

Economy

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Quick View

Plan to create carbon sink of 3 bn tonne

TO FIGHT CLIMATE change, the Centre on Friday approved a strategy for creating an additional carbon sink of 2.5 to 3 billion tonnes of carbon dioxide equivalent through additional forest and tree cover by 2030. Carbon sinks are natural or artificial reservoirs that store the atmosphere's carbon dioxide.

New cooling action plan for thermal comfort
UNION MINISTER HARSH Vardhan on Friday released the India Cooling Action Plan aimed at reducing emissions and providing thermal comfort to citizens. The environment minister launched the ICAP along with 5 other publications, including a report on the ministry's five years of achievements and faunal biodiversity in protected areas.

NCLT benches to be set up at Amaravati, Indore
THE GOVERNMENT has approved establishment of two new benches of National Company Law Tribunal, one at Amaravati in Andhra Pradesh and the other at Indore in MP. The jurisdiction of Amaravati bench will be AP and that of Indore will be MP.

Govt to meet fiscal deficit target of 3.4%, says Garg

FE BUREAU
New Delhi, March 8

THE CENTRE WILL meet the fiscal deficit target of 3.4% for the current fiscal — as stipulated in the revised estimate of the interim Budget — despite a likely shortfall in indirect tax collection, as expenditure may be lower than estimated, economic affairs secretary Subhash Chandra Garg said on Friday. “Our assessment at this stage is, in direct taxes, we will probably do as per the revised estimate, in indirect taxes, there might be some shortfall, and on the expenditure side there

Fiscal deficit touched 121.5% of the full-year revised target of ₹6.34 lakh crore by January on account of lower revenue collection

might be some savings. On the whole, we should be where we are,” he said at an event of the Indian Private Equity and Venture Capital Association. Already, fiscal deficit touched 121.5% of the full-year revised target of ₹6.34 lakh crore by January on account of lower revenue col-

lection. The government had raised expenditure to ₹24.57 lakh crore in the revised estimate for 2018-19 from the budgetted ₹24.42 lakh crore. So unless the government resorts to some last-minute expenditure compression or carry forward subsidy payments, the deficit target will be under pressure. In the current fiscal, direct tax collection is pegged at ₹12 lakh crore (revised estimate), while GST collection is pegged at ₹6.43 lakh crore (revised estimate), which is lower than the budgetted target of ₹7.43 lakh crore.

Garg named finance secretary

PRESS TRUST OF INDIA
New Delhi, March 8

ECONOMIC AFFAIRS SECRETARY Subhash Chandra Garg was on Friday named as the finance secretary, according to a Personnel Ministry order.

The appointments committee of the Cabinet headed by Prime Minister Narendra Modi has approved designating Garg as the Finance Secretary, it said.

Garg, 58, a 1983 batch IAS officer of Rajasthan cadre, has been working as the Secretary in Department of Economic Affairs since June 2017.

As per the convention, the senior-most among the five secretaries in the Finance Ministry is designated as the Finance Secretary.

While Ajay Bhushan Pandey is the revenue secretary, Rajiv Kumar is secretary, Department of Financial Services, Atanu Chakraborty is secretary in Department of Investment



Subhash Chandra Garg

and Public Asset Management (DIPAM) and Girish Chandra Murmu is the expenditure secretary.

Pandey and Kumar are 1984 batch IAS officers of Maharashtra and Jharkhand cadre respectively.

Chakraborty and Murmu are 1985 batch IAS officers of Gujarat cadre.

Former finance secretary Ajay Narayan Jha superannuated on February 28. Jha has

taken over as member, 15th Finance Commission.

Set up in November, 2017, the 15th Finance Commission is headed by former Planning Commission member N K Singh.

It is mandated to recommend distribution of net proceeds of taxes between the Union and the states for a period of five years — April, 2020 to March, 2025, among others.

