MARKET WATCH

	29-01-2018	% CHANGE
Sensex	36,283	0.65
US Dollar	63.58	-0.05
Gold	31,120	-0.26
Brent oil	69.52	-2.02

NIFTY 50

	PRICE	CHANGE
Adani Ports	436.65	0.15
Ambuja Cements	263.65	0.65
Asian Paints	1152.05	1.60
Aurobindo Pharma	635.25	-4.45
Axis Bank	605.55	-10.55
Bajaj Auto	3363.90	52.20
Bajaj Finance	1715.30	5.00
Bharti Airtel	440.60	-12.10
Bosch	19879.20	236.70
BPCL	469.80	-10.85
Cipla	615.00	-6.40
Coal India	301.75	2.35
Dr Reddys Lab	2357.10	-150.65
Eicher Motors	27453.65	934.25
GAIL (India)	474.35	-19.40
HCL Tech	1012.05	2.50
HDFC	1967.60	59.30
HDFC Bank	1999.65	24.70
Hero MotoCorp	3641.75	70.55
Hindalco	258.60	-0.35
HPCL	375.15	-9.00
Hind Unilever	1397.30	24.55
Indiabulls HFL	1421.15	27.15
ICICI Bank	357.65	-3.15
IndusInd Bank	1742.50	12.30
Bharti Infratel	353.40	9.95
Infosys	1182.90	7.50
Indian OilCorp	399.65	7.35
ITC	275.65	-5.60
Kotak Bank	1115.10	22.75
L&T	1431.95	15.45
Lupin	912.20	-37.45
M&M	764.35	6.55
Maurti Suzuki	9630.70	352.50
NTPC	171.05	-0.90
ONGC	205.15	-3.35
PowerGrid Corp	194.15	-0.15
Reliance Ind	964.50	-1.40
State Bank	312.10	-1.05
Sun Pharma	587.95	8.10
Tata Motors	399.25	-1.05
Tata Steel	783.15	14.00
TCS	3198.85	77.80
Tech Mahindra	604.80	6.35
UltraTech Cement	4390.70	30.75
UPL	788.50	19.55
Vedanta	345.00	-0.60
Wipro	311.15	-0.80
YES Bank	358.00	-3.60
Zee Entertainment	608.90	13.05

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on January 29

CURRENCY	TT BUY	TT SELL
US Dollar	63.37	63.69
Euro	78.56	78.97
British Pound	89.20	89.66
Japanese Yen (100)	58.27	58.57
Chinese Yuan	10.01	10.07
Swiss Franc	67.70	68.05
Singapore Dollar	48.38	48.63
Canadian Dollar	51.34	51.62
Malaysian Ringitt	16.32	16.41

Source:Indian Bank

BULLION RATES CHENNAI

January 29 rates in rupees with previous rates in parentheses

Retail Silver (1g)	42.60	(43.10)
22 ct gold (1 g)	2,895	(2,926)

Taxpayer count rises post GST

Voluntary enrolment by small firms lifts number of indirect taxpayers by 50%

SPECIAL CORRESPONDENT
NEW DELHI

The Goods and Services Tax has resulted in a 50% increase in the number of indirect taxpayers, the Economic Survey said, adding the fledgling tax regime has already revealed new data on key aspects such as inter-State trade, State-wise exports, and the extent of formalisation in the economy.

"There has been ... a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises and want to avail themselves of input tax credits," the Survey said.

Data showed GST had resulted in a significant increase in voluntary compliance, with about 1.7 million users who were below the threshold annual turnover limit of ₹20 lakh choosing to register for GST nevertheless.

• GETTYIMAGES/ISTOCK

Tax credit preference

In addition, the Survey showed a significant proportion of tax filers eligible for the Composition Scheme have instead opted to file their returns in the regular manner so as to avail of input tax credits. "For this reason, about 1.9 million (24% of total regular filers) of the registrants sized between the GST threshold of ₹20 lakh and the composition limit... instead decided to file under the regular GST," it said. So, about 54.3% of those eligible for the composition scheme chose instead to be regular filers.

