

SECTOR WATCH AVIATION

‘SpiceJet, IndiGo gain most from downfall of Jet; market share likely to rise by 5-6%’

The slots would be returned to Jet in case it is able to get back up

PRANAV MUKUL
NEW DELHI, JUNE 26

IN THE aftermath of collapse of Jet Airways, the Ministry of Civil Aviation temporarily re-allocated over 2,500 of the airline's slots, including prime ones in airports such as Delhi and Mumbai. On the back of these new slots, a research report by securities firm Elara Capital said, the market share of low-cost carriers SpiceJet, IndiGo and GoAir are expected to go up by 6 per cent, 5 per cent and 2 per cent, respectively.

Owing to a financial crunch, Jet Airways suspended operations on April 17, and was admitted by the National Company Law Tribunal for bankruptcy proceedings under the Insolvency and Bankruptcy Code on June 20. The Aviation Ministry, in order to prevent a sudden crunch in capacity leading to a rise in fares, reallocated Jet's slots to other airlines for three months. A senior government official had said that the slots would be returned to the airline in case it was able to get back up.

The research report noted that about 43 per cent of the slots vacated by Jet Airways in Delhi and Mumbai were picked up by SpiceJet, while 32 per cent were allocated to IndiGo, followed by GoAir at 13 per cent, and Vistara and AirAsia India at 7 per cent and 4 per cent, respectively. "Given Delhi & Mumbai airports comprised 60 per cent of domestic passenger movement during FY 19; we believe these two airports are proxy of all-India market share gain by carriers at the expense of Jet Airways," the report pointed out, adding that the grounded airline used 24 per cent of the slots at the two largest airports in the country.

SPICEJET GETS 43% SLOTS

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■ Jet used 24 per cent of the slots at the two largest airports in the country, report said

Of the total slots reallocated in Delhi and Mumbai, Elara Capital said, 33 per cent are peak slots. 50 per cent of the 548 peak slots have been allocated to SpiceJet while 34 per cent have been given to IndiGo. GoAir and Vistara have been allocated 7 per cent and 8 per cent of the peak slots at these airports, respectively.

Earlier, the Aviation Ministry and the Directorate General of Civil Aviation (DGCA) had exhorted that slot allocation would happen on the basis of airlines being able to show aircraft capacity necessary to operate on the said slots.

According to data sourced from the DGCA, IndiGo's domestic market share in the months of April and May was 49.9 per cent and 49.0 per cent, respectively, while that of SpiceJet was 13.1 per cent and 14.8 per cent, respectively. Sectoral experts have pointed out that IndiGo could face antitrust scrutiny and might have to undergo regulatory oversight in case of fare setting once its market share crosses the 50 per cent mark.

IMPACT OF THESE INVESTMENTS ON FUND'S ACCOUNTS BEING MONITORED

IL&FS default: EPFO moves to secure risky investments, may stall rate hike

Finance Ministry has already flagged IL&FS investment & those in other risky entities

AANCHAL MAGAZINE
NEW DELHI, JUNE 26

WITH IL&FS making its first default in the interest payment of Rs 21 crore to the Employees' Provident Fund Organisation (EPFO), the retirement fund body is taking "all possible steps" to secure its other bleeding investments, including in Reliance Capital, YES Bank and DHFL, officials indicated.

While the ensuing impact of these investments on the Fund's accounts is also being monitored by the Ministry of Labour and Employment, there is an emerging consensus that the recommended 8.65 per cent interest rate for 2018-19 — the first hike in three years — looks increasingly untenable.

"IL&FS made one default of interest payment of Rs 21 crore before March 31. It was making interest payments till January. The fund managers have been asked to do due diligence for all such investments and the situation is being closely monitored," an official said.

The Finance Ministry, which is yet to give its final nod for the rate hike recommended by the EPFO's Central Board of Trustees (CBT), had already

EPFO'S INVESTMENT IN IL&FS IS ₹574.73 CR

■ EPFO's investment in IL&FS is pegged at Rs 574.73 crore, while investments by exempted firms, which manage EPF accounts on their own for their employees, is over and above this amount

■ EPFO is also making efforts to avail partial redemptions of investments in several debt instruments

■ We have restricted them from investing in private bonds since this is not the time to invest in them. So they will invest as per as the (approved) pattern of investment, an official said

■ CBT of the EPFO had recommended hiking the interest rate for its 6-crore active subscribers to 8.65 per cent for 2018-19

flagged the IL&FS investment and those in other risky entities in a missive to the Labour Ministry in May.

The Labour Ministry is learnt to be reconsidering its decision to hike the interest rate, an issue which is likely to be taken up in the next CBT meeting that is expected to be held after the current session of Parliament.

The EPFO is also making efforts to avail partial redemptions of investments in several debt instruments and has also directed its fund managers not to invest in private bonds for now. "We have restricted them from investing in private bonds

since this is not the time to invest in them. So they will invest as per as the (approved) pattern of investment," the official said, adding that the fund is also applying the early redemption clause wherever possible.

