Board cites non-compliance with SEBI rules to reject recognised association status request; traders miss tax benefits

MANOJIT SAHA

The Central Board of Direct Taxes (CBDT) has rejected the National Stock Exchange's request to grant 'recognised association' status to the commodity derivatives segment, citing violation of certain Securities and Exchange Board of India (SEBI) norms and Income Tax

The approval was sought by exchanges so that traders could get tax benefits by using theplatform. Derivatives trading in recognised exchanges is not treated as speculation. According to Sec 43(5) of the Income Tax Act, any derivative transaction entered into at a recognised stock exchange is not treated as speculative, and losses can be set off against normal business profit. According to sources, the CBDT observed that certain changes are required to ensure client code modification in genuine cases. To be eligible recognised exchanges, they should satisfy the conditions prescribed in the Income Tax rules, which essentially say they should be SEBI-compliant, should ensure client code modification in genuine cases only as they have a significant tax evasion potential, and that vigilance mechanism should be strong.

"The applicant is not fulfilling the conditions mentioned at rule 6DDC(i) (nonfulfilment of conditions as specified in SEBI's approval letter dated 19.09.18 and rule 6DDC(v) (lack of mechanism in place to verify whether only genuine errors are modi-



Safe bet: Any derivative transaction entered in a recognised stock exchange is not treated as speculative. • SUPREET SAPKAL

fied) and the applicant is also in the process in implementing changes in its system which has to be completed first for the purpose of effec-

tive surveillance of transactions happening in its platform," a communication from CBDT to NSE said.

Rule 6DDC deals with re-

cognised exchange status. NSE launched commodity derivatives trading in October 2018 and currently offers contracts in gold, silver and brent crude.

"Therefore, it may not be appropriate to grant recognition to the applicant as a 'recognised association' for the purpose...at this stage," it

Following the CBDT's decision, NSE has decided to re-file the application. "We have filed the applica-

tion. It is under process," a NSE spokesperson said.

NSE has also discussed the matter with other exchanges and SEBI. All the exchanges are expected to issue a circular shortly in which brokers will be asked to mention the reason for client code modification in institutional trades as well. In April 2012, SEBI had warned NSE "to be more cautious and perceptive in discharge of its regulatory duties" after a regulatory probe, initiated at the behest of the Department of Revenue, found that there were very high instances of client code modifications, with March 2010 alone accounting for such modifications to the tune of nearly ₹55,470

"NSE has taken a laid-back attitude towards the problem $\,$ and either totally ignored or perfunctorily imposed minor penalties to the brokers. It failed to apply its mind to the unusualness of the happenings. I therefore find that NSE acted negligently in discharge of its regulatory duties," stated the SEBI order issued on April 2, 2012.

First tranche of ZEE stake sale helps firm repay MFs

Lenders receive 45-60% of total dues

SPECIAL CORRESPONDENT

Essel group, one of the leading media groups in the country, has completed the first tranche of stake sale of Zee Entertainment Ltd. to Invesco Oppenheimer Developing Markets Fund, the said in company statement.

Essel Group had entered into an agreement to sell up to 11% promoter stake in ZEEL to the Fund. In the first tranche, the group sold 8.7% stake in ZEEL.

"The group is confident of completing the balance sale of 2.3% stake over the next few days. The group is working towards timely completion of operational formalities in order to conclude the entire transaction at the earliest," Essel said in

"This development reaffirms the group's positive progress on its overall asset divestment approach undertaken, to generate adequate liquidity for the repayprocess," ment statement said.

Sources said lenders had received 45-60% of the total outstanding from ZEEL

HDFC Mutual Fund has received ₹580 crore or about 50% of its outstanding dues, while Aditya Birla Sunlife Mutual Fund received ₹760 crore – ie about 49% of total pledged shares of ZEEL. ICICI Prudential Mutual Fund received ₹435 crore, which is 60% of its total outstanding dues and Kotak MF received ₹208 crore.

Exports can help offset economic slowdown, says CII panel

'U.S.-China tensions have opened trade window for India'

SPECIAL CORRESPONDENT

Ahead of the Union Commerce and Industries Minister's meeting with exporters and importers on September 11 to discuss trade policy instruments, exporters have flagged certain concerns, saying the government should help build large capacity for exports instead of announcing measures only for the MSME sector.

