

‘Smuggling in 5 sectors cost India 16 lakh jobs in FY18’

PRABHA RAGHAVAN NEW DELHI, SEPTEMBER 26

SMUGGLING OF goods in the textiles, ready-made garments, cigarettes, machinery and parts and consumer electronics industries prevented India from adding over 16 lakh jobs in 2017-18, shows a new study on the issue.

“Total estimated livelihood opportunity lost in the economy is about 16.36 lakh because of the estimated smuggling in these five industries because of backward linkage and multiplier effects of these industries,” stated the study titled Invisible Enemy: Impact of Smuggling on Indian Economy and Employment. The study was commissioned by Ficci CASCADE and conducted by Thought Arbitrage Research Institute (TARI).

Of this, over 5 lakh jobs were prevented from being added to

these sectors directly. Labour-intensive industries like readymade garments and tobacco products experienced a chunk of the loss in direct livelihood opportunities.

The remaining 11.35 lakh job opportunities were a result of the “backward linkage and multiplier effects” mentioned in the report. This means that other industries linked to the production process in these key industries, including ancillaries, together lost out on over 11 lakh jobs as a result of smuggling of these products, according to Ficci advisor PC Jha.

“This type of study has been conducted in India for the first time to see what the impact of smuggling of these five key commodities has been on the job opportunities in the country,” Jha told The Indian Express.

“When smuggling takes place, the manufacturing activity that could have taken place in India has shifted abroad. The goods manufactured in these

other countries are being brought to India in an illegal manner to cater to the demand here,” he said, adding that this means that the government also loses out on customs and GST revenue that it could have made from legal imports of these products. Estimates in the study show that smuggling of cigarettes rose to Rs 8,750 crore in 2017-2018 from Rs 7,183 crore in 2015-16, resulting in 14-20 per cent of output loss to domestic tobacco manufacturers.

The estimated smuggling and output loss to the domestic readymade garments industry also rose to Rs 5,509 crore in 2017-18 from Rs 3,780 crore in 2015-16, according to the study.

Trade in smuggling, contraband, counterfeit and pirated goods has risen steadily in the last few years and now stands at 3.3 per cent of global trade, according to Ficci’s release about the report.

INTERNAL WORKING GROUP RECOMMENDATIONS

RBI liquidity panel proposes call rate as the target rate

ENS ECONOMIC BUREAU MUMBAI, SEPTEMBER 26

THE RESERVE Bank of India’s Internal Working Group on liquidity management has recommended that the liquidity framework should largely continue in its present form of the corridor system with the call money rate as the target rate.

The RBI Group has articulated guiding principles for an effective liquidity management framework. It has proposed that the liquidity framework should be guided by the objective of maintaining the call money rate close to the policy rate (Repo rate). “It should be consistent with the policy rate and it should not undermine the price discovery in the inter-bank money market,” the panel said.

According to the panel, the framework should be flexible. While the corridor system would normally require the system liquidity to be in a small deficit, if financial conditions warrant a situation of liquidity surplus, the framework should



Such framework ensures sufficient liquidity in system

AN EXPERT group of the RBI has suggested guiding principles for an effective liquidity management framework. Such a framework ensures that sufficient liquidity is available in the system for the financial market participants. The panel has proposed that the liquidity framework should be guided by the objective of maintaining the short term call money rate close to the policy rate or repo rate.

be adaptable, it said in the report released on Thursday.

As the call money market is the only money market segment which trades exclusively in reserves, the Group recommended that the call money rate – with Weighted Average Call Rate (WACR) as the measure – should continue as the target rate of the liquidity management framework. It observed that the design of the corridor system, with repo rate as the policy rate, would

generally require the system liquidity to be in a small deficit of about 0.25 per cent – 0.5 per cent of Net Demand and Time Liabilities (NDTL) of the banking system (deposits). However, if financial conditions warrant a situation of liquidity surplus, the framework could be used flexibly, with variable rate operations, to ensure that the call money rate remains close to the policy repo rate, it said.

“The current provision of as-

sured liquidity – up to one per cent of NDTL – is no longer necessary since the proposed liquidity framework would entirely meet the system’s liquidity needs. Build-up of a large deficit or surplus, if expected to persist, should be offset through appropriate durable liquidity operations. In addition to open market operations (OMOs) and forex swaps, the group has recommended longer term repo operations at market related rates.

“Minimising the number of operations should be an efficiency goal of the liquidity framework. Consequently, there should be ideally one single overnight variable rate operation in a day, supported by fine-tuning operations, if required,” it said. The target rate being an overnight rate, liquidity operations should predominantly be of overnight maturity, banks should be able to borrow in the inter-bank money market at rates not higher than the rate at which they could borrow from a central bank (the rate at which a central bank injects liquidity), the RBI panel said.

‘Companies should pass on tax cuts to consumers’

PRESS TRUST OF INDIA NEW DELHI, SEPTEMBER 26

CONFIDENT ABOUT the Indian growth story getting a big boost from the recent corporate tax rate cut, HDFC chairman banker Deepak Parekh has said profit-making companies should pass on a part of the benefits to consumers by lowering their product prices as that would help increase sales. He also dismissed concerns about any major impact on fiscal deficit side due to the government foregoing a big chunk of their estimated tax revenues and said a strong disinvestment pipeline, starting with Air India, should help fill the gap.

