# 19 ECONOMY

**GOLD** 

₹33,195

₹ **RUPEE** 

**⊘** ₹69.26





**SILVER** 

**⊘** ₹37,500

SENSEX: 40,267.62 ▲ 553.42 NIFTY: 12,088.55 ▲ 165.75 NIKKEI: 20,410.88 ▼ 190.31 HANG SENG: 26,893.86 ▼ 7.23 FTSE: 7,144.00 ▼ 17.71 DAX: 11,703.91 ▼ 22.93

#### SECTOR WATCH **BANKING STRESS**

## IBC amendments to usher in crossborder insolvency resolution

Norms for individual insolvency resolution have been finalised

**SUNNY VERMA** NEW DELHI, JUNE 3

THE GOVERNMENT is expected to introduce amendments to the Insolvency and Bankruptcy Code (IBC), to introduce provisions for putting in place a resolution framework in case of individual insolvency and cross border insolvency, sources said. The changes will enable initiation of resolution process in case of personal guarantors to corporate debtors, proprietorship and partnerships.

Provisions for cross border insolvency would enable Indian firms to claim their dues from foreign companies, while allowing foreign creditors to recover loans from Indian companies, sources said. Apart from foreign creditors, this would also help foreign branches of Indian banks to recover their dues in India.

A committee set by Ministry of Corporate Affairs, in its report on cross border insolvency last year, had suggested adopting the UNCI-TRAL or United Nations Commission on International Trade Laws on cross-border insolvency. The Insolvency and Bankruptcy Code, at present, does not effectively deal with cases involving cross-border insolvency. While changes will allow initiation of insolvency resolution in such cases, the government will also need to sign treaties with foreign countries for allowing Indian creditors to pursue insolvency resolution in case of foreign companies. The UNCITRAL Model Law envisages a balance between liquidation and reorganization and provides framework for resolution in four areas of cross border in-

solvency. In case of individual insolresolution, the Insolvency and Bankruptcy Board of India (IBBI) has already finalized the norms for such cases, which are expected to be notified soon. The new framework divides individuals into three categories: personal guarantors, proprietors and common individuals. This process is likely to begin in phases starting from guarantors to proprietors. The IBC law will also

A panel by Ministry of Corporate Affairs had suggested adopting the United **Nations Commission** on International **Trade Laws on cross**border insolvency

need to be amended to provide for a mediation mechanism. Cross border insolvency provisions will apply to corporate debtors to start with and not in personal cases. At present, Section 234 of

the IBC mentions that "the Central Government may enter into an agreement with the Government of any country outside India for enforcing the provisions of this Code." But there is no explicitly legal arrangement for cross border insolvency. "We are ready with the changes required to pursue insolvency resolution in individual and cross-border cases. The government may take these up anytime," a senior government official said. The government is expected to amend Section 234 and Section 235 of the IBC.

In many of the insolvency resolution cases that financial creditors pursue, the corporate debtors have assets or subsidiary companies outside India. These assets can be taken into account after crossborder insolvency kicks in. "Having adequate reciprocal arrangements or treaties with other countries is the key to effective implementation of the cross-border insolvency law," the official said. The IBC has been the most significant financial sector reform launched by the NDA government, aimed aimed at speedy resolution of stressed assets of more than Rs 10 lakh crore.

It has resulted in a recovery rate of around 43 per cent, even as nearly 48 per cent of the cases have faced delays. The IBC requires a corporate insolvency resolution process to be completed in 180 days, which can be extended by another 90 days to a maximum of 270 days. These time limits have been set to ensure that recovery of non performing assets (NPAs) in a timebound manner.

CIII

#### **BOND YIELDS PLUNGE BELOW 7%; RUPEE RALLIES BY 44 PAISE**

# Sensex soars 553 points to close at record high of 40,268

**ENS ECONOMIC BUREAU** MUMBAI, JUNE 3

STOCK MARKETS on Monday zoomed to their fresh life-time closing peaks and the benchmark bond yield fell below the seven per cent level as hopes of another rate cut by the Reserve Bank of India and continuity in reform measures by the new central government boosted the sentiment. The BSE Sensex jumped 553 points to close above 40,000 at a record high of 40,267.62 while the 50-share Nifty surged nearly 166 points to settle at 12,088.55, alltime closing peak for the index.

The yield on the 10-year government bond yield closed below 7 per cent at 6.982 per cent for the first time since November 2017 as falling crude oil and slowing economic growth boosted speculation of monetary easing by the RBI in its next bi-monthly policy. Yields had fallen by 42 basis points in May, the most since November 2016, aided by foreign inflows after Prime Minister Narendra

Modi's election win. The Indian rupee strengthened by another 44 paise to close at 69.26 to the US dollar in line with the smart rally in domestic equities amid hopes of a rate cut. "Falling crude oil and slowing economic growth boosted speculations of monetary easing by the RBI in its next bi-monthly policy. The market is already pricing 25 bps cut interest rate and surplus liquidity conditions after majority government at the Centre," said V K Sharma, Head PCG & Capital

Brent oil prices rebound on Saudi supply reassurances

London: Oil prices rebounded

that the group of oil producers, together with Russia, would continue managing

Markets Strategy, **HDFC Securities.** 

Despite weak global cues, investors were buoyed by falling crude oil prices, foreign fund inflows and hopes of rate cut by the RBI. "It is overwhelming to see the

depth of the market, which easily amount of over Rs 9,000 crore into overcame subdued domestic economic data and global headwinds like tariff war, by sharp fall in the most worrisome oil prices and the hope about the upcoming Budget and the RBI policy. The grip of the rally seems sustainable in spite today's weak economy data, as the horizon looks promising led by supportive government actions while FIIs have turned more solid over India's outlook," said Vinod Nair, Head of Research, Geojit Financial Services.