'[The] slump / slowdown in domestic manufacturing could be offset by fast-tracking exports... as trade windows open due to trade tensions between the U.S. and China, [they] provide an opportunity for Indian exports to the U.S. market" said SanExporters depend on foreign shipping lines as there is no national shipping line

SANJAY BUDHIA Chairman, CII National Committee on Exports and Imports

jay Budhia chairman, CII national committee on exports and imports.

He said that the exporters were at the mercy of foreign shipping lines in the absence of a national shipping line. A national shipping regulatory body should also be formed to determine freight rates.

He called for remedial measures to protect the huge employment and investments made in SEZs

where many units were finding it difficult to carry on their businesses due to some mid-term policy changes. He suggested the government give a one time I-T exemption.

Pointing out that engineering exports accounted for 25% of Indian shipments. Mr. Budhia said that steel be provided to them at competitive rates being offered to international buyers by the steel mills. He hoped the Centre would take ease-ofdoing business measures for exporters on issues such as myriad taxes and duties (like electricity duty, taxes and duties on petroleum products) that had no refund

Synergy Group signs pact with Jet's RP

S. American entity emerges sole bidder

SPECIAL CORRESPONDENT MUMBAI

Synergy Group Corp., believed to be the sole qualified bidder for Jet Airways, has signed a Non Disclosure Agreements (NDA) with the grounded airline's Resolution Professional Ashish

Chhawchharia, it is learnt. The NDA was signed on Tuesday offering some hope for the revival of Jet Airways. A person familiar with the development confirmed the move. Till recently, three bidders who were in the fray had applied to participate in the resolution plan.

These include Treasury RA Creator, a financial organisation of Russia, Synergy Group Corp. of South America and the Avantulo Group.

While Avantulo could not submit the desired documents to be qualified for the bid, Treasury could not deposit the required amount on the due date. It is believed that the candidatures of both these parties have been rejected by the Committee of Creditors(CoC).

A confirmation from the CoC could not be obtained immediately. It is also believed that the CoC has done due diligence on Synergy Group Corp. Synergy is a South American conglomerate that owns majority stake in Avianca Holdings which runs the Colombian carrier.

The last date for submission of the resolution plan is

Mahindra to double investments in the U.S., opens office in D.C.

Group to focus on growth of manufacturing, auto units

SPECIAL CORRESPONDENT

The Mahindra Group is planning to double its investments in the U.S. with the opening of its new office in Washington, D.C. This year, the \$20.7-billion group marks its 25th year of conducting business in the U.S.

With investments of \$1 billion, Mahindra Group companies in the U.S. span a diverse array of industries, including automotive manufacturing, farm equipment production, IT services, sustainable transportation, multi-purpose aircraft development and equipment financing services.

"Establishing this new



Anand Mahindra

important element of our U.S. growth strategy," said Anand Mahindra, chairman of the group. "Mahindra has already invested \$1 billion in the U.S. market and we are committed to doubling our investments here over the next few years." Mahindra's promote the group's diverse U.S. businesses. The office will be led by

Washington, D.C., office will

Dilip Sundaram, president of corporate affairs, Americas.

The group said it would focus on "growing our manufacturing and automotive operations." Mahindra's U.S. employees are spread across 10 factories and assembly centres, 790 tractor and powersports dealerships, and 30 IT development and de-

A company statement said its Urban Agriculture programme had created 1,500 new gardens across low-income areas of Detroit and had turned abandoned pro-

livery centres.

+ Auto firms shift lanes to keep pace with slowdown

mechanism under the GST.

With domestic sales taking a plunge, firms are now eyeing export markets and shared mobility

As the market continues to lose appetite for demand and the situation is unlikely auto majors finding the going difficult are adjusting to the new normal.

While most auto companies are constantly cutting down production to reduce the inventory on factory premises and at dealerships, they are focussing on export markets to make up for the losses in the home market.

As per the Society of Indian Automobile Manufacturers (SIAM) data, domestic auto sales for August plunged 25% year-on-year.

As shared mobility has become an intrinsic part of urban mobility and a segment of buyers is staying away from owning cars, passenger vehicle manufacturers are seen investing in shared mo-



production to reduce inventory at factories. • PAUL NORONHA

options to attract buyers.

