

17 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹32,980	₹69.30	\$69.20*	₹38,010

*Indian basket as on April 5, 2019

SENSEX: 38,939.22 ▲ 238.69 NIFTY: 11,671.95 ▲ 67.45 NIKKEI: 21,802.59 ▲ 40.94 HANG SENG: 30,157.49 ▲ 80.34 FTSE: 7,452.87 ▲ 0.98 DAX: 11,931.18 ▼ 32.22

International market data till 1900 IST

PILOTS' BODY SERVES NOTICE OVER PENDING SALARY DUES

Jet Airways sale: As deadline nears, sign of a strong bidder yet to emerge

ENSE ECONOMIC BUREAU MUMBAI, APRIL 9

WHILE LENDERS are racing against time to salvage crisis-ridden Jet Airways, the bailout of the floundering airline is still weeks away as the stake sale and fund flow is expected to take its own time with no sign of any strong bidder emerging to acquire the stake held by lenders.

On the other hand, Jet Airways' pilots' body, the National Aviators Guild (NAG), on Tuesday served a legal notice to the airline, setting an April 14 deadline for the new management to clear their salary dues.

According to sources, while no bidder has come forward with any firm commitment so far, lenders have approached several international airlines and some Indian corporates. Speculation is rife that Etihad which owned 24 per cent stake in the airline is likely to put in a bid to take control of the carrier. "The airline will find it difficult to weather the storm

EXPLAINED Lenders will have to recover around ₹8K cr given to airline as loans

LENDERS ARE struggling to get a white knight to bail out the beleaguered Jet Airways. Mounting losses, huge debt burden and pending dues are making things difficult. Time is running out for the airline. And lenders will have to recover around Rs 8,000 crore given to the carrier as loans. By Wednesday it will be clear whether the airline has any takers.

without fresh funding. Lessors will continue to take away aircraft as the airline has not been able to make payments to them," said a source.

Bankers said they are hopeful of some bidders emerging on April 10, the last day to submit the bids. What's worrying aviation and banking circles is that the process of bringing in new investor or promoter is taking its own time. On top of that, funding

the airline has defaulted on the payment of March salaries to other employees as well. "My client (NAG) calls upon the management of Jet Airways to pay their outstanding salaries for January, February and March, by April 14 (and future salaries by the first of every month) ... failing which my client shall be constrained to resort to all constitutional and legal means available with them to ensure payment of their salaries," NAG said in a legal notice.

Late March, the guild had warned of a "no flying call" from April 1 over the delayed salaries, which they had deferred to April 14. The banks have proposed to offer at least 3.54 crore shares of the airline comprising 31.2 per cent of equity share capital of the company and up to a maximum of 8.51 crore shares comprising 75 per cent of the share capital of Jet Airways. Potential buyers must submit their interest by April 10, SBICAPs said in the bid document. A strategic bidder should have a net worth of at least Rs 1,000

crore in the preceding financial year, or at least three years of experience in the airline business. Accumulated losses in over the last decade have resulted in Jet Airways delaying payments to banks, lessors and employees, leading to founder Naresh Goyal being forced to give up control of the carrier.

As part of the bailout plan worked out by the lenders, Naresh Goyal and his wife Anita Goyal and one nominee of Etihad Airways, Kevin Knight, have stepped down from the board. The airline will create appropriate security over the company's assets for securing the existing facilities extended by the lenders and the proposed immediate funding support of up to Rs 1,500 crore by way of an appropriate debt instrument. The board has also decided to constitute an interim management committee to manage and monitor the daily operations and cashflow of the company which is hit by grounding of aircraft and cancellation of flights.

NCLAT may ask ArcelorMittal to deposit ₹42,000 crore bid amount for acquiring Essar Steel

ENSE ECONOMIC BUREAU NEW DELHI, APRIL 9

THE NATIONAL Company Law Appellate Tribunal (NCLAT) on Tuesday said it may direct global steel major ArcelorMittal to deposit Rs 42,000 crore bid amount for acquiring Essar Steel in separate accounts during next hearing on April 23.

