GOLD	RUPEE	OIL	SILVER
₹39,375	₹71.07	$58.54	₹47,120

*Indian basket as on October 10, 2019

SENSEX: 37,880.40 ▼ 297.55 NIFTY: 11,234.55 ▼ 78.75 NIKKEI: 21,551.98 ▲ 95.60 HANG SENG: 25,707.93 ▲ 25.12 FTSE: 7,160.81 ▼ 5.69 DAX: 12,087.81 ▼ 6.45

*Indian basket as on October 8, 2019

POLICY WATCH
INDIRECT TAXES

GST Council forms 12-member panel to suggest compliance, revenue reforms

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 10

THE GOODS and Services Tax (GST) Council has constituted a 12-member committee of officials from states and Centre to suggest steps to augment revenue and improve compliance under the indirect tax regime. The move to look at measures to boost GST revenue come as gross monthly revenue collections fell to a 19-month low and contracted 2.7 per cent year-on-year to Rs 91,916 crore in September.

GST collections are expected to be hit further as the recent rate cuts announced by the GST Council on September 20 will come into effect from October 1, leaving no room for further rate cuts. Though September marked only the second instance of a contraction since the July 2017 rollout of the indirect tax regime, GST collections have been slowing due to weak consumption demand, with revenue topping Rs 1 lakh crore-mark in only three out of six months of this fiscal. Officials said gross GST collections are in line with the targets so far, but the recent instance of contraction in September revenue has raised concerns about the future trend and sustainability of revenues, especially because any further dip will put strain on the Centre which has to mandatorily provide compensation to states till 2022.

The committee for GST revenues, which will have to submit its first report within 15 days, will also look into wider range of reforms such as systemic changes in GST including checks and balances to prevent misuse, measures to improve voluntary compliance, improved compliance monitoring and anti-evasion measures using better data analytics and better administrative coordination. The committee will also look into policy measures and relevant changes needed in the law and measures for expansion of tax base under the GST regime.

The panel has officials from Maharashtra, Tamil Nadu, Uttar Pradesh, West Bengal, Punjab, apart from officials from the Centre and GST Network (GSTN)

The panel has officials from Maharashtra, Tamil Nadu, Uttar Pradesh, West Bengal, Punjab, apart from officials from the Centre and GST Network (GSTN). Any other state willing to join the panel can volunteer by writing to the GST Council Secretariat.

Slowing revenues are being seen as a risk not only for the Centre's revenues but also for states, which receive 42 per cent of shareable central taxes as central tax devolution.

Revenue concerns weighed strong during the GST Council meeting held last month. The 15th Finance Commission made a presentation to the Council, in which it suggested lowering of the legally guaranteed 14 per cent annual growth rate for states in the remaining compensation period of three years till 2022. The Commission cited that the rates were fixed keeping in mind the pre-GST rates, which have been lowered significantly. States opposed this strongly by saying that stability in GST rate and structure should be the prime objective of the Council instead of frequent tinkering.

The states also expressed concerns regarding the anticipated lower share in devolution of Union taxes, which would also arise on account of the recent announcement of the central government to cut the corporate tax rate. The government announced a cut in corporate tax rate for domestic companies to 22 per cent and for new domestic manufacturing companies to 15 per cent, a move estimated to cost the exchequer Rs 1.45 lakh crore annually.

IND-RA LOWERS PROJECTION TO 6.1% FROM 6.7% EARLIER

'Pronounced slowdown': Moody's cuts FY20 GDP forecast to 5.8%

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 10

STATING THAT India is experiencing a pronounced slowdown in economic growth, Moody's Investors Service Thursday projected a low 5.8 per cent growth for India in fiscal 2019-20. The forecast is significantly lower than Reserve Bank of India's (RBI) revised projection of 6.1 per cent for FY20.

Meanwhile, India Ratings and Research, part of Fitch Group, also revised its projection down to 6.1 per cent from 6.7 per cent it had estimated a couple of months ago.

