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Markets see wild swings

Indices come off sharply from day's high as traders weigh hawkish Fed, Budget uncertainty

SUNDAR SETHURAMAN
Mumbai, 28 January

The equity markets witnessed intense volatility on Friday, with the benchmark Nifty dropping over 1.5 per cent from the day's high amid the hawkish pivot of the US Federal Reserve (Fed) and Union Budget uncertainty. Sustained selling by overseas investors weighed on the markets, which tried to rebound after closing at their lowest level in a month in the previous session.

Global markets also came off their highs as investors digested the fallout of a tighter monetary policy regime.

The Sensex gained as much as 807 points, or 1.4 per cent, in intraday trade only to give up all the gains to end at 57,200, with a loss of 77 points. The Nifty came off 263 points from day's high of 17,373 to finish the week at 17,102, down 8 points over previous day's close.

Both the indices have posted losses in seven of the previous eight sessions and have posted back-to-back weekly losses of 3 per cent each.

Stocks worldwide have tumbled amid a spike in the US bond yield in anticipation of four rate hikes by the US central bank this year. On Thursday, after their two-day policy meeting, Fed officials laid the ground for higher rates, with Chair Jerome Powell saying America's strong economy may no longer require monetary support.

The US central bank has left rates unchanged at near-zero since March 2020 in a bid to boost the economy battered by the Covid-19 pandemic. The Fed's ultra-low rates, coupled with its bond-buying programme, have bolstered risky assets like the equity market. Now, its decision to reverse some of these stimulus measures has made investors and equity markets anxious and triggered a flight to safety among foreign portfolio investors (FPIs).

Overseas investors sold shares worth ₹5,045 crore on Friday, while domestic investors provided buying support of ₹3,359 crore.

In the past eight trading sessions, FPIs have pulled out close to $8 billion from domestic equities.

"Concerns around inflation, higher bond yields and potential rate hikes have sparked a risk-off globally, leading to elevated FPI outflows. Domestic equities have also borne the brunt of rich valuations after a relentless rally post the bottom in March 20. While the Nifty-50 has corrected just 8 per cent from its October 2021 peak, it is hiding the stress in the broader markets. Concerns around the cost of equities going up have taken a brutal toll on high-growth stocks belonging to the tech domain," wrote Gautam Duggad, head of research, institutional equities, Motilal Oswal Financial Services, in a note.

The latest events in the market have a resemblance to the 2013 Taper Tantrum episode, when US Treasury yields had surged after the Fed had announced tapering of its quantitative easing programme.

Besides the Fed action, rising global oil prices amid geopolitical tensions has also weighed on the performance of the Indian market. Brent crude futures, the international oil benchmark, has crossed $90 the first time in more than seven years.

"India being a major importer of crude is usually impacted by upward movement in crude prices which could also impact India's current account deficit and the rupee," said Shibani Kurian, Senior EVP & Head-Equity Research, Kotak Mahindra Asset Management Company, last week.

"However, India's balance of payments position is far stronger today as compared to the situation during the Taper Tantrum. India's short-term debt as a percentage of forex reserves has declined to 40 per cent (the Taper Tantrum peak of 59 per cent). Forex reserves are tracking near an all-time high of $632 billion. Moreover, import cover at 13.3 times reasserts the robust external balance sheet position."

TOP 5 NIFTY GAINERS & LOSERS

(As on Jan 28, 2022)

	Price in ₹	Change 1D(%)
GAINERS		
NTPC	140.2	3.8
UPL	790.3	2.4
Sun Pharma	827.4	1.9
Oil & Natural Gas Corp	168.8	1.9
IndusInd Bank	903.6	1.7
LOSERS		
Maruti Suzuki India	8,551.0	-3.1
Tech Mahindra	1,410.7	-2.4
Power Grid Corp of India	210.2	-2.2
ICICI Bank	781.2	-1.7
Hero MotoCorp	2,672.2	-1.6

Compiled by *BS* Research Bureau
Source: *Bloomberg*/Exchanges

L&T bags 'large' offshore contract from ONGC for pipeline replacement

Larsen & Toubro (L&T) on Friday said that its wholly-owned arm has bagged a large offshore contract from ONGC for the seventh development phase of their pipeline replacement projects. This contract, awarded through international competitive bidding, reposes ONGC's confidence in L&T Hydrocarbon Engineering (LTHE) capabilities and commitment to support ONGC in strategic oil and gas sector, and contribute to country's energy security.

