"If necessary, in the forthcoming winter session of Parliament itself, we will be bringing in any amendments which may be necessitated"

NIRMALA SITHARAMAN, Finance minister

"Xi Jingping says he is watching Kashmir but why does @PMOIndia/MEA not say 1) We are watching pro-democracy protests muzzled in Hong Kong 2) We are watching human rights violations in Xinjiang 3) We are watching continued oppression in Tibet 4) We are watching South China Sea"

MANISH TEWARI, Congress spokesperson

"I want to ask Rahul Gandhi and Sharadraoji Pawar, tell the people of Maharashtra if you are in favour of scrapping Article 370 or not"

AMIT SHAH, Home minister

Moody's cuts GDP forecast to 5.8% for FY20

Says the economy experiencing a pronounced slowdown which is partly related to long-lasting factors

PRESS TRUST OF INDIA
New Delhi, 10 October

Moody's Investors Service on Thursday slashed its 2019-20 GDP growth forecast for India to 5.8 per cent, from 6.2 per cent earlier, saying the economy was experiencing a pronounced slowdown, which is partly related to long-lasting factors.

The projection is lower than 6.1 per cent that the Reserve Bank of India (RBI) had forecast just last week.

Moody's attributed the deceleration to an investment-led slowdown that has broadened into consumption, driven by financial stress among rural households and weak job creation.

"The drivers of the deceleration are multiple, mainly domestic and in part long-lasting," Moody's said in a report.

It expected growth to pick up to 6.6 per cent in 2020-21 and to around 7 per cent over the medium term.

"Although we expect moderate pick-up in real GDP growth and inflation in the next two years, we have revised down our projections for both. Compared with two years ago, the probability of sustained real GDP growth at or above 8 per cent has significantly diminished," it said.

Last month, the Asian Development Bank and the OECD lowered 2019-20 growth forecast for India by 50 basis points and 1.3 percentage points to 6.5 per cent and 5.9 per cent, respectively.

Last week, the RBI also slashed its growth projection for the economy to 6.1 per cent from an earlier estimate of 6.9 per cent.

Rating agency Standard & Poor's has also lowered its India growth forecast to 6.3 per cent, from 7.1 per cent.

In June, Fitch cut India's growth forecast for the current fiscal for a second time in a row to 6.6 per cent. It had earlier in March lowered the growth estimate for 2019-20 to 6.8 per cent, from 7 per cent projected earlier, on weak momentum of the economy.

Moody's said the drivers of the deceleration are multiple, mainly domestic and in part long-lasting.

"What was an investment-led slowdown has broadened into consumption, driven by financial stress among rural households and weak job creation," it said, adding a credit crunch among non-bank financial institutions, major providers of retail loans in recent years, has compounded the problem. "While we expect a moderate pick-up in real GDP growth and inflation over the next two years supported by monetary and fiscal stimulus, we have revised down our projections for both."

India Ratings cuts projection to 6.1%

India Ratings and Research (Ind-Ra) has lowered its projection for India's economic growth rate to 6.1 per cent for 2019-20, from earlier estimate of 6.7 per cent. This was the second revision by Ind-Ra. It had earlier scaled down projection from 7.3 per cent. The rating agency attributed its decision to over six-year low economic growth at 5 per cent during the first quarter of the current fiscal year. Ind-Ra had estimated it to be 5.7 per cent earlier. BS REPORTER

LVB exploring other avenues to raise capital

T E NARASIMHAN
Chennai, 10 October

A day after the Reserve Bank of India's (RBI) refusal to the proposed amalgamation of Indiabulls Housing Finance (IBHFL) and its subsidiary with Lakshmi Vilas Bank (LVB), the latter said it would be exploring other avenues for getting investment.

Earlier, it had got shareholder approval to raise up to ₹1,000 crore through equity and ₹500 crore by way of tier-I and tier-II bonds.

"This brings an end to the recent uncertainty and the bank will continue to work towards raising capital as per the permitted modes," said LVB.

The bank's chairman did not respond to calls or messages. The then managing director and chief executive, Parthasarathi Mukherjee, resigned two months earlier.

The share price hit a 52-week low at ₹25.65 on Thursday, after the RBI rejection. Bank officials said with the fall in share price and valuation, there could be interest from other investors.

One said there had earlier been eight or 10 proposals in hand, of which nothing came to a concluding stage, but for IBHFL. The main reason being the valuation.

However, if LVB finds a new investor, it might require a larger dilution of shares from existing shareholders to meet the funding need.