In its note, Moody's said, "We forecast real GDP growth to decline to 5.8% in the fiscal year ending in March 2020 (fiscal 2019) from 6.8% in fiscal 2018, and to pick up to 6.6% in fiscal 2020 and around 7.0% over the medium term." Raising concerns over future economic growth prospects, it said that compared to two years ago, the "probability of a sustained real GDP growth at or above 8% has significantly diminished".

Moody's also raised concerns over India's sovereign credit profile. It said that, "prolonged softer growth would dampen prospects for the government's fiscal consolidation plans and hamper its ability to prevent a rise in the debt burden. Given India's already weak fiscal position, this would weigh on the sovereign credit profile". The report added that there are multiple drivers of deceleration and they are 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. A credit crunch among non-bank financial institutions (NBFIs), major providers of retail loans in recent years, has compounded the problem."

India Ratings and Research (Ind-Ra) also revised its forecast downward for the second time, cutting it to 6.1 per cent from 6.7 per cent earlier. It had earlier revised its GDP growth estimate to 6.7 per cent from its earlier forecast of 7.3 per cent in August 2019. While the government has announced several measures to revive the sentiment in the economy, it said that rather than addressing supply side, there is a need to take measures that will enhance the disposable income.

Welcoming the Centre's recent measures, Ind-Ra said "they are likely to support growth only in the medium-to-long term. Also, as most of the measures announced endeavour to reduce the cost of goods and services, they are essentially a supply-side response to revive growth".

"The agency believes the bigger challenge facing the economy is from the demand side as consumption demand has collapsed and private corporate investment is not forthcoming. Therefore, Ind-Ra believes the need is to take steps/measures that will enhance the disposable income/put additional money in the hands of rural/urban households," it added.

Even the RBI, while cutting its forecast for FY20 from 6.9 per cent to 6.1 per cent last Friday, said that while recent measures announced by the Centre are likely to help strengthen private consumption and spur private investment activity, "the continuing slowdown warrants intensified efforts to restore the growth momentum". The RBI came out with its monetary policy statement last Friday.

EXPLAINED

Moody's numbers bleaker than RBI's 6.1% projection

THE PROJECTION by Moody's is the most pessimistic so far and comes ahead of the International Monetary Fund's growth projections due next week. A prolonged phase of subdued growth would dampen prospects for the NDA government's fiscal consolidation plans and stymie its capacity to prevent a surge in the debt burden, thereby denting the country's sovereign credit profile.

Last week, the RBI too had cut its growth projection for the economy by 80 basis points to 6.1 per cent for 2019-20. The Manila-based Asian Development Bank and the Organisation of Economic Co-operation and Development had, last month, cut FY20 growth forecast for India by 50 basis points and 1.3 percentage points to 6.5 per cent and 5.9 per cent, respectively.

'India Inc's Q2 revenue may hit 14-qtr low'

Mumbai: Rating agency Crisil said a sharp drop in demand across consumption segments could pull down corporate revenue — excluding that of banking, financial services, insurance and oil firms — by 3 per cent year-on-year in second quarter of FY20. This is the first time in 14 quarters that revenues are expected to show a decline.

In the previous four quarters, i.e. between Q2FY19 and Q1FY20, aggregate revenue had grown 11-12 per cent on average. **ENS**

TCS posts 1.8% rise in Sept quarter profit

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 10

WITH GLOBAL customers reducing spending, Tata Consultancy Services (TCS), India's largest software services exporter, has reported a marginal 1.8 per cent rise in net profit at Rs 8,042 crore for the quarter ended September 2019, as against Rs 7,901 crore in the same period of last year. The net profit declined 1.09 per cent on a sequential basis from Rs 8,131 crore in the June quarter.

Though the profit growth disappointed markets, the company announced a total dividend of Rs 45 per share, including Rs 40 as special dividend. Revenue rose 5.8 per cent to Rs 38,977 crore for the September quarter, as against Rs 36,854 crore a year ago.

Rajesh Gopinathan, MD and CEO, TCS, said, "We ended the quarter with steady growth, despite increased volatility in the financial services and retail verticals. We remain confident as the medium and longer term demand for our services continues to be very strong, as evidenced by our Q2 order book — the highest in the last six quarters."