Adani Total Gas wins 14 city gas licences, IOC 8

A JV OF Adani's gas arm and Total of France on Friday won the most licenses at 14 to retail CNG to automobiles and piped cooking gas to households in the latest city gas bidding round, reports **PTI**.

Adani Total Gas wins 14 city gas licences, IOC 8

PRESS TRUST OF INDIA
New Delhi, January 28

A JOINT VENTURE of billionaire Gautam Adani-run group's gas arm and Total of France on Friday walked away with the most 14 licences to retail CNG to automobiles and piped cooking gas to households in the latest city gas bidding round, according to oil regulator PNGRB.

Adani Total Gas won city gas rights in 14 out of the 52 geographical areas (GAs) for which Petroleum and Natural Gas Regulatory Board (PNGRB) declared results on Friday. Hyderabad-based Megha Engineering and Infrastructure Ltd (MEIL) won 13 GAs, while state-owned Indian Oil (IOC) was adjudged winner in 8 GAs.

Bids were received for 61 of the 65 geographical areas on offer, of which results of 52 were declared by PNGRB on Friday

As many as 65 GAs were offered for bidding in the 11th city gas distribution (CGD) licensing round. Of this, bids were received for 61 GAs but results for only 52 GAs were announced on Friday.

The results of the remaining 9 GAs have been withheld due to the model code of conduct being in place in Uttar Pradesh and Uttarakhand for assembly elections.

PNGRB has written to the Election Commission and results of the 9 GAs which fall in the two states will be announced once its approval is received, officials said.

IOC cornered high potential GAs such as Jammu and Madurai.

The hotly contested GA of Nagpur went to a consortium that included HCG (KCE) Pvt Ltd and Haryana City Gas.

Adani Total won three GAs each in Assam and Chhattisgarh, four in Maharashtra, including Amravati, one each in Jharkhand and Odisha and two in Madhya Pradesh.

IOC won city gas licence for Kurnool/Guntur in Andhra Pradesh, Jammu, Beed/Jalgaon in Maharashtra, Kikar and Dharmapuri in Rajasthan, Madurai and Kanyakumari in Tamil Nadu and Mednipore in West Bengal.

Privatisation-bound Bharat Petroleum (BPCL) won licence for 4 GAs.

"Letter of Intent to successful bidders above 52 GAs has been issued on January 28, 2022," PNGRB said in a statement.

At the last date of bidding on December 15, 2021, 439 bids were received from 26 bidders for 61 GAs.

IOC had bid for 51 out of 61 GAs while Adani Total Gas had bid for 50 GAs. A consortium led by Think Gas and BPCL had put in bids for 44 GAs each and Megha submitted bids for 43.

GAIL Gas, the city gas arm of state gas utility GAIL India, put in bids for 30 but won just 1 GA. Torrent Gas put in 28 bids but did not win any.

PNGRB said the four GAs that did not receive any bids were in Chhattisgarh.

"438 bids out of 439 bids received were technically accepted and the financial bid of 438 bids was opened on January 14," it said, adding based on bids evaluations, LoIs have been approved for 13 successful entities for 52 GAs.

Adani Total Gas wins 14 out of 52 city gas licences, IOC 8

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Mint
Adani, IOC, 10 others bag licenses for city gas distribution networks
Jan 29, 2022 | Mumbai | Pg No.: 13 | | Sq Cm:24 | AVE: 79110 | PR Value: 395548

Adani, IOC, 10 others bag licenses for city gas distribution networks

New Delhi: Adani Total Gas Ltd, IndianOil Corporation Ltd and Bharat Petroleum Corporation Ltd (BPCL) are among 13 successful bidders for city gas distribution (CGD) network in the lates round of bidding conducted by the Petroleum and Natural Gas Regulatory Board (PNGRB).

