

17 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹35,800	₹ 68.44	\$64.78*	₹39,200

*Indian basket as on July 10, 2019

SENSEX: 38,823.11 ▲ 266.07 NIFTY: 11,582.90 ▲ 84.00 NIKKEI: 21,643.53 ▲ 110.05 HANG SENG: 28,431.80 ▲ 227.11 FTSE: 7,525.98 ▼ 4.71 DAX: 12,359.81 ▼ 13.60

International market data till 1900 IST

SECTOR WATCH AVIATION

Avoiding Iranian airspace costs three Indian airlines ₹37 lakh more daily

9 flights each of Air India, AI Express and two of IndiGo affected daily

PRANAV MUKUL
NEW DELHI, JULY 11

THREE AIRLINES — Air India, Air India Express and IndiGo — are incurring a combined Rs 37 lakh every day in additional operational expenditure due to rerouting that avoids part of Iranian airspace, Minister of State for Civil Aviation (Independent Charge) Hardeep Singh Puri informed Parliament on Thursday. The rerouting primarily affects flights to destinations in West Asia, Europe, US, Turkey, etc.

Following an advisory by the US Federal Aviation Administration (FAA) on June 20 prohibiting US-registered planes from flying over part of Iranian airspace, Indian carriers in consultation with the Directorate General of Civil Aviation (DGCA) had decided to avoid flying in the affected portions of the airspace. On June 19, the Iranian Revolutionary Guard had shot down a US surveillance drone over the Strait of Hormuz that added to the tension between the two countries.

Responding to a question in the Lok Sabha, Puri said nine flights a day each of Air India and Air India Express were rerouted as a result of the decision, adding Rs 13 lakh and Rs 22 lakh every day, respectively to their operational expenditure. India's largest domestic carrier IndiGo has rerouted two flights a day adding Rs 2 lakh per day to its expenses. Various global airlines that

AIRLINE OPERATIONS AFFECTED DUE TO AVOIDANCE OF IRAN AIRSPACE:

Airline	Flights affected (per day)	Additional operating expense (per day)
Air India	9	Rs 13 lakh
Air India Express	9	Rs 22 lakh
IndiGo	2	Rs 2 lakh

Source: Ministry of Civil Aviation, Lok Sabha

Rerouting primarily affects flights to destinations in West Asia, Europe, the US, Turkey, etc

overfly the gulf region to fly either eastward or westward had also said they would reroute to avoid the tensed region. These include Malaysian Airlines, Singapore Airlines, Lufthansa, KLM, British Airways, Qantas. Gulf-based carriers such as Abu Dhabi-based Etihad and Dubai-based Emirates also decided to reroute their flights to avoid possible areas of conflict.

These extra expenses for airlines are in addition to the expenses being incurred on account of Pakistan airspace closure since February this year. Indian carriers have together lost over Rs 550 crore due to Pakistani restrictions that followed the non-military counter terrorism air strike by the Indian Air Force against a terror camp in Balakot, Pakistan.

Air India lost Rs 491 crore till July 2, while IndiGo incurred a loss of Rs 25.1 crore till May 31. Budget carriers SpiceJet and GoAir lost Rs 30.73 crore and Rs 2.1 crore, respectively till June 20. "No additional burden has been put on the passengers and no fare has been increased by airlines due to route diversion/increase in operating costs," Puri said on Thursday.

DIFFICULT FOR CONSUMPTION DEMAND & PVT INVESTMENT TO RISE

Borrowing rates for govt decline but stay high for individuals, corporates

SUNNY VERMA & SANDEEP SINGH
NEW DELHI, JULY 11

THE BUDGET proposals ensure a fall in borrowing costs for the government, but lending rates for individuals and corporates continue to stay elevated despite a 75-basis point cut in repo rate (the rate at which the RBI lends to the government) by the RBI over the last six months.

The Finance Ministry said it would borrow less this year, and pared its fiscal deficit target to 3.3 per cent of GDP, below the interim Budget estimate of 3.4 per cent of GDP. Besides, it also proposed to part-fund its deficit by tapping the international market.

The twin measures pulled the yield down on the government's 10-year benchmark paper to a low of 6.54 per cent on Wednesday. The yield (coupon rate of the bond divided by its price) indicates the rate at which the government can borrow funds.

This disparity in interest cost between the Centre and other borrowers will make it difficult for both the demand in consumption to perk up and private investment to regain momentum. Most home and car loans are still priced above 9 per cent and those for small and medium enterprises

EXPLAINED What govt and RBI need to do

BEHIND HIGH rates are multiple issues: slow transmission, tight liquidity, and high risk premium. The government has maintained fiscal discipline. It now has to infuse confidence in the industry, and the rest is for the RBI to manage.

are 10 per cent. This also points to the slow transmission of repo rate reductions into actual lending rates by banks. The 75-basis point reduction in policy rate by the RBI over the last three monetary policy committee (MPC) meetings in 2019 has resulted in banks cutting interest rates by only up to 20 basis points.

On top of this, increased risk premium following the NBFC crisis and an overall tight liquidity environment has also kept rates high. When asked about the divergence in interest rates for the

government and non-government players, Finance Secretary Subhash Chandra Garg said deposits costs of the banks and risk premium of the borrowers are two important factors that influence bank lending rates.

"There are two additional factors which influence this: one, what is the cost of deposits of the banks and whether it has come down, and two, the risk premium which they attach to the borrower. So, it may be the case that deposit rates may have not come down and the risk perception on the borrowers has actually gone up slightly and we have seen this in the NBFC space. To my mind, possibly that is the reason why the spread has not come down," Garg told *The Indian Express* in a recent interview.