Leasing options

On Tuesday, Honda Cars India Ltd. (HCIL) announced the launch of its new car leasing services in association with Orix, a car leasing and rental company.

As a part of this association, leasing options will be available for Honda CR-V,

bility and providing leasing Honda Civic and Honda City for both corporate customers and individual customers. The leasing option can be availed by self-employed professionals, businessmen and salaried individuals as

well, the company said. Rajesh Goel, senior VP and director, Sales and Marketing, Honda Cars India, said, "Car leasing enables customers to enjoy the perks of using a car without having to purchase it. Car leasing is gaining popularity in India." Recently, Mahindra & Mahindra Ltd. committed to in- nues to remain at higher-

bility company Meru Cabs, whereby it can deploy a large number of its vehicles on the fleet and "remain relevant in the changing scenario." Daimler India Commer-

cial Vehicles, a wholly owned subsidiary of Daimler AG, Germany, on Tuesday announced India as a global export hub for BS VI trucks and buses. It said it will begin exports of India-built trucks by 2021/2022. It plans to export fully-built vehicles, engines and parts to countries like Mexico, Chile and Brazil that will soon migrate to similar emission norms.

Domestic auto volume from across the segment had declined due to lower retail demand coupled with inventory correction by some players, analysts said.

"After inventory de-stocking, existing inventory contiplayers, which would continue to impact the wholesale dispatches in the second half of this year. A few firms also announced production cuts in the last three months to adjust inventory levels in light of demand situation," Mitul Shah, research analyst,

Reliance Securities, said. Shamsher Dewan, VP and sector head, Corporate Ratings, ICRA said: "Near-term outlook for the sector appears challenging, with OEMs still undertaking stock reduction measures to rationalise dealer inventory levels." The effect of the increase in axle load is yet to go away and will continue to hurt truckmakers, may be till

'Tough to keep refuelling Air India' +

Airline already owes over ₹5,000 cr. to oil marketing firms

SPECIAL CORRESPONDENT

With Air India owing them more than ₹5,000 crore in outstanding dues, Stateowned oil marketing companies (OMCs) are finding it tough to keep refuelling the carrier.

OMCs provide 90 days' unsecured credit to the national carrier, compared with secured credit backed by bank guarantees for other private airlines.

However, Air India has not paid the OMCs for eight months against its credit period of 90-days, accumulating dues of over ₹5,000 crore to the OMCs.

Asked for comments, IOCL chairman Sanjiv Singh said. "The commercial conditions differ slightly from airline to airline. Air India, being a public sector [firm], we provide them unsecured credit. For Jet Airways, we

provided secured credit. Today, even if Jet is not operational, we have no outstanding dues against the airline. For other airlines, the outstanding is not abnormal and nothing to worry. But for Air India, the dues with interest is over ₹2,900 crore and is increasing. That's why we are little worried about Air India's outstanding and we find it difficult to support

IOCL itself has a net borrowing of over ₹75,000

'Borrowing to support' Asked till what point IOCL can continue to refuel Air India, Mr. Singh said, "It's a big call. When I am looking from Indian Oil's point of view... it's not only business alone,

Air India is a national carrier, India is also attached

it's commitment beyond

with Air India. But from a business point of view, only that sentiment can't take it forward. We are not a cash surplus company. We have to borrow to support to Air India and we can't continue like this."

Air India owes about ₹3,000 crore to Indian Oil Corporation (IOCL) alone and the remaining ₹2,000 crore is split between Hindustan Petroleum Corporation Limited (HPCL) and Bharat Petroleum Corporation Limited (BPCL).

"Efforts are going on to recover the dues. They have not exceeded the credit limit of ₹3,000 crore. They are on cash-and-carry mode for further fuel purchases but the outstanding of ₹2,900 crore remains and we are putting pressure to recover the dues," IOCL director-finance Sandeep Kumar Gupta told *The Hindu*.

India may see positive hiring trends: Manpower

Public administration, education in lead

SPECIAL CORRESPONDENT

A survey conducted by ManpowerGroup across 5,131 employers in India indicates optimistic hiring plans for upcoming months.