"Digital disruption across multiple industries is making rapid, scalable innovation a critical imperative in the Business 4.0 world. In the auto sector, our scale in advanced engineering R&D skills and depth in digital technologies like AI and IoT are making us the preferred innovation partner to leading OEMs, embedding us deeply into their product R&D value chain," he added.

COO and executive director N Ganapathy Subramaniam said, "Our point of view on anchoring or participating in digital ecosystems, and the Business 4.0 framework, are clearly helping clients in their growth and transformation journeys." "Our products and platforms are seeing increased client adoption and market coverage," he added.

TCS said UK and Europe led growth with an increase of 13.3 per cent and 16 per cent respectively on a year-on-year basis.

"We have been gearing up for growth despite the volatility. Our margins in Q2 reflect our continued investments in our people, and in building the capacity we need to fulfill our strong order book," V Ramakrishnan, CFO, said.

"Hiring continues to be very strong to fulfill the order book. Net addition in Q2 was 14,097, the highest ever number of employees to be on-boarded in a quarter. Consolidated headcount stood at 450,738 as of September 30, 2019," the consultancy firm said.

RBI chooses TCS to build data platform

Mumbai: The Reserve Bank of India (RBI) has chosen TCS as its strategic partner to implement a state-of-the-art Centralised Information and Management System (CIMS), comprising end-to-end data collection to data dissemination platform, enabling data-driven business decision making.

"TCS will create a next-generation AI platform for better regulation of financial markets and better tracking of the country's economic growth parameters. This includes the creation of a regulatory sandbox for FinTechs and other organizations that wish to subscribe to reliable and current economic data," the company said. **ENS**

'India lagging in female representation at senior levels'

India is near the bottom of the rankings for female representation at senior management levels, marginally better than Japan and South Korea, said the third CS Gender 3000 report for 2019 by Credit Suisse Research Institute

KEY FIGURES FOR INDIA:

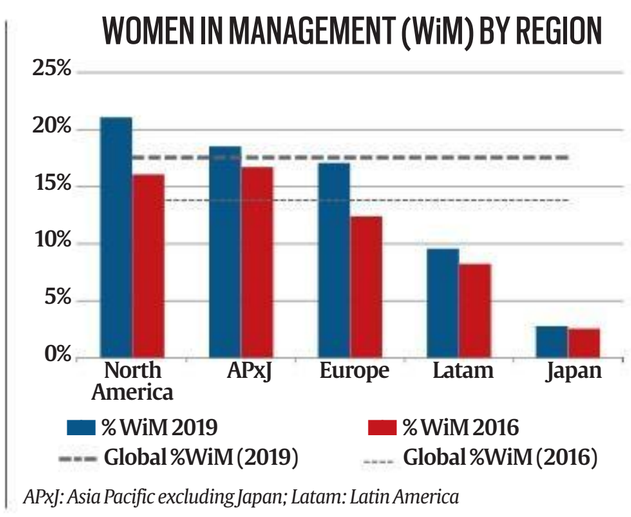
23: Global ranking for female representation at senior management levels

8.5%: Female representation in senior management; 6.9% in 2016

15.2%: Female representation on boards; up by 4.3% from 5 years ago

2%: Female CEO representation

1%: Female CFO representation



APxJ: Asia Pacific excluding Japan; Latam: Latin America

TOP 3 APxJ NATIONS WITH REPRESENTATION IN MANAGEMENT

34% Philippines
28% Thailand
25% Australia/NZ

20.6% Global average of female representation on boards

29.7% Female representation on boards in Europe

Sebi comes out with framework for issuance of depository receipts

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 10

MARKETS REGULATOR Sebi on Thursday came out with a detailed framework for issuance of depository receipts (DRs), a move that will provide Indian companies increased access to foreign funds.

The new framework would come into force with immediate effect, the Securities and Exchange Board of India (Sebi) said in a circular.

The framework comes after Finance Minister Nirmala Sitharaman in August said that the markets regulator would soon implement the Depository Receipt Scheme 2014.