EPFO's investment in IL&FS is pegged at Rs 574.73 crore, while investments by exempted firms, which manage EPF accounts on their own for their employees, is over and above this amount.

In February, the CBT of the EPFO had recommended hiking the interest rate for its 6-crore active subscribers to 8.65 per cent for 2018-19 from a five-year low of 8.55 per cent in

the previous financial year. At 8.65 per cent, the interest rate would be at the same level as in 2016-17 and the EPFO will be left with a surplus of Rs 151.67 crore.

Retaining the previous year's rate of 8.55 per cent would have resulted in a surplus of Rs 771.37 crore, while an interest rate higher than 8.65 per cent would have resulted in a deficit. As per convention, after the EPFO's CBT recommends the interest rate, it has to be ratified by the Finance Ministry before being credited in the accounts of subscribers.

The recommendation to hike EPFO's interest comes at a time when most other small savings instruments offer an interest rate below 8 per cent and amid downward direction in rates set out by the Reserve Bank of India (RBI).

Small savings rates, which are linked to yield on government securities, are reset on a quarterly basis. For the January-March 2019 quarter, the government had kept rates for most schemes unchanged compared to the previous quarter. The rate on Public Provident Fund (PPF) scheme was also kept unchanged at 8 per cent in the January-March quarter.

No bar on payment processing abroad but data should be stored in India only, says RBI

ENS ECONOMIC BUREAU
MUMBAI, JUNE 26

THE RESERVE Bank of India on Wednesday clarified that "there is no bar on processing of payment transactions outside India" by the payment system operators (PSOs) but the "data should be stored only in India" after the processing.

"In case the processing is done abroad, the data should be deleted from the systems abroad and brought back to India not later than the one business day or 24 hours from payment processing, whichever is earlier. The same should be stored only in India," the RBI said. The central bank last year mandated companies to store their payments data only in India so that the regulator could have "unfettered supervisory access" forcing entities such as Mastercard and Visa to initiate steps to store data in India. However, the RBI move had met with resistance from US payment companies.

"The complete end-to-end transaction details should be part of the data," the RBI said. "However, any subsequent activity such as settlement processing after payment processing, if done outside India, should also be undertaken/performed on a near real time basis. The data should be stored only in India," it said.

However, with data storage issue becoming a thorny issue between US payment companies and India, the RBI said a copy of the domestic component of cross border transaction data — consisting of a foreign component and a domestic component — may be stored abroad. US Secretary of State Mike Pompeo said last week ahead of his visit to New Delhi, "we'll also push for free flow of data across borders, not just to help American companies, but to protect data and secure consumers' privacy."

On June 18, Commerce Minister Piyush Goyal met technology firms and heard their concerns about various plans to push for more stringent rules on data storage, which government officials say would help them better access data and conduct investigations. The government had then said the RBI will look into concerns about data storage rules that have been raised by companies.

According to the RBI, the directions are also applicable in respect of the transactions through sys-

EXPLAINED

A thorny issue for US payment companies

ON THIS contentious issue, while the RBI has said there is no restriction on processing of payment transactions outside India by payment system operators, this comes with the rider that the "data should be stored only in India" after the processing.

Additionally, if data processing is done abroad, it should be deleted from the systems abroad and brought back to India and stored here. The data storage issue has been a thorny issue for US payment companies such as Mastercard and Visa and has been raised by the US Government as part of its trade negotiations strategy.