The data also put to rest States' concerns about declining revenues under GST, the Survey said. "The distribution of the GST base among the States is closely linked to the size of their economies, allaying fears of major producing States that the shift to the new system would undermine their tax collections," it said. "Data on international exports of States (the first in India's history) suggests a strong correlation between export performance and States' standard of living," the Survey added. "India's internal trade is about 60% of GDP, even greater than estimated in last year's Survey and comparing very favourably with other large countries."

Further, GST data showed that the formal sector in India was larger than earlier thought. "Formality defined in terms of social security provision yields an estimate of formal sector payroll of about 31% of the non-agricultural work force; formality defined in terms of being part of the GST net suggests a formal sector payroll share of 53%," the Survey said.

Fanning inflation: If growth happens, output gaps will start narrowing, says Arvind Subramanian. • SANDEEP SAXENA

CEA: time to change monetary stance

Cites return of inflationary pressures

SPECIAL CORRESPONDENT
NEW DELHI

Chief Economic Adviser Arvind Subramanian on Monday acknowledged that the country's monetary authorities had little choice now but to adopt a policy stance that let them tamp down promptly on re-emerging inflationary pressures.

Once a strong votary for sharp interest rate reductions to support growth, Dr. Subramanian said circumstances had changed, warranting a reappraisal of the central bank's policy stance.

"The Indian economy, for about a period of 18 months, could have benefited from lower interest rates. In the period when we had very very high real interest rates and the economy was weak, that was a phase where we could have seen much lower rates," he said.

'Cycle has turned'

"Now clearly the cycle has turned, inflationary pressures have re-emerged. So it is not just the fact inflation is picking up but also the fact if growth happens the output gaps will also start narrowing. From both those perspectives the stance of the monetary policy naturally has to change. As Keynes famously said, as facts change, I change my opinion. So I think there is a change in the underlying facts."

Bond yields rose following the comments with the yield on the benchmark 10-year government bond climbing 13 basis points to close at 7.44%. (One hundred basis points equal one percentage point.)

The economic survey on Monday flagged the risks from rising oil prices.

"Average oil prices are forecast by the IMF to be about 12% higher in 2018-19, which will crimp real incomes and spending – assuming the increase is passed on into higher prices," it said.

Consumer price index based inflation, the central bank's primary yardstick for monetary policy formulation, accelerated to a 17-month high of 5.21% in December, driven by surging food prices. The reading for retail inflation was just below the Reserve Bank of India's (RBI's) upper tolerance limit of 6%.

The monetary policy committee of the RBI has held its key policy rate, the repo rate, unchanged at 6% at its last two meetings while retaining a 'neutral' stance.

The panel is set to meet next to review policy on February 7.

SMEs hold key to revive investments

SPECIAL CORRESPONDENT
NEW DELHI

The current episode of investment slowdown is ongoing, and one that is impacting growth, and therefore investment revival needs to be prioritised urgently to arrest more lasting impact on growth, said the Economic Survey.

Signalling the likelihood of some steps being taken to boost investment in the Budget, it said, "The policy conclusion is urgent prioritisation of investment revival to arrest more lasting growth impacts, as the government has done with plans for resolution of bad debts and recapitalisation of public sector banks."

