

19 ECONOMY

BANKING WATCH IOB RAISES ₹500 CR VIA BONDS

New Delhi: India Overseas Bank on Saturday said it has raised Rs 500 crore through bonds. "India Overseas Bank has mobilised Rs 500 crore through its issue of Basel III Complaint Tier II bonds today," it said in a statement. **PTI**

PROBE INTO ALLEGED IRREGULARITIES IN RIGHTS SIGNED BY GOVT IN 2008-09

CBI seeks information on bilateral flying rights from Civil Aviation Ministry, DGCA

PRANAV MUKUL
NEW DELHI, SEPTEMBER 21

THE CENTRAL Bureau of Investigation (CBI) has approached the Ministry of Civil Aviation and the Directorate General of Civil Aviation (DGCA) seeking information about the set guidelines and procedures followed while negotiating for bilateral flying rights with other countries, senior government officials told *The Indian Express*. The information sought is in connection with the investigation over alleged irregularities in signing of bilateral flying rights by the Indian government to West Asian countries in 2008-09.

One Civil Aviation Ministry official said that prior to 2012, there were no set guidelines and rules for the Ministry about negotiations of air service agreements (ASAs) with other countries. In 2012, the proce-

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- In 2012, the procedures were established, the official said, adding that they have been adhered to while preparing ASAs
- Last month, the CBI had questioned former Civil Aviation Minister Praful Patel in connection with alleged corruption in giving profitable routes of Air India to airlines based in West Asia
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dures were established, the official said, adding that they have been adhered to while preparing ASAs.

The official further indicated that while India did not have set procedures prior to 2012 for negotiating capacity entitlements for two countries, the same may be referred to by the investiga-

tion agency in order to establish lapses in procedures.

Last month, the CBI had questioned former Civil Aviation Minister Praful Patel in connection with alleged corruption in giving profitable routes of Air India to airlines based in West Asia. It was also alleged that acts of commission were made on extraneous considerations causing immense losses to Air India and pecuniary benefit to private domestic and foreign airlines, which were given unrestricted entry into India and major routes were given to them without reciprocal benefits to Air India.

These developments date back to 2008-09, during Patel's tenure as the Civil Aviation Minister. The CBI has also arrested corporate lobbyist Deepak Talwar on the basis of allegations that he received Rs 272 crore in bribes while acting as a middleman to illegally secure favourable flying rights.

In addition to seeking information from Civil Aviation Ministry, the investigation agency has also sought records of communications from DGCA, which has set the requirements for grant of operating authorisation to foreign airlines under bilateral ASAs. The sought

records, another official said, pertained to foreign airlines meeting the requirements prescribed by the DGCA to be able to fly to Indian airports.

The bilateral flying rights have their origin in the Chicago Convention 1944, and India has signed ASAs with 109 countries covering aspects relating to the number of flights, seats, landing points and code-share agreements. Utilisation of bilateral rights at any point of time differs from country to country and is subject to periodic renegotiation. India's new civil aviation policy, which was announced in 2016, called for liberalising the regime of bilateral rights leading to greater ease of doing business. As per the policy, whenever designated carriers of India have utilised 80 per cent of their capacity entitlements and seek additional capacity entitlements, the capacity entitlements are renegotiated.

GEORGE MATHEW
MUMBAI, SEPTEMBER 14

THE CITY OF London Corporation, the financial district of London, has proposed to collaborate with Indian companies to support the growth of the growing fintech and insurance sectors in India through innovation, technology and investments.

Peter Estlin, the 691st Lord Mayor of the City of London, who was in India last week to explore possible areas of co-operation, said, "We have the people, the talent and the capital to help create opportunities for Indian fintechs to grow and test their fintech products."

According to Estlin, financial technology, or fintech, is already a thriving sector in India.

"You already host over 3,000 in fintechs. Companies like PayTM have more than two million users. And according to Ernst & Young, India is a world leader in fintech adoption because of the support from both the government and regulators. But the UK can also support this thriving sector," he told *The Indian Express* in an interview.

"Our fintech sector employs more than 75,000 people nationwide and it continues to attract record investment. We have the people, the talent and the capital to help create opportunities for Indian fintechs to grow and test their fintech products," he added.

