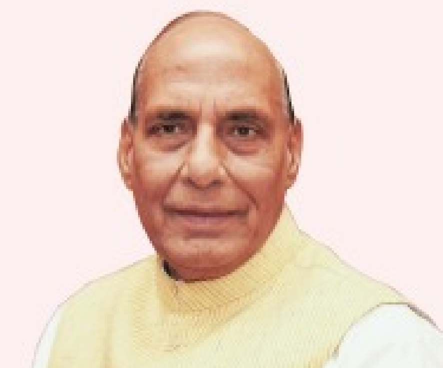
Economy



'WILL GET CHOKSI BACK'

Rajnath Singh, home minister

We have brought the Fugitive Economic Offenders Act and there is a process under that law (to check fraud cases). He (Mehul Choksi) will be brought to India for sure. No one will be spared. Action will be taken against everyone

Quick View

'Farm support to raise states' fiscal deficit'

COMPETITIVE POPULISM in the form of farm loan waivers and other schemes ahead of the general polls would inflate cumulative fiscal deficit of states, a report by India Ratings and Research (Ind-Ra) has pointed out. In its report, the Fitch group company has maintained a stable outlook on the finances of Indian states for 2019-20. The agency expects the aggregate fiscal deficit of states to come in higher at 3.2% in 2019-20 than its forecast of 2.8% in the 2018-19 Mid-Year Outlook.

'Form policy for fine on polluting units'

THE NATIONAL Green Tribunal has said recovery of penalty from polluting industries for damaging the environment must be incremental and asked the CPCB to prepare a policy in this regard. A bench headed by NGT chairperson Justice Adarsh Kumar Goel said a policy in this regard be placed online by the Delhi Pollution Control Committee and CPCB.

NCLAT dismisses Jignesh Shah plea

THE NATIONAL Company Law Appellate Tribunal (NCLAT) on Monday dismissed the petitions filed by erstwhile MCX promoter Jignesh Shah and others challenging an NCLT order that allowed insolvency proceedings against La-Fin Financial Services.

ON GROWTH TRACK

Indian economy poised to pick up in 2019: IMF

PRESS TRUST OF INDIA
Washington, January 21

INDIA IS PROJECTED to grow at 7.5% in 2019 and 7.7% in 2020, an impressive over one percentage point ahead of China's estimated growth of 6.2% in these two years, the IMF said on Monday attributing the pick up to the lower oil prices and a slower pace of monetary tightening.

The International Monetary Fund (IMF), in its January World Economy Outlook, update on Monday said India would remain the fastest-growing major economy of the world.

"India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease," the IMF said.

Despite fiscal stimulus that offsets some of the impact of higher US tariffs, China's economy will slow down due to the combined influence of needed financial regulatory tightening and trade tensions with the US, the IMF said in its latest report.

Growth in emerging and developing Asia will dip from 6.5% in 2018 to 6.3% in 2019 and 6.4% in 2020, it said.

China which grew at 6.9% in 2017 against 6.7% by India, had a growth rate of 6.6% in 2018. In the next two years — 2019 and 2020 — it is projected to grow at 6.2% each, the IMF said.

The latest IMF projections remains unchanged from its previous World Economic Outlook projections.

While the Chinese growth rate has been on a downward slope, according to IMF, India has experienced an upward trajectory in these years.

The IMF said India's growth rate in 2018 was 7.3%.

It has been projected to grow at 7.5% in 2019, which is a marginal 0.1% above its previous projection. In 2020, India is projected to grow at 7.7%.

The IMF report comes a day after PwC's Global Economy Watch said that India is likely to surpass the UK in the world's largest economy rankings in 2019. "India and France are likely to surpass the UK in the world's largest economy rankings in 2019, knocking it from fifth to seventh place in the global table," the report said.

"India should return to a healthy growth rate of 7.6% in 2019-20, if there are no major headwinds in the global economy such as enhanced trade tensions or supply side shocks in oil. The growth will be supported through further realisation of efficiency gains from the newly adopted goods and services tax and policy impetus expected in the first year of a new government," said Ranen Banerjee, partner and leader – public finance and economics, PwC India.