As per the study, sectors expected to lead job market growth include public administration and education, wholesale and retail trade and services sectors.

All these sectors would open up job opportunities in the coming quarters, said the study. Enterprises in the public administration and education reported strongest hiring intentions with a net employment outlook of mining and construction of plus 16% and transportation and utilities of plus 13%, as per the study. "Lack of desired skill sets

is what makes it difficult for Indian employers to fill job positions. Corporate India's hiring intention is better as employers collaborate with the education bodies to ensure a skilled labour pool in the coming years," said ManpowerGroup in a

This India survey was part of a global study conducted among 59,000 employers across 44 geogra-

"Compared with the previous quarter, employers in 15 out of 44 countries and territories reported stronger hiring prospects, while employers in 23 countries reported weaker hiring plans that also include six who anticipate "no change."



Tourism agency expects 40,000 more visitors for ICC T20 World Cup

MINI TEJASWI

India currently is the most sought after tourism market for Australia.

The Australian government's global tourist promotion arm, Tourism Australia, expects the number of Indian visitations to reach five lakh by 2020 and cross 10 lakh by 2025 from some 3.72 lakh during the year ended March 2019.

Nishant Kashikar, country manager, India and Gulf, Tourism Australia said India was the fastest growing inbound market for Tourism Australia with five consecutive years of double-digit growth.

"In the last five years, there has been a 16% CAGR growth in Indian tourist inflows while the spending by them has gone up by 18% during the period," he said. A large number of Indian



population was already in Australia – a huge Indian diaspora of 7.5 lakh people in addition to 90,000 students and a large base of Indian

tech workers, he said.

"Our 2020 arrival goal for Indians was three lakh, but we had achieved this goal three years ahead of the target date in December 2017. That's the kind of interest we see among Indians for Australian destinations," he ex-

plained. As the host nation of the ICC T20 World Cup for Women and Men in 2020, Australia is anticipating to sustain its growth trajectory in tourism.

The country has recently made its online visa processing simpler and more convenient with no personal visits or need for biometrics. Also, it believes that its currency stability gives it an added attraction among foreign tourists.

Mr. Kashikar further said, "We expect an additional, up to 40,000 Indian visitors to Australia in connection with these two sports events. We want to make the ICC T20 World Cup for Women a very big event as part of our focus on popularising women

"We are working with ICC and travel partners to make these events a huge success." Commenting on

emerging travel trends in India, he said, "We see interesting trends emerging around tour and travel in India. For instance, the age of first time international travellers from India has been dropping from 55 to 25 and now, five years. A few generations ago, travelling overseas was a senior thing, it became a young thing and now a large number of small kids are part of the global travel from India.'

Maharashtra leads in the number of visitors to Australia ollowed by Delhi and Karnataka. Some 3.72 lakh Indians who travelled to Australia last year contributed ₹8,500 crore to the Australian economy.

Tourism Australia has decided to invest Australian Dollar five million to hold a a comprehensive campaign to promote these sports events in India.

IL&FS gets 14 bids worth ₹13,000 cr. for road assets

Assets represent over ₹17,700 cr. debt

PRESS TRUST OF INDIA

Bankrupt Infrastructure Leasing & Financial Services (IL&FS) on Tuesday said it has received 14 binding financial bids worth about ₹13,000 crore for 10 of its road assets in the country.

The 14 bids were opened on September 9, and the board and the adviser were evaluating them, the company said in a statement on Tuesday. These 10 road assets account for a debt of more than ₹17,700 crore, which is almost 19% of the total group debt. IL&FS Group entities continue to hold rights to receive claims with gross value exceeding ₹1,900 crore, filed with various concession authorities in respect of these assets, it said. These road assets in-

clude Jharkhand Infrastruc-



ture Implementation Company, Jharkhand Road Projects Implementation Company, Moradabad-Bareily Expressway, Chenani-Nashri Tunnelway, Hazaribagh-Ranchi Expressway and the Jorabat-Shillong Expressway. The others are the Baleshwar-Kharagppur Expressway, Pune-Sholapur Road Development Company, Road Infrastructure Development Company of Rajasthan and Sikar-Bikaner Highway.

plus 27%, wholesale and retail trade of plus 25% and services sector of plus 22%,