A team of City of London Corporation, which houses some of the leading global financial giants, held discussions with India insurance and banking sector players and regulators last week. While the Insurance Regulatory and Development Authority of India has invited applications for its Sandbox experiment to test and develop innovative products, the Reserve Bank of India is set to come out with its own Sandbox system shortly.

"We also have some of the friendliest regulation for fintechs globally. And since 2014, the Financial Conduct Authority has operated 'Project Innovate', with a regulation sandbox which has



"We have the people, the talent and the capital to help create opportunities for Indian fintechs to grow and test their fintech products"

PETER ESTLIN
LORD MAYOR, CITY OF LONDON

helped hundreds of firms from across the world get access to the market," Estlin said. "In fact, 90 per cent of the firms from their first round of applications have gone on to market, many of them finding it easier to get funding as a result of participating in the Sandbox, a safe and secure place to test their products," he said.

Over the years, the City of London has become the capital of capital, he said. "It is home to institutions like the Bank of England, Lloyds of London and the London Stock Exchange. And for over a century, India has been an important partner and friend. In fact, some of our most long-standing businesses in the city are Indian — with the State Bank of India having offices here since the turn of the century," Estlin said, adding, "Today, the London Stock Exchange is the leading centre for the issuance of Masala bonds."

The City of London Corporation — also known as the Square Mile and the world's most international financial centre — has also proposed to collaborate in the insurance sector, especially in agriculture, healthcare and cyber security. "India is a huge market... there is huge potential here," Estlin said.

The City of London Corporation has developed the largest cyber market in Europe, valued at four billion pounds and employing over 100,000 people across 8,000 companies.

"At present, one-third of all cyber insurance passes through London. And we are working closely with industry to ensure they can take advantage of this expertise. We work with a number of cyber accelerators to di-

rectly match 'need' with 'resource'," Estlin said.

"The City of London has the infrastructure, the talent and the market lead on cyber security and I would encourage you to see how we can help you become more secure," he added.

Cybercrime is estimated to cost around \$ 445 billion each year and financial institutions, which are becoming increasingly digitised, are particularly vulnerable. "That's why, in the City of London, we are working with the police the government and the private sector to increase cyber security. City of London Police, UK's national policing lead for fraud and cyber crime reporting, recently launched a new training programme called Cyber Griffin to ensure that a company's IT system is secure and the people who operate it are sufficiently skilled to spot signs of cyber-attacks," Estlin added.

The UK government is investing nearly two billion pounds as part of its National Cyber Security Strategy, to make the United Kingdom the safest place in the world to live and do business.

"We are partnering with them on the National Cyber Security Centre which creates a partnership between government and industry to increase the UK's cyber security," Estlin said.

UK's exports to India increased at the fastest rate among its top trading partners outside the European Union, with an almost 20 per cent hike in goods and services trade in 2018. "And I believe that the most innovative and dynamic part of this trading relationship is in our financial and professional services," Estlin said.

BRIEFLY

Central Bank of India to raise ₹1K cr via bonds

New Delhi: Central Bank of India has said it will raise up to Rs 1,000 crore through Basel-III complaint bonds, a BSE filing said. "The capital raising committee of the bank at their meeting held today approved the proposal to raise ... Basel III tier bonds without call option for an amount up to Rs 500 crore," the filing said. **PTI**

Merger of HCL's four arms with itself okayed

New Delhi: HCL Technologies on Saturday said its shareholders have approved the scheme for merger of four of its subsidiaries, including HCL Comnet, with itself. According to a statement, HCL Eagle Limited, HCL Comnet Limited, HCL Technologies Solutions Limited, Concept2Silicon Systems Private Limited and HCL Technologies Limited will be amalgamated. **PTI**

Production to resume soon: Aramco CEO

Riyadh: State-owned Saudi Aramco has emerged from attacks on its oil facilities "stronger than ever", CEO Amin Nasser told employees, adding full oil production would resume by the end of this month. The September 14 attacks on the Abqaiq and Khurais plants halved the crude output of the world's top oil exporter. **REUTERS**

'Corporate tax cut positive but growth faces headwinds'

The cut in corporate tax raises the government's fiscal risks while headwinds from cyclical factors pose threat to near-term growth, Moody's Investors Service said

\$35 billion
Total pre-tax net income reported by rated non-financial companies in India for fiscal ended March 2019

\$3 billion
Expected savings for aforementioned companies, assuming their earnings remain unchanged for FY20