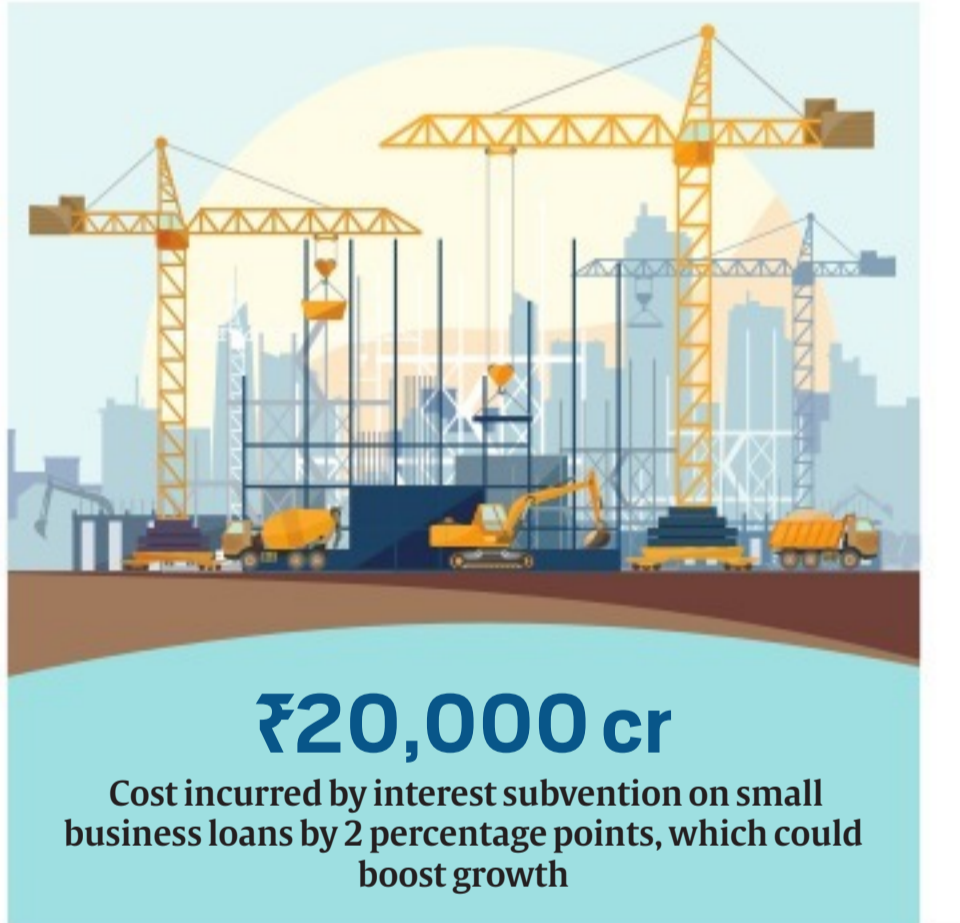
‘Govt can raise ₹95K-cr from infra bonds’

As it looks for means to push growth, the government can plan issuing infrastructure bonds via a special purpose vehicle (SPV), which could mop up over Rs 95,000 crore or 0.5 per cent of GDP, economists at Bank of America Merrill Lynch said

NO ADVERSE MARKET REACTION: Even though the move will increase the overall public sector borrowing, the market will not react adversely as the money raised will be tied to funding specific needs

NO IMPACT ON BANK DEPOSITS/CREDIT GROWTH: The funds raised thus can flow out of fixed deposit to the SPV if the public buys the bonds, and it will not have an impact on bank deposits or credit growth

₹4,700 cr: Actual loss, adjusted for savings on money flowing from the



fixed deposit of the public to the SPV, which "can surely be fiscalised"

₹3 lakh cr: Excess capital that is likely to be identified by the Jalan committee and can be used for bank recapitalisation

0.25%: Likely jump in deposit rates, which economists say can be "fiscalised"

0.3%: Expected extra public spending, with Finance Minister Nirmala Sitharaman likely to retain the interim Budget's fiscal deficit target of 3.4 per cent

G20 LEADERS TO GATHER IN OSAKA FOR 2-DAY MEETING FROM FRIDAY

US-China trade spat, Iran tensions to dominate Summit

AGENCE FRANCE-PRESSE
OSAKA, JUNE 26

THE TRADE battle between the US and China, and fears that spiralling tensions with Iran could erupt into conflict are poised to dominate a high-stakes G20 summit from Friday. With hotspots North Korea and Venezuela and a slowing world economy also high on the agenda, the two-day gathering of leaders from the world's group of 20 leading nations in Osaka, Japan, could be one of the most pivotal in years, analysts say.

Trump last week sparked hopes for a detente in the long-running trade war when he said he would hold "extended" talks with Xi after a "very good telephone conversation".

For his part, Xi told Trump that



The venue of the G20 summit in Osaka, western Japan. The two-day summit starts Friday. AP

"China and the US will both gain by co-operating and lose by fighting", according to Chinese state media. The two sides were close

to a deal when talks broke down abruptly last month and markets are hoping the leaders' first face-to-face talks since December,

when they met at the last G20 in Argentina, can break the deadlock.

Observers said a decisive breakthrough was possible at the talks, which are expected on Saturday, but was not the most likely scenario given the complexity of the issues. "President Trump likes deals, so he might agree to something," noted Matthew Goodman, an economics expert at the US-based Center for Strategic and International Studies. "More likely is that they will agree to a truce and to restart talks and... try to come to some sort of deal within three months," added Goodman.

Economists and markets are hoping some sort of pact can be agreed as the stuttering global economy can ill afford further trade tensions between its two biggest players.

"This is bad for everyone... it's a no-win situation," said Denis Hew, director of the Policy Support Unit for APEC (Asia-Pacific Economic Cooperation).

Alice Ekman, head of China Research at the French Institute of International Relations, said the world should brace for a lengthy period of frosty relations as Washington and Beijing also scrap over technological domination.

"The tensions are such that even if we get to a deal... this (the trade war) will leave its mark, and we are now engaged in a long-term rivalry," she said.

Iran will also loom large after Trump called off a planned military strike but then imposed sanctions against its supreme leader Ayatollah Ali Khamenei and threatened the country with "obliteration" if it seeks war.