RITURAJ BARUAH

The Financial Express
At over $91, oil hits fresh 7-year high
Jan 29, 2022 | Mumbai | Pg No.: 1,2 | | Sq Cm:106 | AVE: 448536 | PR Value: 2242680

SUPPLY CONCERNS

At over $91, oil hits fresh 7-year high

ROWENA EDWARDS
London, January 28

OIL PRICES REACHED seven-year highs on Friday as geopolitical tensions continue to raise supply concerns. Brent crude futures were up $1.91, or 2.1%, at $91.25 a barrel by 1436 GMT, having hit $91.41 on Friday, highest since October 2014.

US West Texas Intermediate (WTI) crude futures rose $1.83, or 2.11%, to $88.44 a barrel. WTI also reached a fresh seven-year high of $88.76 earlier in Friday's session. Both Brent and WTI are on track for their six-weekly gain in what would be the longest run of weekly gains since October.

Supply scarcity has pushed the six-month market structure for Brent into steep backwardation of $6.62 a barrel, the widest since 2013. This means that current levels are higher than those in later months, which usually encourages traders to release oil from storage to sell it promptly. Oil prices continue to receive support from concerns that the Ukraine crisis could disrupt energy markets.

Continued on Page 2

At over $91, oil hits fresh 7-year highs

US President Joe Biden and his European Union counterpart Ursula von der Leyen on Friday pledged to cooperate on guaranteeing Europe's energy security as well as Ukraine's amid the standoff triggered by Russia amassing troops at Ukraine's border.

"The risk premium on the oil price is now likely to be almost $10/bbl," said Commerzbank commodities analyst Carsten Fritsch.

The market is focused on a February 2 meeting of the Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia, collectively known as OPEC+.

The OPEC+ producer group is likely to stick with a planned rise in its oil output target for March, several OPEC+ sources told *Reuters*. —**REUTERS**

Beware the Bear

With the markets trending lower on global cues, mainly the US Fed's hawkish signals and crude oil on the boil, bears are on the prowl. On Friday, a man dressed up as a bear appears ready to take by horns the bull on Dalal Street PTI

Budget should boost consumption demand by offering tax breaks, cutting fuel taxes: Report

PRESS TRUST OF INDIA
Mumbai, January 28

THE FORTHCOMING BUDGET needs to delay fiscal consolidation, instead should focus more on supporting the pandemic battered-economy and boost consumption demand by offering income tax soaps and cutting fuel taxes, says a report.

In a pre-budget report, India Ratings said it expects the new budget to consolidate and strengthen the plan set out in the last budget, rather than trying out new things by continue with the revenue and capital expenditure pattern of FY22 to provide stability and consolidation to the past/ongoing efforts, and to focus on boosting demand by generating employment opportunities in areas /sectors that have been impacted more by the pandemic.

The report, therefore, expects the finance minister to delay fiscal consolidation and make it to be a gradual and calibrated process, thus ensuring the necessary fiscal support that the economy needs is available till the recovery acquires its own momentum.

Calling for tax reliefs to households to boost demand as the purchasing power of households was badly hit since the pandemic, the report said this could be done through some income tax reliefs and lowering taxes on oil products as higher fuel prices has been driving up inflation.

After the two supplementary demands for grants this fiscal the revenue expenditure is expected to be ₹3 lakh crore higher than the budgeted amount, but the non-interest and non-subsidy components of revenue expenditure, which impact the direct demand in the economy, is likely to be ₹13,100 crore lower than the budgeted.

Centre hits out at oil firms for allotting fewer petrol pumps

TWESH MISHRA
New Delhi, 28 January

The Ministry of Petroleum and Natural Gas has expressed disappointment over fewer allocation for new fuel retail outlets (petrol pumps). In a letter to Bharat Petroleum Corporation (BPCL), the industry coordinator for public sector oil companies, the Oil Ministry has asked why the draw of lots was conducted for less than half of the envisaged number of petrol pumps.

"It is observed that till date, the draw of lots has been conducted for less than 50 per cent of the locations and accordingly around 32,000 Letters of Intent (LOI) have been issued so far," the letter from the Ministry of Petroleum and Natural Gas said.

"Also, it has been seen that OMCs have cancelled many locations due to wrong nomenclature in advertisement and several locations have either received nil response, or nil selection has been made," the letter added.

