

# 14 ECONOMY

MARKET WATCH

FPIs PULL OUT ₹4,193 CR IN SEPT

New Delhi: Foreign portfolio investors (FPIs) have pulled out a net sum of Rs 4,193 crore from the Indian capital markets in September so far, but the trend is expected to reverse on the back of fiscal relief measures announced by the government, experts said. **PTI**

TO BE HEADED BY PRINCIPAL CHIEF COMMISSIONER OF INCOME-TAX

## National centre for I-T e-assessment to be based in Delhi; CBDT issues order

ENS ECONOMIC BUREAU  
NEW DELHI, SEPTEMBER 22

TO ENACT the faceless e-assessment scheme, the government has announced setting up of a national e-assessment centre (NeAC) in New Delhi. In an order, the Central Board of Direct Taxes (CBDT), said the centre will exclusively focus on e-assessment and will have 16 officials.

The e-assessment centre will be headed by a Principal Chief Commissioner of Income-tax (PCCIT) as its chief.

The NeAC will be an independent office looking after the work of e-assessment, the recently notified scheme for faceless and nameless assessment for income taxpayers.

The CBDT has appointed 1984-batch Indian Revenue Service (IRS) officer K M Prasad the chief of PCCIT of the new Centre, while 1993-batch IRS

EXPLAINED

### E-assessment to curb 'undesirable practices'

AS ANNOUNCED by the Finance Minister earlier, the e-assessment process is aimed at minimising the level of interaction between taxpayers and the Income-Tax Department, which leads to "certain undesirable practices on the part of tax officials".

With the CBDT notifying the creation of the NeAC — which will serve as an independent office that will exclusively deal with e-assessment — the Centre's plan to launch faceless and nameless assessment of tax payers has kicked into motion.

officer Ashish Abrol has been appointed the Commissioner or second-in-command of the new unit.

Finance Minister Nirmala Sitharaman had earlier said the e-assessment scheme will be

rolled out from 'Vijayadashami' on October 8.

The government had last week notified the e-assessment scheme to facilitate faceless assessment of income-tax returns through completely electronic

communication between tax officials and taxpayers.

In case of a modification, an opportunity for a personal hearing will be provided to the taxpayer and such hearing shall be conducted "exclusively through video conferencing," the notification had said.

The NeAC will serve notices to the assessee specifying the issues for selection of their case for assessment and after a response is received from them within 15 days, the centre will allocate the case to an assessing officer using an automated system, an earlier notification by the government had said.

"A person shall not be required to appear either personally or through authorised representative in connection with any proceedings under this scheme (e-assessment) before the income-tax authority at the National e-assessment Centre or Regional e-assessment

Centre or any unit set up under this scheme," the notification had stated.

Sitharaman had announced the proposal in her Budget speech on July 5, calling it "a paradigm shift".

She had said the system of scrutiny assessments in the I-T Department involves a high level of personal interaction between the taxpayer and the department, leading to "certain undesirable practices on the part of tax officials".

"To eliminate such instances, and to give shape to the vision of the Prime Minister, a scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner.

"To start with, such e-assessments shall be carried out in cases requiring verification of certain specified transactions or discrepancies," she had said.

INTERVIEW WITH SBI MUTUAL FUND MD & CEO

## 'Slowdown is a temporary event, govt measures will help in reviving growth'

ASHWANI BHATIA, managing director and CEO, SBI Mutual Fund, says the measures announced by the government will revive the economy. In an interview to GEORGE MATHEW, Bhatia, who manages assets worth Rs 3,07,533 crore, says "the slowdown is a temporary event". Edited excerpts:

Are you worried about the ongoing slowdown in the economy?

Growth is never linear. The current slowdown in the Indian economy is a reflection of the economic cycle, global slowdown and the geo-political issues around the globe. We believe that the slowdown is a temporary event, and the government's efforts should help revive growth. Stability in other macro factors such as benign inflation, contained CAD, comfortable forex reserves and stable rupee reflect positively on India's long-term prospects.

Do you think the measures announced by the government will boost investments and growth?

The measures announced by the government last week such as corporate tax reduction, rolling back of higher surcharge on FPIs, capital infusion in PSU banks, credit support to SMEs and measures to boost auto sector demand will be a sentiment booster for the markets. These set of reform announcements will help in bolstering growth in the economy.

