MARKET WATCH

	07-02-2018	% CHANGE
Sensex	34,0830	-0.33
US Dollar	64.28	-0.06
Gold	31,550	-0.16
Brent oil	66.08	-2.03

NIFTY 50		
Adam' Danta		CHANGE
Adani Ports		
Ambuja Cements		
Asian Paints		
Aurobindo Pharma		
Axis Bank		
Bajaj Auto		
Bajaj Finance		
Bharti Airtel		
Bosch		
BPCL		
Cipla		
Coal India	297.60	7.25
Dr Reddys Lab	2111.40	15.70
Eicher Motors		
GAIL (India)		
HCL Tech		
HDFC	1785.35	3.25
HDFC Bank	1872.80	24.00
Hero MotoCorp	3566.40	24.55
Hindalco	246.00	1.60
HPCL	396.35.	18.75
Hind Unilever	1312.65	12.70
Indiabulls HFL	1274.10	-20.85
ICICI Bank	332.55.	1.85
IndusInd Bank	1661.75	21.10
Bharti Infratel	338.55	-6.40
Infosys	1109.05	1.30
Indian OilCorp	404.75	3.45
ITC	275.15.	1.65
Kotak Bank	1036.30	2.50
L&T		
Lupin	806.05	5.15
M&M		
Maurti Suzuki		
NTPC		
ONGC		
PowerGrid Corp		
Reliance Ind		
State Bank		
Sun Pharma		
Tata Motors		
Tata Steel		
TCS		
Tech Mahindra		
UltraTech Cement		
UPL		
Vedanta		
Wipro	289.35.	-5.30
YES Bank	332.90	5.85

Indicative direct rates in rupees a unit CURRENCY TT BUY TT SELL 64.08......64.40 British Pound ...89.44 Japanese Yen (100) 58.69. .58.98 10.28 10.23. Chinese Yuan

Zee Entertainment 581 15 9 40

Singapore Dollar 51.18 Malaysian Ringitt

Retail Silver (1g) 41.50 (41.80)

RBI keeps repo rate unchanged at 6%

Central bank projects retail inflation in 5.1-5.6% range in H1 2018-19; pegs GVA growth next fiscal at 7.2%

SPECIAL CORRESPONDENT MUMBAI

The Reserve Bank of India (RBI) on Wednesday held the policy repo rate at 6% as the central bank's Monetary Policy Committee (MPC) raised the estimate for fourth-quarter inflation and flagged concerns about the future outlook for price gains.

Five of the six members of the RBI's MPC voted in favour of keeping the benchmark interest rate unchanged for the third consecutive meeting, while one member, M.D. Patra, recommended a 25 basis points (bps) rate increase. While holding interest rates as widely anticipated – the central bank also retained its 'neutral' policy stance.

Fuel prices impact

"Domestic pump prices of petrol and diesel rose sharply in January, reflecting



Vigilant watch: The MPC has a mandate to ensure inflation remains in a band between 2% and 6%.

lagged pass-through of the past increases in international crude oil prices," the MPC said in its resolution. "Considering these factors, inflation is now estimated at 5.1% in Q4, including the HRA (house rent allowance) impact." The RBI had in December projected inflation to range between 4.3-4.7% for second half of the current fi-

nancial year. The central bank also projected retail inflation in the range of 5.1-5.6% for the first half of 2018-19, while assuming a normal monsoon – effectively ruling out any rate reduction in the near future.

The MPC has a mandate to ensure inflation remains in a band between 2% and 6%. For the second half of the

next fiscal, inflation is projected at 4.5-4.6%, with 'risks tilted to the upside'. Among the upside risks to inflation, the MPC noted that pick-up in global growth could exert further pressure on crude oil, with the higher minimum support price to farmers, announced in the Budget, adding to the uncertainty. However, the exact impact of higher MSP on inflation could not be fully assessed at this stage, the RBI said. The proposed increase in customs duty on a number of items and fiscal slippage could also impinge on inflation outlook, the RBI added.

said a key factor that had spurred the rise in government bond yields was the slippage in the fiscal deficit.

RBI Governor Urjit Patel

"We have news of fiscal slippages at three levels. Fiscal slippage this year, fiscal slippage next year compared to what the market expected and what the target was and then a postponement of the medium term adjustment even further. If you look at all the factors it makes it very clear which way the bond yields are likely to move," Dr. Patel told reporters.

'No yield target'

Deputy Governor Viral Acharya said the RBI's infusion of liquidity should not be seen as an effort to manage bond yields. "Except in rare, extraordinary economy-wide circumstances, the goal of RBI's liquidity operations is not to manage directly the prices of any particular long-term asset market."

The benchmark 10-year bond's yield eased 4 bps to 7.53% on Wednesday. The RBI pared its 2017-18 GVA growth estimate to 6.6%, from December's 6.7%.