A two-member bench headed by Chairman Justice S J Mukhopadhyaya said that ArcelorMittal may have to deposit the money in a separate account either before the NCLAT or NCLT (National Company Law Tribunal) Ahmedabad bench.

The bench also asked ArcelorMittal to file an affidavit before it, detailing the steps to be taken for implementation of the resolution plan of debt ridden Essar Steel. "ArcelorMittal India, successful resolution applicant, would file an affidavit for implementation of plan," the bench said, as per a PTI report.

"The Appellate Tribunal may direct the successful resolution applicant to deposit money in one or another account in next date of hearing," the report said.

The bench said that the original plan approved by NCLT Ahmedabad has to be implemented. While ArcelorMittal's counsel said though the firm was

A two-member bench said that ArcelorMittal may have to deposit the money in a separate account either before the NCLAT or NCLT Ahmedabad-bench

ready with the money, it could not deposit the same without lenders executing a debt assignment agreement in favour of the company. The counsel also alleged that there was some sort of reluctance on part of the lenders to put the debt assignment agreement into effect.

The bench directed the operational creditors and financial creditors of Essar Steel to file an affidavit next week, detailing their claims approved by resolution professional (RP) and committee of creditors (CoC).

"Financial creditors and operational creditors are allowed to file one page affidavit giving details of their claims approved by RP and its percentage," it said.

Moreover, it has also asked the Gujarat State Tax department to file an affidavit over its claims.

The NCLAT was hearing a batch of petitions filed by operational creditors, Gujarat State Tax department and others.

There is a dispute between the financial creditors led by the State Bank of India (SBI) and other creditors on the redistribution of the bid amount. The appellate tribunal, while refusing to stay the NCLT-Ahmedabad order approving ArcelorMittal's bid to take over Essar Steel, had directed the lenders to "jointly consider" redistribution of the bid amount of Rs 42,000 crore as per the tribunal's March 8 order, which had suggested an 85:15 distribution between the financial and operational creditors against the 90:10 ratio proposed in the resolution plan approved by the CoC. ArcelorMittal's resolution proposal provides financial creditors Rs 41,987 crore out of their total dues of Rs 49,395 crore.

Operational creditors, under the plan, would get just Rs 214 crore against the outstanding of Rs 4,976 crore and are contesting before the NCLAT.

Essar Steel owns a 10-million-tonne steel mill at Hazira in Gujarat. This was among the first 12 cases selected by the Reserve Bank of India to be resolved under the Insolvency and Bankruptcy Code (IBC).

Reiterating its earlier order, the NCLAT suggested the CoC should not discriminate against the operational creditors in the distribution of the ArcelorMittal bid amount.

'Direct tax mop-up may fall short by ₹50K cr in FY19'

ENSE ECONOMIC BUREAU MUMBAI, APRIL 9

NEW DELHI: The government is estimated to have witnessed a shortfall of Rs 50,000 crore in direct tax collection target of Rs 12 lakh crore for 2018-19, a senior finance ministry official said Tuesday.

"Direct tax collection for 2018-19 is around Rs 11.5 lakh crore...," the official said.

The government had revised the direct tax collection target upwards to Rs 12 lakh crore from the original Budget Estimate of Rs 11.5 lakh crore for 2018-19. It was expecting higher collections from corporate taxes.

The revision was made during the interim Budget for 2019-20 in February. PTI

State Bank of India cuts MCLR by 5 bps

Lender also cuts interest rates on housing loans up to ₹30 lakh by 10 basis points

ENSE ECONOMIC BUREAU MUMBAI, APRIL 9

STATE BANK OF India, India's largest bank, on Tuesday reduced the marginal cost of funds-based lending rate (MCLR) by 5 basis points across all tenors, effective April 10. According to the bank, the revised one-year MCLR stands at 8.5 per cent down from 8.55 per cent earlier. The lender has also cut interest rates on housing loans up to Rs 30 lakh by 10 bps.