According to the petroleum ministry, there is a need to set up many more fuel retail outlets due to construction of new roads, highways, e-ways, and economic corridors. It also reiterated the obligation of oil companies to set up petrol pumps at remote areas to improve accessibility to consumers. This is required to ensure that oil marketing companies (OMCs) do not end up concentrating only on urban areas for better earnings, as consumption is higher there.

The mandate to set up fuel retailing outlets in rural and low volume areas is also on new licensees that have been allowed access to India's growing market under liberalised terms. Five per cent of the total outlets that new licensees need to set up have to be in rural areas within five years from commencing operations.

The ministry has asked BPCL to submit a proposal for fresh advertisement on behalf of the industry, indicating OMC-wise numbers of locations in the proposal.

But this is not the only front where OMCs are battling with respect to fuel retail outlets. In another communication, the ministry asked public sector OMCs to comply with a Rajasthan High Court directive, asking them to consider a revision of margins payable to fuel pump operators.

"The competent authority of respondents shall consider and decide the same in accordance with law and do the needful as early as possible, preferably within a period of twelve weeks," the Rajasthan High Court order read.

The order was in context of a plea by the Rajasthan Petroleum Dealers Association, seeking a hike in dealer margins. The OMCs have been made the competent authority to decide on the revision.

"Representations regarding revision of Dealer's Commission received in the Ministry of Petroleum and Natural Gas are forwarded to BPCL as coordinator of OMCs to provide a suitable reply at their end," the ministry said in response to a right to information query filed by dealers through their advocates.

PUMPING UP

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Easy policy has served us well, says RBI's Patra, playing down the 'behind-the-curve' critique

Central bank committed to reviving growth to mitigate Covid impact, says Deputy Governor

OUR BUREAU
Mumbai, January 28

India is on course to becoming among the fastest-growing economies, but there is far to go, according to RBI Deputy Governor Michael Debabrata Patra. "Private consumption and investment are still work-in-progress. The restoration of livelihoods and revival of MSMEs (micro, small and medium enterprises) is a formidable task that lies ahead. The RBI remains committed to revive and sustain growth on a durable basis and continue to mitigate the impact of Covid on the economy, while ensuring that inflation remains within the target going forward," Patra said.

In his keynote address, 'RBI's Pandemic Response: Stepping out of Oblivion', at the CD Deshmukh Memorial Lecture (organised by the Council for Social Development, Hyderabad), Patra said that the second wave had dented the recovery in the first quarter of 2021-22, but its impact turned out to be relatively less severe.

"The Indian economy renewed its tryst with the interrupted recovery, which gained strength and pace through the rest of the year. It is estimated that real GDP will rise by 9.2 per cent during the current financial year, cresting pre-pandemic levels, and marking a turnaround from the decline of 7.3 per cent the year before," he said.


Michael Debabrata Patra

Export, the silver-lining

Exports have been the silver lining, growing by 49.7 per cent year-on-year in US dollar terms during April-December 2021 at a time when international trade has been hamstrung by supply chain disruptions, shortages and logistics impairments. Import demand has surged on the back of normalisation of domestic demand.

"Employment has yet to recover fully though, and labour participation remains low. Bank credit has begun to gain pace, helped by easing of stress in banks' balance-sheets. Inflation has eased from pandemic highs to more tolerable levels in recent months, although it remains elevated amidst high commodity prices, including of crude oil," said Patra.

In a situation in which several EMEs (emerging market economies) are jumping on to the bandwagon of tight monetary policy and AEs (advanced economies) are announcing normalisation or joining EMEs in raising policy rates, Patra underscored that India had held its ground and is among the few countries that have retained an accommodative monetary policy, despite "some views that we have fallen behind the curve".

"Only time will tell whether or not India has got it right but so far... this approach has served us well and helped in charting a course into the future which is different from the world," he said.

Patra emphasised that the pandemic continues to shape the future, but the RBI remains armed and battle ready.

"Continuously evaluating highly volatile and uncertain conditions and remaining prepared to protect the economy from shocks, the RBI has committed all its instruments to this objective, using conventional measures and fashioning new ones, as the pandemic experience showed. The lessons of the pandemic will be imbibed and the RBI will emerge stronger and more resilient than before, and committed to its mandate of price stability, keeping in mind the objective of growth," said Patra.