CBDT asks I-T dept to share info of loan defaulters with PSBs

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 26

CITING PUBLIC interest, the Central Board of Direct Taxes (CBDT) has instructed its field formations to share details of assets and accounts of all loan defaulters against whom a recovery process has been initiated by a public sector bank.

"Board is of the view that sharing of information with PSBs in respect of assets held by defaulters of loans, so as to enable recovery of loans from such defaulters, is in the public interest and hence, can be furnished. Besides statement of Assets, if requested, information such as details of bank account, sundry debtors of the loan defaulter which may aid recovery of loan by the PSB from the loan defaulter, can also be provided," the directive said. The tax department will cull out this information from the Income Tax Return (ITR) of an assessee. Central Board of Direct Taxes, that frames policy for the I-T department, has issued an order in this context to all its field offices on Wednesday.

It said the order has been issued after a number of such requests were received from public sector banks (PSBs) seeking information of immovable assets of a loan defaulter to effect recovery from them. This sharing of vital and classified data of an assessee, who is identified as a bank loan defaulter, will be done under section 138(1)(b) of the I-T Act which states that if a prescribed application is made to the jurisdictional

Principal Chief Commissioner or Principal Commissioner of I-T, he or she can furnish the information if they are satisfied that this sharing will be in public interest. The order said the department possesses such information by way of ITR of an individual or Hindu Undivided Family (HUF), having total income in excess of Rs 50 lakh per annum, and is supposed to furnish particulars of assets and corresponding liabilities to the taxman every year under the direct taxes (I-T) law.

It, however, added that the taxman can furnish this data to the banks in respect of the "borrower, mortgagor and guarantor only." "At the time of supply of such information a confidentiality clause may be included specifying that such information be used only for the purpose of recovery of loan and will not be shared with any other person or agency," CBDT said. An undertaking to this effect shall be obtained from bank and an officer not below the rank of branch manager should sign document, it said.

The order states that "tax dues" of such a defaulter should also be kept in mind and before the taxman shares such information with the bank, an undertaking should be obtained from them that they will obtain a no objection certificate (NOC) from the I-T officer "before appropriation of the surplus amount recovered from sale of immovable or movable assets of the defaulter". The move is expected to aid in the recovery process of public sector banks.

Scope of panel on direct tax laws expanded

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 26

THE CBDT has expanded the scope of the panel constituted for re-writing the direct tax code by including five more items in the terms of reference (ToR) of the committee, sources said. The timeline for the panel to submit its recommendation remains unchanged to July 31.

The new items in the ToR include faceless and anonymised scrutiny assessments, reduction of litigation and expeditious disposal of appeals at CIT(A) stage and going up to the Supreme Court. The issue of sharing of information between GST, customs and other government bodies that hold data on taxpayers has also been included.

Additionally, simplification of the procedure to reduce compliance burden and system-based cross verification of financial transactions have also been included in the ambit of the panel.

Rakesh Nangia, managing partner at Nangia Advisors (Andersen Global), said: "The additional aspects signify the focus areas of the government which revolve around taxpayer-friendly administration, transparent and effective exchange of information among various departments and verification of financial transactions to control tax evasion. These additional aspects are quite significant and would aid in shaping up a better compliance-oriented administration and increasing taxpayers' trust." **FE**

Trump says it is possible he may make trade deal with China's Xi

REUTERS
WASHINGTON, JUNE 26

US PRESIDENT Donald Trump said on Wednesday it was possible he would emerge from a meeting with Chinese leader Xi Jinping this week with a deal that means there was no need to impose more tariffs on goods from China.

Trump is expected to meet with Xi at the G20 summit in Japan this weekend, in the first meeting between leaders of the world's biggest economies since November. Relations between the two countries have deteriorated since talks to end a trade war col-

‘G20 to call for need promotion of free trade’

REUTERS
TOKYO, JUNE 26

LEADERS OF the Group of 20 economies will likely call for the "promotion of free trade" as a means to achieve strong global growth when they meet this week, Japan's Asahi newspaper reported on Wednesday.

In a draft communique, the G20 nations also stressed the importance of creating a positive cycle where the benefits of solid growth are distributed broadly across economies, it said. The bitter US-China trade war has hurt business sentiment and jolted fi-

nanial markets, casting a shadow over the two-day G20 summit to be held in Osaka, western Japan, from Friday. Under pressure from administration of US President Donald Trump, the G20 removed a phrase calling for need to resist protectionism from its communique at last year's summit in Buenos Aires. A communique signed off by G20 finance leaders at their meeting earlier this month also does not include language denouncing protectionism.

But some EU nations are demanding that upcoming summit's communique include language warning against the spread of protectionist policies, the Asahi said.