Has the MF industry been able to recover from the turbulence in the NBFC/HFC sector?

The turbulence in the NBFC/HFC sector that has persisted for a while has impacted the risk tolerance of most MF investors. This has been reflected in the preference of investors towards products wherein the credit allocation is predominantly into high grade i.e. AAA/ sovereign securities. Products such as Short Term Debt



Ashwani Bhatia

Fund, Corporate Bond Fund and Banking and PSU Fund are positioned with a similar mandate and have seen good traction in terms of investor flows in the recent past.

Have you stopped funding NBFC/HFC sector? Do you think the NBFC liquidity issue will impact MF sector growth?

We haven't stopped funding the NBFC/HFC sector. We continue to be extremely selective in allocations within the sector and the exposures are being reviewed continuously. We have also aligned scheme-level sectoral exposures in line with the reduced sectoral caps as announced recently by SEBI. We don't think the NBFC liquidity issue should impact MF growth as fund houses continue to offer solutions in line with investor requirements across equity and fixed income funds.

Many MFs had proposed roll-back of Long-term Capital Gains tax on equity MFs, but this hasn't yet happened. Do you think the government should consider this?

Investment penetration in India is still very low. Additionally, long-term investing trend is further low. To motivate investors towards investing and staying invested for the long term, we need to take different measures and promote it for at least the next 4-5 years. One factor that will help is the roll-back of the long-term tax on equity mutual funds.

MF industry's proposal for a Debt Linked Savings Scheme has also not happened. Do you think such a scheme will be beneficial to the MF industry and investors?

Debt as a category needs to be promoted among retail investors. There is a need to move away from traditional savings such as FD, savings account, and chit funds to market-linked investments, which will help the economy's development. We believe debt-linked savings scheme can help increase retail investor participation in fixed income market and help increase the depth of the debt market.

ULIPs offer tax-free returns whereas equity schemes are taxed now. Should there be a level playing field?

Yes, we think that there should be a level playing field among the two investment options. Further, we should look at a combination of two products for investors to get both insurance and benefits of mutual funds such as liquidity, transparency and a variety of products to meet different goals.

Debt funds have been showing high volatility of late. Do you think payment delays by NBFCs and HFCs will impact the value of schemes?

Payment delays or rating actions would have an impact on fund NAV and the resultant volatility is an inherent part of investment in any capital market-oriented product.

MF industry's AUM has not showed significant growth in the last three or four months. Are investors keeping away?

We do not think that investors are keeping away from the markets. We have been seeing strong SIP flows of around Rs 8,300 crore each month since the start of the financial year, despite market volatility and negative market returns.

BRIEFLY

Altico COO Agrawal to lead operations

New Delhi: Altico Capital India on Sunday said COO Sanjeev Agrawal has taken charge of the stressed firm to lead operations. CEO Sanjay Grewal resigned last week, while chairman Naina Lal Kidwai had put in her papers the week before, following an interest payment default and downgrade of the firm's term facilities. **FE**

Petrol price up ₹1.59/L since Saudi attack

New Delhi: Petrol prices have shot up by Rs 1.59 a litre and diesel by Rs 1.31 in the last six days — the most since daily price revision was introduced in 2017, as a massive strike at Saudi Arabian oil facilities jolted oil markets. Petrol price was on Sunday hiked by 27 paise to Rs 73.62 a litre in the Delhi market.

August salaries paid to staff: BSNL CMD

New Delhi: Crisis-ridden BSNL has made salary payment to its staff for August, according to BSNL Chairman and Managing Director P K Purwar, who added that the corporation transferred the funds and made August salary payment to its employees last week. **PTI**

## Cost overruns of ₹3.77 lakh cr in 361 infra projects

As many as 361 infrastructure projects, each worth Rs 150 crore or more, have shown cost overruns of over Rs 3.77 lakh crore, a Ministry of Statistics and Programme Implementation (MoSPI) report for May 2019 said

₹19,25,107.47 cr

Total original cost of implementation of the 1623 projects

₹23,02,230.5 cr

Anticipated cost of implementation of these projects

₹3,77,123.03 cr

Overall cost overruns, i.e. 19.59 per cent of original cost

₹8,91,512.91 cr

Expenditure incurred on these projects till May, which is 38.72 per cent of anticipated cost