India which imports roughly

a surplus. from last week's heavy losses on Monday after reassurances futures were at \$62.40 at 1150 GMT, up 41 cents, or 0.66 per over production from top oil cent, above Friday's close. exporter Saudi Arabia, the de-Prices dropped by more than facto leader of the 3 per cent on Friday, with May Organization of the Petroleum Exporting Countries (OPEC). recording the biggest monthly Saudi Arabia indicated loss in six months. US West Texas Intermediate crude fu-

global crude supplies to avoid

EXPLAINED

80 percent of its oil requirement is set to benefit as crude oil prices have fallen by about 15 per cent since

April 30.

Front-month Brent crude

tures were at \$54.17 per bar-

rel, up 67 cents, or 1.25 per

cent. **REUTERS** 

Further, foreign investors pumped in a net

the Indian capital markets in May on expectations of more businessfriendly measures and reforms following the NDA's victory in the general elections.

The Sensex gained from a rally in heavyweights like HDFC, Reliance Industries and TCS. Hero MotoCorp topped the Sensex chart by surging 6.01 per cent. Sectorally, BSE auto, healthcare, energy, consumer durables and metal were the top performers with gains of up to 1.93 per cent. However, broader indices BSE

**27**markets analysed: The

report is based on response

from over 27,103 online

interviews with digitally

markets, including India,

Belgium and Luxembourg,

89% aware of phone

per cent respondents

payment: An average of 89

globally said they are aware

of the existence of in-store

82% aware of non-bank

respondents said they are

payment systems and non-

**20%** prioritise ease of

mobile phone payment

payment: 82 per cent

aware of peer-to-peer

bank money transfers

operation: 20 per cent

active adults from 27

China (mainland),

among others

platforms

Argentina, Australia,

midcap with 0.90 per cent rise and smallcap with 0.48 per cent gains underperformed the benchmark

Jayant Manglik, President, Religare Broking, "despite negative global cues, the Indian equity benchmark indices started the week on a positive note. We continue to maintain our cautious stance on the markets at higher levels in the near term.

The market participants would keep an eye on the RBI's monetary policy on June 6 as it would provide further direction to the markets. Further, domestic macro data, global developments, especially with respect to US-China trade talks and movement of crude oil prices would continue to be on investor's radar."

Analysts are betting on a Repo rate cut by the RBI this week, especially after a disappointing GDP print for the March quarter. Data from Central Statistics Office (CSO) showed that India's economic growth rate slowed to five-year low of 5.8 per cent during January-March quarter of 2018-19. The growth rate of the economy has weakened mainly due to poor performance in the farm sector as well as in the manufacturing sector. The central bank had cut the Repo rate by 25 basis points each in its last two policy reviews.

According to Umesh Mehta, Head of Research, Samco Securities, though the financial sector is rejoicing, the real economy is struggling. "May auto sales numbers are out and majority of the companies have shown a deterioration in sales ..."

27%

prioritise pricing: 27% respondents said pricing was their top priority while choosing a fintech service

respondents prioritised ease of opening an account while picking a fintech service

Offering extra services: Customer expectations have evolved, and traditional banks, insurers and wealth managers are now disrupting their own propositions by offering digitally accessible and technology-forward services

**Trust factor:** In markets like Chile, France and Japan, trust emerged as the only factor for not choosing a fintech challenger over traditional financial institutions

## all government payouts through digital mode, national mobility card

\$67.40\*

Nilekani panel proposes

**GEORGE MATHEW** 

MUMBAI.JUNE 3

tee set up by the Reserve Bank of India has proposed a National Common Mobility Card (NCMC) which could be used at all transit locations making all new metro and transit payments interoperable through NCMC. The fivemember committee has also proposed a host of measures, including all the payments by the government to citizens through the digital mode, to reduce cash transactions in the country.

THE NANDAN Nilekani commit-

"The card (NCMC) has two instruments on it – a regular debit card which can be used at an ATM, and a local wallet (stored value account), which can be used for contactless payments, without the need to go back to the server or additional authentication. It is envisioned that a single card will be usable for all local travel needs across the country," the High Level Committee on Deepening of Digital Payments, headed by former UIDAI Chairman Nilekani, said in its report.

"For rapid expansion of the acceptance network, all bus, train, metro services must be enabled to accept these payments. The government may subsidize this one-time cost," it said. On the issuance side, many of the existing debit cards will have to be upgraded to support this standard. This can be done on customer demand, or through the regular card replacement cycle. "It is also possible that mobile phones may include NFC technology, and drop the need for a card," the panel said.