22%: Corporate tax rate announced by government, which was cut from 30 per cent, as part of stimulus measures to revive slowing economic growth

Revenue loss compensation unlikely: Moody's does not expect the corporate tax rate cut to revive growth to the extent that stronger tax buoyancy

compensates for the loss of revenue

- Advantages of lower corporate tax rate:**
- Brings India closer to Asian peers
 - Support to business environment and competitiveness
 - Enables firms to generate higher post-tax incomes

- Challenges posed due to lower corporate tax rate:**
- Financial stress
 - Weak corporate sentiment
 - Slow flow of credit in financial sector
 - Aggravates risks for government to meet fiscal deficit target

Commodity and IT services companies to benefit most from tax rate cut



'Corporate tax cut to have minor impact on fiscal deficit'

PRESS TRUST OF INDIA
MUMBAI, SEPTEMBER 21

THE RS 1.45-lakh crore tax giveaway is unlikely to widen fiscal deficit much as the shortfall will be met through increased tax collections due to higher growth which the massive tax cuts are expected to achieve, NITI Aayog Vice Chairman Rajiv Kumar said on Saturday.

On Friday, the government had announced tax cuts for corporates by 10-12 percentage points, bringing down the effective corporate tax to 25.17 per cent inclusive of all cess and surcharges for domestic companies. The new tax rate will be applicable from April 1, involving a revenue loss of Rs 1.45 lakh crore this fiscal year.

"I don't think tax cuts will leave a gaping hole in the fiscal numbers. There will be some, which will be minor," Kumar

said at an 'India Today' event.

The Budget had estimated fiscal deficit at 3.3 per cent of the GDP for the current fiscal but many analysts have pegged it overshooting by at least 70 bps to 4.1 per cent as the quantum of the giveaways is worth 0.7 per cent of the GDP. Significantly, it can be noted that neither the finance minister or her senior cabinet colleagues who talked to the media after the announcement took questions on the shape of fiscal deficit numbers post the tax cuts.

Even, Reserve Bank Governor Shaktikanta Das had lapped it up as growth boosting just a day before warning the government that it has no leeway to undertake any fiscally expansionary measures.

Kumar said direct and indirect tax revenues are expected to go up with growth picking up after these tax cuts.

ENS ECONOMIC BUREAU
NEW DELHI, SEPTEMBER 21

WITH THE government declining to cut Goods and Services Tax (GST) on automobiles, experts believe that the industry will have to take measures by itself to clear inventory as well as to boost demand, which has fallen to a multi-decade low in the country.

"The industry has to find its own balance to enhance demand," said Rajan Wadhwa, president, Society of Indian Automobile Manufacturers (SIAM), reacting to the GST Council's decision on Friday to not reduce the rate on vehicles from 28 per cent to 18 per cent — a long-standing demand of the industry.

As sales of automobiles across various segments witnessed their worst-ever fall in August, the industry has been demanding a cut in taxes, which

would have brought down the net price of vehicles.

However, the GST Council, which met in Panaji, Goa on Friday, reduced the GST compensation cess only for passenger vehicles of sub-segment 10-13 seaters with length less than

TCIL says turmoil at Thomas Cook UK won't affect its ops

New Delhi: Thomas Cook India on Saturday said it is not related with UK-based Thomas Cook PLC which is struggling to stave off a financial collapse.

The company stressed that Thomas Cook India is a completely different entity owned by Canada-based Fairfax Financial Holdings and it will have no impact of the financial collapse of the iconic

British firm Thomas Cook PLC. Thomas Cook UK had ceased to be the promoter of Thomas Cook (India) after it transferred its entire stake in 2012 to Fairfax, a Canada-based firm that has varied interests across the globe. Fairfax Financial Holdings had acquired a 77 per cent stake in Thomas Cook India Ltd (TCIL) in 2012. **PTI**

'Industry has to find own balance to enhance demand'

EXPLAINED E Puts the onus on industry to turn around slowdown

THE GST Council, which met in Goa on Friday, did not cut tax rates on automobiles. The industry has been demanding a GST rate cut from the current 28 per cent to 18 per cent in order to revive sales.