1,623: No. of infrastructure projects monitored by MoSPI, each worth Rs 150 crore and above  
361: Projects that reported cost overruns  
496: Projects that reported time escalation; average time overrun of 36.98

months  
166: Projects delayed by one to 12 months  
105: Projects delayed by 13 to 24 months  
128: Projects delayed by 25 to 60 months  
97: Projects delayed 61 months or more

REASONS FOR REPORTING TIME OVERRUNS:

- Delays in land acquisition
- Forest clearance
- Supply of equipment
- Fund constraints
- Geological surprises
- Geo-mining conditions
- Slow progress in civil works
- Labour shortage
- Inadequate mobilisation by contractor

## Households' liabilities stood at ₹7.4 L cr in FY18

ENS ECONOMIC BUREAU  
NEW DELHI, SEPTEMBER 22

GIVEN HOW borrowings by households rose a good 58 per cent in the year to March 2018, it's clear there's no let-up in consumer aspirations.

Financial liabilities of households stood at Rs 7.40 lakh crore in March 2018, revised data from the Reserve Bank of India (RBI) shows.

That's a modest 4.3 per cent of GDP and assuming borrowings rose by about 25 per cent in 2018-19, the liabilities would be less than 5 per cent of GDP. Data from BIS put the total

Data from BIS put the total credit to households at Rs 20.99 lakh crore at the end of December 2018, or approximately 11 per cent of GDP

credit to households at Rs 20.99 lakh crore at the end of December 2018, or approximately 11 per cent of GDP. That is a comparatively low level of leverage and more or less at the same levels as at the end of 2017. With more consumer credit history at their disposal, lenders today are more comfortable lending to individuals and not only those earning a salary.

In fact, the share of unsecured loans has risen sharply over the past two years as banks are now able to do better due diligence.

Since these loans fetch much better yields, they prefer them to collateralised credit where repossession of the asset in the event of a default can be costly and time-consuming.

While there has been a clear attitudinal shift towards spend-

ing, the slowdown in credit flows from NBFCs over the past year or so, would have left many borrowers without access to loans.

Ironically, this is happening at a time when interest rates are trending down. One interesting trend seen in the past few years is that the average ticket size of loans has been falling; that's a reflection of rising inclusiveness.

However, home loans dominate the portfolios of lenders in terms of value while personal loans are the fastest-growing segment. The share of NBFCs in the total credit to consumers is expected to have fallen since August last year. **FE**

## India's ICT tariffs: US seeks setting up of WTO dispute panel

PRESS TRUST OF INDIA  
NEW DELHI, SEPTEMBER 22

The US has sought setting up of a dispute panel by the World Trade Organization's (WTO) in a case against India's import duties on certain ICT products, including mobile phones.

The US sought consultations in July under the WTO's dispute settlement mechanism over imposition of import duties by India on certain information and communication (ICT) products, alleging breach of global trade norms.

As both the countries failed to resolve the dispute through the consultation process, the US has sought setting up of the dispute panel. Bilateral consultation is the first step towards resolution of a trade dispute under the WTO norms. "The US held consultations with India on August 1, 2019. Unfortunately, these consultations did not resolve the dispute," as per a US communication to the WTO.

## Care lowers RCap's debt rating to 'D'; firm says unjustified

ENS ECONOMIC BUREAU  
MUMBAI, SEPTEMBER 22

CARE RATINGS has downgraded Reliance Capital's (RCap) debt aggregating Rs 17,000 crore to default grade 'D' from 'BB', citing the recent instance of delay in servicing coupon on several non-convertible debentures (NCDs) by the company.

The coupon on the NCDs was subsequently serviced with a delay of one working day.

The liquidity profile of the group continues to be under stress on account of delay in raising funds from the asset monetisation plan and impending debt payments, the rating agency said.

Instruments with 'D' rating are in default or are expected to be in default soon. Instruments with 'BB' rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

However, in a stock exchange filing, Reliance Capital

said, "Care has acted in a pre-meditated and prejudiced manner, and has even suppressed the facts completely in its rating action letter, thereby making it appear as if the company had defaulted in payment of interest by a day, whereas the reality is documents had been provided to Care that proved funds had duly been arranged on the due date, and the alleged delay was on account of technical glitches."

"The company made a stock exchange filing on September 11, 2019, stating that the interest payment for NCDs, which was due on September 09, 2019, was duly activated on the due date, but the same could not go through owing to technical glitch in bank servers on that date, and the payment went through on the very next bank working day — September 11, 2019. These facts were also confirmed by the company's lenders who had been providing financing for the payments," Reliance Capital said.