The fact that it is under the Prompt Corrective Action clamp of the RBI on account of high net non-performing assets and insufficient capital to risk (weighted) assets ratio could be addressed if capital comes in, said sources.

TROUBLED TIMES

- LVB's share price hit a 52-week low at ₹25.65 per share on Thursday
- Of 8-10 proposals for fundraising, LVB finalised IBHFL amalgamation
- Under the share swap deal, LVB shareholders were to get 14 shares of IBHFL for every 100 equity shares held in the bank
- Shareholders approved capital raising of up to ₹1,000 crore through equity mode
- It has received the green light for fundraising of ₹500 crore by way of tier-I and tier-II bonds

Urban co-op banks to get umbrella body for liquidity support

The organisation, an NBFC, will have authorised capital of ₹500 cr

NAMRATA ACHARYA
Kolkata, 10 October

Urban cooperative banks (UCBs) are expected to have an umbrella organisation for liquidity support and self-regulation by the end of this financial year.

While there has been talk of having such an organisation for some time, the recent fraud at Punjab and Maharashtra Co-operative (PMC) Bank has given the matter a move on.

The fraud, estimated at close to ₹4,355 crore, has put depositors in uncertainty.

"One of the objectives of the organisation would be to provide liquidity to banks in crisis situations," said Subhash Gupta, member secretary and chief executive, National Federation of Urban Cooperative Banks and Credit Societies (NAFCUB).

The umbrella organisation, which will be a non-banking financial company (NBFC), will have ₹500 crore as authorised capital, while its paid-up capital would be ₹300 crore, said Gupta.

Urban banks and their federations will contribute to it.

At the end of 2017-18, the collective net profit of about 1,551 UCBs was close to ₹4,062 crore, and stronger banks are likely to be major contributors to the initiative.

"We are in the process of getting the registration done, after which we will seek an NBFC licence. The NBFC should be in place by the end of this financial year," said Gupta.

Self-regulation includes governance and internal control.

The Reserve Bank of India (RBI) a few months ago gave permission for the umbrella organisation. However, the federation requires an NBFC licence from the RBI.

Between 1993 and 2004, the RBI followed a liberal licensing policy for UCBs, which resulted in a proliferation in the number of UCBs. Their poor financial health prompted the regulator to conceive a Vision Document in 2005. Subsequently mergers and exits reduced the number of UCBs from 1,926 in March 2004 to a little more than 1,500 in March 2017, with Maharashtra accounting for the highest number of mergers, followed by Gujarat and Andhra Pradesh.

At the end of March last year, there were 1,551 UCBs, of which about 54 were scheduled ones.

Earlier, the RBI had given the option of converting UCBs into small finance banks, but UCBs had turned down the proposal.

At present, UCBs are under the dual control of state governments and the RBI, which is also a reason for uneven regulation. Top bosses in UCBs are selected through election, often governed by political factors. This is unlike banks, where professionals are handpicked.

Experts are in favour of undivided supervision by the RBI.

The idea of setting up an umbrella organisation was broached in 2006 by a working group of the RBI under N S Vishwanathan. A high-powered committee for UCBs under R Gandhi stressed it again in 2015.

FINANCIAL HEALTH OF UCBs
(As of end-March 2018)

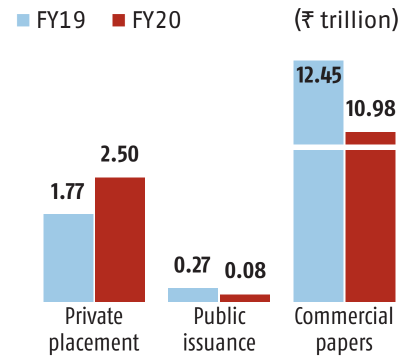
- **1,551** Number of UCBs
- **₹4,062 crore** Collective net profit (FY18)
- **₹12,970 crore** Capital
- **7.10%** Gross NPAs
- **0.74%** Return on assets
- **8.65%** Return on equity

Source: Reserve Bank of India

COMPANIES GO SLOW ON RAISING BONDS

Companies are opting for private placements, rather than issuing bonds in public. In any case, private placements have been dominating the corporate bond space, but this seems to have become the norm now as companies are not getting money from the bond market easily. Considering more than 70% of the market is dominated by non-banking financial companies (NBFCs) struggling to raise funds from the market, this finding by CARE Ratings is not surprising. The rating agency took the data from various sources, and found that private placements in the first half of FY20 was ₹2.5 trillion, against ₹1.77 trillion last year, whereas, public issues were lower at ₹8,034 crore, against ₹27,218 crore last year. At the same time, the commercial paper (CP) market "has been quite subdued and growth in outstanding paper has increased by just 4.8 per cent between March 31 and September 15, 2019, compared with 72 per cent last year," said CARE Ratings. The main reason for this is the near absence of NBFCs from the market. ANUP ROY