"Overall the rates for them (retail, commercial borrowers) have also come down and spread has more or less been very stable and started showing some signs of declining after the initial months of the IL&FS crisis. Once these issues are addressed and the risk perception of the borrowers also (improves), then possibly we might actually see transmission," he said.

Default on a series of debt papers by the IL&FS group starting last September and delay in repayments subsequently by certain NBFCs created liquidity stress

in the financial markets. While the RBI and the government announced a number of steps to boost liquidity since then, the banks continue to be cagey about lending to risky borrowers and the risk premium has remained elevated. When asked on the issue of transmission of interest rates, RBI Governor Shaktikanta Das said in New Delhi on Monday that the central bank now expects a faster transmission. "In the last MPC meeting (June 6), I had said that by that time 50 basis points of repo rate cut had been announced, and out of this 21 basis points had been transmitted. And one positive thing that is happening now is, earlier it used to take six months for transmission, now the transmission is taking a much shorter period of two-three months," he said.

Banks generally cut lending rates when either their borrowing costs drop or their profit margin goes up or the credit quality improves for the banks. In turn, the cost of deposit depends upon rise in deposits and good liquidity in the system. "While deposits have started growing, a bigger move will come when liquidity in the system increases and when that happens the lending rates for customers will fall," said a debt fund manager with a leading fund house.

FOR BETTER 'CUSTOMER EXPERIENCE'

New retail policy to focus on lower licencing costs and easier funding

PRABHARAGHAVAN
NEW DELHI, JULY 11

THE DRAFT of the government's national policy on retail trade, expected to be released soon, might include a mechanism to upgrade the country's crowded shopping streets for a better "customer experience", a senior government official close to the development said. Besides this, lower licencing costs, better access to funding and a mechanism to look after the welfare of retailers might also be featured.

While the policy is still in the works, as per the consultations held so far, bringing down compliance costs for retailers was seen as a concern that the government plans to work on, the official told *The Indian Express*.

"Compliance costs like licences, renewals and inspections, are very high. That needs to be eased... because it is a burden (on several retailers)" said the official.

Another area that the government is considering is creating a system for retailers to carry out improvements in shopping areas, like Sarojini Nagar in New Delhi, to make it easier for them to operate and for consumers to shop.

"There is a thought that shopping areas need to be improved with better amenities so that there is a good customer experience," said the official.

The government is also looking into requests from stakeholders to review "archaic" laws to see whether they are relevant and required in this day and age or whether they need to be amended, according to the official. However, the official did not elaborate on which laws were being reviewed as part of this exercise.

The Indian Express reported on July 1 that the policy, which figured in the Bharatiya Janata Party's election manifesto this year, aims to spell out regulations and create an overarching framework covering various segments of the country's retail sector. This includes physical retail, direct selling, hypermarkets and e-commerce.

In its 2019 manifesto, BJP said its government would establish a National Traders' Welfare Board for small traders and create a National Policy for Retail Trade to

Walmart CEO McKenna meets Piyush Goyal

New Delhi: Walmart International president and CEO Judith McKenna has met Commerce and Industry Minister Piyush Goyal to discuss local sourcing norms for the domestic market.

"Minister@PiyushGoyal met president & CEO of Walmart International, Judith McKenna and discussed local sourcing and boosting sales of 'Made in India' products, which will benefit local businesses and the overall domestic market," a tweet by the minister's office said on Wednesday.

The Bentonville-based retailing major runs 25 cash-and-carry stores in the wholesale-format in the country. PTI

grow the country's retail sector.

The retail policy is expected to improve the enabling environment for the retail sector as a whole and will also aim to bridge the gap between various stakeholders in the retail ecosystem—a move expected to create a level playing field for online and traditional retailers.

At the same time, e-commerce firms will be governed by e-commerce policy, which is being reworked after the last draft that was put up for comments and is expected to be ready over the next year.

In June, Commerce and Industry Minister Piyush Goyal asked e-commerce firms to send their concerns about the draft policy to the Department for Promotion of Industry and Internal Trade (DPIIT). Around 120 comments have been received and are being examined, said a DPIIT official.

In a separate development, Goyal also told Parliament on Wednesday that the government was not considering any proposal to constitute an e-regulatory authority to regulate and monitor e-commerce businesses in the country.

'H1: Infra, realty drive PE/VC inflows up 27% at \$23.4 bn'

Inflows from private equity/venture capital routes rose 27 per cent to \$23.4 billion across 536 deals in the first half of 2019 year-on-year, as per a report by EY India

\$11.1bn:

Outperformance is mainly due to \$11.1 billion inflows into infra and real estate asset classes, as per data collected which attributed increase to 54 large deals of over \$100 mn

\$7.3 bn:

The reporting period saw \$7.3 billion inflows into the infra sector, which is over 1.6 times of the entire 2018 inflows and is more than the previous two years investments put together

LARGE DEALS DRIVER:

Like in 2018, large deals with value of over \$100 million continued to drive inflows. The reporting period saw 54 large deals aggregating to \$17.2 billion (compared to 45 large deals worth \$14.5 billion in H1 of 2018), making it a record in terms of large deals in any

26%:

Exits declined 26 per cent in terms of value (\$4.1 billion vs \$5.5 billion in 2018) and 24 per cent in volume (77 deals versus 101 deals in 2018)



half-yearly period and real estate (10 deals) worth \$9.9 billion and seven of the top 10 deals were in infrastructure (five) and real estate (two) sectors

SECTORWISE:

As many as 23 of the 54 large deals were in infrastructure (13 deals)

43%:

In terms of number of deals, increase was higher at 43 per cent H1 of 2018. In H1, there were 536 deals as against 376 deals in the same period in 2018

Unauthorised agents, airlines' nexus on airfares: J&K Police

MUZAMIL JALEEL
SRINAGAR, JULY 11

THE JAMMU & Kashmir Police's Crime Branch, which has been conducting an investigation into sudden surge in airfares, particularly in the Delhi-J&K sector, has found out a "nexus between airlines and unauthorised ticketing agents". This, the police claims, creates "an artificial demand by blocking a large chunk of seats in a flight and thus ensuring a surge in price of the tickets for air travel".

Senior Superintendent of Police Crime Branch, Kashmir, Javid Koul told *The Indian Express* that the probe was initiated after the J&K government took a serious note of the "illogical surge in the price of tickets in our (Srinagar-Delhi/Srinagar-Jammu) sector" earlier this year and sought a probe. "The airlines aren't cooperating despite several reminders. They are avoiding to hand over their records to us," he said.

"The modus operandi is simple: these unauthorised ticketing agents book a large chunk of tickets without identifying the passengers. And as there is lesser number of tickets available in open market, especially online, the prices surge phenomenally. Subsequently, the ticketing agents sell these group tickets to individuals at higher price. The airlines allow the ticketing agents to identify the passengers at the last minute," Koul explained.

Koul said they apprehend that this illegal practice is going on across the country and needs to be thoroughly probed. "It seems to be a secret agreement between two or more parties to limit open

Probe was initiated after J&K government took a serious note of the "illogical surge in the price of tickets"

competition and gain an unfair market advantage," he said, adding that the ticketing agents have to follow a procedure to identify passengers in a group ticket seven days or three days in advance. "They don't do that. The ticketing agents sell their tickets after an artificial surge in price. It is only possible because the airlines accept it..." he explained.

In February, when air ticket prices surged leading to public anger, the matter was taken up by the J&K government. At that time, the Delhi-Srinagar air fare was between Rs 13,000 to Rs 17,000. On February 5, Advisor to J&K Governor, Khurshid Ahmad Ganai, held discussions with tour operators and managers of various airlines. The J&K government was especially concerned because hike in air fare was "abnormally" high and "wasn't commensurate with the actual level demand". "After complaints that steep rise in air fares each time road connectivity closes during winters and even during tourist season and there was wrong doing, we asked Crime branch to look into it," Ganai told *The Indian Express*. Governor Satya Pal Malik raised this issue during his meeting with Prime Minister Narendra Modi then.

Crime Branch sleuths have already questioned around 20 ticketing agents and airline sales staff in J&K. "The airlines have a set pro-

cedure to choose a ticketing agent. There are elaborate rules and regulations. The ticketing agents have to be IATA certified. But the airlines don't follow any procedure and are doing business with any unauthorised person flouting rules. Apart from defrauding public through this process, it is also a security risk. Anybody can become a ticketing agent," he said.

On February 9, Koul said, the Crime Branch Kashmir wrote to all the airlines operating in routes to Delhi-Srinagar and Jammu-Srinagar — Go Air, IndiGo, SpiceJet, Air Asia, Air Vistara and Air India — seeking the records of their booking, etc. "We sent several reminders. They haven't responded till now," he said. On February 18, the Crime Branch Kashmir sent six investigating officers to Srinagar airport, who spent the entire day monitoring the airline counters and recording statements of the staff and travellers.

On March 5, Crime Branch wrote to DGCA's Deputy Director Rohit Thakur, seeking intervention in the case. The Crime Branch has also written to Joint Secretary, Ministry of Civil Aviation, Usha Padhee, apprising the ministry of this "serious issue". A senior DGCA official said that the regulator had not received any communication. "In any case, we will explore if something can be done," the official said on condition of anonymity. Padhee did not respond to an SMS query. Responding to a set of queries sent by *The Indian Express*, IndiGo said: "...we have not received any such communication at our end." Queries sent to Vistara, Air India, GoAir, SpiceJet and AirAsia India did not elicit any response.

Lenders to give 7 days to DHFL for resolution plan

Banks have already agreed on an inter creditor agreement for debt resolution

ENS ECONOMIC BUREAU
MUMBAI, JULY 11

BANKS AND bond investors of cash-strapped Dewan Housing Finance Corporation Limited (DHFL) have agreed to give seven days to work out a suitable resolution plan for the company's Rs 1 lakh crore debt.

According to banking sources, this was decided at a meeting of the banks and bond investors on Thursday. Banks have already agreed on an Inter-Creditor Agreement (ICA) for debt resolution of DHFL as per the Reserve Bank's new circular dated June 7.

The ICA signed by banks which are lending to a borrower should provide that any decision agreed by lenders representing 75 per cent by value of total outstanding credit facilities and 60 per cent of lenders by number should be binding upon all the lenders. Resolutions plans should provide for payment not less than the liquidation value due to the dissenting lenders, it said.

DHFL had missed the repayment dates in the recent past. On June 5, rating agencies downgraded the rating on DHFL to the 'D' category indicating that certain debt instruments of DHFL are in 'default' or are expected to be in default soon.

