

India unhappy, but unshaken by rupee's record plunge

REUTERS, Mumbai

FOR all the worries among investors and policymakers over the rupee's sudden plunge to record lows, the economy is in better shape to handle a depreciation than it was when the currency last hit the buffers a year ago.

Inflation is falling, lower oil and gold prices are helping narrow a current account deficit that likely reached 5.1 percent of gross national product last fiscal year. And exports, particularly by software services sector companies like Infosys Ltd, should benefit from the weaker rupee.

The rupee has fallen more than 8 percent since the beginning of May, and although that is the worst performance in Asia, other currencies are also being hit by the broad rally in the dollar. Last year the rupee was largely falling alone.

"Certainly we are not happy with it, but we certainly are not unduly worried," Arvind Mayaram, Economics Affairs Secretary at the Ministry of Finance, told reporters in New Delhi. "This is a temporary phase," Mayaram said, adding that the government expected foreign buying of bonds to emerge in coming days that could lift the rupee.

Worried or not, it took suspected RBI intervention to pull the rupee off a record low of 58.98 per dollar on Tuesday.

It is a sensitive time for Prime Minister Manmohan Singh's minority coalition, with important state votes due before a national election next year.

The ministry's chief economic adviser, Raghuram Rajan, said authorities, including the RBI,

the SEBI and government, were ready to act if needed to stop a runaway currency market.

Rajan argued that the extent of the rupee's slide had taken it into undervalued territory. On a trade-weighted basis, however, the rupee is fairly valued to slightly over-valued. In real effective exchange rate (REER) terms, the rupee was at 105.74 in May against six of its key trading partners, above the 100 that denotes fair value.

Though the economy remains sluggish, with weak investment and consumption and the government controlling spending, it

is still doing better than a year ago, when credit rating agencies Standard & Poor's and Fitch threatened to relegate India to "junk" bond status.

The slowdown that resulted in decade-low growth of 5 percent in the fiscal year that ended in March appears to have bottomed out, helped in part by some modest RBI interest rate cuts and the government's reforms aimed at boosting capital inflows.

Mayaram said strengthening economic fundamentals, as well as policy measures, should persuade the market to revise its short-term view.

The government this month took steps to curb imports by raising duties, while the RBI clamped down on gold financing, largely after the trade deficit surged in April driven by higher demand for cheaper gold.

"The current account deficit is certainly bothersome," Mayaram said, though adding recent government steps to curb gold imports had "started showing results".

A weaker rupee should curb demand for gold imports, which make up 11 percent of India's import bills. That would have a potentially big impact given

India is the world's biggest importer of gold.

Oil prices have also fallen, with Brent crude down 6.7 percent so far this year, making the impact from a weaker rupee easier to sustain.

Before the rupee's fall accelerated in the past few days, analysts had appeared unalarmed by the rupee's decline and were expecting a recovery.

A Reuters poll last week suggested the market had expected the rupee to strengthen to 56.50 to the dollar in a month, and gradually improve to 53.78 in over twelve months.

Mayaram stressed other emerging market currencies were in the same boat, citing an 11 percent fall in the South African rand.

In the year so far, the rupee has weakened slightly more than 5 percent. Within emerging Asia, only the South Korean won has done as badly.

The Philippine peso and the Brazilian real have also been weakening.

Last year, in contrast, only the Indonesian rupiah and the rupee declined against the dollar in emerging Asia.

Deutsche Bank, in a June 7 note, said it was not particularly worried about the near or medium-term outlook for the rupee.

"The economy's outlook is weak, however, and the currency will remain vulnerable to periodic policy setback and global factors," Deutsche said.

"But the major sources of drag to the currency in recent years, high inflation and high current account deficit, are dissipating rapidly, and will help support the currency."



REUTERS

Cycle rickshaws move past a display of Indian rupees at a roadside currency exchange stall in the old quarters of Delhi on Monday.



FOCUS BANGLA

Salahuddin Taimur, national sales manager of Igloo; James P McDonald, general manager of Ruposhi Bangla Hotel; and Mahfuzur Rahman, resident manager of the hotel, attend a press conference to announce the ice cream fair scheduled to begin tomorrow.