"This will give Indian companies increased access to foreign funds through American Depository Receipt (ADR)/ Global Depository Receipt (GDR)," she had said.

HC bars DHFL from paying creditors, asks it to submit asset details

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 10

THE BOMBAY High Court Thursday passed an ad-interim order, restraining Dewan Housing Finance (DHFL) from making payments or disbursements to any secured or unsecured creditors until further orders. DHFL has also been directed by the court to disclose all assets and liabilities.

The order is an extension of a previous order passed by the HC on September 30, in response to an application filed by Reliance Nippon Life Asset Management seeking to recover dues from the non-banking finance company (NBFC). The earlier order had restrained DHFL from paying dues to creditors till October 10.

The court directed DHFL to disclose all its assets and liabilities in response to a petition filed by Edelweiss Asset Management. Edelweiss had moved the court on Monday, seeking to recover dues worth Rs 70 crore from the NBFC. Edelweiss also sought the appointment of a court receiver to oversee operations of DHFL.

"DHFL should file a reply to Edelweiss' application within four weeks," Justice AK Menon of the Bombay High Court said.

Edelweiss has been given two weeks from the date of filing of DHFL's reply to submit a rejoinder.

The next hearing will take place after the filing of Edelweiss' rejoinder. **FE**

RCEP interministerial meet today, Goyal to hold 'series' of talks

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 10

COMMERCE AND trade ministers of Regional Comprehensive Economic Partnership (RCEP) countries will be meeting Friday in Bangkok to help resolve issues related to "crucial" aspects of the mega trade deal that are yet to be settled, as per the Commerce Ministry. Union Commerce Minister Piyush Goyal will participate in these discussions as well as hold "a series" of bilateral meetings with his counterparts from Japan, Singapore, China, Australia and New Zealand during this period, the Ministry stated Thursday.

"Out of 25 chapters 21 chapters have been concluded. Crucial chapters of Investment, Electronic Commerce, Rules of Origin and Trade Remedies are yet to be settled," the Ministry's release said.

"Ministerial guidance will be sought on these issues during the Bangkok Ministerial round being held in October 2019," it added.

The 9th RCEP Intersessional Ministerial will be the last ministerial before the 3rd Leaders Summit on November 4, which Prime Minister Narendra Modi is expected to attend. This intersessional ministerial meeting comes at a "crucial" stage, as RCEP is scheduled to be announced as concluded in November.

The 28th round of negotiations for RCEP at the expert level had concluded at Da Nang, Vietnam, on September 27. "In this round of negotiations meeting of the Trade Negotiating Committee was held in which senior officials participated in negotiations regarding market access on trade in goods, trade in services and investment as well as on other areas like rules of origin, intellectual property and electronic commerce," stated the Ministry.

As per the Commerce Ministry, the meeting in Bangkok will help resolve issues related to "crucial" aspects of the mega trade deal

It added that in preparation for the 9th ministerial round, Goyal held consultations with the Indian industry "for firming up India's position and for taking into consideration industry concerns and sensitivities. Commerce and Industry Minister chaired several inter-ministerial meetings at the official level and also with ministers of the key line ministries".

"Focus and emphasis of the meetings chaired by the Commerce and Industry Minister was on putting in place appropriate safeguards including auto-trigger mechanism against sudden surge in imports from RCEP countries."

The RCEP negotiations were launched by leaders of the 10 ASEAN member states and six ASEAN Free Trade Agreement partners — Australia, China, India, Japan, Republic of Korea and New Zealand.

Oil PSUs to Air India: Pay monthly or will cut supply from Oct 18

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 10

ISSUING AN ultimatum to Air India, PSU oil majors on Thursday asked it to make the monthly lump sum payment by October 18 or they will stop the fuel supply at six major domestic airports.

In a letter sent to Air India on Thursday, the three oil PSUs — Indian Oil Corporation Ltd (IOCL), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL) — said "the outstanding has not come down considerably in the absence of the committed monthly lump sum payment". *PTI* has accessed the communique sent by the oil marketing companies (OMCs) to the national carrier.