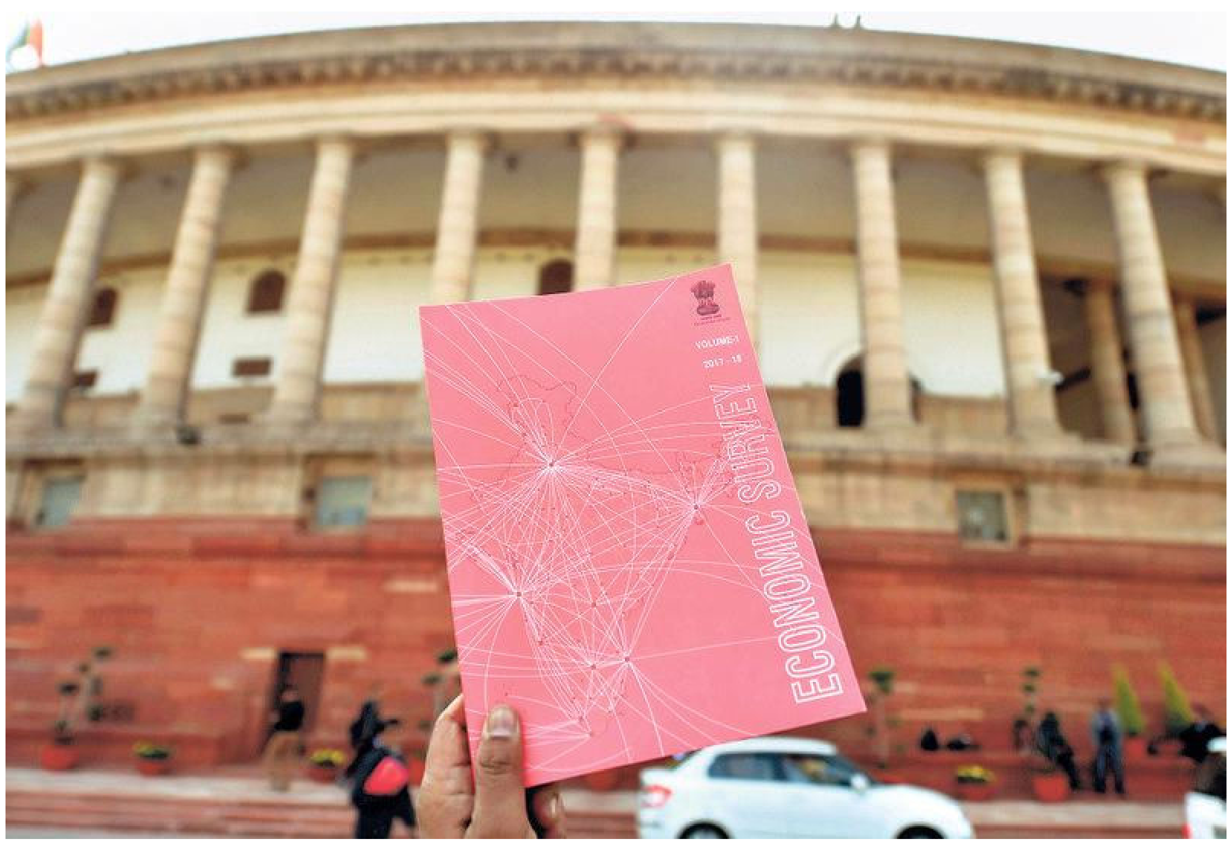
To help India regain 8-10% growth, the Survey suggested that the measures, that need to be taken soon, should include easing further the cost of doing business and creating a clear and stable tax and regulatory environment. The government must create a conducive environment for small and medium industries to prosper and invest to help revive private investment. "The focus of investment-incentivising policies has to be on the big and small alike. The 'animal spirits' need to be conjured back," it said.

Savings slowdown

The Survey raised concerns over slowdown in savings saying that too was ongoing. However, investment slowdown was more detrimental to growth than savings slowdown.

Referring to the simultaneous slump in savings and investment, the Survey asked, "Should policies that boost investment (substantial infrastructure push, reforms to facilitate the ease of doing business or the 'Make in India' programme) be given greater priority over those that boost saving?"

Window to Budget



Code pink: The pink-coloured Economic Survey, which was tabled in Parliament on Monday, said India must confront the societal preference for a son, noting the adverse sex ratio of females to males has led to 63 million "missing" women. • PTI

CEA cautions investors on stocks touching record highs

When asset prices spike, they tend to come back, he says

SPECIAL CORRESPONDENT
MUMBAI

The rise in stock market indices have to be monitored closely and investors need to exercise caution, according to Arvind Subramanian, Chief Economic Adviser.