“Our tax rates have become very competitive now and the government’s move to lower corporate tax rates should help the country attract manufacturing units which were losing to countries like Vietnam, Cambodia, Thailand, Indonesia and the Philippines,” Parekh told PTI in an interview. “We were losing manufacturing units in sectors like textiles to these countries and fresh investments can now come to India with lower tax rates,” he said.

SMUGGLING & LOSSES TO THE COUNTRY

Table with 6 columns: Year, Textiles Industry, Readymade Garments Industry, Tobacco Products (Cigarettes), Capital Goods (Machinery & Parts) Industry, Consumer (Electronics) Durables Industry. Rows for Loss to Economy (Rs crore) and Employment Potential (in lakh) for 2017-18.

NCLAT allows Dutch court administrator to attend Jet CoC meets

ENS ECONOMIC BUREAU NEW DELHI, SEPTEMBER 26

THE NATIONAL Company Law Appellate Tribunal (NCLAT) on Thursday allowed the Dutch court administrator of Jet Airways to attend the committee of creditors (CoC) meetings of the bankrupt carrier.

The order assumes significance as the Insolvency and Bankruptcy Code 2016 does not deal with cross-border insolvency, which means when insolvency proceedings are moved against the same company in two different countries. A three-member NCLAT Bench said the Dutch administrator would be part of the CoC meeting and would be given minutes of the meetings.

The appellate tribunal also set aside the earlier order of the

Mumbai bench of the National Company Law Tribunal (NCLT), which had refused to recognise the Dutch insolvency proceedings. The NCLT had barred Dutch court administrator from taking part in the Jet insolvency proceedings in India.

The appellate tribunal order came after the resolution professional (RP) of Jet and the Dutch court administrator agreed to coordinate in the insolvency proceedings ongoing in India.

Earlier, during the last hearing, the NCLAT had directed the Jet RP and Dutch court to file the terms and conditions of their agreement. The NCLAT’s direction came while hearing a petition filed by the Dutch court administrator against the order of the Mumbai bench of the NCLT, which had declared overseas bankruptcy proceedings null and void. FE

IL&FS CASE SC restrains govt from acting against auditor BSR

ENS ECONOMIC BUREAU NEW DELHI, SEPTEMBER 26

THE SECURITIES Appellate Tribunal (SAT) on Thursday dismissed an application by ITC in relation to Hotel Leelaventure’s assets sale to Brookfield.

The tobacco-to-hotel conglomerate’s plea had challenged a July 2019 order by the Securities and Exchange Board of India. The order had rejected ITC’s contention that the proposed asset sale to Brookfield qualified as a related-party transaction, except in respect to proposed transfer of ‘Jamavar’ trademark to Brookfield.

ITC is going to challenge the

ENS ECONOMIC BUREAU NEW DELHI, SEPTEMBER 26

ITC is going to challenge the SAT’s decision in the Supreme Court on Friday

SAT’s decision in the Supreme Court on Friday. Consequently, the SAT also vacated its stay on Hotel Leela declaring the final outcome of the postal ballot resolutions seeking shareholders’ approval for sale of assets to Brookfield Asset Management until the tribunal delivers its order on the matter. Hours after the order, Hotel Leela

posted results of the postal ballot on the exchanges. As per the documents, the company received 89.13 per cent approval from shareholders on votes polled on all resolutions.

The tribunal further rejected ITC’s oral plea for two-week time to appeal against the decision in the Supreme Court on the basis of merit. ITC challenged Sebi’s order that had allowed Hotel Leela to conduct a fresh postal ballot on the proposed transaction with Brookfield, but called for the company to provide all relevant details with respect to the transaction, along with additional disclosures on valuation and additional intellectual property transaction.

Leela-Brookfield deal: SAT dismisses ITC plea

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BRIEFLY

Audit cases: Oct 31 is new ITR deadline

New Delhi: The CBDT has extended the September 30 deadline by a month for filing of income-tax returns for special cases requiring audit reports. The new deadline is October 31. PTI

Govt to decide on relief in I-T at appropriate time

New Delhi: The Centre will take a decision on raising the income-tax exemption limit at an appropriate time, Minister of State for Finance Anurag Singh Thakur said on Thursday. PTI

Taxcuts may bolster growth eventually: Fitch

New Delhi: Fitch Ratings on Thursday said the steep cut in tax paid by companies may stimulate investments and economic growth only in the medium term, but it will lead to breach fiscal targets in the current fiscal year itself. PTI

Sood takes over as Assocham secy general

New Delhi: Industry body Assocham on Thursday said Deepak Sood has taken over as secretary general of the chamber. Sood, had earlier worked in the Confederation of Indian Industry. He was also deputed CEO of Invest Karnataka Forum. PTI

Axis Bank raises ₹12,500 crore through QIP

New Delhi: Axis Bank on Thursday said it has raised Rs 12,500 crore through qualified institutional placement (QIP) to fund business growth. PTI

Ashok Leyland extends output cut at Ennore

Chennai: Ashok Leyland has announced five more non-working days at its plant in Ennore, Chennai, in view of the slump in the sector. FE

China, US eyeing Oct trade talks

Beijing: China and the US are still discussing details about trade talks in October, making preparations to ensure “positive progress” is made during the talks. REUTERS

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