DHFL's bank facilities of Rs 42,713 crore, non-convertible

MEETING OF BANKS, BOND INVESTORS

■ According to banking sources, the seven-day schedule was decided at a meeting of the banks and bond investors on Thursday

■ On June 5, rating agencies downgraded the rating on DHFL to the 'D' category

debentures of Rs 46,655 crore, fixed deposits of Rs 8,940 crore and subordinated debt of Rs 2,205 crore were downgraded to the 'D' category.

The total liabilities of DHFL downgraded to the D category amount to Rs 102,563 crore, the rating agency said.

The downgrade of DHFL is expected to exacerbate the already parlous liquidity situation in the non-banking financial companies (NBFC) sector.

CBDT wants I-T dept to recover ₹5.11 lakh cr tax arrears this fiscal

KHUSHBOO NARAYAN
MUMBAI, JULY 11

THE CENTRAL Board of Direct Taxes (CBDT) wants the Income Tax (I-T) department to recover at least Rs 5.11 lakh crore in outstanding tax demands in 2019-20 alone, according to its central action plan of fiscal 2020.

The total outstanding tax demand arrears of the I-T department stands at Rs 12.77 lakh crore as on April up over 14 per cent from a year ago. The stiff recovery target set by the CBDT, if achieved, can help the government to lower its fiscal deficit considerably.

Arrears of tax demands are demands raised against assesseees in the past that have not been paid. "... while the causative factors responsible for the huge tax arrears and its management need to be undertaken separately through centralised data management by using latest technology and advanced analytics, it is imperative that concerted efforts are made to

TOTAL OUTSTANDING ARREARS: ₹12.77 LCR

■ Arrears are demands raised against assesseees that have not been paid

■ Total outstanding tax demand arrears is Rs 12.77 lakh crore as on April

reverse the trend of increasing arrear demand and to initiate the process of reducing the figure to more manageable levels," said the CBDT in its central action plan.

The outstanding arrear demands have been gradually increasing every year. For instance, in March 2016 the outstanding tax arrears stood at Rs 9.29 lakh crore, in April 2017 it increased to Rs 10.52 lakh crore, Rs 11.20 lakh crore in April 2018 and Rs 12.77 lakh crore in April 2019. While it is not known, how much of the total

outstanding tax arrears is recoverable, data compiled by CBDT shows that tax demands worth about Rs 1.15 lakh crore and Rs 87,961 crore have been stayed by courts and I-T authorities, respectively, till March 2019. Apart from these, at least 3.41 lakh tax appeals are pending with commissioners of income tax involving tax demands of about Rs 5.71 lakh crore.

The CBDT has directed principal commissioners of I-T to formulate a plan for vacation of stay granted by courts and tribunals in appeals and early disposal of cases by July 31. It has asked tax commissioners to "personally attend" high court proceedings pertaining to assesseees seeking for staying tax demands. The CBDT has also set a target for cash collection out of the arrear demand. Under this the IT has to collect at least Rs 83,689 crore this fiscal. Out of this, Mumbai has to collect at least Rs 24,684 crore, Delhi Rs 18,513 crore, West Bengal and Sikkim Rs 4,802 crore and Bengaluru Rs 4,211 crore, among others.

Gold jumps ₹930, hits all-time high

ENS ECONOMIC BUREAU
NEW DELHI, JULY 11

IN LINE with global trend, price of gold in New Delhi jumped by Rs 930 on Thursday to close at an all-time high of Rs 35,800 per 10 grams.

Internationally, spot price of gold is currently pegged at \$1,420.80 an ounce (approximately Rs 34,019 per 10 grams). Gold prices have been moving up ever since concerns over US-China

trade war have come to the fore.

While the prices have been on the rise over the last couple of months, it jumped sharply on Thursday following US Federal Reserve Chairman Jerome Powell's testimony to the US Congress where he hinted of cutting rates in its forthcoming Federal Open Market Committee (FOMC) meeting scheduled for July 30-31. In India, the gold prices also witnessed a spurt following the government's Budget announcement to hike Customs

duty on gold import from existing 10 per cent to 12.5 per cent.

While trade war concerns and US Fed's expected decision to cut rates alongside a cautious stance on US economy prompted investors to move towards safe-haven assets like the yellow metal, in India the prices have adjusted for the Customs duty hike. There is a sense in the market that if the global growth continues to remain under pressure and trade war concerns keep lingering, gold price may inch up further.

Stocks, rupee rise on hope of rate cut by the US Fed

ENS ECONOMIC BUREAU
MUMBAI, JULY 11

AFTER A string of losses since the announcement of Union Budget on July 5, the Sensex on Thursday rallied 266 points in line with a global market rally after US Federal Reserve Chairman Jerome Powell bolstered expectations of a rate cut, the 30-share index settled 266.07 points or 0.69 per cent higher at 38,823.11 after rising as much as 335 points during the day. Similarly, the broader NSE Nifty climbed 84 points, or 0.73 per cent, to 11,582.90.

The rupee gained 14 paise to finish at 68.44 against the US dollar as emerging market currencies gained ground on US rate cut

Powell sticks to rate cut signal

New Delhi: US Federal Reserve Chair Jerome Powell indicated again on Thursday that a rate cut is likely at its next meeting later this month as businesses slow-investment due to trade disputes and a global growth slowdown. In the second day of semi-annual testimony on Capitol Hill, Powell did not veer from the line he took a day earlier. **REUTERS**

hopes. Thursday's stock rally came after the Sensex lost 1350 points

'No over-dues' with banks, says Bajaj Hindusthan

HARISH DAMODARAN
NEW DELHI, JULY 11

BAJAJ HINDUSTHAN Sugar Ltd (BHSL) has said that its account with banks is "regular and standard" as on date, ruling out any possibility of it being referred to the National Company Law Tribunal (NCLT).