In a significant proposal, the committee has recommended that the government must ensure that all pay-outs must be done through digital means. This includes: salaries, pensions, Direct Benefits Transfer (DBT) and payments for goods and services procured. The committee said while various departments in Centre and State Governments have already digitised flow of funds and receipts till beneficiary departments, pay-outs from such departments on account of expenditures incurred were not completely digital. "The thresholds for small value cash payments should also be reduced drastically, say Rs 1000, over the next one year," the panel said.

The government may consider issuing e-wallets for crediting small value payments, refunds, rebates / loyalty bonus for digital transactions and the same wallets can be used for making payments to the Government, On the same line, DBT payments have transferred costs, that were previously borne by the Government, to the users' bank and agents, the

DPIIT proposal likely to make it

easier for online platforms to

#### **TWO FACILITIES**

■NCMC has two instruments on it – a regular debit card which can be used at an ATM, and a local wallet (stored value account), which can be used for contactless payments

committee said.

The Nilekani panel has recommended that the concerned Government departments and public sector entities to ensure that all citizens and businesses have options to pay digitally for all Government services, taxes, fees all public procurement costs (such as earnest money deposits, etc) services provided by the public sector, utilities like telecom, power, water, sewage and gas and transportation and related services, many of which are run by the public sector, or regulated entities such as trains, bus, as well as tolls, parking and fuel.

The committee said that the government being the single largest participant in payments, take the lead on all aspects of digitisation of payments. "... Just as the government budgets for accepting payments in cash, the panel recommended that it also budgets for accepting digital transactions, ensuring that no convenience fee is charged on C2G payments

The committee recommended that the RBI should consider the setting up of an acceptance development fund, which is used to develop new merchants in poorly served areas. Since there are significant advantages in terms of improved compliance the committee proposed that the government should look to provide a tax discount based on the proportion of digital payment transactions accepted by the business. "This should make digital transactions cheaper than cash. This was done in South Korea with some success," it said.

"Ideally, MDR (merchant discount rate) and interchange fees should be determined by the market. However, that does not appear to be working, and there are fewer acquirers," it said.

To correct this situation, the

committee has proposed that the interchange on card payments be reduced by 15 basis points (0.15 per cent). This will increase the incentive for acquirers to sign up merchants, it said. The committee recommended that users must have options to make high value digital payments at any time. The RBI must review the usage patterns of RTGS and NEFT on a quarterly basis and adjust the hours of operation.

#### 'Adoption rate of fintech services highest in India, China' Financial technology (fintech) adoption rate has risen to an average of 64 per cent this year, with emerging

markets like China and India leading the way, according to a report by Ernst & Young (EY)



	EMERGING MARK	MERGING MARKETS	
	China	87%	
	India	87%	
	Russia	82%	
	South Africa	82%	
	ADOPTION RATE IN DEVELOPED MARKETS		
	Netherlands	73%	
	<b>United Kingdom</b>	71%	
(I	Ireland	71%	
N			

# ADODTION DATE IN

# Boeing finds wing defect,

**PRESSTRUSTOFINDIA** 

**BOEING ANNOUNCED Sunday** that some of its medium-haul 737s, including the 737 MAX 8, could have a defective wing part, but that there had been no reports of flight issues linked to the defect.

which has been rocked by an unprecedented crisis after its entire ing the wings' leading edge.

cause it is meant to improve the wing's drag and therefore the jet's aerodynamics. Boeing said in a statement that it had relayed the defective lot number to aircraft owners so they can inspect the parts in question. If operators find the defective parts on their aircraft, they should replace them, the company said. "This is a device considered critical because if the leading edge slats don't deploy symmetrically, there could be a lift differential that can be dangerous especially on takeoff and landing," one aeronautics expert told AFP

**ENS ECONOMIC BUREAU** NEW DELHI, JUNE 3

THE DEPARTMENT for Promotion of Industry and Internal Trade (DPIIT) has proposed amendments to rules that might make it easier for online platforms to use provisions under India's Copyright Act to set the fees they have to pay to use copyrighted content.

The issue of whether internetbased platforms, including online music streaming platforms, can use licencing provisions under the country's copyright regulations has long been a pain point, as the rules currently specify only television and radio broadcasters. This means online broadcasters at present directly negotiate with the copyright holder to decide the royalties that they have to pay to get a licence to reproduce the work on their platform.

DPIIT's proposed amendments aim to ensure "smooth and flawless compliance" of the country's copyright regulations "in light of technological advancement in digital era" and to bring the Copyright Act in parity with "other relevant legislations", the department stated in a release Monday. DPIIT has sought comments and suggestions from all stakeholders

Amendments aim to ensure "smooth and flawless compliance" of copyright regulations

pay fees for copyrighted content

by June 29. The draft proposes to widen the scope of platforms that can use a statutory provision, Section 31 D of the Act, that allows broadcasting or performance of copyrighted with advanced notice to the holder of the copyright. More importantly, this section allows a legal body to fix the royalties that the platform would have to pay to the copyright holder.