MARCH IPO

LIC listing being fast-tracked: Pandey

PRASANTA SAHU
New Delhi, January 28

LIFE INSURANCE CORPORATION'S IPO is being fast-tracked in consultation with the Securities and Exchange Board of India (Sebi) and the draft red herring prospectus (DRHP) being filed with the regulator in the first week of February would be as flawless as possible, department of investment and public asset management (Dipam) secretary Tuhin Kanta Pandey told *FE*, reiterating the government's resolve to complete the country's largest IPO in March.

> Since we have been in touch with the regulator during the preparation of DRHP (for LIC IPO), it is unlikely that there will be very many regulatory queries on it. That is how one can save time.
> **—TUHIN KANTA PANDEY,**
> DIPAM SECRETARY

The government could mop up around ₹1 lakh crore if it dilutes 10% stake in the public sector insurer, but the size of the issue is yet not clear, as market sentiments could decide it. The government has collected ₹27,330 crore or 16% of the FY22 target of ₹1.75 lakh crore from disinvestment so far in the year.

Continued on Page 2

LIC listing being fast-tracked: Pandey

BESIDES THE LIC issue, the other major disinvestment that was planned for the current year was the sale of public sector oil refiner and marketer BPCL, but this will likely take place only in the next financial year.

LIC's will be the biggest ever listing on Indian bourses, much larger than the biggest thus far of One97 Communications (Paytm), which raised about ₹18,300 crore in November 2021.

"We are keeping Sebi informed (of the preparation of draft prospectus), and the regulatory approval could be faster," Pandey said when asked if the market regulator approval could come in 35-40 days after the DRHP is filed. "It is a question of how much work we have done for the DRHP and their (SEBI's) queries... since we have been in touch with the regulator during the preparation of DRHP, it is unlikely that there will be very many regulatory queries. That is how one can save time." The valuation report of LIC will be ready

shortly, Pandey said.

The average time taken for approval of IPO by Sebi touched an 18-year low of 77 days in 2021 with IPOs of Seven Islands Shipping and Macrotech Developers taking just 35 days from prospectus filing to debut, said Pranav Haldea, MD of Prime Database.

Private valuation firm RBSA Advisors had estimated LIC's worth to be between ₹9.9-11.5 lakh crore, meaning a 10% stake sale could fetch the government around ₹99,000-1,10,000 crore. Some reports even suggest a possible valuation of ₹15 lakh crore.

On Thursday, the government handed over Air India, its subsidiary Air India Express and a 50% stake in ground handling firm AISATS for a consideration of ₹18,000 crore to Tata Group, which was the original owner of the carrier. The airline was nationalised 69 years ago.

Ahead of the AI transaction, the government cleared its debt and liabilities worth ₹61,000 crore by repaying its overdue loans from banks and the National Small Savings Fund (NSSF), Pandey said. In the second supplementary demand for grants in December, the government had taken Parliament nod for ₹62,000 crore towards repaying AI's debt and liabilities

"From the government side, a fair amount of cleaning up (of AI debt) has been done." The official said AI privatisation would save the exchequer from absorbing ₹20 crore in daily losses incurred by it.

BPCL sale, which could have fetched more than ₹50,000 crore, is spilling over to the next financial year due to delay in inviting financial bids.

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Oil trades over $91 in a new 7-year high

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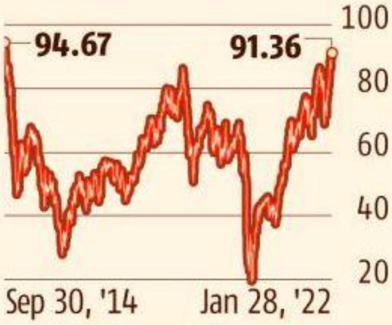
ON THE BOIL

Brent Crude futures ($/BBL)



SSV Ramakumar role extended as director (R&D) on IOC Board

THE GOVERNMENT HAS extended the tenure of S S V Ramakumar, director (R&D), Indian Oil Corporation for 18 months till July 2023.

