MARKET WATCH

	06-12-2017	% CHANGE
Sensex	32,597	-0.63
US Dollar	64.52	-0.21
Gold	30,050	-0.66
Brent oil	61.91	-1.14

NIFTY 50

	PRICE	CHANGE
Adani Ports	385.75	-3.10
Ambuja Cements	261.70	1.25
Asian Paints	1104.35	-10.65
Aurobindo Pharma	653.15	-15.80
Axis Bank	530.50	-2.65
Bajaj Auto	3109.55	-54.35
Bajaj Finance	1671.45	-35.95
Bharti Airtel	483.45	-7.20
Bosch	19149.95	-744.25
BPCL	490.95	-9.95
Cipla	596.45	0.00
Coal India	265.10	-0.15
Dr Reddys Lab	2200.20	-9.15
Eicher Motors	28157.80	-771.00
GAIL (India)	456.05	-6.10
HCL Tech	858.60	10.60
HDFC	1648.40	-31.10
HDFC Bank	1803.30	-17.15
Hero MotoCorp	3505.60	-14.95
Hindalco	232.10	-7.95
HPCL	406.00	-6.00
Hind Unilever	1275.60	14.60
Indiabulls HFL	1173.15	-16.00
ICICI Bank	299.50	-5.75
IndusInd Bank	1653.70	-11.70
Bharti Infratel	370.35	-8.20
Infosys	990.30	5.95
Indian OilCorp	388.75	-1.75
ITC	251.60	-2.25
Kotak Bank	999.65	-0.20
L&T	1191.25	-18.65
Lupin	809.35	0.40
M&M	1367.45	-20.75
Maurti Suzuki	8612.40	112.00
NTPC	175.65	-1.45
ONGC	175.85	-2.55
PowerGrid Corp	200.25	-0.05
Reliance Ind	926.65	12.95
State Bank	312.40	-6.70
Sun Pharma	511.35	-11.80
Tata Motors	397.05	-5.20
Tata Steel	667.60	-8.10
TCS	2633.30	-2.25
Tech Mahindra	472.25	6.85
UltraTech Cement	4037.40	-70.90
UPL	685.90	-12.85
Vedanta	281.80	-6.65
Wipro	282.50	-0.95
YES Bank	306.45	-2.25
Zee Entertainment	569.75	1.30

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on December 06

CURRENCY	TT BUY	TT SELL
US Dollar	64.32	64.64
Euro	75.96	76.34
British Pound	85.95	86.38
Japanese Yen (100)	57.33	57.64
Chinese Yuan	9.72	9.77
Swiss Franc	65.03	65.36
Singapore Dollar	47.71	47.96
Canadian Dollar	50.77	51.03
Malaysian Ringitt	15.77	15.89

Source:Indian Bank

BULLION RATES CHENNAI

December 06 rates in rupees with previous rates in parentheses

Retail Silver (1g)	40.20	(40.50)
22 ct gold (1 g)	2,769	(2,779)

PSU banks: reforms with recap

Lenders that have their managed balance sheets 'well' to get priority: RBI's Patel

SPECIAL CORRESPONDENT
MUMBAI


Test of resolve: Banks will receive government's contribution based on their progress toward reform, says Urjit Patel. • AFP

The proposed recapitalisation of public sector banks will include a package of reforms, Reserve Bank of India (RBI) Governor Urjit Patel said on Wednesday, adding that the finance ministry would release the details in the coming days.

"This will be a reform and recap package... so as to ensure this money is used to strengthen public sector bank balance sheets and that we don't sow the seeds of the next boom and bust cycle of lending," Dr. Patel said after announcing the monetary policy review. "Governance reforms in all public sector banks will also feature as a big part of the overall plan."

The Centre had announced a ₹2.11 lakh crore recapitalisation plan for PSU banks, of which ₹1.35 lakh crore would be raised through recapitalisation bonds. Reeling under the pressure of poor asset quality over the last three years, these banks have seen their capital erode. Apart from making provisions for bad loans, the lenders would need capital to meet the Basel-III norms and to support their business growth.

Priority for infusion

Dr. Patel said banks that had managed their balance sheets 'well' would be given priority for capital infusion while others would have to show the resolve to reform.

"The plan will be differentiated across banks," he said. "Recap bonds will be front loaded for banks that have managed their balance sheet strengths more prudently and can use injected capital to lend besides providing for legacy asset losses."

The RBI had been working closely with the department of financial services to finalise the plan for each bank: the aim was to determine the extent of funding to be raised by the bank and the amount of recapitalisation bonds to be placed on its balance sheet as the government's equity contribution.

"Other banks will receive government's contribution based on their resolve and progress toward reform."