"State Bank of India (leader of the lenders' consortium) has confirmed that our account is regular and standard, with no overdue installments, as on June 26. Also, our total bank liabilities have come down from around Rs 4,700 crore to Rs 2,300 crore between December 31, 2017 and March 31, 2019," a top official from India's largest sugar producer told *The Indian Express*.

The Rs 2,300 crore amount excludes the optionally convertible debentures (OCD) aggregating Rs 3,483.25 crore that the company had issued to lenders in December 2017 under an earlier Scheme for Sustainable Structuring of Stressed Assets (S4A). "The OCDs have not been included in our loan figure, because we anticipate that they will be converted into equity shares and not remain a repayable loan in the company's books. Even in the unlikely event of non-conversion, they are repayable over 13 years from 2024-25, after the existing loans

Clearing cane growers' dues will take time, says firm. As on June 30, cane over-dues payable to farmers, stood at over Rs 3,180 crore

are fully repaid," the official stated.

The Reserve Bank of India's (RBI) circular dated February 12, 2018 had mandated banks to implement resolution plans (RP) in cases of even a single day's default by companies with Rs 2,000 crore or more of outstanding loans. If the RPs did not yield results within 180 days from the date of default, the lenders had to compulsorily file insolvency applications with the NCLT. A subsequent RBI circular on June 7 this year, however, extended the one-day rule to 30 days, while giving banks complete discretion with regard to initiation of insolvency proceedings.

"Banks are now required to implement RPs only 30 days after default and there is no reference to NCLT. Even if the case isn't resolved within 180 days thereafter, banks have to merely make a 20 per cent additional provision against the loan. Moreover, even if borrowers delay their repayment by a couple

since the Budget presentation on July 5. Global markets rose after Powell told a congressional committee on Wednesday that the Fed is ready to "act as appropriate" to boost growth amid multiple headwinds. Powell seemed to lay ground for a rate cut later this month as he noted the effect of the Sino-US trade war on the economy.

Ajit Mishra, vice president, Religare Broking, said, "markets staged a smart recovery aided by supportive global cues on hopes of a rate cut by Fed in its July meet. We expect the markets to remain choppy in the near term in the backdrop of weak domestic cues. Given the economic slowdown, we expect the earnings season to be tepid."

of days or weeks, the moment the dues are paid, the total 210-day period will automatically be counted from the time they become irregular once again. The time frame for the 210-day limit will keep shifting until a company is unable to pay at all. In our case, we have no overdue as on today and so there's no issue," the official claimed.

He, however, admitted that BHSL had huge cane over-dues payable to farmers. These, as on June 30, stood at over Rs 3,180 crore or nearly 63 per cent of the value of cane bought during 2018-19 crushing season.

"The quantum of cane dues is directly proportionate to our volume of business. Being the largest sugar producer in South and Southeast Asia, cane dues are inevitable and we can pay these only from sale of our sugar stocks. Unlike in other businesses, our raw material (cane) has to be procured and processed in a period of 4-5 months, whereas the end-product (sugar) is sold over 1-1.5 years," the official added.

With an aggregate cane crushing capacity of 136,000 tonnes per day, BHSL's 14 mills across Uttar Pradesh produced 15.5 per cent of the state's sugar output in 2018-19. During the season, the 14 mills crushed 158.80 lakh tonnes of cane sourced from an estimated two lakh-plus farmers.

'AI is more attractive after Jet shutdown'

SHALINI NAIR
NEW DELHI, JULY 11

DESCRIBING AIR India as a "first-class asset", Civil Aviation Minister Hardeep Singh Puri told the Lok Sabha that following the shut-down of Jet Airways, Air India has become "an even more attractive acquisition".

"Air India is a first-class asset. It has 125 planes; it owns half of them. It flies to 40 international destinations and 80 domestic destinations and it is doing extremely well. The problem is that it has unsustainable debt burden. It is the servicing of that

debt burden which is the problem insofar as Air India is concerned," said Puri adding provisional figures show that Air India's operating loss in 2018-19 is over Rs 7000 crore.

Stating that the government to ensure the benefit of Indians, the national carrier will remain in Indian hands, Puri added, "The Government is committed to the strategic divestment of Air India. We believe that Government's scarce resources should be utilised in other development schemes and this is an area where privatisation or disinvestment will work...In fact, after Jet Airways ceased operation,

Air India becomes an even more attractive acquisition."

Puri was replying to a question by Shiv Sena MP Sanjay Mandlik on why despite increasing number of air passengers, Air India's market share is on the decline.

Puri said that while the airports are doing well, airlines operate on thin margins owing to high capital costs and uncertainty caused by geo-political factors.

He cited the closure of Pakistani airspace which has led to Air India shouldering a loss Rs. 430 crore as one such instance.

DGCA finds safety lapses at Calicut airport

PRESS TRUST OF INDIA
NEW DELHI, JULY 11

THE DGCA on Thursday issued show cause notice to the director of the Calicut international airport after it found that some critical areas were not being maintained as per the safety standards, sources said.

On July 2, an Air India Express flight coming from Dammam had a tail strike while landing at the Calicut international airport.