IMF lowers global growth rate projections for 2019 to 3.5%

THE IMF on Monday lowered its global growth projections for 2019 and 2020 to 3.5% and 3.6% respectively, citing slowdown in several advanced economies around the world more rapidly than previously anticipated.

The revised global growth rates are 0.2 and 0.1 percentage point below the IMF's previous projections made three months ago.

"Global growth in 2018 is estimated to be 3.7%, as it was last fall, but signs of a slowdown in the second half of 2018 have led to downward revisions for several economies," IMF said. —PTI

Vote of confidence

fe Bureau

India among most trusted nations, but brands among least trusted, says report

India is among the most trusted nations globally when it comes to government, business, NGOs and media but the country's brands are among the least-trusted, according to a report. The 2019 Edelman Trust Barometer report was released on Monday ahead of the the World Economic Forum (WEF) meet, reports **PTI**. China topped the Trust Index among both the informed public and the general population segments, with scores of 79 and 88 respectively. India was at the second place in the informed public category and third place in the general population category. The Index is the average per cent of trust in NGOs, business, government and media. The findings are based on an online survey in 27 markets covering over 33,000 respondents. The fieldwork was conducted between October 19 and November 16, 2018. In terms of trust in companies, those headquartered in India, Mexico and Brazil are the least trusted, as per the report.

2019 index — For country's govt, business, NGOs & media				For brands headquarted in each market	
Most trusted by general population		Most trusted by informed public		Least trusted	
Score	Country	Score	Country	Score	Country
79	China	88	China	35	Mexico
73	Indonesia	83	India	39	Brazil
72	India	83	Indonesia	39	India
71	UAE	83	UAE	40	China
62	Singapore	74	Canada	48	South Korea
59	Malaysia	70	Malaysia	53	Italy
58	Mexico	69	Singapore	54	Spain
56	Canada	68	Mexico	54	US
55	Hong Kong	67	The Netherlands	61	France
54	The Netherlands	66	Hong Kong	63	The Netherlands

Trust (60-100); Neutral (50-59); Distrust (1-49)

Getting it started with *halwa*

Union ministers of state for finance Shiv Pratap Shukla and Pon Radhakrishnan with officials of the ministry taking part in the 'halwa' ceremony to mark the beginning of printing of Budgetary documents, in New Delhi on Monday

SC seeks govt response on plea against financial creditor status to homebuyers

INDU BHAN
New Delhi, January 21

THE SUPREME COURT on Monday sought response from the Centre on a petition challenging the constitutional validity of the newly inserted explanation to the Insolvency and Bankruptcy Code (IBC) that made real estate allottees financial creditors who can initiate corporate insolvency proceedings against developers.

This right given to allottees is in addition to claims before consumer fora and Real Estate Regulatory Authority (Rera), which according to real estate developer Pioneer Urban Land and Infrastructure (PULIL), is "over-reaching in its impact" and has the effect of driving a financially solvent and healthy real estate developer/business into insolvency.

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A bench led by Justice RF Nariman sought response from the ministries of corporate affairs, law and justice and housing, and others on a petition by PULIL, challenging the constitutional validity of the Explanation to Sections 5(8)(f), 21(6A)(b) and 25A of the Insolvency and Bankruptcy Code (Second Amendment) Act, 2018, and also Section 7 as being violative of Articles 14 and 19(1)(g) of the Constitution. As a result of the impugned provision, amounts raised by a corporate debtor from an allottee of a real estate project are brought within the definition of 'financial debt' under Section 5(8), the developer alleged.

It further said the consequences of the inserted provisions are that allottees, in addition to filing their claims before a consumer court and Rera, can initiate CIRP against a real estate developer under Section 7 as they are entitled to a seat at the committee of creditors (CoC) along with voting rights.