RBI guidelines for financial benchmark administrators issued

ENS ECONOMIC BUREAU
MUMBAI, JUNE 26

THE RESERVE Bank of India on Wednesday unveiled the norms for Financial Benchmark Administrators (FBAs), which control 'significant benchmarks' in the markets for financial instruments regulated by the banking regulator.

FBAs control the creation, operation and administration 'benchmarks' like prices, rates, indices, values or a combination thereof related to financial instruments that are calculated periodically and used as a reference for pricing or valuation of financial instruments or any other financial contract.

"On the Reserve Bank notifying a benchmark as a 'significant benchmark', the person administering that benchmark should make, within a period of three months from the date of the notification, an application for authorisation to continue administering that benchmark," the central bank said.

FBA should be a company incorporated in India with a minimum net worth of Rs one crore at all times, the RBI said.

On October 6 last year, the Reserve Bank had announced that it will introduce a regulatory framework for financial benchmarks in markets regulated by it. The robustness and reliability of financial benchmarks are critical for efficient pricing and valuation of financial instruments, the RBI said.

"The London Inter-Bank Offered Rate (LIBOR) controversy and the related events underlined the need to establish or reform the frameworks for administration and governance of financial benchmarks," the banking regulator said.

The need for setting standards for the benchmark administrators has since been accepted worldwide in several jurisdictions, it added.

"The directions are based on the practices recommended by

Directions on rupee IRDs released

Mumbai: The Reserve Bank of India (RBI) Wednesday issued Rupee Interest Rate Derivatives (Reserve Bank) Directions consolidating and simplifying all previous regulations with a view to protect small and retail participants.

Regulations on interest rate derivatives (IRDs) have so far been issued separately for each product, including for products traded on exchanges.

These regulations were framed with a view to guide the initial evolution of the market through prescriptive requirements.

"Given the evolution of the market, there is now a need to permit flexibility for exchanges and market-makers in the design and innovation of products while ensuring that relatively less informed participants using these derivatives markets are adequately protected," the RBI said while issuing the directions.

The directions consolidate, rationalise and simplify all previous regulations issued on interest rate derivatives, the central bank said.

Exchanges have been provided with the flexibility to design and structure standardised products based on market requirements, it added. PTI

the International Organization of Securities Commissions (IOSCO) in their report on Principles for Financial Benchmarks as well as in the report of the Committee on Financial Benchmarks set up by the RBI," the Reserve Bank said.

STERLING BIOTECH CASE

ED attaches assets worth ₹9,778 cr of Sandesara Group, promoters

Second attachment by Directorate under PMLA; last attachment was of assets worth ₹4,730 crore

DEEPTIMANTHAWARY
NEW DELHI, JUNE 26

IN CONNECTION with its money laundering probe into the Gujarat-based pharma firm Sterling Biotech case, the Enforcement Directorate (ED) has attached close to Rs 10,000 crore worth of foreign assets belonging to the Sandesara Group and the promoters Nitin, Chetan and Deepti Sandesara.

The assets include oil rigs and ships based in Nigeria, apart from a residential property in London. "The attached properties include four oil rigs and oil field, namely OML 143, located in Nigeria and held by Sterling Energy Exploration Pvt Co Ltd (SEEPKO) Nigeria; ships, namely 'Tulja Bhawani', 'Varinda', 'Bhavya', 'Brahmani' etc which are registered in Panama and held in the name of company Atlantic Blue Water Services; aircraft 200 Gulfstream registered in USA held by M/s SAIB LLC and a residential flat in London. All these compa-

ED INVESTIGATION BASED ON FIR BY CBI

■ The ED's investigation is based on an FIR registered by the CBI against Sterling Biotech Ltd in October 2017; the CBI had alleged that Sandesara Group had wilfully defaulted on loans of over Rs 5,000 crore from a consortium of banks

■ According to a statement by the Directorate, the Sandesara Group was engaged in round tripping of Standby Letters of Credit (SBLCs) funds to the tune of Rs 4,500 crore by violating conditions laid by the RBI while sanctioning the loan

nies are controlled by SBL (Sterling Biotech Ltd)," an ED statement said Wednesday.

The ED has put the cumulative value of the attachment at Rs 9,778 crore. This is the second attachment of Sandesara assets made by the ED under the provisions of the Prevention of Money Laundering Act (PMLA). Its previous attachment of assets worth Rs 4,730 crore was already confirmed by the PMLA Adjudicating Authority. The Directorate's probe is based on an FIR registered by the Central Bureau of Investigation against Sterling

Biotech Ltd in October 2017. The CBI had alleged that the group had wilfully defaulted on loans of over Rs 5,000 crore from a consortium of banks led by Andhra Bank and diverted the money for promoters' personal purposes.

"It is revealed during investigation that the loan funds were diverted for non-mandated purposes, layered and laundered through a web of multiple domestic as well as offshore entities. The main promoters have not only siphoned off loan funds to finance their Nigerian Oil Business but also for their personal pur-

poses," the ED statement said. According to the ED, the group was engaged in round tripping of Standby Letters of Credit (SBLCs) funds to the tune of Rs 4,500 crore by violating conditions laid by the RBI while sanctioning the loan.