Accordingly, the interest rate on housing loans below Rs 30 lakh will be in the range of 8.60-8.90 per cent, down from 8.70-9 per cent earlier. The move follows a 25 basis points cut in repo rate by the Reserve Bank in its first monetary policy review announced last

IOB reduces lending rate by 5 bps

Mumbai: State-run Indian Overseas Bank on Tuesday reduced its lending rate by a marginal 5 bps on loan tenors of one-year and above, effective Wednesday. The lender has cut the marginal cost of funds-based lending rate (MCLR) for one-year loans to 8.65 per cent. PTI

week. In the February policy review also the monetary authority had lowered the key rates by a similar quantum.

The central bank had cut the repo rate to 6 per cent from 6.25 per cent earlier in a 4:2 majority vote, citing the need to support growth that has been sluggish since many months.

The RBI has been pushing the banks to pass on rate cut benefits to their customers. "We are con-

The RBI also put on hold its proposal to link interest rates on deposits and short-term loans to an external benchmark like the Repo rate or Treasury Bill.

While the move to link interest rates to an external benchmark was aimed at increasing transparency and speeding up transmission of rate cuts, many banks were against the RBI's plan.

State Bank of India had recently announced its plan for linking interest rates on savings accounts having balances above Rs 1 lakh and overdraft, cash credit accounts to the repo rate in a partial manner from May 1, 2019. Currently, banks follow the MCLR formula where rates are linked to cost of their funds and are reset in different intervals such as one month, six months to one year.

scious of the fact that there has to be appropriate and effective transmission of rates. After the last meeting, I held a meeting with both the public and private sector banks. The banks have marginally cut their MCLR, but more needs to be done. We are working on a timeline for transmission of rates but at this point I do not want to mention a date," RBI Governor Shaktikanta Das said while unveiling the monetary policy on April 4.

Data localisation requirements to serve as significant barriers to US-India digital trade: USTR

PRESSTRUST OF INDIA NEW DELHI, APRIL 9

THE US has criticised India's data localisation norms and draft e-commerce policy terming certain proposals as "most discriminatory and trade-distortive".

"India has recently promulgated a number of data localisation requirements that would serve as significant barriers to digital trade between the US and India," the US Trade Representative's 2019 National Trade Estimate Report on Foreign Trade Barriers said.

It said these requirements raise costs for suppliers of data-intensive services by forcing the construction of unnecessary, redundant data centres and prevent local firms from taking advantage of the best global services available. The report also said the proposals of India's draft national e-commerce policy such as data localisation requirements and restrictions on cross-border data flows are "discriminatory in nature".

"India is currently developing a new electronic commerce policy, early drafts of which have contemplated broad-based data localisation requirements and restrictions on cross-border data flows, expanded grounds for forced transfer of intellectual property and proprietary source code, preferential treatment for domestic digital products, and other discriminatory policies.

"The US strongly encourages India to reconsider the most discriminatory and trade-distortive

'India's complex tariff structure, including the provision of multiple exemptions varying according to product, user, or intended use, also creates uncertainty and contributes to delays in customs approvals'

A REPORT OF THE US TRADE REPRESENTATIVE

aspects of this draft policy and the other measures described above," it added. The report also said requirement of local storage of all payment information would raise costs for payment service suppliers, and disadvantages foreign firms, which are more likely to be dependent on globally distributed data storage and information security systems. The Reserve Bank of India has stated that all system providers shall ensure that the entire data related to payment systems operated by them are stored in a system only in India to ensure better monitoring of payment service operators. The government has floated a draft e-commerce policy which seeks to provide a policy framework that will enable the country to benefit from rapid digitisation of the domestic as well as global economy.