Another amendment in the draft, the department proposed that copyright societies in India, which help the owners of the copyright grant licences to reproduce their work, be mandated to draw up and make public an "annual transparency report". The report is expected to include details like the society's refusals to grant licences, financial information on revenue for each category of rights administered, the use of their income and the royalties due to the owners of the copyright. "The amendments seem to be a way to get around a recent high court judgment that prevented an on-

plying for a statutory licence under Section 31 D," said Prashant Reddy, Senior Resident Fellow, Vidhi Centre for Legal Policy.

The case Reddy referred to is that of a copyright infringement lawsuit filed by Tips Industries against Airtel's online music streaming platform,

Wynk, for hosting its content

despite failed negotiations to renew its copyright licencing agreement. According to the Bombay High Court's judgment in April Wynk in November 2017 had invoked Section 31-D of the Act claiming that, as a broadcasting or ganization, they are "entitled" to a statutory licence under this section. The court, in its ruling against Wynk, noted the absence of the term "internet broadcasting" in present legislation.

"The absence of express words in Section 31-D providing for a statutory licence in respect of internet streaming and/or downloading, was a conscious legislative choice. In view of the above and in the absence of an express statutory provision including internet broadcasting within the purview of Section 31-D, the scope of Section 31-D cannot be expanded to include the same,' stated the order.

#### India Inc pitches for more manufacturing jobs, land and labour reforms, tax cut competing for financial saving **ENS ECONOMIC BUREAU**

NEW DELHI, JUNE 3

MORE MANUFACTURING jobs, land and labour reforms including national employment policy, new industrial policy, direct tax code, lower corporate tax and a reasonable control on fiscal deficit formed part of the measures outlined by industry body CII as '100 days agenda for the government'.

Industry leaders from CII pointed to the growth slowdown in the economy, pegging this year's GDP at 7-7.4 per cent. For GDP to grow at 10 per cent by 2023-24, the total investment requirement is estimated at \$5.74 trillion for the next five years, CII President Vikram Kirloskar told reporters. Of this, the total investment required for infrastructure sector is estimated at \$1.18 trillion for the next five years, while for non-infrastructure including agriculture and industry to be \$4.56 trillion, he said.

He said the private sector is facing difficulty in getting land for manufacturing units and the states have a huge role to play and there is a need to create land banks. On labour reforms, he suggested for the formulation of national employment policy and encourage states to provide fixed-term employment besides incentivising companies for cre-

(Left to right) CII Vice President TV Narendran, president-elect Uday Kotak, President Vikram Kirloskar, and Director General Chandrajit Banerjee at launch of 'CII's 100 days agenda for new government' on Monday in New Delhi. Amit Mehra

ernment needs to bring in Direct Taxes Code (DTC) and the last leg of reforms in the GST. India's economic growth in the January-March quarter of 2018-19 slowed to a 20-quarter low of 5.8 per cent due to the poor performance of agriculture and manufacturing sectors. Consumption will be greatly encouraged by reducing the personal income tax burden, adding more disposable income for consumers," he said, adding that various government initiatives including PM KISAN to double the farmers' income by 2022 will help drive rural consumption

ating employment. "Also, the gov-

and generate demand. To boost consumption, CII also proposed a reduction in Personal Income Tax, rationalise taxes on

equity capital and addressed delayed payments emanating from the public sector.

Commenting on rationalisation of taxes on equity, CII president-elect Uday Kotak said that equity is costlier than the debt due to the imposition of various taxes. On concerns over shortage of liquidity, Kotak said it is available but at a higher cost so there is a need to increase the quantum and also ensure avoiding distortion or crowding out. "In the last 24 months, the big success area of this govt has been the small saving schemes. A very large amount of money has moved into small savings which are financing the fiscal deficit. In most of these schemes, rates are higher than 8 per cent. However, bank deposits provide 7-7.4 per cent," he said. The ability of banks to drop deposit rates are linked to the inter-

est rate offered by sovereign schemes, he said, adding there is a need to move towards more linear and balanced financial savings across the economy that will make the price of the money more attractive for users which effectively can give a boost to consumption.

With regard to fiscal deficit, Kotak said it is an important number and there is a need to ensure a reasonable control on it. Elaborating on improving em-

ployment in the country, he suggested a triple-pronged approach for job creation, relating to employment intensive sectors, skilling, and labour reforms for enterprise creation.

He placed a strong emphasis on accelerating growth in job-creating sectors such as construction, hospitality, logistics, healthcare, and the financial sector, among others. According to CII, construction and healthcare alone can create 20 million jobs in the next five

On the US decision to withdraw export incentives from India, Kirloskar said the decision has been taken in a "haste" and would hurt domestic exporters, expressing hope that both the countries would find an amicable solution.

# including in 737 MAX

WASHINGTON, JUNE 3

The American aviation giant,

737 MAX 8 fleet was grounded in mid-March, said a subcontractor informed it of problems with a batch of a part involved in deploy-The leading edge of an aircraft is key to takeoff and landing be-

on condition of anonymity.

# View on telecom financial health after stakeholders' representations, says Prasad

**ENS ECONOMIC BUREAU** NEW DELHI, JUNE 3

SPEAKING ABOUT the financial health of the telecom sector. Minister of Communications Ravi Shankar Prasad said that he would take presentations from officials at the Department of Telecommunications (DoT) and the industry before taking a view on the matter. Department officials said that the minister's meetings with various stakeholders will begin from Tuesday. Prasad took charge of the telecom minis-

ter's office on Monday. The industry expects the government to provide relief in taxation to uplift the financially stressed sector, which saw foreign direct investment during 2018-19 falling to \$2.67 billion from \$6.21 billion a year ago.