Rupee slips on inflation forecast

PRESS TRUST OF INDIA
MUMBAI

The rupee weakened further by 14 paise to close at 64.52 against the U.S. dollar after the RBI kept rates unchanged and raised the inflation forecast.

Besides, heavy capital outflows in anticipation of a rate hike by the U.S. Federal Reserve and a strong dollar overseas largely ruled forex market sentiments. Though the RBI's policy outcome was in line with expectations, upside risks emanating from high commodity prices against the backdrop of global headwinds added pressure on the trading front. Growing worries over higher government borrowings this fiscal and apprehensions over fiscal slippages also weighed on trade.

Jaitley asks industry to invest in infra

Industry seeks lower taxes, fewer slabs

SPECIAL CORRESPONDENT
NEW DELHI


Arun Jaitley

Finance Minister Arun Jaitley on Wednesday asked India Inc to make investments in the infrastructure sector to "build a stronger India", even as industry leaders called for across-the-board reduction is tax rates for businesses and individuals to spur growth and increase overall tax collections.

On Wednesday, Mr. Jaitley met business leaders and representatives from various industry bodies for a Pre-Budget Consultation meeting. The Finance Minister said that private investment, along with public and foreign investment was the key to boost growth and create job opportunities, according to an official statement.

Demand for fewer slabs

Industry captains also called for reducing the number of tax slabs under the GST regime from seven at present, even as they sought to bring sectors such as petroleum, electricity, realty and alcohol under its ambit.

Mr. Jaitley will present the Union Budget 2018 on February 1. This will be the first Budget after the implementation of the new indirect tax regime, and the last full Budget before the 2019 Lok Sabha election. Pointing out that the overall tax burden on Indian corporates is one of the highest in the world, Shobana Kamineni, president at Confederation of Indian Industry (CII) said the roadmap for corporate tax rate for India should include reducing it to 18% (all inclusive) at the earliest with withdrawal of tax incentives and exemptions and withdrawal of surcharges and cesses.

Ficci president Pankaj R. Patel said there was a need to "consider across-the-board tax rate cuts for businesses and individuals in India to spur domestic investment and demand, and to retain India's overall competitive environment globally." He added that while a roadmap for bringing down corporate tax rates to 25% was laid out in the earlier budget, it had not been implemented yet.

"One also needs to consider the impact of the Dividend Distribution Tax and the Buyback Tax. Together with the basic corporate income tax, this pushes India's overall tax rate for companies well beyond 40%, which is quite high," Mr. Patel said.

On GST, the industry sought not more that three or four tax slabs.

"There is a need for convergence to 3-4 rates and to include all excluded items till date. Efforts should also continue to simplify compliance related to GST," Mr. Patel said.

Ficci also sought clarity on anti-profiteering provisions under GST, specifically related to its applicability at the product or entity level, clarity on examination at State or Central level and applicability on products and stocks prior to GST.

RBI clarifies NPA rules have not changed

Wrong application led to 'divergence'

PRESS TRUST OF INDIA
MUMBAI

With a slew of banks admitting to under-reporting their NPAs after a regulatory diktat, the Reserve Bank of India clarified it had not changed any rules and attributed the 'divergences' to the wrong application of the rules by the banks.

"We've assessed banks' classification based on the rules they are today and we've found that in some cases, they have not applied those rules correctly," Deputy Governor N.S. Vishwanathan told reporters.

"I want to make it very clear that there is no change in the goalposts; the rules are as they are," Mr. Vishwanathan added. He said cases of divergence occurred earlier as well based on inspection of banks' books by the central bank, but what has changed the narrative now is the mandatory disclosure of the divergences.

"What has changed is the transparency we've brought in the form of disclosures in the divergences when they are more than a certain percentage," he said.

The lenders started reporting divergences starting June for having under-reported NPAs in FY16.

This was followed by a second round of disclosures, starting October, of under-reporting in FY17 by a few lenders.

Merchant discount rates for debit cards lowered

RBI aims to encourage digital mode for payments

SPECIAL CORRESPONDENT
MUMBAI

The Reserve Bank of India (RBI) on Wednesday reduced the Merchant Discount Rate (MDR) for debit card transactions and prescribed a separate cap for small and large merchants based on their annual turnover. The move is aimed to encourage merchants to accept digital modes of payment.

MDR is the fee that a merchant has to pay for every transaction which is split among three entities: the bank that issued the card, the lender whose point-of-sale terminal is being used and the payment network such as MasterCard or Visa.