Essar Steel: Arcelor Mittal gets NCLT's approval for revival plan

TO BE SURE, this order does not mean an end to litigations related to the debt-laden company bankruptcy proceedings; Essar Steel promoters, the Ruiahs, have already moved the National Company Law Appellate Tribunal (NCLAT) against the NCLT Ahmedabad bench's January order rejecting their plea offering an upfront cash payment of Rs 47,507 crore to all creditors, including payment of Rs 45,559 crore to the senior secured financial creditors under Section 12A of IBC introduced in 2018 by way of an amendment. Section 12A allows withdrawal of insolvency proceedings subject to approval by 90% of the creditors and NCLT.

An Essar spokesperson said soon after the verdict, “We continue to believe that our settlement proposal of Rs 54,389 crore is the most compelling one available to Essar Steel creditors and fulfills the IBC's declared overriding objective of value maximisation, which has been established time and again by courts at all levels. We are also confident of the legal validity of our said offer made under Section 12A, which provides for the withdrawal from the IBC process by making full payment to the creditors. We are awaiting a copy of the NCLT order, and will take a call on next steps after examining the same.”

The offer from promoters came only a day after over 90% of the committee of creditors voted in favour of the bid by Arcelor Mittal which has promised Rs 39,500 crore by way of cash upfront.

Other parties that the NCLT has ruled against could also challenge the tribunal's order at the appellate tribunal, or even the Supreme Court.

Friday's orders follow a directive from the appellate tribunal last week directing the NCLT Ahmedabad bench to decide on the Rs 42,000 crore resolution plan submitted by Arcelor Mittal for Essar Steel by March 8, failing which it would take up the matter and pass orders itself.

Top companies still to appoint independent woman directors

ACCORDING TO ONE of the key recommendations of the Kotak Committee which was accepted by Sebi, there must be one independent director on the board of directors of the top 500 listed companies by market capitalisation by April 1, 2019 and of the top 1,000 listed companies by April 1, 2020.

Currently, every listed company is required to have only one woman director on its board of directors, irrespective of the nature of directorship. This started with the Companies Act, 2013 which mandated a certain class of companies to have at least one woman director on board. Accordingly, Sebi in compliance with the Companies Act, 2013, made it compulsory to have at least one woman on a board from October, 2014.

Companies, however, fulfilled this requirement from largely appointing a non-independent director on their boards from the promoter family.

Later in June 2017 as part of its mandate Sebi appointed a committee under Uday Kotak, MD & CEO of Kotak Mahindra Bank, to suggest measures to improve corporate governance measures. The committee submitted its recommendations in October 2017, which were finally accepted by Sebi in March 2018. In May 2018, Sebi amended its listing regulations to incorporate some of these measures.

“The reason for having an independent woman director came in because often companies appointed a relative rather than getting a meaningful voice on the board,” Sandip Khetan, Partner and National leader, financial accounting advisory services, EY India, said.



● SPEAKING EXTEMPORE

Arun Jaitley, finance minister

When you speak extempore, the bandwidth of subjects you must have a grip over has to be very wide... Only a person who is a quick learner can acquire that bandwidth.

From the Front Page

Lessor grounds 3 Jet Airways Boeing 737s

SEVERAL MAJOR GLOBAL aircraft leasing companies, including AerCap Holdings and BOC Aviation, have exposure to the financially troubled airline, which has defaulted on loans and has not paid pilots, leasing firms and suppliers for months.

“We have grounded our aircraft, we have control over our aircraft, but we have not terminated the leases and we are waiting for the airline to approve all its restructuring with the State Bank of India,” FLY Leasing CEO Colm Barrington told analysts on a results call on Thursday. “If that goes through at the end of the month, obviously, we will stay with Jet. If they can't get that done, then we'll take our aircraft back and redeploy.”

The airline had three relatively young Boeing Co 737-800s on lease to Jet Airways, which accounted for around 3% of FLY Leasing's revenue, he said. Jet Airways has outlined a draft to sell a majority stake to a consortium led by the State Bank of India at Rs 1, under regulations that permit banks to convert debt to equity in a defaulting firm.