The statement comes in the backdrop of the Indian equity markets touching new peaks on an almost daily basis.

• REUTERS

"We have seen around the world that when asset prices go up very much, they always tend to come back so we have to be watchful," Dr. Subramanian told the media after presenting the Economic Survey for 2017-18.

"When we analyse asset prices like this, there are two dilemmas," he said.

"You can either make the mistake of saying... oh! this time it is different and stock market prices are justified. Or you can say... interest rates are rising... but people have been saying this internationally so often and were proven wrong, so you have [to] stay clear of both these traps. The higher prices go, our vigilance should increase correspondingly," he added. Interestingly, even as the CEA advised caution, there was no abatement in the rally that had pushed the benchmark indices to hitherto unchartered territory.

On Monday, the BSE Sensex gained 232.81 points to close at a new high of 36,283.25. It had gained more than 2,000 points in the last one month. The broader Nifty of the National Stock Exchange (NSE) closed at a record 11,130.40, gaining 60.75 points or 0.55%.

'Eliminate embedded taxes to boost exports'

Survey moots thorough review of taxes from products left outside the ambit of GST, and from within

SPECIAL CORRESPONDENT
NEW DELHI

The Economic Survey has suggested that the Goods and Services Tax (GST) Council should comprehensively review 'embedded taxes' and expeditiously eliminate the embedded export taxes to boost India's manufacturing exports.

Referring to the ₹6,000-crore package for the apparel sector announced in June 2016, the Survey observed that the largest component of that package was rebates on state levies to offset indirect taxes levied by the states (the VAT) that were 'embedded' in exports. The Survey found that the package in fact increased exports of ready-made garments made of man-made fibres.

Relief measure: A 2016 package for the apparel sector had rebates on state levies to offset taxes 'embedded' in exports.

It then said a policy implication (arising from this example) was that the GST Council should conduct a comprehensive review of embedded taxes arising from products left outside the GST (petroleum and electricity) and those that arose from the GST itself (for example, Input Tax Credits that get blocked because of "tax inversion," whereby taxes further back in the chain are greater than those up the chain).

"This review should lead to an expeditious elimination of these embedded export taxes, which could provide an important boost to India's manufacturing exports," the Survey said.

Need for national policy

Pointing out that high cost of logistics was impacting competitiveness in domestic and global market, it suggested the formulation of a National Integrated Logistics Policy to bring in greater transparency and enhance efficiency in logistics operations.

"Improving logistics sector has huge implication on exports and it is estimated that a 10% decrease in indirect logistics cost can increase 5-8% of exports," the Survey said.

The document has also thrown up some interesting findings on India's export sector. This included data on the international exports of states, the first in India's history, showing that five states – Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana – in that order account for 70% of India's exports.

Similarly, for the first time, the Survey did a firm-level analysis on exports and found that export concentration by firms was much lower in India than in the U.S., Germany, Brazil, or Mexico - meaning that India had no 'exports superstars' and that its export structure was "egalitarian" in nature.

India needs $4.5 tn for infrastructure

Investment gap would be about $526 billion by 2040, according to the Survey

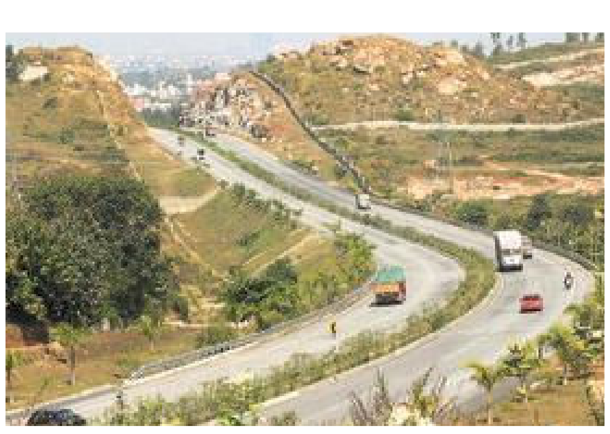
SPECIAL CORRESPONDENT
NEW DELHI

India will require investments of about $4.5 trillion by 2040 to develop infrastructure to improve economic growth and community well-being, according to the Economic Survey 2017-18.