Under directions from the DGCA, Air India Express earlier this month suspended the pilots

2 AirAsia pilots suspended

New Delhi: Aviation regulator DGCA has suspended flying licences of two pilots of AirAsia India for violating procedures that caused damage to the wing sharklet of an aircraft, according to a senior official.

The left hand wing sharklet of an A320 aircraft that was to fly to Bengaluru was damaged while negoti-

involved in this incident. A source said, "The DGCA ob-

ating a turn from runway at Bagdogra airport on February 15.

Meanwhile, the Civil Aviation Ministry Thursday said the DGCA will conduct a detailed inquiry and take appropriate action in the death of a Spicejet technician during maintenance at the Kolkata airport on Wednesday. **PTI**

served various lapses in safety standards during its inspection of

Protectionist policies, tariffs hurting India: Ross

LALITK JHA
WASHINGTON, JULY 11

INDIA MUST recognise that its protectionist policies and tariff rules are hurting its companies and are a big impediment to attracting foreign direct investment, US Commerce Secretary Wilbur Ross said on Thursday.

In a blunt message — for the second time in a month — to the Indian government, Ross said that the recent decisions that has impacted American companies like Amazon and Walmart have cre-

ated an atmosphere of unpredictability and has hit the confidence of other companies to invest in India. He was referring to India's FDI rules in e-commerce. Ross said that a recognition by India that some of tariff rules, regulations, and protectionist policies "are actually hurting" their companies on an international basis would be useful.

He exuded confidence that Prime Minister Narendra Modi would take necessary steps to remove obstacles that constrain businesses and the manufacturing sector. **PTI**

India, US officials to meet today to discuss trade issues

PRESS TRUST OF INDIA
NEW DELHI, JULY 11

SENIOR OFFICIALS from India and the US will meet here Friday to discuss various trade and economic issues and strengthen bilateral relations, a top official said.

A team led by Assistant US Trade Representative (AUSTR) for South and Central Asia, Christopher Wilson, will hold the

'INDIAN MERCHANT DISCOUNT RATE IS ONE OF THE LOWEST ACROSS THE GLOBE'

Payment service providers fear shutdown, ask govt to pay MDR

ENS ECONOMIC BUREAU
MUMBAI, JULY 11

NON-BANK PAYMENT service providers (PSPs) have asked the government to bear the cost of digital payment as they are starting at a shutdown in the wake of the Budget proposal of zero MDR (merchant discount rate).

The Finance Bill stated that in Payment and Settlement Systems Act, an additional section will be inserted with effect from November 1, which will read: "Notwithstanding anything contained in this Act, no bank or system provider shall impose any charge upon anyone, either directly or indirectly, for using the electronic modes of payment prescribed under Section 269SU of Income-tax Act, 1961." MDR is a fee charged from a merchant by a bank for accepting payments from customers through credit and debit cards in their establishments.

Loney Antony, vice-chairman, Hitachi Payments said, "non-bank payment service providers (PSPs) like aggregators/processors are a significant part of the ecosystem. If there is no commercial model, they will be forced to shut down. Banks may have mul-

'NON-BANK PSPs SIGNIFICANT PART OF ECOSYSTEM'

■ Non-bank PSPs are a significant part of the ecosystem. If there is no commercial model, they will be forced to shut down, Hitachi Payments said

■ PCI said announcement will deflate work done by acquiring industry and MDR if not charged to customers and merchants, should be borne by the government

iple ways to recover money from the merchants, but non-bank players do not have any other avenue than the MDR. These PSPs are employing at least over a several lakh jobs, and in the absence of revenue, there will be survival issues and the industry will eventually collapse."

According to the Payment Council of India (PCI), this announcement will deflate the hard work done by the acquiring industry and MDR if not charged to the customers and merchants, should be borne by the government. This will help the acquirers to focus and invest in the expansion of the acquiring infrastructure. Digital payments and fintech are high growth areas and with right policies and support, they can work towards the acceleration of adoption of digital payments."

Vishwas Patel, chairman, PCI,

"Indian MDR is one of the lowest across the globe even when monthly retail digital payments volumes are negligible at \$ 250 billion (approximately). The real issue for merchants to accept digital payments is the avoidance of tax and requires urgent simplifying of tax both GST and income tax. International benchmarking should be done before such policies are implemented. It is well established that in any growing economy for the payments infrastructure to grow, we need the policies that are 'acquirer friendly' which can attract capital."

Payment providers say multiple digital payments reports over decades have never recommended zero MDR. Some of the recent reports of the Committee for Deepening of Digital Payments chaired by Nandan Nilekani and Framework for digital payments

Chaired by Ratan Watal did not propose zero MDR. "All had recommended market-based pricing with support and focus to drive merchant acquiring. The recent RBI Vision 19-21 document also recommends creating some additional efficiency wherever possible in costs, and not eliminating the MDR," PCI said.

Industry officials said the zero MDR for all merchants, with cost to be borne by the RBI and bank comes as a surprise, which has not gone down well with and appreciated by the payments industry.

Deepak Chandnani, CEO, South Asia & ME, Worldline, said, "with the banks being asked to bear burden of zero MDR, their acquiring business profitability will be impacted. Further it is likely that banks would in turn try to recover some of this from their non-bank fintech partners, thus negatively impacting all eco-system players, which are key to driving much needed growth of the acceptance/acquiring eco-system."

Digital payments grew from 6 per cent of GDP to 14 per cent and now slipped to 12 per cent. Cash is also 12 per cent of GDP. "We have not made any progress on this front and if this trend continues, we will go back to single-digit

very soon," he said.