The stake sale will be followed by an equity raising, debt restructuring and the sale and leaseback of jets to help plug a \$1.2-billion funding gap, but the plan needs approvals from several stakeholders, including major shareholder Etihad Airways.

Ayodhya dispute: Panel led by ex-SC judge to mediate

STATING THAT THERE is no “legal impediment” in exploring the possibility of an amicable settlement, a five-judge Constitution Bench led by Chief Justice Ranjan Gogoi said the panel will be at liberty “to co-opt other members of the panel, if so required.”

The top court directed that the mediation proceedings should be conducted with “utmost confidentiality” for ensuring its success and the views expressed by any of the parties including the mediators should be kept confidential. “We are of the further opinion that while the mediation proceedings are being carried out, there ought not to be any reporting of the said proceedings either in the print or in the electronic media,” it said, while leaving it to the mediators to pass any such restraint orders on publication of the details of the mediation proceedings.

BSP leader Mayawati called the SC move “appreciable” while CPI(M) leader Brinda Karat said the previous mediation efforts had failed to yield results but this time, the Court is monitoring it and all the parties who have gone to the court are in agreement with the decision and it is to be seen what will be the result.

The court also directed that the mediation proceedings be held in-camera and to be completed within eight weeks, which is the interregnum period granted earlier by the apex court to the parties to go through translations of oral and documentary evidences in the case. The panel is supposed to start the mediation process within a week and submit its progress report within four weeks to the top court.

The SC also fixed the seat for mediation process in Faizabad of Uttar Pradesh, around seven kms from Ayodhya, and said that the adequate arrangements including the venue of the mediation, place of stay of the mediators, their security, travel should be forthwith arranged by the state government so that proceedings could commence immediately.

“The chairman of the mediation panel may also inform the registry of this court any difficulties that the panel may face in carrying out the task assigned to it by the present order and also to inform of any requirement to facilitate the mediation and to conclude the same at the earliest,” the bench said.

While the Muslim bodies had supported the proposal,

Hindu groups, except for Nirmohi Akhara, and the Uttar Pradesh government had opposed the Bench's suggestion for mediation. Hindus had told the court that earlier attempts of reaching a compromise had failed and provisions of Civil Procedure Code (CPC) required public notice to be issued before the start of process.

Tesla gets \$520-m funding for first Chinese plant

TESLA CHIEF EXECUTIVE Elon Musk was in China in January for the groundbreaking of the factory. During the visit, he said he planned to approach local banks for the money to get the plant built and into production.

Musk is betting on China's growing market for electric cars as Beijing pushes the industry away from fossil fuel vehicles.

Manufacturing locally is expected to help Tesla avoid some of the impact of trade tensions between the US and China, as well as reduce its production costs. According to a regulatory filing, Tesla has secured \$521 million from four domestic banks — the Industrial & Commercial Bank of China, the Chinese Construction Bank, Agricultural Bank of China, and the Shanghai Pudong Development Bank.

GST not to apply on TCS: CBIC

JAIN ADDED: “While most industry players already believed that GST should not be leviable on the Income tax TCS component... Given the (earlier) clarification by the government, they were quite apprehensive of litigation on this aspect.”

Separately, on Thursday, CBIC brought clarity on the dispute-prone issue of GST levy on 'buy one get one free' and 'buy more, save more' type promotional schemes offered primarily by FMCG companies, saying that the tax would be paid on the price recovered from the customer. Also, the taxpayer would be liable for full input tax credit, which has so far been denied.

The CBIC said that while such schemes gave an impression that one item was being supplied free of cost or without consideration, they can be best treated as supply of two goods for the price of one.

With regard to free samples and gifts, like in the pharmaceutical industry to provide drug samples to their stockists, dealers and medical practitioners without any consideration, the CBIC said this would not be treated as supply under GST and hence will not be liable to tax. Consequently, the ITC would not be available for supplier on the inputs, input services and capital goods.