The fee for merchants with a turnover of up to ₹20 lakh in the previous financial year is capped at 0.4% for transactions via the Point-of-Sale terminals or online. If the transaction is via a QR code-based card acceptance infrastructure, the fee is capped at 0.3%. In both cases, the absolute cap is ₹200.

For merchants with an annual turnover of more than ₹20 lakh, a cap of 0.9% has been prescribed for physical PoS and online transactions while 0.8% is the cap for QR code-based transactions. The absolute cap in this case is ₹1,000. The new caps will come into effect January 1.

At present, the MDR for debit cards were capped at 0.75% of the transaction amount for values up to ₹2,000 and 1% for value above ₹2,000.

UBI to raise ₹1,190 crore via bonds

PRESS TRUST OF INDIA
NEW DELHI

State-owned United Bank of India will raise ₹1,190 crore through issuance of Basel III compliant additional tier I bonds.

"The board of directors of the bank at its meeting... approved issue and allotment of Basel III compliant additional tier I bonds up to ₹1,190 crore," the bank said in a regulatory filing.

Banks globally have to comply with the Basel III norms so as to improve and strengthen their capital planning processes.

These norms are implemented to mitigate concerns on potential stresses on asset quality and consequential impact on performance and profitability of banks post the sub-prime crisis of 2008 that hit the banking sector hard.

'India must tap changing trends in manufacturing'

Policies should help firms use their success in IT: WB official

ARUN S
NEW DELHI

India needs to consider bringing out appropriate policies soon to help its companies use their success in Information Technology and Information Technology-enabled Services to take advantage of the growing trend of "servicification" of manufacturing, according to a World Bank official.

Services are now often embodied in goods as part of the manufacturing process, as well as more services such as after-sales support and add-on services are being embodied in goods during post-production, the Bank had said, referring to the process called the "servicification" of manufacturing, in a September 2017 report titled 'Trouble in the Making? The Future of Manufacturing-Led Development'.

Outsourcing industry

Speaking to *The Hindu*, Gaurav Nayyar, Economist in the World Bank Group's Trade and Competitiveness Global Practice and the report's co-author, said India may not have as many opportunities in the outsourcing industry as it had in the past couple of decades due to increasing competition from countries such as Philippines and owing to the impact of automation on the segment.

Therefore, India would need to swiftly announce suitable policies to help its companies to take advantage of the "opportunities in servicification of manufacturing by leveraging their success in software," he added.

According to the Bank's report, "Evidence from... India ...shows that this servicification of manufacturing has improved manufacturing productivity."

The report also said the servicification of manufacturing is further enabled by using data that will play an increasingly important role in "smart" manufacturing.

The report added that interconnected manufacturing – or the Internet of Things (IoT), where networks, machines, and computers are connected to the Internet – required the sending and receiving of data across the entire production chain.

London woos Indian businesses, investors

Sets up overseas office in Bengaluru; Wipro to open its third facility in U.K. capital

PEERZADA ABRAR
BENGALURU

London is betting big to increase its efforts to attract Indian businesses and investors. It has opened a new overseas office in Bengaluru to strengthen trade and ease the process for Indian firms to set up or expand their operations in the U.K. capital.

Information technology giant Wipro on Wednesday said that it planned to expand its operations in London. It will open a new 13,000 sq.ft. there. This would be the company's third such workplace in London, where it already has 1,800 employees.

The Bengaluru-based firm said the facility would help it to continue to bring new ways of working with digital clients. There would be a special emphasis on collaboration and co-creation between designers and software engineers "to incubate innovative and disruptive ideas alongside our clients," said Rajan Kohli, senior vice-president and global head, Wipro Digital.

Big Ben beckons: Wipro joins a host of Indian tech firms to make significant investments in London. • REUTERS

400 new jobs

Wipro joins a host of Indian tech firms to make significant investments in London. The Mayor of London's promotional agency, London & Partners, said that Indian tech businesses were set to create more than 400 new jobs in London this year. "London and Bengaluru are hotbeds for innovation and creativity," said David Slater, director of international trade and investment at London & Partners.

He added that the fundamental strengths that had made London a leading global destination for Indian businesses had not changed following the EU referendum vote.

On the impact of Brexit, Mr. Slater said that top tech companies like Apple, Facebook, Amazon and "now Wipro.. all of these have large investments in the U.K."

"As the Brexit negotiations continue, it's never been more important for London to reach out across the globe," said Arbinder Chatwal, director and head of India advisory services at accounting firm BDO. "London is a natural home for Indian businesses," he said.

From 2005 to 2016, the U.K. was the second largest destination for Indian foreign direct investment (behind only the U.S.) - attracting 350 projects (9.6% of all of India's FDI projects) that invested £9.2 billion and created 41,100 jobs.