"In view of the large number of allottees in most real estate projects, who will now have to be accommodated in the CoC as a result of the amendment, allottees as a class of financial creditors are entitled to be represented by a single representative who is to attend CoC meetings and vote on behalf of each allottee to the extent of his/her voting share (pursuant to Clause 6A inserted to sections 21 and 25A vide the Amendment Act)," the Gurugram-based real estate developer said, which claimed to be solvent and not in default of its financial obligations.

Stating that it has the fundamental right to carry on their business of real estate, the firm said the direct and inevitable effect of the impugned provisions is to impinge upon this right. "The impugned provisions are arbitrary and cannot be termed as 'reasonable restrictions' within the meaning of Article 19(6) in as much as the provisions are excessive compared with the object sought to be achieved," it stated.

Apex court refuses to stay TDSAT order rejecting Trai's predatory pricing rule

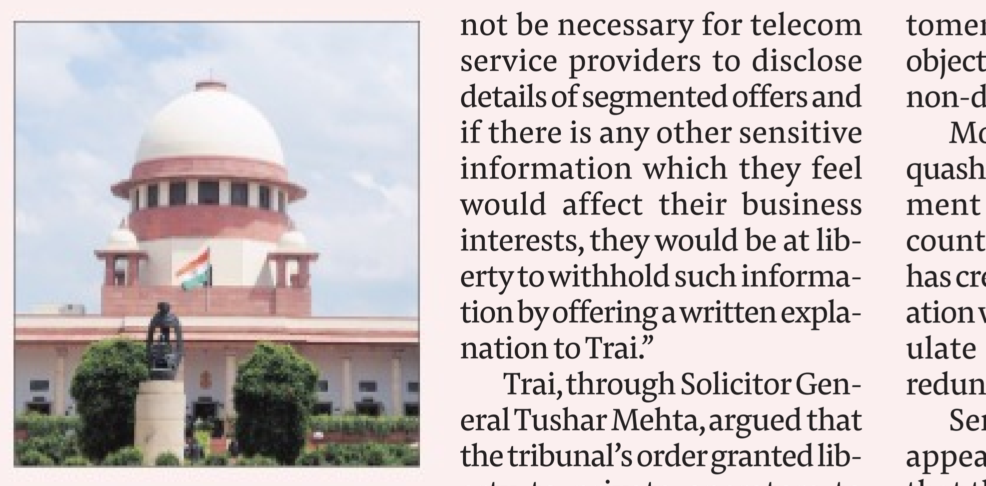
INDU BHAN
New Delhi, January 21

THE SUPREME COURT on Monday agreed to hear telecom regulator Trai's appeal against a telecom tribunal's order that quashed its rules on predatory pricing and discounted offers.

However, it refused to stay the TDSAT's order that ruled against Trai, which under the predatory pricing tariff rule had barred telecom operators with over 30% market share from offering services at a price below the average cost of service, intended to reduce competition or eliminate the competitors. Under the February 16 tariff rule, telcos had to provide services to all subscribers availing the same tariff plan in a non-discriminatory manner.

A bench led by Justice RF Nariman refused to stay the Telecom Disputes Settlement and Appellate Tribunal's (TDSAT) December 13 order that quashed Trai's predatory pricing order and gave relief to Bharti Airtel and Vodafone Idea, which had alleged that the rules would benefit new entrants and their rival Reliance Jio Infocomm. However, the bench stayed the TDSAT order to the extent of remand.

Trai in its appeal before the apex court said the tribunal had exceeded its jurisdiction by setting aside its tariff order, and thereby virtually dismantled the statutory framework for tariff assessment in force since 1999 and places consumers at the mercy of service providers. "The impugned judgment seriously acts against the interest of the consumers and deserves to be interfered with and ought



to be set aside", it said, adding that "the tribunal has erred in taking the view that it would not be necessary for telecom service providers to disclose details of segmented offers and if there is any other sensitive information which they feel would affect their business interests, they would be at liberty to withhold such information by offering a written explanation to Trai."