'Taxes on capital hitting investments'

Multiple levies to impact savings: Patel

MANOJIT SAHA MUMBAI

Less than a week after the Union Budget was presented, Reserve Bank of India (RBI) Governor Urjit Patel expressed concern over the government's move to reintroduce long-term capital gains tax on equities. India's investment-to-GDP ratio was not adequate, he observed, given the fact that capital in the country was taxed at five different stages, hindering investments.

The Budget had brought

'Five taxes'

back long-term capital gains tax, disappointing investors. "We need to keep in mind the taxation on capital in India is from several sources and I think, at the marginal rate, it adds up ... so from back of the envelope you have a corporate tax rate, you have a dividend distribution tax rate. for dividend income above ₹10 lakh you have the marginal tax rate, you have a securities transaction tax and a capital gains tax. So, you have five taxes on capital. And you know that would have an impact on investment and savings decisions," Dr. Patel said during the post monetary policy media interaction, when asked why the investmentto-GDP ratio had remained

subdued. The Budget has proposed that long-term gains of more than ₹1 lakh from investments in stocks, would attract long-term capital gains tax at 10%.

The Economic Survey, released last week, also pointed out that the overall savings and investment rate scenario in the economy was not 'heartening'. According to the Survey, while investment rate as a share of



Urjit Patel. ■ VIVEK BENDRE

GDP in the economy declined by almost 5.6 percentage points between 2011-12 and 2015-16, savings rate declined by two and half percentage points between 2011-12 and 2013-14 and remained rangebound thereafter. "India's investment, savings slowdown is unusual, never happened like this before," said Arvind Subramanian, chief economic adviser.

The ratio of gross fixed capital formation to GDP rose from 26.5% in 2003, reached a peak of 35.6% in 2007, and then slid to 26.4% in 2017. Dr. Patel said the country should expect its investment-to-GDP ratio to improve as there were early signs that credit growth was picking up. Year-on-year credit growth was 10.6% in January as compared with 4.7% a year earlier.

"I think we should expect the investment-to-GDP ratio to improve and there are the first discernible signs of that when existing capacity utilisation reaches a certain level. The reason I say that there are incipient signs is that the credit offtake is at double digit after a long time, albeit at low double digits. I think the movement in both these is likely to result in an investment-to-GDP ratio that may go up," the RBI Governor added.

GST-hit MSMEs get more time to pay dues

Additional 180 days for borrowers: RBI

SPECIAL CORRESPONDENT

The Reserve Bank of India (RBI) has allowed micro, small and medium enterprises (MSMEs), whose cash flow was hit due to implementation of Goods and Service Tax (GST), additional time to pay their dues to banks and non-banking finance companies.

Registered borrowers

MSMEs with exposure of less than ₹25 crore, would get additional 180 days to pay their dues, provided the borrower is registered under the GST regime and the borrower account was standard as on August 31, 2017.

"The amount from the borrower overdue as on September 1, 2017 and payments from the borrower due between September 1, 2017 and January 31, 2018 are paid not later than 180 days from their respective original due dates," RBI said, stipulating a condition.

At present, banks and NBFCs classify a loan account as non-performing asset (NPA) if payment is due for more than 90 days and 120 days respectively.

"The provision in respect of the account may be reversed as and when no amount is overdue beyond the 90/120-day norm," the banking regulator said.

Sensex, Nifty lose ground for seventh straight session

Losses follow RBI deciding to keep key rates unchanged

SPECIAL CORRESPONDENT

Benchmark equity indices lost ground for the seventh straight session on Wednesday after the Reserve Bank of India (RBI) kept key rates unchanged while expressing concern over low investment due to multiple taxation.

Dips into red

The 30-share BSE Sensex lost 113.23 points to close at 34,082.71 while the broader Nifty ended at 10,476.70, lower by 21.55 points. The indices were mostly in the green during the morning



and afternoon sessions before falling into the red as the RBI announced its monetary policy review.

The fall in the indices, though, was moderate compared with the last few trading sessions. The Sensex los-

wal Financial Services.

said it wants to protect the early signs of recovery and keep economy conducive for growth. This is a positive stance and goes well with broad market sentiments. We think these dips should be used to further build the position in the equity as the 'earnings revival' is around the corner," he added.

ing more than 2,000 points

no change in the policy

stance and (this) will be con-

sidered non-event," said Mo-

tilal Oswal, CMD, Motilal Os-

"In the commentary, RBI

"Markets were expecting

in the last six sessions.

Dell to focus on Bharat to boost sales of PCs

Smartphone adoption aiding firm

LALATENDU MISHRA

Dell is focusing on semi-urban India to grow its business in the country, according to a top executive. "We are focusing on outside the top 50 cities in India to grow our business," said Krishnakumar P, senior vice president and general manager, consumer and small businesses, Dell International Services India Pvt. Ltd.