The stressed financial condition of the sector has been a drag on revenues of the exchequer with lukewarm participation in the last spectrum sale back in 2016 as well as falling inflows from licence fee and spectrum usage charges, which are functions of operators' revenues.

Cheap data and free voice services have resulted in intense competition among the players. Following the launch of Reliance Jio in September 2016, the incum-

'Data protection law high on priority of govt'

New Delhi: The law on data protection, which has been in the making for over a year now, is high on the priority of the new government, Electronics & IT Minister Ravi Shankar Prasad said Monday.

However, Prasad did not commit to a timeline by when the law would become a reality. A senior IT Ministry official in the know said while the Cabinet note for the new act has been prepared, it is pending approval.

The official said that now with a new regime elected, a fresh political view will be taken, after which the act will be tabled in the Parliament. The official added that the Centre is expected to continue its push towards data localisation. **ENS** 

bent companies had to offer services at low prices in order to retain customers which, in turn, impacted the industry's revenue growth and profitability. The Indian telecom industry, which has a combined debt of Rs 7 lakh

crore, has also urged the government to relook at the spectrum usage charges and licence fee.

Even as he commented on the health of the telecom sector, Prasad also said that the government aims to conduct a spectrum auction during the ongoing calendar year — something which operators have expressed apprehensions about due to the stress.

The Telecom Regulatory Authority of India (Trai) has submitted its recommendations on pricing of spectrum, which includes airwaves ideal for deployment of 5G and 4G. Trai has recommended auction of about 8,644 MHz of telecom frequencies, including those for 5G services, at an estimated total base price of Rs 4.9 lakh crore.

On 5G, where India has fallen behind other countries such as South Korea, Switzerland, the United States on test deployment of the latest generation of mobile telephony, Prasad said that network trials will be conducted in the next 100 days.

However, on the issue of Chinese equipment maker Huawei's participation in 5G trials, he said, "That is a matter to be looked in to seriously, including security aspects before we take a formal view on it. It is not a matter of only technology as far as participation in 5G trials is concerned".

22ND CONSECUTIVE MONTH OF ABOVE 50-POINT PRINT

# Manufacturing sector PMI rises amid revival in new order growth

Goods producers were confident of a rise in output in the year ahead, says survey

**ENS ECONOMIC BUREAU** MUMBAI. JUNE 3

INDIA'S MANUFACTURING sector growth gathered momentum in May this year as companies lifted output, amid strengthening demand conditions, leading to a rise in employment in the sector, says a monthly survey.

The Nikkei India Manufacturing Purchasing Managers' Index (PMI), improved to 52.7 in May from 51.8 in April, showing the strongest improvement in the health of the sector in three months.

This is the 22nd consecutive month that the manufacturing PMI has remained above the 50-point mark.

In PMI parlance, a print above 50 means expansion, while a score below that indicates contraction.

"A revival in new order growth promoted a faster upturn in manufacturing production, as Indian firms sought to replenish inventories utilised in May to fulfil strengthening demand," said Pollyanna De Lima, Principal Economist at IHS Markit and author of the re-

8% : Tepid volume

growth, stable pricing

would mean overall CV

industry revenue would

rise 8% to ₹1.2 lakh crore

this fiscal

**WEAK H1:** First half of

axle norms, soft freight

rates, lingering liquidity

crunch impacting non-

banks, which finance

about half of CV sales

**Increasing weight** 

would mean a 2%

reduction in

the average

MHCV payload of

18 tonne

this fiscal is expected to be

weak because of change in

'FURTHER JOB CREATION IN MANUFACTURING'

■ The upbeat mood among goods producers, coupled with a solid increase in new work, underpinned further job creation in the sector, the report — authored by Pollyanna De Lima – said

■ The survey further noted that employment has risen in each month since April 2018, with the latest expansion the most marked since February this year

The upbeat mood among goods producers, coupled with a solid increase in new work, underpinned further job creation in the sector, the report

ward, Indian goods producers were confident of a rise in out-

'Volume growth of MHCVs likely to be subdued'

300kg

**Transition to BS-VI** 

norms is expected to

increase the weight of an

MHCV by 300 kg on an

average

9-11%

In second half, fleet

operators are likely to

advance purchases

planned for fiscal

2021 because vehicle

prices are seen

increasing 9-11%

ONE YEAR BAN ON ACCOUNT OF LAPSES IN AN ASSIGNMENT

by SR Batliboi & Co.

count of lapses in an audit assign-

ment. However, the RBI did not

disclose the details of the lapses

from April 1, 2019, the RBI said in

a release. In June 2018, the RBI had

put in place an enforcement ac-

tion framework in respect of

statutory auditors for the lapses in

The one-year period starts

Volume growth of medium and heavy commercial vehicles (MHCVs) is

expected to be subdued at 4 per cent this fiscal, according to Crisil

On the inflation front,

"When we look at the survey's over 14-year history, the sector is growing at a belowtrend rate," De Lima stated, adding that "shortening the horizon to the last two years, May's increases in output, total order books and exports all outperformed."

increase in overall cost burdens.