SIAM president Rajan Wadhwa hopes that the festive season will help in ushering in positive consumer sentiments. His statement puts the onus on the industry to find a solution to the current slowdown. Domestic sales of passenger vehicles fell 31.6 per cent year-on-year to 1,96,524 units in August, according to the data released by SIAM.

ment also increases the possibility of customers getting higher discounts going forward, as companies need to liquidate the excess Bharat Stage-IV (BS-IV) stocks before April 1 next year.

From April 2020, the industry will move to BS-VI emission norms, which means selling vehicles fitted with BS-IV engines will not be allowed and, therefore, will become scrap.

Discounts by manufacturers, including Maruti Suzuki India, Honda Cars and Bajaj Auto, have been ranging from 5-15 per cent — a desperate move adopted by manufacturers who are looking to liquidate stocks that have piled up to above normal levels owing to poor demand.

Prayesh Jain, lead analyst-institutional equities, Yes Securities, said there is room for additional discounts by automobile manufacturers. "Current discounts are already at an all-

time high, which can possibly drive volumes in the ensuing festive season," Jain noted.

As the reduction in GST seemed difficult, the industry asked for temporary relief so that the demand in the festive season improves and inventory gets cleared.

Moreover, CEOs of many automakers stressed that more than the GST cut, it was important that the government clarifies its stand, as customers have been postponing purchases in anticipation of a better deal.

Guenter Butschek, chief executive officer and managing director, Tata Motors Worldwide, last month said, "If it is possible let us know, because the customer expectation this time is high and booking cancellations have been happening."

He further said that showrooms are empty because the customer is expecting a better deal post the GST cut. **FE**

four metres, which, according to industry estimates, accounts for less than 10 per cent of the total sales.

Even as discounts offered by dealers and manufacturers are at an all-time high, the absence of any relief from the govern-

'Must work together to see how we can showcase India for attracting investment'

PRESS TRUST OF INDIA
NEW DELHI, SEPTEMBER 21

UNION MINISTER Piyush Goyal on Saturday said the target of making India \$5-trillion economy is achievable and that all the stakeholders need to work together to meet this objective.

The Commerce and Industry Minister said Prime Minister Narendra Modi and Finance Minister Nirmala Sitharaman have expressed India's determination of achieving high growth by announcing the tax measures this week, which will boost India's competitiveness and bring India into the comparative league of countries that are competing for investments, according to a statement by FICCI.

"Prime Minister Narendra Modi's goal of making India a \$5

trillion economy is completely doable if all the stakeholders come and work together," the minister said. Goyal, who on Saturday unveiled the India Pavilion design of the WORLD EXPO 2020 in Dubai, expressed optimism that India going ahead will have even lower taxes.

"We all must work together to see how we can showcase India for attracting investments," Goyal said, adding that the WORLD EXPO 2020 begin-

ning October next year is a big opportunity to achieve this objective.

He said this was the time for the country to engage with every nation and grasp the opportunity that has come its way to become a superpower.

The minister also thanked the Indian diaspora in the UAE for the excellent work they had done to support Modi develop a strong bonding between the two countries.

WORLD'S OLDEST TRAVEL COMPANY FIGHTING FOR SURVIVAL

Thomas Cook in talks with UK govt, potential investors for rescue deal

REUTERS
LONDON, SEPTEMBER 21

BRITAIN'S THOMAS Cook is in talks with the government and potential investors about a last-minute rescue deal to fend off a corporate collapse that would send shockwaves well beyond the travel sector. The world's oldest travel company was fighting for its survival over the weekend after its lenders threatened to pull the plug on a rescue deal that has been months in the making.

Hurt by high levels of debt, on-line competition and geopolitical

uncertainty, Thomas Cook needs to find another 200 million pounds (\$250 million) on top of a 900-million pound package it had already agreed, to see it through the winter months when it needs to pay hotels for their summer services.

A person familiar with the situation said the company was in talks with the government and a number of potential investors about bridging the funding gap. It will hold a board meeting on Saturday and Sunday to evaluate its position.

"We have not given up," the person said, declining to be named due to the sensitivity of the situa-

tion. Were Thomas Cook to fail to find the funds it requires, it could be put into administration, a form of creditor protection that often precedes bankruptcy.

That would spark the largest peacetime repatriation in British history with some 160,000 Britons currently enjoying Thomas Cook holidays in destinations including California, the Caribbean and Corfu. In total, some 600,000 holidaymakers from markets including Germany and Scandinavia could be stranded. The company's social media channels are full of customers asking if they will be able to get home.