In August, the three fuel retailers had stated that Air India owed Rs 5,000 crore in unpaid fuel bills with payments being delayed by almost eight months. On August 22, IOC, BPCL and HPCL had stopped fuel supplies to Air India at six airports of Kochi, Mohali, Pune, Patna, Ranchi and Vizag over payment defaults. However, after the intervention of the Civil Aviation Ministry, they resumed the fuel supply on September 7.

Gold ETFs see inflows for second straight month

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 10

GOLD EXCHANGE-TRADED funds garnered Rs 44 crore in September, making it the second straight month of inflows, as trade conflicts, signs of a global slowdown and decline in equities made investors bet big on the safe-heaven asset.

This comes on the back of a net infusion of Rs 145 crore in gold exchange-traded funds (ETFs) in August. It was the first inflow since November last year, when Rs 10 crore was infused in such instruments.

Prior to this, gold ETFs had seen a net inflow of Rs 20 crore in October 2016 and before that, an inflow of Rs 5 crore was witnessed in such funds in May 2013.

According to the latest data available with the Association of Mutual Funds in India (AMFI), Rs 44 crore was pumped in gold-linked ETFs last month as compared to an outflow of Rs 34 crore in September 2018.

"Sudden rally in gold prices mainly due to uneasy trade negotiation between the US and China, and lower than expected global GDP growth are the key reasons for the inflows in gold ETFs in recent times," said Omkeshwar Singh, head of mutual fund distribution business at Samco.

13TH ROUND OF NEGOTIATIONS BEGAN ON THURSDAY

China trade talks restart and US weighs escalation options

ALAN RAPPEPORT & ANA SWANSON
WASHINGTON, OCTOBER 10

TRUMP ADMINISTRATION officials are weighing a range of options that could inflict additional economic pain on China as the United States continues looking for ways to force Beijing to change longstanding practices that have put American companies at a disadvantage.

The ideas under consideration would move the White House's negotiating tool of choice beyond tariffs toward limiting China's access to American capital markets and imposing greater scrutiny on its companies, according to people familiar with the discussions.

Administration officials, including members of the National Security Council, have begun pressing the Securities and Exchange Commission to tighten its checks on Chinese firms. They are also looking for ways to reduce the exposure of American retirement funds to certain Chinese companies.

Many of those efforts have been proceeding independently from the trade talks — which resumed again on Thursday — and are fueled by longer-term considerations of China's economic and security threats. Some White House advisers now view those options as an additional lever to force China to make the kinds of deep economic concessions that have so far proved elusive in the talks, which have dragged on for more than a year.

Top-level officials from both countries began their 13th round of trade negotiations on Thursday. They are expected to discuss proposals for a somewhat limited trade deal that would address some of President Trump's criticisms of China's economic practices but still be acceptable to Beijing.

"Big day of negotiations with China," Mr. Trump tweeted Thursday morning. "They want to make a deal, but do I? I meet with the Vice Premier tomorrow at The White House."

Some administration officials have been hopeful that a deal will lock in more intellectual property protections for American companies and provide those firms with greater access to Chinese markets. They also want to avoid further tariffs on Chinese goods that have begun to weigh on American consumers.

If China makes sufficient concessions, some in the administration are willing to roll back a portion of the tariffs that Mr. Trump has placed on more than $360 billion of Chinese goods, people familiar with the discussions said. **NYT**

'US to issue licences for supply of non-sensitive goods to Huawei'

Bengaluru: The United States will soon issue licenses allowing some US companies to supply non-sensitive goods to China's Huawei, the New York Times reported, as high-level officials from the two countries meet this week to resume trade talks.

Huawei Technologies Co Ltd, the world's biggest telecoms gear maker, has been put on a US trade blacklist since May, when trade talks between Washington and Beijing broke down. The United States says the company can spy on customers, which Huawei denies.

The blacklisting blocked Huawei from buying parts and components from US companies without US government approval, limiting its access to essential technologies such as Google Mobile Services.

US companies can seek a license for specific products to be exempted from the ban. The US Commerce Department has received more than 130 applications from companies for licenses to sell US goods to Huawei, *Reuters* reported in August. **REUTERS**