INTERVIEW WITH GRUNDFOS PUMPS INDIA MD & CEO

## 'Challenge is to see water level does not go down so much that pumping it out becomes very expensive'

WHILE THE water crisis is only growing by the day and the government has increased its focus on restoring water bodies and providing water to all, RANGANATH N KRISHNA, MD and CEO, Grundfos Pumps India Pvt Ltd told SANDEEP SINGH that the challenge was to see that the water level did not go down so much that it became very expensive to pump it out. He also said that solar powered pumps were the solution for states that have scarcity of water and are remotely located. Edited excerpts:

The government has increased its focus on water issues? As water depletion is becoming a big issue, how do you see this?

It is good to see the Centre pushing Jal Shakti Abhiyan and water for all. We are also into water recycling and focus on conserving energy, and water and pumps are the means. The challenge is to see that water level does not go down so much that it becomes very expensive to pump it out. For instance, in Coimbatore and Bengaluru, the bore depth is now 1,200-1,300 feet. Water depletion does impact us and our growth rates will come down if there is no water in certain areas. However, 75 per cent of earth is water and there is enough water in the sea and desalination is something that will pick up.

What needs to be done?

Ground water recharge, restoration of water bodies are the solutions. Agriculture is the most prolific waster of water and is the holy cow that can't be touched politically. If you don't touch it, there is an issue. Another holy cow is pricing of water. We don't pay the municipality enough to even pump the water. These are the issues that need to be sorted out. In the short term, desalination and recharge of rain water should be done. In the medium term, we

should focus on what the Jal Shakti Abhiyan is doing — restore the water bodies, restore the overflows, let the overflow of rain water go in a water body, make man made ponds, etc.

Are you looking at desalination business?

We make pumps for desalination of swamps. We don't want to get into areas where OEMs are doing the business of making desalination plant. But, wherever they are not doing, for instance in remote areas, we are experimenting solar powered, low power desalination plants. In Sunderbans, we are doing it and delivering drinking water to the population.

Is business growing on water treatment and desalination?

Water treatment, desalination will grow constantly. The more water you pollute, the more water treatment and desalination would come up. The same rate of growth may not be there in off-grid solar operating plants. It is basically for rural and remote areas that you can't access. It will grow over a period of time because the government certainly wants to provide drinking water to each house through its mission 'Har Ghar Jal'.

Are you working on this mission?

The Centre has started the Har Ghar Jal now, but over the last 5-6 years we have been working in five states that are in the middle part of India: Chattisgarh, Odisha, MP, Bihar and Maharashtra. We have provided 35,000 solar driven water pumps which have been set up. These states have remotest of villages, water is underground and people have to walk long distances for water. We are working in other states also. The states want solar powered pumps there and we would be working with the government on this.

I think that Jal Shakti Abhiyan

will have a greater impact because it will provide source of water. Bureaucrats have been tasked to interact with panchayats and ensure restoration of water bodies in the selected water-starved areas.

How is the solar powered pump demand growing?

Its share in our portfolio is 6 per cent and it is growing at a fast rate. There are two markets in this, one is solar drinking and the other is solar agriculture. We are mostly in solar drinking water because the prices of solar agri pumps have been driven down to such an extent that you can't put an efficient system there. While we make efficient pumps, in India initial cost is the biggest sales driver and that's where we lose out. In a life-cycle of a pump, 85 per cent cost is power, 10 per cent is initial cost and 5 per cent is maintenance but in India most people buy a pump because of initial cost and they forget about the power. In India, the government gives free or subsidised power for agriculture, but the average efficiency of an agricultural pump is 17-20 per cent and it is losing money on it. That is the reason the government has come up with solar scheme and is pushing for solar powered pumps. Imagine the power savings when you take 27.5 lakh pumps out of the system (10 lakh diesel and 17 lakh out of grid). In India, the schemes are good but it is the execution where the problem lies.

Do you see yourself benefiting from this?

While we have the ability to deliver reliable solutions, I don't see us taking a large share of solar powered pumps. There will always be somebody lower on price. We don't use lower quality material. We will limit ourselves on solar pumps as I don't want to lose money. We have decided globally that we will do it in India, but do 15-20K pumps every year.