It addresses six broad issues of the e-commerce ecosystem — data, infrastructure development, e-commerce marketplaces, regulatory issues, stimulating domestic digital economy and export promotion through e-commerce. "In July 2018, the Indian gov-

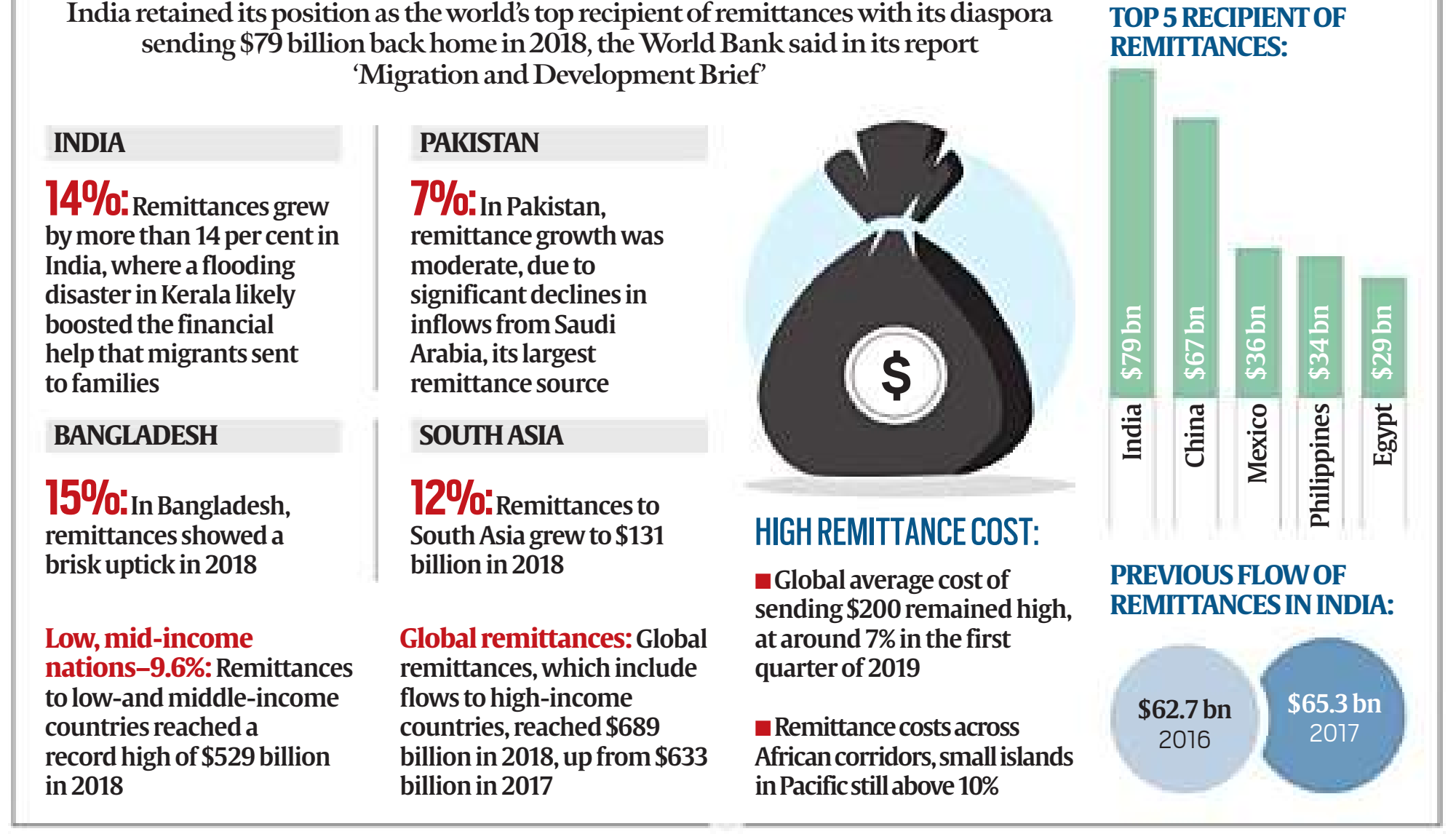
ernment published a draft Personal Data Protection Bill. If passed into law, the Bill would impose onerous burdens on firms, especially foreign firms, that process personal information," the report has noted. Further on India's trade policies, it alleged that India maintains "very high tariffs" (or import duties) on a number of goods, including flowers (60 per cent), natural rubber (70 per cent), automobiles (60 per cent), motorcycles (50 per cent), raisins and coffee (100 per cent), and alcoholic beverages (150 per cent).