China Feb exports tumble the most in three years

IMPORTS FELL 5.2% from a year earlier, worse than analysts' forecasts for a 1.4% fall and widening from January's 1.5% drop. Imports of major commodities fell across the board. That left the country with a trade surplus of \$4.12 billion for the month, much smaller than forecasts of \$26.38 billion.

Analysts warn that data from China in the first two months of the year should be read with caution due to business disruptions caused by the long Lunar New Year holidays, which came in mid-February in 2018 but started on February 4 this year. But many China watchers had expected a weak start to the year as factory surveys showed dwindling domestic and export orders and the Sino-US trade war dragged on.

—REUTERS

PV sales during FY19 slowest in last four years

WITH PEOPLE postponing discretionary spends like buying cars ahead of the elections, coupled with the current subdued sentiments, SIAM director general Vishnu Mathur said it was unlikely that March sales will be

high. “So we are more or less looking to end the year at around 3% growth which we have witnessed so far,” Mathur said.

In the beginning of the fiscal, SIAM had projected 8-10% growth for PV sales but it was revised to around 6% after dip in sales from October onwards.

Acknowledging that their initial projections of sales during the fiscal has gone awry and prospects for the next fiscal is also not encouraging, Maruti Suzuki India's managing director, Kenichi Ayukawa, said demand is likely to remain subdued till elections. The company which has a 51% market share in the PV segment will close the year with a growth of below 5% against its projection of around 8%. “There are no signs of revival in demand at least till elections. During the current year, Maruti's growth will be below 5%,” he said.

Ayukawa said that he sees some pre-buying ahead of transition to BS VI from April, 2020, which will see increased sales. This is based on the premise that since vehicles will get costlier the companies will offload the older variants at huge discounts to clear inventory.

According to N Raja, deputy MD, Toyota Kirloskar Motor, “Auto sales is witnessing a slowdown in pre-election phase in addition to factors like tight liquidity condition impacting the buying behaviour.”

PV sales in the April-June quarter had clocked a 20% y-o-y growth but the trend reversed since then. During July-September, volumes fell by around 3% y-o-y, due to floods in Kerala and high base effect. Since October, volume growth remained tepid as compulsory three-year insurance premium raised prices.

Analysts at Nomura said retail sales have been slow and inventory seems to have increased further during February. “Wholesales are likely to remain subdued despite some improvement in retail sales in March due to marriage season,” they noted. Retail sales or registrations of PVs slipped 10% y-o-y in February, data collated by SIAM from state transport offices showed. The data, however, did not include registrations in four states — Telangana, Andhra Pradesh, MP and Kerala.

Vehicles sales across categories were in negative in February. Analyst at Kotak Institutional Equities (KIE) said demand is still subdued across most segments due to weak consumer sentiment, which would impact industry volumes over the next few months. “We expect the weakness in volumes to continue until general elections across auto segments,” they said.

Commercial vehicles (CV) segment too remained muted in February and the worst hit was the M&HCV category, which fell 8.77% y-o-y. After over 30% y-o-y growth in the first seven months in FY19, CV volumes started dwindling since November 2018 with the management and analysts attributing this to liquidity tightening, higher interest rates and revised axle load norms.

The government last year hiked the loading limit for CVs, as a result of which fleet operators got more bandwidth to load goods and new purchases got postponed. Girish Wagh, president, CV business unit at Tata Motors said, “The market continues to exhibit subdued demand on the back of high interest rates, lagged effect of the implementation of revised axle load norms and slowing economic activity”. Retail sales in February also dipped 14.8%. However, in the April-February period, CV wholesales growth stood at nearly 20%.

Two-wheeler sales declined 4.22% y-o-y in February as prices rose due to new safety norms mandating CBS/ABS systems from April 2020. Analyst at Nomura said price hike due to new safety norms will weaken demand in the near-term. “We expect the industry to remain weak in the near-term on high inventory which has increased further and rising cost pressure by 11-15% price hike on ABS/BS6 norms,” they said. In the April-February period, growth touched 6.95% y-o-y, lower than around 15% last fiscal.

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