Free Press Journal
Adani Total Gas wins 14 city gas licences, IOC 8
Jan 29, 2022 | Mumbai | Pg No.: 7 | | Sq Cm:86 | AVE: 343593 | PR Value: 1717966

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AGENCIES
New Delhi

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The Times of India
BS-VI petrol cars can be fitted with CNG kits soon
Jan 29, 2022 | Mumbai | Pg No.: 12 | | Sq Cm:150 | AVE: 4226335 | PR Value: 21131673

BS-VI petrol cars can be fitted with CNG kits soon

Govt Issues Draft Notification For Emission, Norms

Dipak Dash@timesgroup.com

New Delhi: Soon you will be able to retrofit your BS-VI petrol cars with CNG kits, which can reduce the fuel expenditure by almost 40-50%.

The road transport ministry on Thursday issued a draft notification for setting the emission and other norms for such retrofitment. Officials said the demand was felt as currently only vehicles complying with the BS-VI emission norms are being sold across the country. As of now vehicles which meet the emission norms of up to BS-IV are allowed for CNG retrofitment.

"This is a very positive move by the government as CNG as a fuel will bring huge relief to common people from the high expenditure on petrol. Second, this is a green fuel. Since the government has proposed the retrofitment of CNG kits in vehicles of engine capacity up to 1500 CC, it will cover all cars and also some of the SUVs," said transport expert Anil Chhikara. He added that the change was necessary considering that it's mandatory for commercial vehicles plying in Delhi and its suburbs must be on CNG.

GREEN MOVE: CNG kits reduce the fuel expenditure by 40-50%

The ministry has said this will be allowed for vehicles that have gross vehicle weight of up to 3.5 tonnes and the type approvals for vehicles retrofitted with CNG kits will be valid for three years and renewed for every three years at a time. Industry sources said the retrofitment could be around Rs 50,000 per vehicle.

SECTOR WATCH
GLOBAL CRUDE

How boiling oil prices impact govt, personal Budgets

SUNNY VERMA
NEW DELHI, JANUARY 28

RISING TENSION between Russia and Ukraine are leading to a fresh flare up in oil prices, with the Brent breaching the $90 a barrel mark overnight on Thursday, the first time since 2014. Some analysts have started forecasting oil prices to hit $100-110 per barrel in near future as prospects of supply disruptions and rising demand support prices. Prices have surged sharply from a low of $65.88 recorded on December 2, 2021. If prices continue to inch up, this will put pressure on both the Centre and state to review taxes.

EXPLAINED E.

Why are fuel prices rising?

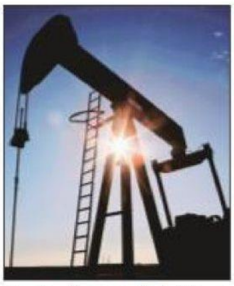
Crude oil prices have risen sharply since the beginning of the year as the wave of infections caused by the Omicron variant of Covid-19 has not led to lower demand. Key oil producing countries have also kept crude oil supplies on a gradually increasing production schedule despite rising demand. OPEC+ had agreed to sharp cuts in supply in 2020 but the organisation has been slow to boost production since then.

What is the impact on rising oil prices on Budget and inflation?

The Budget for this year has assumed oil prices to average around $65 per barrel. In October, prices rose to as much as $86 per barrel, before sliding down again to $65.86.

On Friday, Brent hit a 7-year high of $91.70, rising $1.25, or 1.4 per cent, to $90.59 by 11:09 am ET.

Rising prices feed into inflation as well as increase the amount of LPG and kerosene subsidy. On the positive side,



Crude oil pump jack, Texas. Prices hit a 7-year high of $91.70, intra-day. *Reuters file*

government revenues on taxes of oil and oil products has also been rising over the last 2 years. Retail inflation, measured by the Consumer Price Index, has already risen to a five-month high 5.59 per cent in the month of December. Wholesale price index-based inflation rose to 13.56 per cent in December.

High inflation will force the government to cut taxes on oil and oil products, especially since rising prices are a key factor ahead of elections in seven states. "Oil prices are a big factor for budget to be presented next week and overall fiscal math of India that imports more than 85% crude requirements. Oil import bill is already up by more than 70 per cent from last year, it affects the balance of payment adversely. Oil marketing companies haven't increased retail prices for last 80 days due to the upcoming elections and given the under recovery already built in, FM (Finance Minister) may not have the headroom to increase excise duty and rather should build in provision for a cut in case oil goes to three digits," Debasish Mishra, partner at Deloitte India, said. *Full report on www.indianexpress.com*