Naveen Surya, chairman, FCC, said, "considering digital payment in retail is little more than just 10 per cent, we have miles to go and need many more players to be willing to invest and work to provide these services. This announcement of industry bearing MDR would lead to the whole digital payment industry without any business and revenue model. The charge of 2 per cent TDS on cash above Rs 1 crore received by the bank, would not be sufficient for the larger eco-system to be rewarded for their efforts."

Digital payments have received high interest from various investors. "Private equity and strategic investors are looking for consistency and principle-based policies to invest in this market. 'Knee jerk' policy changes like this are likely to spook such investors and will not be in favour of the government in attracting foreign capital," PCI said. As per providers, the investors are already managing some existing policies with great difficulty — for example, compulsory full KYC even for Rs 1 transaction and no access to UIDAI/Aadhaar for KYC, higher cash in circulation and easier norms to deal in cash versus digital.

BRIEFLY

Bids invited for strategic sale of Pawan Hans

Mumbai: The government on Thursday issued a fresh bid document for strategic divestment in Pawan Hans Ltd (PHL).

Vistara to begin international ops from Aug

New Delhi: The Tata and Singapore Airlines-run Vistara has announced its foray into international skies with flights to Singapore from Delhi and Mumbai, from early next month.

Care Ratings downgrades Cox & Kings

New Delhi: Cox & Kings Thursday said Care Ratings has downgraded ratings of the company's long-term facilities and a commercial paper issue totalling Rs 3,445 crore to status of being in or expected to be in default.

OPEC sees lower 2020 demand for oil

London: OPEC Thursday forecast world demand for its crude will decline next year as rivals pump more, pointing to return of a surplus despite OPEC-led pact to restrain supplies. **REUTERS**

Birla creates 15 mn pounds LBS programme

Mumbai: The Aditya Birla Group on Thursday announced the creation of a 15 million pounds endowed scholarship programme to support the education of 10 full-time MBA candidates every year in perpetuity at the London Business School (LBS). Five of the scholarship recipients will be from India and five from the rest of the world. **ENS**

Rafael, KRAS sign \$100 mn contract

Hyderabad: Israel's Rafael Advanced Defense Systems signed a \$100 million contract with Kalyani Rafael Advanced Systems Ltd, India (KRAS) to manufacture 1,000 BARAK-8 MRSAM missiles' kits for the Indian armed forces. KRAS is a joint venture between RAFAEL Advanced Systems and Kalyani Strategic Systems Ltd, with the Indian partner holding 51 per cent. **ENS**

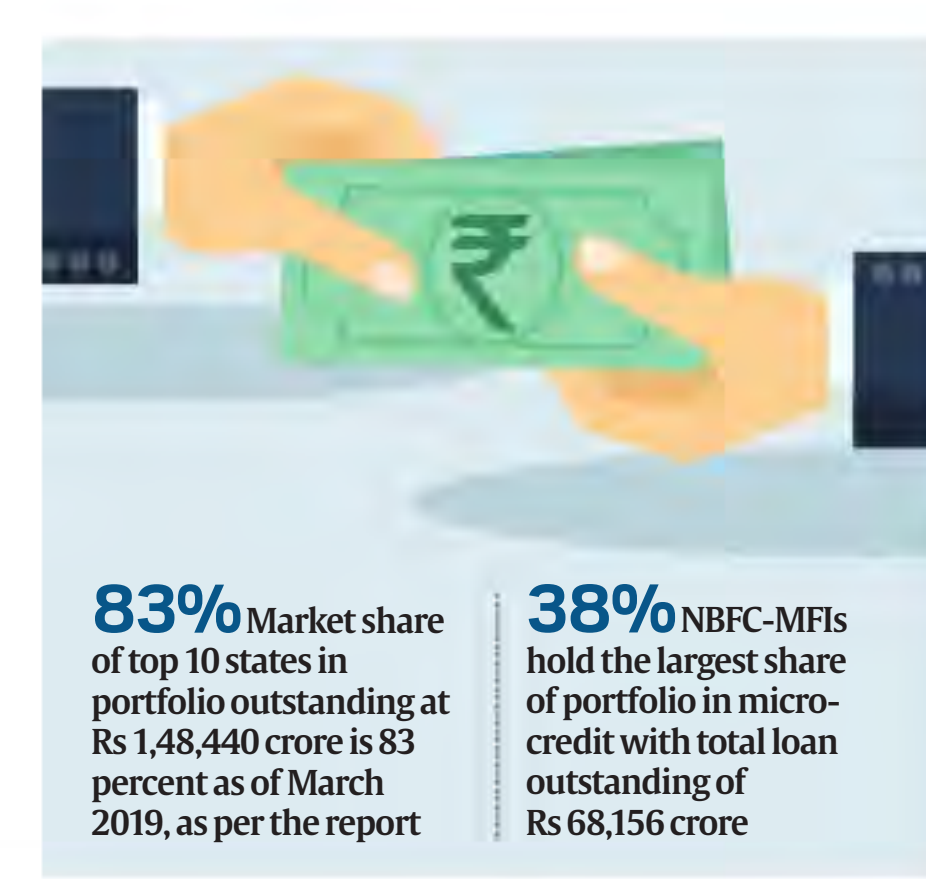
'Micro-loans jump 40% to ₹1.8 tn in FY19'