Ice cream fair to beat summer heat

STAR BUSINESS REPORT

A nine-day ice cream festival will kick off at Ruposhi Bangla Hotel in Dhaka tomorrow, to make the summer days more enjoyable.

Visitors to the festival, co-organised by Ruposhi Bangla Hotel and Igloo, would be able to consume unlimited quantities of ice cream in return for the entry fee of Tk 500, James P McDonald, general manager of the hotel.

Igloo, the market leader, will take the opportunity to introduce nine brand new flavours -- chocolate and orange, mango yoghurt, tiramisu, cappuccino, praline and cream, hazelnut chocolate, peanut butter cream, vanilla almond cream, strawberry cheesecake -- on each day of the festival.

"We will offer low fat ice cream for the diabetic patients as well," said Salahuddin Taimur, national sales manager of Igloo.

Banglalink Priyojon subscribers will get a 10 percent discount on the entry coupons, while a package will be provided for a family of four, he said. The fair will remain open from 11am to 10pm.

"There will be live music everyday to add to the merriment of the occasion. A raffle draw, too, would take place on the inaugural and final day, where exciting prizes are to be won," McDonald said.

The festival will be inaugurated by Asaduzzaman Noor, a lawmaker and cultural personality, said Mahfuzur Rahman, resident manager of Ruposhi Bangla Hotel.

"We will try to bring a festive mood in the fair for ice cream lovers."

The desktop gets a makeover, courtesy of Apple

REUTERS, San Francisco

APPLE Inc, known for its bold experiments with computer design, has come up with a radically reimagined Mac Pro that departs from the venerable, boxy design of the typical desktop personal computer tower.

The company on Monday offered a sneak peek at a top-of-the-line computer destined for store shelves later this year: a sleek cylindrical chassis that, according to Apple, packs several times the processing power of its predecessors but stands just shy of 10 inches.

The new Mac Pro, with a yet-to-be-determined sales date and price, again features an Intel Xeon microprocessor - used mainly in high-end computer servers - and a full-length cover that slides upward

messy wiring. The box itself has shrunk over the years but the concept essentially remains the same.

The previewed Mac Pro, in contrast, bristles with miniature circuit boards ordered in sections around the circumference of its round case, broken up by a front panel for external connections. Reminiscent of a thimble or fat cigar, the company claims it offers a glimpse into "the future of the Pro desktop."

"There has been some criticism of Apple that their products of late have been fairly evolutionary, sort of incremental adjustments as you move from generation to generation. This was clearly a very big step forward in this particular platform," said Robert Brunner, founder of design consultancy company Ammunition Group and a former head of design at Apple.



REUTERS

Phil Schiller, senior vice president of worldwide marketing at Apple Inc, introduces the new Mac Pro during Apple Worldwide Developers Conference 2013 in California on Monday.

to reveal its innards.

It will be assembled in the United States, marketing chief Phil Schiller told an audience of thousands at the opening of Apple's annual developers' conference in San Francisco on Monday. Other executives later outlined a number of new features in redesigned mobile software for iPhones and iPads due this fall, and talked about an "iTunes Radio" music-streaming service.

"Can't innovate anymore, my ass," remarked Schiller, addressing public criticism from industry analysts and investors that Apple's famed innovation prowess had died along with its legendary co-founder Steve Jobs in 2011. "This is a machine unlike anything we've ever made."

The personal computer has looked largely the same for decades - an oblong case that houses components like memory and graphics cards and processors in orderly rows, interspersed with thickets of

Brunner, whose company does not currently work with Apple, said older Mac Pros were bulky and threw off a lot of heat, and could benefit from a redesign. The new machine features what Apple calls a "unified thermal core" that spreads heat equally across its processors - typically the hottest parts of a PC.

The Mac Pro is Apple's costliest computer, employed primarily for graphics-intensive tasks such as video-editing and design. The current, top-of-the-line version today sells for as much as \$3,799.