The latest data also comes ahead of the Reserve Bank of India's Monetary Policy Committee meeting, which started on Monday and will continue on June 4 and 6.

Meanwhile, China's factory activity expanded at a steady but modest pace in May, but analysts said that front-loading of exports by firms to the United States to avoid higher tariffs masked underlying weakness in the economy.

China's Caixin/Markit Manufacturing Purchasing Managers' Index also showed only a modest expansion at 50.2, unchanged from April, and above economists' expectations of 50.0.

Manufacturers in China have come under severe pressure recently from an escalating trade dispute with the United States.

## BRIEFLY

#### **RBIMPC starts** monetary policy review meeting

Mumbai: The Monetary Policy Committee headed RBI Governor Shaktikanta Das on Monday started deliberations on the second bimonthly policy review of the current fiscal, amid expectations of a 25 basis points cut in lending rate to boost the slowing economy. The central bank has slashed the short-term lending rate (repo rate) by 25 basis points (0.25 percentage points) each in its last two policy reviews. PTI

#### Makhija as Axis Bank chairman gets RBI nod

New Delhi: Axis Bank on

Monday said the Reserve Bank of India has approved appointment of Rakesh Makhija as chairman of the bank. The board of directors of the private sector lender had in March approved the appointment of Makhija as chairman, subject to RBI clearance. "We would like to inform you that RBI vide its letter has approved the appointment of Rakesh Makhija, independent director as the non-executive (part-time) chairman of the bank, for a period of 3 years, with effect from July 18, 2019, up to July 17, 2022," the private sector lender said in a reg-

#### Large exposures frameworkfor banks modified

ulatory filing. **ENS** 

Mumbai: The Reserve Bank of India on Monday modified the guidelines on large exposures for banks with a view to reduce concentration of risk and align them with the global norms. PTI

#### **Kevin Hassett** leaving White House: Trump

Washington: President Donald Trump said on Sunday night on Twitter that Kevin Hassett, the chairman of the Council of Economic Advisers, is leaving the White House soon. **PTI** 

#### 10 mn Amazon items now on 1-day delivery

New York: E-commerce major Amazon, which has been working to deliver orders faster, has said that more than 10 million items will now qualify for next-day delivery. **REUTERS** 

### Choksi obtained medical reports to hoodwink the due process of law: ED tells Bombay High Court fore, appear to have been specifi-

**EXPRESS NEWS SERVICE** MUMBAI, JUNE 3

THE ENFORCEMENT Directorate (ED) on Monday told the Bombay High Court that fugitive businessman Mehul Choksi has obtained medical reports from a hospital in New York and submitted it to the court to "hoodwink the due process of law" in India.

In April, Choksi had approached the court claiming that he had not deliberately avoided joining the investigation against him in the Rs 13,600-crore Punjab National Bank alleged fraud case, but was unable to return because of his medical condition. He has filed an appeal against the trial court's order, before which he had claimed that his inability to return cannot be seen as his refusal to return and hence, the provisions of the new legislation, Fugitive Economic Offenders (FEO) Act, cannot be invoked against him.

ical records show that he has sevwas advised a bypass surgery by doctors, following which he had travelled abroad and continued to be suffering from various ailments. He has further said that he is "constrained from travelling" as he needs continuous monitoring

An affidavit filed by the ED on Monday in the HC said that Choksi has communicated to the agency that he does not intend to join the PNB fraud investigation

and medical supervision.

An affidavit filed on Monday by Kuldeep Singh, assistant director in the zonal office of the Directorate, stated that Choksi has communicated to the agency that he does not intend to join investigation. "It may be appreciated that during the course of investigation, the appellant (Choksi) was given several opportunities to appear before the investigating agency and to put forth his version. But, the appellant has deliberately and intentionally evaded attendance before investigating officer on one pretext or the other," it read.

The affidavit further said that Choksi said he underwent a coronary angiography in February 2018 in New York, but the medical certificates dated October 26, 2018, and January 18, 2019, appear to be from a general practitioner instead of a cardiac expert.

"The said certificates, there-

cally obtained to hoodwink the due process of law in India," the affidavit said, adding that copies of medical documents submitted by Choksi are not the originals and so the genesis and veracity of the contents of the documents cannot be relied upon by the court.

It further said that the medical advice on discharge categorically allowed him to return to work within three-five days in February 2018 itself. "As such, it is not clear as to what prevents him from undertaking travel now, i.e., after about 8-9 months from the date of undergoing the said procedure," the affidavit stated.

Choksi has filed another petition in appeal against the trial court's order rejecting his plea seeking cross-examination of ED officials, who submitted a report under the FEO Act against him.

Choksi claims that while seeking to declare him a fugitive economic offender under the Act, the ED has considered statements of 19 persons. He has sought for cross-examination of the witnesses, based on whose statement the provisions of the Act were invoked. In this petition, the ED has replied that if Choksi wishes to cross examine witnesses, he must come and appear in person before the special court.

further stated.