Corporate bond issuance in H1



Sector-wise share in cumulative issuances (%)

Sector	2018	2019
All industries	100	100
Non-financial	25.20	25.50
Manufacturing	2.10	1.80
Mining	2.50	1.00
Electricity	1.10	1.90
Services*	13.40	13.90
Construction & real estate	6.20	7.00
Financial services	74.80	74.50

*Other than financial

Sources: CARE Ratings, PRIME Database, CMIE

IN BRIEF

IndusInd Bank Q2 profit jumps 52% to ₹1,401 cr

IndusInd Bank on Thursday reported a jump of 52.2 per cent in consolidated net profit at ₹1,400.96 crore for the September quarter of the ongoing financial year. The private sector lender had posted a profit of ₹920.34 crore for the July-September period of 2018-19. Total income during the second quarter of 2019-20 rose to ₹8,877.53 crore, from ₹6,755.37 crore in the year-ago period. The bank's gross non-performing assets (NPAs) rose to 2.19 per cent of gross advances as on September 30, 2019, from 1.09 per cent by the same period a year ago. Net NPAs were 1.12 per cent, up from 0.48 per cent a year earlier. The provision for bad loans and contingencies for the September quarter was increased to ₹737.71 crore, against ₹590.27 crore a year ago. PTI

Indian Overseas Bank to revise interest rates

Indian Overseas Bank would reduce the interest rates in retail and micro, small, and medium enterprises (MSMEs) by 25 basis points (bps) with effect from November 1, the city-based lender said on Thursday. Indian Overseas Bank would reduce the interest rate applicable for retail segment — housing, vehicle, education, MSMEs by 25 bps and the revised repo-linked lending rate would be 8 per cent, from the existing 8.25 per cent with effect from November 1. PTI

K'taka ex-dy CM's house raided by over 300 taxmen

In coordinated raids, more than 300 income-tax (I-T) sleuths swooped down on premises linked to two prominent Congress leaders in Karnataka — former deputy chief minister G Parameshwara and former MP R L Jalappa's son J Rajendra. Parameshwara's family runs the Siddhartha Group of Institutions, which was established by his father H M Gangadharaiah 58 years ago. The I-T officials also searched the residence of his brother G Shivaprasad and personal assistant Ramesh. PTI

EESL, NIIF partner for deployment of smart meters

Energy Efficiency Services (EESL) and National Investment and Infrastructure Fund (NIIF) have entered into a joint venture for deployment of smart meters across India, the two firms said in a joint statement on Thursday. The new joint venture, named IntelliSmart Infrastructure, will implement, finance and operate the smart meter roll-out programme of power distribution companies. BS REPORTER

Group formed for privatising 150 trains

Railways has formed a task force to draw a blueprint for developing 50 railway stations with world-class standards and allowing private passenger train operators to run 150 trains on its network. The order comes days after NITI Aayog Chairman wrote to Chairman Railway Board V K Yadav proposing the formation of an empowered group to drive the process in a "time-bound manner". PTI

A new lender: RBI gives go-ahead for Kerala Bank

The Kerala government's long pending dream of setting up its own bank, by merging district co-operative banks, is all set to become a reality, with the Reserve Bank of India giving the final nod for the move. With its formation, the proposed 'Kerala Bank' will be largest banking network in the state. PTI

India at 7th position in Brand Finance Nation ranking

India jumped two levels to 7th position from 9th last year in the Brand Finance Nation ranking of 2019 despite reduction in the overall economic growth due to slowdown in the manufacturing and construction sectors. According to the report by independent brand valuation consultancy Brand Finance, the country recorded a 19 per cent growth in brand value to $2.6 trillion. PTI

PMC BANK LOAN CASE

ED initiates proceedings to attach Wadhawans' UK, UAE properties

SHRIMI CHOUDHARY
New Delhi, 10 October

Widening its money laundering probe into the ₹4,355-crore Punjab & Maharashtra Co-operative (PMC) Bank loan case, the Enforcement Directorate (ED) has initiated the attachment procedure of the properties located in the UAE and the UK belonging to Wadhawans. According to officials, the probe agency has approached its foreign counterparts and may soon issue a Letter Rogatory (LR) to seize the assets located overseas.

