment of €1 billion in India till 2021, while giving Czech firm Skoda Auto the responsibility to take the lead to achieve a combined target of 5% market share by 2025.

Ambitious plans

Stating that the firm had ambitious plans for the Indian market, Skoda Auto chairman of the board of management, Bernhard Maier called for "predictability" in policies in India. "Together with Volkswagen, we are investing €1 billion, which clearly shows we, together, mean business. With such a high investment, I have to say the fundamental thing for us is predictability," Mr. Maier said.

Going glocal: VW gave Skoda Auto the task of achieving a 5% combined market share by 2025. • KAMAL NARANG

Talking to reporters, he added that consistency in regulations was very important, and tight lead times put the entire industry under pressure, referring to the switch from BS-IV norms to BS-VI norms. "That helps neither the environment nor the customer..."

He added that there was also a need for a clear roadmap for electric vehicles.