"Employment has risen in each month since April 2018, with the latest expansion the most marked since February," the survey noted.

It further said that going for-

"Expectations of pro-busi-

the survey noted that price

pressures remained

relatively muted, with

on the back of a mild

comes ahead of the

**Monetary Policy** 

Reserve Bank of India's

Committee meeting on

burdens

increase in overall cost

goods producers leaving

selling prices unchanged

pipeline and favourable economic conditions were among the reasons boosting optimism,"it added. On the inflation front, the survey noted that price pres-

sures remained relatively muted, with goods producers leaving selling prices unchanged on the back of a mild

11%

Operating margins of CV

manufacturers improved

sharply to 11% in fiscal

2019 from near break-

even levels in fiscal 2014

**RISING OPERATING** 

margins enabled

players to sharply

leverage, leading to

that should sustain

ratings agency said

strong credit metrics

in this fiscal as well, the

reduce financial

■ The latest data also

June 3, 4 and 6 put in the year ahead, with sentiment improving from April. ness public policies, marketing initiatives, projects in the

As for the CV

industry's operating

profit, it is seen

rising a healthy 8%

to about ₹12,500

crore this fiscal

# Choksi claimed that his mederal blocked arteries and that he

#### 'Small cut' found on AI flight's door in San Francisco



The crack on the Air India aircraft's door. ANI

**ENSECONOMIC BUREAU** NEW DELHI, JUNE 3

A "SMALL cut" was found in the area below a door on an Air India (AI) aircraft about to arrive in San Francisco on Monday and the airline was investigating the extent of the damage. The Directorate General of Civil Aviation has ordered a probe into the incident.

An AI spokesman said that during walk around inspection of the Boeing 777 plane at San Francisco airport, a small cut/crack on the bottom right corner of left side-2 entry door was found. The plane was grounded and the return flight, which had 210 passen-

gers on board, was cancelled. "Air India is trying to get help from local Aircraft Maintenance Repair Agencies for the repair, failing which men and material would be sent from India," the spokesman said.

#### **Toonz Animation acquires** majority in Ireland's Telegael

Mitsubishi ups stake in

TVS subsidiary to 25%

**ENSECONOMIC BUREAU** THIRUVANANTHAPURAM, JUNE 3

tertainment firm Toonz Animation has acquired a majority stake in Ireland's Emmy Award-winner production house Telegael. Toonz Animation based Studio,

DIVERSIFIED GLOBAL Indian en-

Thiruvananthapuram's Technopark, is one of the topbilled animation players in the world, ever since its popular productions, such as Finding Nemo, had been released.

"The acquisition will add more pre- and post-production

**ENSECONOMIC BUREAU** 

DIVERSIFIED GLOBAL giant

Mitsubishi Corporation has be-

come a substantial minority

stakeholder in TVS Automobile

Solutions Private Limited (TASL),

an Indian independent aftermar-

ket solutions provider and part of

which till last year held a meagre

3 per cent stake in the TVS group

firm, has increased it to 25 per cent

by picking up an additional 22 per

The Japanese conglomerate,

the \$8.5-billion TVS group.

CHENNAI, JUNE 3

facilities and a large live-action studio to Toonz's entertainment business, making it ready to become a major 360 entertainment outfit," said P Jayakumar, chief executive, Toonz Media Group. In July 2018, Toonz had an-

nounced the co-production of its new 52 episodes and 12-minute CGI comedy series, Mondo Yan, by partnering with Telegael, Spanish broadcaster TV3 from and Catalunya Imira Entertainment. Telegael is handling part of the pre-production and all post-production of the series, while Toonz-owned Imira Entertainment handles worldwide distribution. **FE** 

cent now. The consideration for its

entire 25 per cent stake in TASL is

pegged at little over Rs 250 crore,

according to R Dinesh, director,

with an annual turnover of Rs

1.300 crore last fiscal, including Rs

400 crore from overseas markets.

ship with Mitsubishi, the com-

pany will grow 35 per cent in this

fiscal and its revenue will touch Rs

1,800 crore by March 2020,"

Dinesh said, adding "we are in the

next phase of strong growth jour-

ney through this tie-up". **FE** 

"With this strategic partner-

TASL is a profitable company

TVS Automobile Solutions.

#### Axis Bank downgraded by Fitch **PRESSTRUST OF INDIA**

ICICI Bank,

**ENSECONOMIC BUREAU** 

THE RESERVE Bank of India (RBI)

on Monday barred S R Batliboi &

Co LLP, one of India's leading char-

tered accountancy firms, from

taking up statutory audit of com-

mercial banks for one year on ac-

MUMBAI, JUNE 3

NEW DELHI. JUNE 3

GLOBAL RATING agency Fitch said Monday it has downgraded two leading private sector lenders ICICI Bank and Axis Bank as the banking sector of the country remains under stress. Fitch said it took the rating action after lowering its midpoint for India's operating environment to 'bb+' from 'bbb-' following a review of the banking sector's performance, particularly in the last three years, the regulatory framework for the sector, and the outlook in the near term.