"The said SBLCs were later on devolved on the guarantor banks causing wrongful loss to these public sector banks and to the public at large. Their strategy included incorporation of multiple shell companies, conducting circular transactions to artificially inflate turnover of flagship companies, claiming higher depreciations on non-existing machinery to avoid tax liabilities, artificial share trading with the shell companies, layering and laundering of proceeds of crime within India and abroad through web of multiple shell companies," the ED statement read.

It alleged that the Sandesaras used their employees' names and incorporated 249 domestic and 96 offshore shell companies. "The original PAN cards, stamps, seals, Memorandum of Association and

signed blank cheque books of shell companies have been seized from promoters. All these shell companies were controlled, managed and beneficially owned by the main promoters and were used in the process of money laundering," the ED statement said.

The ED also claimed to have found that the promoters created a web of corporate and accounting structures abroad. "They have incorporated 96 entities in various countries including UAE, USA, UK, BVI, Mauritius, Barbados, Panama, and Nigeria. The main entities outside India include Richmond Overseas, Sunshine Trust Corporation, SEEPKO BVI, SEEPKO Nigeria, Atlantic Blue Water Services Pvt Ltd, Geodynamic Geospectra Limited, SAIB LLC, Goldcoin Construction etc. It is revealed during investigation that the funds were rotated through various structures and ultimately parked in Nigeria to cater to the personal interests of the main promoters," its statement read.

Cabinet okays amended AERA Act, govt gets more power to set tariffs

ENSECONOMIC BUREAU
NEW DELHI, JUNE 26

THE POWERS of the Airports Economic Regulatory Authority (AERA), with regard to setting user charges for passengers as well as airlines, just got eroded due to an amendment approved by the Union Cabinet in the AERA Act, 2018, earlier this week.

Once the amendment is passed by Parliament, the Civil Aviation Ministry is empowered to bid out private airport projects on the basis of pre-determined tariff and in such cases the airport

regulator will have no power to set or revise user charges. However, the government will consult or seek recommendations of AERA in setting such pre-determined tariff. Thus, in an area where AERA had final powers, its role at best will become advisory.

"Notwithstanding anything contained in sub-sections (1) and (2), the Authority shall not determine the tariff or tariff structures or the amount of development fee in respect of an airport or part thereof, if such tariff or tariff structures or the amount of development fees has been incorporated in the bidding document, which

is the basis for award of operatorship of that airport," the amended Act reads.

Another major change in the Act, which reduces the power of AERA, is a change in the definition of categorisation of airports. Hitherto, AERA had the power to set tariffs for airports handling over 1.5 million passengers per annum. Now, it can set tariff for airports handling 3.5 million passengers per annum. As a result, around 17 airports will go out of the ambit of AERA's regulation with regard to tariffs. Previously, AERA regulated 30 airports and will now regulate only 13. FE

Icra cuts Piramal Capital's long-term rating to AA

ENSECONOMIC BUREAU
NEW DELHI, JUNE 26

ICRA ON Tuesday downgraded the long-term rating of Piramal Capital & Housing Finance (PCHFL). The rating agency cut ratings of non-convertible debentures (NCDs), subordinated (Tier-II) bonds, long-term funds-based limits and long-term loans from AA+ to AA, amounting to Rs 20,867 crore. The rating on commercial paper (CP) programme remained unchanged at A1+, amounting to Rs 9,000 crore.

Fund houses such as Aditya Birla Sun Life MF, Axis MF, Franklin Templeton MF and Kotak MF, among others, have investments in PCHFL of nearly Rs 3,600 crore.

"The outlook on the long-term rating continues to remain negative given its predominantly wholesale book, with large sized exposures particularly in real estate and infrastructure segment," Icra said. As per the asset-liability statement as on March 31, 2019, PCHFL has debt repayments aggregating to approximately Rs 10,300 crore due in the 6-month bucket. FE

Risk parameters developed to audit taxpayers filing annual GST returns

ENSECONOMIC BUREAU
NEW DELHI, JUNE 26

THE AUDIT department of the Central Board of Indirect Taxes and Customs (CBIC) has developed risk parameters for selecting taxpayers to be audited on the basis of annual returns. However, the department has directed officials to move to desk-based filing for small taxpayers, instead of the traditional premise-based audits.

In a detailed letter on how to conduct audits, the department said premise-based audit still has to be conducted for medium and large category of taxpayers. Further, such audits should be undertaken in a time-bound manner to ensure completion within the stipulated time period of three months from the commencement of audit, it said.

In a detailed letter on how to conduct audits, the department said premise-based audit still has to be conducted for medium and large category of taxpayers. Further, such audits should be undertaken in a time-bound manner to ensure completion within the stipulated time period of three months from the commencement of audit, it said.