Trai, through Solicitor General Tushar Mehta, argued that the tribunal's order granted liberty to private operators to withhold information of segmented offers and discounts provided to existing customers, which is against the objectives of transparency and non-discrimination.

Moreover, the verdict quashes the operator's requirement to disclose such discounts to the regulator which has created an anomalous situation where Trai's power to regulate tariffs has been made redundant, Trai stated.

Senior counsel Gopal Jain, appearing for Airtel, argued that the Trai's decision would have essentially enabled movement of the existing subscriber to a rival, thus disturbing level-playing field conditions.

While Reliance Jio's senior counsel AM Singhvi supported Trai, saying that the apex court should stay the TDSAT order, senior counsel Neeraj K Kaul, appearing for Vodafone Idea, opposed any grant of stay, saying the TDSAT has just remanded the matter to Trai.

In February, Trai had sought to introduce the concept of "significant market power (SMP)", "non predation" and had also permitted non reporting of "segmented offers/discounts" by telecom service providers. It had directed telcos to transparently disclose segmented offers and set the penalty for violations at ₹5,000 for each day of delay, subject to a maximum of ₹2 lakh.

While Airtel and Idea approached TDSAT against the Trai rules, Vodafone challenged them in the Madras High Court, alleging that the order would result in an unfair advantage to Reliance Jio, as it took away their flexibility to compete and retain customers in a circle in which they were significant market players.

From the Front Page

IL&FS crisis aftermath: Govt, lenders to weigh solution

The government is already considering relaxing the "related party" rule under Section 29-A of the IBC to make it less restrictive and give conditional approvals to certain relatives (of defaulting promoters), who apparently have nothing to do with the delinquency, to bid for stressed assets. The failure of successful bidders of stressed companies to make payment also came up for discussion. Recently, Liberty House missed the deadline to meet its commitment and to take over Amtek Auto, prompting banks to approach the National Company Appellate Law Tribunal (NCLAT) for action against the winning bidder.

These 12 cases were recommended by the RBI in 2017 for resolution under the IBC that came into being in 2016. The central bank followed it up by sending a second list of 29 stressed companies. However, litigations that typically accompany the implementation of a new law have delayed the resolution process.

For instance, the resolution plan for Essar Steel, which has a debt of ₹49,212 crore, is pending for approval before NCLT. Similarly, the resolution process for Alok Industries (₹29,500-crore debt) and ABG Shipyard (₹18,130-crore debt) is still not over.

As for the IL&FS crisis, bankers last month requested the RBI for relief on asset classification rule as their recovery efforts were impacted with the NCLAT hearing a government petition for a 90-day moratorium on repayments by IL&FS and its arms. The total exposure of the IL&FS group is estimated at ₹91,000 crore, of which banks account for over ₹50,000 crore. PSBs, already struggling with massive bad loans and rely heavily on government infusion, could see a further erosion of their capital base if the provisioning rules are strictly enforced. Banks are required to make a provision of 15-40% on sub-standard NPAs in 6-12 months, based on whether these are secured or not. In an interim order in October last year, the NCLAT had stayed all proceedings against IL&FS group and its 348 entities until further orders on a petition by the government.

No govt relief on telco dues

While Bharti Airtel has to pay ₹5,573 crore of deferred payments every year (using the 16-year period) from 2019 to 2031 — this is for spectrum bid for so far — Vodafone Idea has to pay ₹10,579 crore, RJio ₹2,969 crore and RCom ₹439 crore.

A combination of rising payout to the government and falling telecom revenues as a result of the RJio competition, the share of telco revenues going to the government rose from 29% in FY08 to 60% in FY18.

COAI's letter to telecom secretary Aruna Sundararajan draws attention to the 42.5% fall in adjusted gross revenues (AGR) between Q1FY17 and Q2FY19 — this will make the ratio of revenues going to the government rise even more — from ₹44,754 crore to ₹25,728 crore. While COAI's numbers apply only to revenues from 'access' services, even the Trai's data — for all revenues — shows a 33% fall in AGR, from ₹53,383 crore to ₹36,142 crore in the same period.