The performance of India's banking sector is expected to be below-average over the next one to two years despite high growth prospects, it said. "Fitch Ratings has downgraded ICICI Bank Limited's Long-Term Issuer Default Rating (IDR) to 'BB+' from 'BBB-' and its Viability Rating to 'bb+' from 'bbb-'. The Outlook on the IDR is Stable," Fitch said.

It also downgraded Long-Term IDR and Viability Rating of Axis Bank to 'BB+' and 'bb+', respectively, from 'BBB-' and 'bbb-'. "We expect performance of banking sector to be below average over the next one to two years despite our expectations of high economic growth and improving business prospects," it said.

### Sebi begins adjudication proceedings against **HDFC Trustee Company**

RBI bars S R Batliboi & Co from audit of banks

**CHITRA MADIA** MUMBAI. JUNE 3

THE SECURITIES and Exchange Board of India (Sebi) has issued two fresh showcause notices to **HDFC Trustee Company and its** managing director and other officials initiating adjudication proceedings in relation to investments of fixed maturity plans (FMPs) in debt instruments of Essel Group companies. Earlier on May 10, the market regulator had sent two showcause notices on the same matter to HDFC AMC.

In an exchange filing on June 1, 2019, HDFC AMC said: "We now wish to inform you that Sebi has issued 2 (two) additional show cause notices initiating adjudication proceedings against HDFC Trustee Company Limited, i.e. the trustee company of the HDFC Mutual Fund, and our Managing Director, Mr. Milind Barve and few other officials of the Company on May 31, 2019 in relation to the same subject matter."

"We are working with our legal advisors and are in process of responding to the said adjudicatwo Essel group companies.

tion notice," HDFC AMC said. The AMC had rolled over one of its FMPs, which has investments in According to the portfolio, as on March 2019, HDFC Fixed

Earlier on May 10, the market regulator had sent two showcause notices on the same matter to HDFC AMC

the statutory audit of commercial

banks. "On account of the lapses

identified in a statutory audit as-

signment carried out by the firm,

S.R.Batliboi & Co. LLP, Chartered

Accountants, it has been decided

that RBI will not approve the said

firm for carrying out statutory au-

dit assignments in commercial

banks for one year starting from

Maturity Plan — 1,168 Days -February 2016 (1) which was extended by over a year has invested around Rs 66.49 crore in Infrapower Edisons Multiventures and Spirit Infrapower & Multiventures, group companies of Essel. Earlier, Kotak Mutual Fund

had conveyed to its investors that the fund may not be able to pay the entire redemption amount for the Kotak FMP Series 127, which matured on April 8. Industry players estimate that debt mutual funds have an exposure of around Rs 6,000-7,000 crore to debt instruments of Essel Group companies. In January, share prices of Zee Entertainment Enterprises Limited and Dish TV Ltd fell sharply by 26-33 per cent primarily on reports of pledged shares of the promoters being invoked and sold. This resulted in the security cover against the exposures falling below the prescribed threshold as per the NCD documents. **FE** 

#### rebound: Finance Secretary signs of coming high growth." **ENS ECONOMIC BUREAU**

Economy showing signs of

MUMBAI, JUNE 3

April 1,2019," the RBI release said.

in the matter has been communi-

cated to the Institute of Chartered

Accountants of India (ICAI). ICAI,

which functions under the ad-

ministrative control of the

Ministry of Corporate Affairs, reg-

ulates the profession of chartered

accountancy in the country.

It further said the action taken

THE ECONOMIC growth – which hit a five-year low of 5.8 per cent in the March quarter – is showing signs of a rebound, finance secretary Subhash Chandra Garg said on Monday. In a tweet, Garg said, "Turn

around in demand and financing conditions beginning very well. PMI manufacturing is at 52.7. Crude is moving towards 60 dollars. Govt bond yield has gone below 7%. Spread for NBFCs/HFCs over Govt bond is narrowing. Rupee is firmly below 70. Sure

Nikkei The India Purchasing Manufacturing Managers' Index improved to 52.7 in May from 51.8 in April. The improvement was led by a good performance of consumer goods segment, with rates of expansion in output, total sales, new export orders and employment surpassing those seen in the intermediate as well as capital goods categories. Last week's GDP data showed

with a fourth straight quarter of

slowdown, India lost the fastest-

growing large economy status in Q4FY19, trailing China's growth (6.4 per cent) for the first time in nearly two years. **FE** 

#### Nissan to 'review' ties with Renault after FCA merger

**REUTERS** PARIS/MILAN, JUNE 3

NISSAN WOULD carry out a "fundamental review" of its relationship with alliance partner Renault if it accepted a merger proposal from Fiat Chrysler Automobiles (FCA), the Japanese carmaker said on Monday. The proposal under discussion "would significantly alter the structure of our partner Renault", Nissan CEO Hiroto Saikawa said in a statement.

"This would require a fundamental review of the existing relationship between Nissan and

Renault," he said, while adding that FCA's arrival as a new alliance member "could expand the paying field for collaboration and create new opportunities for further synergies". FCA is engaged in intensive discussions with Renault and the French government over the \$35 billion merger proposal it pitched last Monday to create the world's third-biggest carmaker. The Italian-American car-

maker is discussing a special dividend, a French government board seat and stronger job guarantees among possible improvements to secure backing from Paris, Reuters reported on Sunday.