Smaller cities

"A large part of the opportunities will come from these tier 3 to tier 5 cities and we are investing in these markets," he said. He said the growth in the

use of smartphones in semiurban markets was helping expansion of personal computers' (PCs) sales, including those of laptops and



Krishnakumar P

desktops. "In fact faster, adoption of smartphones has helped boost sales of PCs in these markets. We have seen people buying their PC within 18 to 24 months of purchasing their smartphone," he said.

To cater to the needs of existing PC users, Dell is introducing thinner and lighter PCs after developing the

Idea puts Aircel interconnect on hold

Cites non-payment of dues for action

SPECIAL CORRESPONDENT

Kumar Mangalam Birla-led Idea Cellular has suspended interconnect services with Aircel Ltd. due to non-payment of dues, a move that may impact millions of Aircel consumers.

"Despite several remin-

ders for releasing the dues since November 2017, the operator has failed to meet its payment commitments forcing Idea to suspend interconnect services, as per the terms of interconnect agreement between both parties," Idea Cellular said in a statement. Aircel has 88 million subscribers across 17 telecom circles as on September 2017, according to TRAI data. "Idea Cellular regrets the inconvenience caused to mobile users who are unable to connect with



each other. We sincerely hope that the operator will honour its contractual obligation and payment commitment, in the interest of customers," it added.

Idea Cellular shares on the BSE closed 1% at ₹84 in a weak Mumbai market on Wednesday, valuing the firm at ₹30,303.6 crore.

Interconnect services will be restored immediately upon Aircel making payment towards the dues, the statement added.

Punch-drunk shares off two-month lows

Distressed selling might have peaked, but volatility a risk; bond purchases ease

REUTERS LONDON

World stocks clawed off twomonth lows on Wednesday, though momentum was weak and U.S. futures suggested Wall Street could backslide again after rebounding from the biggest sell-off in six years.

Volatility index

European shares around 0.7% after plumbing six-month depths on Tuesday at the tail-end of a sell-off induced by a volatility spike that took Wall Street's fear gauge, the VIX index, as high as 50, more than three times its closing level last Thursday.

That rout had wiped \$4 trillion off world equities and sent investors scurrying for the safety of German and U.S. bonds, briefly reversing



See-saw shares: Equity markets may not be out of the woods yet with volatility index ruling high. • REUTERS

the steady rise in global yields.

While Tuesday saw U.S. equities roar back, the momentum may already be slipping - Asian and emerging equity gains fizzled while S&P and Dow Jones futures were almost 1% lower.

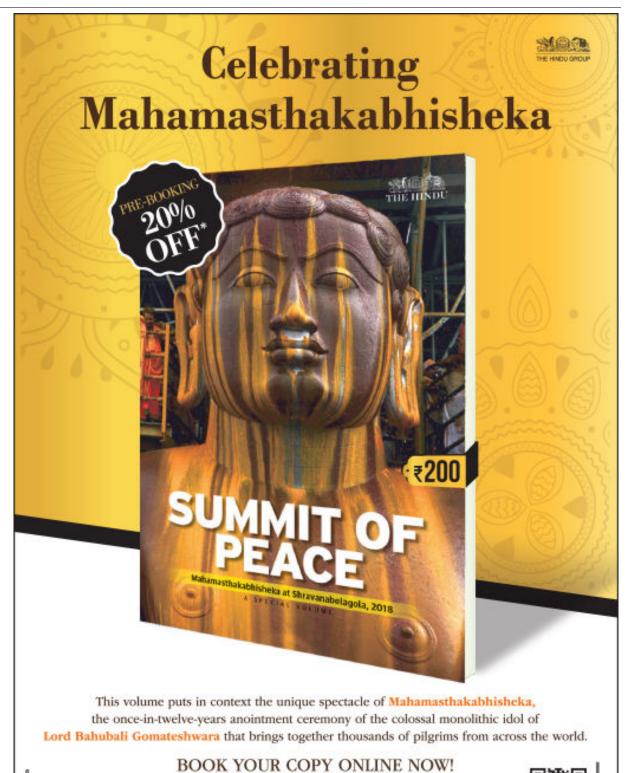
With the pivotal gauge of S&P 500 volatility, the VIX, opening at a relatively elevated 31%, equity markets are not out of the woods, especially in the United States, market watchers say.

"People are still shaken after such a ferocious correction, especially as it came after a very long time. It is clear that there will be more volatility going forward,"

said Salman Ahmed, chief investment strategist at Lombard Odier Investment Managers. "But that's a healthy development so markets can focus on areas that are generally stronger. The upward (equity) trend can stay but it will be less steep than last year."

MSCI's all-country index, however, was up 0.2% after four days in the red, boosted by Europe's gains - which were the third largest of the year – and those in Japan and Asian emerging markets.

Bond buying by panicky investors also abated and yields on "safe" German, Japanese and U.S. debt edged up, resuming the trend of recent weeks as markets price further U.S. rate increases and the withdrawal of stimulus in Europe.



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