According to COAI, as a result of the increased competition, the industry's ROCE is now below 20% and, "for the first time in the financial year 2017-18 and H1FY19 plunged into loss at PBT (profit before tax) and is delivering a negative ROCE".

If Vodafone Idea does not get a moratorium on the deferred payments, it may have to revisit its capital raising plans since around 40% of the ₹25,000 crore that is to be raised will be used up for just this in 2019; a stock exchange notice from the firm said the fundraising will be complete by March 2019.

The company's annual capex guideline is ₹27,000 crore for FY19 and FY20 — this is to raise its 4G coverage by 80% and capacity 2.5 times — or an amount that is quite similar to Bharti Airtel's. Vodafone Idea's July-September losses were ₹4,974 crore versus RJio's net profit of ₹831 crore in the October-December quarter. Vodafone Idea's net debt is ₹1.13 lakh crore.

Interim Budget: Major tax relief for middle-class likely

The change in the basic exemption limit for the general category taxpayer will come with corresponding relaxation for senior citizens (between 60-80 years), who currently enjoy higher limit of ₹3 lakh and more sops for super-seniors (above 80 years) the tax slabs for which are much less already.

The basic exemption limit was last raised in 2014-15 (from ₹2 lakh to ₹2.5 lakh) as the Narendra Modi government's first Budget was approved by Parliament in early August, 2014. Even the Section 80C limit was last revised in the same budget — to ₹1.5 lakh from ₹1 lakh earlier.

In all the five budgets presented by it, the Narendra Modi government has tinkered with the PIT structure — apart from the 2014-15 budget, the changes were substantial in 2017-18, when the tax rate was reduced to 5% from 10% for income between ₹2.5 lakh and ₹5 lakh, and a super-rich surcharge of 10% was imposed on taxable income between ₹50 lakh and ₹1 crore.

The move to modify the personal income tax (PIT) structure is despite the fact a committee of senior officials is formulating a new Direct Tax Code that involve real radical changes in the structure and its report is expected in end-February.

"Some work is under way in this regard," a government official said, referring to the PIT structure, without disclosing any details. He added that the government is aware that salaried taxpayers need more substantial relief.

"The expectation is that basic exemption limit may be raised from ₹3 lakh from ₹2.5 lakh currently for individuals below 60 years of age and to ₹3.5 lakh from ₹3 lakh for those in 60-80 years age bracket," Kuldip Kumar, partner and leader, personal tax, PwC India, said. He added that women taxpayers may get higher basic exemption of ₹3.25 lakh or be brought even on a par with senior citizens.

It is also expected that deduction for interest paid on housing loan could be raised to ₹2.5 lakh; this was raised by ₹50,000 to ₹2 lakh in the very first budget of the current government for 2014-15.

Further, the government is also likely to propose certain changes to tax treatment of investments under New Pension Scheme (NPS) in the Finance Bill. In December, the government had announced a major pre-poll bonanza for 1.19 crore subscribers of NPS by making 60% of the NPS corpus withdrawal tax-free at the time of withdrawal against 40%, raised its contribution to 14% from 10% (of basic pay plus dearness allowance) for its staff and gave a choice to them to invest up to 50% of the corpus in equities, at par with private NPS subscribers. These will be carried out through the Bill.

The government has reaped rich dividend from PIT which has grown by over 20% in 2016-17 and 2017-18 compared to 10% and 12.5% in 2014-15 and 2015-16 respectively. The PIT growth for the first nine months of the current fiscal is nearly 15%, against the year's target of around 20%. Similarly, the number of I-T e-returns filed — which consists nearly 95% of individual taxpayers — has grown sharply over the last four years with April-December of the current fiscal showing a growth of 42.5% y-o-y. This was preceded by increase of 28%, 22% and 27% in FY18, FY17 and FY16, respectively.