"The current trend shows that India can meet around $3.9 trillion infrastructure investment out of $4.5 trillion. The cumulative figure for India's infrastructure investment gap would be around $526 billion by 2040," it said.

There was massive underinvestment in infrastructure sector until the recent past due to collapse of public private partnerships, especially in power and telecom projects; stressed balance sheets of private companies; issues related to land and forest clearances, it said.

The need of the hour is to fill the infrastructure investment gap with financing from private investment, institutions dedicated to infrastructure financing like National Infrastructure Investment Bank and also global institutions like Asian Infrastructure Investment Bank and New Development Bank which are focusing more on sustainable development projects and infrastructure projects.



Bumpy road: Underinvestment in infrastructure sector until recently was due to a collapse of public private partnerships.

The Survey pointed out that there was scope for developing the shipbuilding industry, currently dominated by South Korea, China and Japan, in India. This will not only create a strong manufacturing base but also generate millions of jobs.

Road sector

On road sector, the Survey said as on September 2017, out of the 1,263 total ongoing monitored projects across sectors, there were 482 projects in road transport and highways with (original) cost of ₹3,17,373.9 crore. Of these, 43 projects face cost overruns and 74 projects time overruns.

Further, it added that the share of Indian Railways in freight movement has been declining over a period of time primarily due to non-competitive tariff structure.

The telecom sector is going through a "stress period with growing losses, debt pile, price war, reduced revenue and irrational spectrum costs," the survey added.

'Tax litigation taking toll on economy'

Income Tax Department is the biggest litigant but loses 85% of cases, says Survey

SOIBAM ROCKY SINGH
NEW DELHI

Less is more said the Economic Survey released on Monday when it comes to appeals by the income tax department for both direct and indirect tax cases.

Faced with a success rate that is less than 30%, the Survey said the tax department would gain from a reduction in appeals pursued at higher levels of the judiciary besides leading to a reduction of workload on high courts and the Supreme Court.

4.7% of GDP

In March, 2017, there were approximately 1.37 lakh direct tax cases and 1.45 lakh indirect tax cases under consideration by the Income Tax Appellate Tribunal, high courts and Supreme Court.

I-T's taxing: Tax claims stuck in litigation to the quarter ended March, 2017, amounted to almost ₹7.58 lakh crore .

"Together, the claims for indirect and direct tax stuck in litigation by the quarter ending March, 2017, amounted to nearly ₹7.58 lakh crore, over 4.7% of GDP," the Survey said.

The tax department is the largest litigant with almost 85% of direct tax cases arising out of its appeals. But the Survey pointed out that, "the Department unambiguously loses 65% of its cases". It said the government's persistence with litigation despite high rates of failure was increasing the workload of the judiciary and adding to delays and pendency of cases.

This, it said was "taking a severe toll on the economy in terms of stalled projects, mounting legal costs, contested tax revenues, and reduced investment".

While it is difficult to estimate the costs of pendency and delay, the Survey found that more than ₹52,000 crore worth of government infrastructure projects have been stalled by various orders of the courts.

"The Ministries of Power, Roads and Railways have been the hardest hit," the Survey said as project costs have risen by close to 60% during the stalled period.

The Survey found that dedicated subject-matter courts could have "profound benefits" as seen in the apex court's recent experiment with constituting an exclusive bench for taxation produced impressive results.

This may be replicated for other subject matters, and emulated by other high courts, the Survey said.