The microfinance industry's total loan portfolio grew 40 per cent to Rs 1,78,587 crore in FY19, with top 10 states accounting for 83 per cent of the gross loan portfolio, according to a joint report by Equifax and Sidbi

₹1,27,223 cr: In financial year 2017-18, total loan portfolio of the industry had stood at Rs 1,27,223 crore

1.4%: Delinquency level improved across all the days past due buckets. Portfolio at risk, which indicates the early delinquency rates, has come down from 4.74 percent in FY18 to 1.40 percent in FY19

STATEWISE: Bengal and Tamil Nadu contributed 34.7 per cent of the top 10 states. Followed by Bihar, and Karnataka are having



portfolio of over 15,000 crore, indicating a highly concentrated market

HIGHEST GROWTH: Bihar saw the highest growth at 54 per cent in FY19

ON GROWTH: Growth in the overall microfinance portfolio is encouraging, Sidbi chairman Mohammad Mustafa said

FRESH DISBURSAL: In FY19, fresh loan disbursal stood at Rs 213,074 crore, an increase of 36 per cent over FY18, while disbursal in terms of volume grew 20 per cent

Reliance Infra signs inter-creditor pact

ENS ECONOMIC BUREAU
MUMBAI, JULY 11

RELIANCE INFRASTRUCTURE of the Anil Ambani group, has said 16 lenders have signed the Inter-Creditor Agreement (ICA) for the resolution of debt as per the Reserve Bank's circular of June 7.

Rlnfra said it has now achieved standstill for 180 days as per the ICA. According to the RBI circular, the resolution plan of Reliance Infrastructure is to be imple-

mented within 180 days. "Reliance Infrastructure is confident of implementing its resolution plan well before the 180-days deadline based on advanced progress of its various asset monetisation initiatives," it said.

As per RBI framework, resolution plan has to be agreed to by 75 per cent of lenders by value of debt and 60 per cent by number of lenders. Rlnfra has already announced sale of Delhi-Agra Toll Road for Enterprise Value of Rs 3,600 crore.

Housing affordability worsened over past 4 years: RBI survey

PRESS TRUST OF INDIA
MUMBAI, JULY 11

A RESERVE Bank survey Thursday showed that housing affordability has worsened in four years with Mumbai being the least affordable.

The RBI has been conducting a quarterly Residential Asset Price Monitoring Survey (RAPMS) since July 2010 on housing loans disbursed by select banks and housing finance companies (HFCs) across 13 cities.

"Housing affordability worsened over the past 4 years as the house price-to-income (HPTI) ratio increased from 56.1 in March 2015 to 61.5 in March 2019," the RBI said while releasing the survey.

Mumbai remains the least affordable city in India, while Bhubaneswar remains the most affordable city. It further said the movement of median loan-to-income (LTI) ratio also confirms worsening housing affordability as it moved from 3 in March 2015 to 3.4 in March 2019.

Bombay HC gives no relief to Vijay Mallya

EXPRESS NEWS SERVICE
MUMBAI, JULY 11

THE BOMBAY High court Thursday dismissed an application moved by Vijay Mallya seeking relief in the confiscation proceedings before the Special Court under the Fugitive Economic Offenders (FEO) Act. His petition challenging the constitutional validity of FEO is pending before the HC.

A division bench of Justices Akil Kureshi and S J Kathawalla dismissed the application filed by Mallya seeking a stay on the confiscation proceedings before the special court, while his petition questioning the Act remains pending before the High Court. Either that or, he contended, the confiscation orders should be subject to the outcome of petitions before the High Court.

France adopts tax on tech giants after US threat

REUTERS
PARIS, JULY 11

FRANCE'S SENATE gave final approval to a tax on big technology companies on Thursday, potentially opening up a new front in a trade row between Washington and the European Union.

President Donald Trump on Wednesday ordered an investigation into the tax, which could lead to the United States imposing new tariffs or other trade restrictions.

"Between allies, we can and should solve our disputes not by threats but through other ways," Finance Minister Bruno Le Maire told senators before the final vote.

The 3 per cent levy will apply to revenue from digital services earned in France by firms with more than 25 million euros in French revenue and 750 million euros (\$845 million) worldwide. It is due to kick in retroactively

In two separate petitions, being heard by a division bench of Justice Indrajit Mahanty and Justice AM Badar, Mallya has challenged the constitutional validity of the FEO Act and the special court's order declaring him fugitive. The special court had held that the overall conduct of Mallya suggest his refusal to return of India to face criminal prosecution, while declaring him fugitive on January 5, this year.

An affidavit was attached to the application made by Tushita Patel, holding power of attorney of Mallya, stating that he should be "at least granted protection" pending the hearing and final disposal of petition challenging FEO Act to the effect that whatever orders may be passed hereafter by the special court under the FEO Act will be subject to the final decision of the HC.

from the start of 2019.

France pushed ahead with the tax after EU countries failed to agree a levy valid across the bloc in the face of opposition from Ireland, Denmark, Sweden and Finland. "France is a sovereign country, its decisions on tax matters are sovereign and will continue to be sovereign," Le Maire said. Other EU countries including Austria, Britain, Spain and Italy have also announced plans for their own digital taxes.

They say a levy is needed because big, multinational internet companies such as Facebook and Amazon are currently able to book profits in low-tax countries like Ireland, no matter where the revenue originates.

Political pressure to respond has been growing as local retailers in high streets and online have been disadvantaged; French President Emmanuel Macron has said that taxing big tech more heavily is an issue of social justice.