It also alleged that India applies several non-tariff and other barriers on trade such as capping prices of certain medical devices, import restriction on ethanol, and package size and labelling requirements on food items.

"India's customs authority generally requires extensive clearance documentation, which leads to frequent and lengthy processing delays. India's complex tariff structure, including the provision of multiple exemptions varying according to product, user, or intended use, also creates uncertainty and contributes to delays in customs approvals," it added.

On the subject of intellectual property rights (IPRs), the report said enforcement of IPRs remains a concern in India. "India currently lacks an effective system for protecting against unfair commercial use, as well as unauthorised disclosure of undisclosed test or other data generated to obtain marketing approval for pharmaceutical and agricultural products," it added.

INDIA HIGHEST RECIPIENT OF REMITTANCES AT \$79 BN IN 2018: WORLD BANK



US THREATENS TARIFFS ON \$11 BN OF EU GOODS; EUROPEAN COMMISSION PLANS TO RETALIATE

Trump, EU ramp up tariff threats in Boeing, Airbus subsidies dispute

REUTERS BRUSSELS/PARIS/WASHINGTON, APRIL 9

US PRESIDENT Donald Trump said on Tuesday the United States would impose tariffs on \$11 billion worth of European Union products, heightening tensions over a long-running transatlantic aircraft subsidy dispute that threatens to become a broader trade battle.

The two sides have been locked in a years-long spat over mutual claims of illegal aid to plane giants, the Netherlands-based Airbus and US-based Boeing Co, to help them gain advantage in the world jet business.

The case has been grinding its way through the World Trade Organization (WTO) for almost 15

years and is reaching a climax as both sides approach the final stages of arbitration.

"The World Trade Organization finds that the European Union subsidies to Airbus has adversely impacted the United States, which will now put Tariffs on \$11 Billion of EU products!" Trump said on Twitter. "The EU has taken advantage of the US on trade for many years. It will soon stop!"

His comments came a day after the US Trade Representative proposed a list of EU products targeted for tariffs, ranging from large commercial aircraft to dairy products and wine, as retaliation for European aircraft subsidies. The final list is expected this summer.

In response, the European Commission said earlier Tuesday it had started to draw up plans to

MUTUAL CLAIMS OF ILLEGAL AID TO PLANE MAJORS

■ The two sides have been locked in a spat over mutual claims of illegal aid to plane giants, the Netherlands-based Airbus and US-based Boeing Co, to help them gain advantage in the world jet business

retaliate over Boeing subsidies.

"The Commission is starting preparations so that the EU can promptly take action based on the arbitrator's decision on retaliation rights in this case," a Commission spokesman said. "The European Union remains open for discussions with the United States, provided these are without precon-

ditions and aim at a fair outcome."

Both sides have won partial victories in claiming Airbus and Boeing received unlawful subsidies but disagree on the amount involved and whether each has complied with earlier WTO rulings. Airbus said it saw no legal basis for the US move and warned of deepening transatlantic trade ten-

sions. The EU is already facing US tariffs on its steel and aluminium exports and Trump has repeatedly threatened to hit EU cars with punitive duties.

EU hails breakthrough with China

REUTERS BRUSSELS, APRIL 9

CHINA'S PREMIER Li Keqiang promised the European Union on Tuesday that Beijing would no longer force foreign companies to share sensitive know-how when operating in China and was ready to discuss new global trading rules on industrial subsidies.

Marking a significant shift, Li's pledge at the annual EU-China leaders' meeting follows similar offers to the United States and potentially signals an opening for which European companies have long lobbied.

"European companies will enjoy equal treatment," Li told a



European Council President Donald Tusk (right) and European Commission President Jean-Claude Juncker (left) with Chinese Premier Li Keqiang at a news conference in Brussels. Reuters

news conference following the three-hour summit in Brussels, offering to set up a disputes mechanism to handle complaints.

Summit chair Donald Tusk talked of a breakthrough.

In their joint statement, the two trading powers said they recognised their responsibility to lead by example for an open global economy based on multi-lateral rules.