Sources said the enforcement agency has come across two immoveable assets — one flat in Dubai and one land parcel in London. The ED is examining the valuation of both properties, estimated between ₹150 crore and ₹200 crore. Typically, the ED is seeking legal assistance to seize properties located abroad.

Meanwhile, the ED on Thursday has identified another five-acre plot of the Wadhawans in Vasai, on the outskirts of Mumbai, on which a bungalow was built.

Housing Development & Infrastructure (HDIL) promoter Rakesh Wadhawan and his son Sarang Wadhawan are under ED scanner for allegedly diverting PMC Bank loan amount to create assets. The Economic Offences Wing of Mumbai Police arrested the Wadhawans last week in the case. Besides, the agency is evaluating the bungalow in Mumbai worth ₹100 crore, which Rakesh Kumar Wadhawan has gifted to his friend.

The ED stumbled upon two properties in Dubai and London, which are said to be worth between ₹150 crore and ₹200 crore

The ED has searched multiple locations of HDIL, its promoters, directors, and 18 other companies associated with the real estate firm.

PMC's exposure to HDIL is over ₹6,000 crore. And the real estate company is also facing bankruptcy proceedings at the National Company Law Tribunal. So far, the ED has attached one aircraft (Bombardier Challenger 300) registered in the name of Privilege Airways, where the Wadhawans are directors. Besides, at least 12 luxury cars and jewellery worth ₹60 crore have also been seized. Apart from this, the ED is in the process of attaching a 2.5-acre property of the Wadhawans at Alibaug, a coastal town in Maharashtra.

Sources said the companies associated and linked to HDIL are Wadhawan Livestock, Privilege Industries, UM Architecture and Contractors, Guruashish Construction, Heritage Housing Development (India), HR Infracity, Libra Hotels, Privilege Airways, and ANC Holdings. The Wadhawans are associates with several other companies.

The federal agency is trying to ascertain the total exposure of these firms to the bank, along with investments by these firms.

Input tax credit under GST regime restricted to 20% of claims: CBIC

INDIVJAL DHASMANA
New Delhi, 10 October

Businesses will have to pursue their vendors on a monthly basis to upload their invoices to enable them to take the entire input tax credit after the indirect tax board came out with a notification to restrict these credits to 20 per cent of the claims.

Concerned about dwindling revenues, the Central Board of Indirect Taxes and Customs (CBIC) put this condition on the claims where vendors have not uploaded their invoices within a month.

Experts said it would block cash flow of businesses and increase their compliance burden.

Though theoretically, businesses have to reconcile their input tax credit within 60 days, this clause was never implemented since the auto-populated form of purchases by suppliers — GSTR2 — has been suspended. As such, businesses are supposed to reconcile their input tax credit at the time of annual returns. However, the deadline of annual returns even for the first year of the GST roll-out — 2017-18 — has been deferred a number of times. This means that there was no restriction on the businesses to claim their input tax credit, provided they have the invoices to support their claims.

Now, businesses have to follow up with non-compliant vendors on a monthly basis to upload their invoices in Form GSTR 2A.

Harpreet Singh, partner at KPMG, said, "Restriction of mismatched input tax credit by 20 per cent would necessitate undertaking monthly reconciliation of purchase, credit register with GSTR 2A, and hence, may increase the monthly compliance burden." He said the move would also restrict credit, which was rightly availed of but did not get reflected in the GSTR 2A form, on account of default by vendors may result in adverse cash flow impact.

The GST collections fell to a 19-month low of ₹91,916 crore in September, pointing towards deepening economic slowdown. It was the second straight month of revenue collections falling below the ₹1-trillion mark, compounding the government's revenue woes amid steep collection target for the fiscal. The target is over ₹1.1 trillion a month.

In the first six months till September, GST grew by 4.9 per cent year-on-year.

The government in August had extended the date for filing annual GST returns for 2017-18 and 2018-19 by three months to November 30, as taxpayers were facing technical problems in furnishing returns. In fact, the government deferred the deadline a number of times. The original deadline of filing these returns was December 31, 2018.

GSTR-9 is an annual return to be filed yearly by taxpayers registered under the GST. It consists of details regarding the outward and inward supplies made or received under different tax heads.

Form GSTR-9C is filed by those with an annual turnover of above ₹2 crore. It is a statement of reconciliation between GSTR-9 and the audited annual financial statement, while GSTR-9A is the annual return to be filed those who have opted for the composition scheme under GST.

The deadlines were extended after businesses and experts complained about the complex nature of filing these returns and reconciliation of audited accounts with these returns. For instance, tax and legal consultants had said hundreds of amendments, notifications, and circulars have made the GST Act very complex.