GST audits were earlier scheduled to commence from July 1 for those taxpayers who have filed their GST annual return. However, the GST Council in its last meeting extended from the last date for filing audit forms to August 31. The audit plans shared with zonal heads of indirect tax said in case of insufficient number of taxpayers who file annual audit returns,

central excise and service tax audits should continue.

The risk assessment plan has for conducting audit has divided taxpayers into three categories based on turnover. The audit list contains only those taxpayers who are under central (CGST) administration and have filed more than 3 GSTR-3B returns for FY 2017-18. However, for some audit commissionerates, the categories have been tweaked to ensure adequate representation of risky taxpayers in each category.

Further, it has been proposed that 40 per cent of available manpower should be deployed on larger taxpayers. While the list of taxpayers shared with each audit commissionerate contains about 80 per cent of the total taxpayers, many others falling in the balance 20 per cent might get picked up based on local risk factors. FE

'89% Indian firms optimistic about growth prospects'

Despite subdued macro-economic conditions, Indian businesses have the second most optimistic outlook after Indonesia, with 89 per cent firms expecting to grow over next two years, HSBC survey on over 2,500 firms said

INVESTMENT APPETITE: Indian businesses have the greatest investment appetite across the 14 markets and none mentioned any plans to decrease their level of investment

FUNDING: Just like Indonesia, the UK, the US and Mexico, Indian businesses are more likely to fund from their existing profits

WHERE THEY INVEST: Indian businesses intend to invest in activities ranging from skills and training to selling more products/services online, enhancing customer experience and



on research/innovation and sustainability

DRIVING FACTORS: Innovation as well as effective utilisation of technology, will be critical in driving the next phase of growth for Indian businesses, HSBC India said

SUSTAINABLE INVESTMENT: 59 per cent of Indian businesses, second only to the level in mainland China, plans to increase their investment in sustainability

GOING FORWARD: AI, IoT and 5G are technologies that will provide the most opportunities for growth for Indian firms

French consumer group launches class action against Google

AGENCE FRANCE-PRESSE
PARIS, JUNE 26

A FRENCH consumer rights group said Wednesday that it has launched a class action lawsuit against US tech giant Google for violating the EU's strict data privacy laws.

The UFC-Que Choisir group said in a statement that the goal of its class action is to "end the insidious exploitation of users' personal data, particularly those using Android devices with a Google account, and compensate them for up to 1,000 euros (\$1,135)". This compensation claim is a first in France as well as Europe. "UFC-Que Choisir president Alain Bazot told AFP.

"If the judge rules in favour, there are potentially 28 million Android users in France that could be entitled to compensation," he added. So far 200 people have joined the class action, said Bazot.

Google said it had not yet received details concerning the case and declined to comment for time being. The class action comes after the internet behemoth suffered two recent blows in France.

The goal of its class action is to "end the insidious exploitation of users' personal data, particularly those using Android devices with a Google account, it said

In January, France's CNIL data watchdog slapped Google with a record 50-million-euro fine for failing to meet the EU's tough General Data Protection Regulation (GDPR), which came into force in May last year.

Then in February, the Paris district level court ordered Google to remove "abusive" clauses from the service conditions it requires consumers to accept. UFC-Que Choisir on Wednesday accused Google of "drowning consumers in endless confidentiality rules" and "maintaining a veritable obstacle course" when it comes to users' geolocation. "It's a real invasion of privacy," said Bazot, adding that "even when you do not use Google's services, your phone geolocates you 340 times a day!"

NCLAT asks Amtek Auto lenders to consider bids of DVI

PRESS TRUST OF INDIA
NEW DELHI, JUNE 26

THE NATIONAL Company Law Appellate Tribunal (NCLAT) Wednesday asked lenders of Amtek Auto to consider resolution plans submitted by Deccan Value Investors (DVI) along with others based on the original information memorandum inviting bids.

Besides, a two-member NCLAT bench, headed by Chairman Justice S J Mukhopadhyaya, slammed the committee of creditors (CoC) of Amtek Auto for issuance of fresh information memorandum inviting new resolution plans.

"We have not allowed the committee of creditors or resolution professional to issue fresh information memorandum or invitation calling for more applications," said NCLAT. On June 13, the resolution professional of the auto component maker had issued a fresh information memorandum inviting fresh submission of resolution plans.

Airlines, regulators meet to discuss 737 MAX un-grounding

ALLISON LAMPERT
MONTREAL, JUNE 26

AIRLINES AND regulators are gathering at a closed-door summit in Montreal on Wednesday to exchange views on steps needed for a safe and coordinated return of Boeing Co's grounded 737 MAX aircraft to the skies following two deadly crashes.

The meeting, organized by industry trade group the International Air Transport Association (IATA), comes as airlines grapple with the financial impact of a global grounding of nearly 400 737 MAX jets that has lasted three months.