Apple was lauded for the novel look of the first, pastel-colored iMacs in the late 1990s, which proved popular with consumers.

"A glass block cylinder is not a new thing; it's been done in all kind of products," Brunner added. "But when you look at how development and engineering could put that sophisticated a computer in that small cylindrical form, that's pretty huge."

Drumming up taxpayers in Bangalore

BUSINESS REPORTER, BBC News

THE band of drummers, with their matching shirts and bright bandanas, is beating out a fast-paced tattoo to a small appreciative audience.

With the sound of the drums echoing off the walls of the surrounding buildings, it feels as if it could be an impromptu street performance - but it's not. This is tax collecting Bangalore-style.

Fed up with companies refusing to pay their tax bills, the city has gone one better than merely sending out reminder letters.

Instead it is striking back, shaming local tax avoiders, through the use of music.

Bangalore has a clear message to offenders: Pay up or we send in the drummers, and then everybody will know what you've done wrong. And so far, it seems to be working.

"People like this. They gather to hear the drums playing," says one of the band, 19-year-old drummer Shankarantha.

The band's co-ordinator is KC Chellaiah, who is standing to one side, watching his team in action. He says while the audience might like it - those targeted do not.

"The company owners get afraid of it when the troupe starts beating the drum," he says.

"Usually the firms have a good name in their area and when this comes to people's attention and the real picture comes out of it, they start paying their tax immediately - they respond immediately."

Bangalore is India's third-largest city, and as the centre of the India's hi-tech industry, its economy is worth some \$9.6bn (£6.1bn) a year.

But it has a problem with unpaid taxes, and so six months ago it started employing its teams of drummers.

And it is proving to be steady work for the musicians.

Band member Shankarantha says that he and his fellow players have been called out to beat the drum for Bangalore's tax department four times in the past few days.

"Initially we didn't get a good



BBC

Pay your taxes, or Bangalore will send round the band.

response," says Shivakumar CM, an executive engineer with Bangalore Municipal Corporation.

"Since then we have seen that about 50 percent of the firms we have targeted have come to us to pay up their taxes.

"We're getting a good response from companies which have been embarrassed," he says.

"This is the primary motor of the drum-beat programme."

But Bangalore is not alone in this. India has one of the lowest rates of tax payment in the world. Only 3 percent of India's population of 1.2 billion pay any tax at all.

There are several reasons for this: A third of Indians - some 400 million - are so poor that they are exempt

Much of the agricultural sector is paid through cash, which makes incomes very hard to track.

India's tax-collection system is poor, and the rules are complex and contradictory

Lots of the super-rich and middle classes evade paying taxes.

This year, India's government

has decided on a two-pronged approach to its tax problem.

First, all those officially listed as earning over \$185,000 a year - 42,000 individuals - will have to pay an extra 10 percent surcharge for one year.

The tax rate for higher earners will temporarily rise from 30 to 33 percent.

Yet when you realise that India is reckoned to have 125,000 millionaires, but only a third of them are officially listed as higher-rate tax payers, Delhi's problem becomes clear.

Second, the finance ministry has been sending out what it says are "polite" reminder letters to 1.2 million people who appear to possess enough wealth to require paying taxes.

Instead of focusing on declared income, India's tax collectors are looking at people's spending patterns - what significant payments are made on credit cards, and whether properties or shares have been bought or sold.

Estimates of how much tax

Delhi is losing vary, but the government itself says people avoided paying some \$70m of taxes and duties in the first three months of 2013 alone.

But improving the tax-collection rate nationally will be a challenge.

"Trying to enhance tax collection from the sectors which are not paying taxes is important," says Nikhil Bhatia, executive director at PricewaterhouseCoopers.

But before many more Indians would be willing to pay up, he says the government must prove that it is spending the tax revenues it does get efficiently.

"Curbing expenditure which is not fruitful and which is not seen to be a good return on contributions paid by tax payers will also make people a lot more willing to pay."

Meanwhile back in Bangalore, Shankarantha is busy playing the beats on his drums.

But he says he is just happy that people are responding and Bangalore's council is getting more taxes out of it.