Boeing, the world's largest aircraft manufacturer, has yet to formally submit proposed 737 MAX software and training updates to the US Federal Aviation Administration (FAA), which will kick-start a re-certification process that could take several weeks.

IATA Director General Alexandre de Juniac has said "shoring up trust among regulators and improving coordination" within an industry that grounded

the MAX planes on different dates in March would be priorities at Wednesday's summit.

It is the second such meeting organized by IATA.

China was first to ground the MAX after a March 10 crash in Ethiopia within five months of a similar crash off Indonesia, killing a combined 346 people, while the United States and Canada were the last.

Regulators including Transport Canada, the Civil Aviation Authority of Singapore and the FAA will join airlines at the meeting, representatives from the authorities, who wished to remain anonymous, told Reuters.

Once regulators approve the MAX for flight, airlines must remove the jets from storage and implement new pilot training, a process that will differ for each airline but that US carriers have said will take at least one month.

Some airlines and regulators have argued that pilots should be trained in a MAX simulator before flying, though Boeing's minimum training requirements do not call for flight simulators, according to draft proposals. REUTERS

US STATE DEPARTMENT FACT SHEET

US wants India to embrace 'fair & reciprocal' trade, lower barriers

LALIT K JHA
WASHINGTON, JUNE 26

THE TRUMP Administration wants Prime Minister Narendra Modi to lower the trade barriers and embrace "fair and reciprocal" trade, the US said Tuesday as Secretary of State Mike Pompeo reached New Delhi for crucial talks with the new government.

Bilateral trade is likely to be an important topic of discussion during Pompeo's key talks with the new Indian leadership and ahead of this week's meeting between Prime Minister Modi and President Donald Trump on the sidelines of the G20 summit in Osaka, Japan.

"There is enormous potential to grow our trade relationship and create the high-quality jobs that Prime Minister Modi wants if India lowers trade barriers and embraces fair and reciprocal trade," according to a State Department Fact Sheet released on Tuesday.

US companies see great opportunity in India, and increased economic openness and investment will yield mutual benefit.

INDIA'S NUMBER ONE OVERSEAS MARKET: US

■ The US State Department said as India's number one overseas market, the US purchases close to one-fifth of its exports. It is also fastest growing major market for American goods

■ Two-way bilateral goods and services trade with India totalled \$142 billion in 2018, up 12.6 per cent

■ US crude oil exports to India are surging, increasing India's energy security while reducing its bilateral trade deficit

■ US defence sales to India are estimated to reach approximately \$18 billion by 2019 from near zero in 2008, boosting India's national security capabilities

"The Trump Administration is working to ensure that American companies operating in India have the same level playing field that Indian companies enjoy in the United States," it said.

The State Department said as India's number one overseas market, the US purchases close to one-fifth of its exports. India is also the fastest growing major market for American goods.

Two-way bilateral goods and services trade with India totalled \$142 billion in 2018, up 12.6 per cent, or almost \$16 billion, over the previous year.

US crude oil exports to India are surging, increasing India's energy security while reducing its bilateral trade deficit.

The United States exported nearly 50 million barrels of crude to India in 2018, compared to less than 10 million barrels in 2017, and is on pace to export even greater volumes in 2019, it said. US defence sales to India are estimated to reach approximately \$18 billion by 2019 from near zero in 2008, boosting India's national security capabilities and increasing employment in both countries, it said. PTI

BRIEFLY

Niti Aayog CEO Kant gets 2-yr extension

New Delhi: The Appointments Committee of the Cabinet on Wednesday gave a two-year extension to Amitabh Kant as chief executive officer of the Niti Aayog, an official order said.

FinMin to host meet on opiate trafficking

New Delhi: The Finance Ministry on Wednesday said it will host a two-day meeting beginning June 27 of the expert working group on illicit financial flows deriving from the trafficking of opiates originating in Afghanistan.

Canara Bank to raise ₹1.5K crore via bonds

New Delhi: Canara Bank on Wednesday said it has proposed to raise Rs 1,500 crore through bonds, to fund business growth.

Google Maps launches 'Stay Safer' feature

New Delhi: Google Maps has introduced an India-first 'Stay Safer' feature for users that will alert and notify users travelling in taxis and auto-rickshaws when their vehicle goes off-route.

IndiaMART IPO subscribed over 36 times

New Delhi: The IPO of online marketplace IndiaMART InterMESH was subscribed 36.16 times on the final day of bidding Wednesday. PTI

Self-driving tech: Uber buys AI firm

Washington: Uber said Wednesday it has acquired computer vision startup Mighty AI to help advance its technology for self-driving cars. AFP

Bitcoin value reaches 18-month high

London: Bitcoin jumped to an 18-month high on Wednesday, trading close to \$13,000. Analysts said this was caused by traders looking for alternative investments and expectations of Facebook's Libra turning cryptocurrencies mainstream. REUTERS