

19 ECONOMY

SENSEX: 38,305.41 ▼ 361.92 NIFTY: 11,359.90 ▼ 114.55 NIKKEI: 21,885.24 ▲ 129.40 HANG SENG: 26,092.27 ▲ 13746 FTSE: 7,384.92 ▼ 23.29 DAX: 12,412.65 ▼ 15.43

International market data till 1900 GMT

SECTOR WATCH AVIATION

Ground personnel at 17 airports to undergo breathalyser tests from today, rest to follow

ENSECONOMICBUREAU
NEW DELHI, OCTOBER 1

THE DIRECTORATE General of Civil Aviation's (DGCA's) plan to cover ground personnel under breath analyser examination will be kicked off at over 17 airports on Wednesday, with the remaining aerodromes to be covered by the end of this month.

"On the auspicious occasion of the birth anniversary of the Father of the Nation on 2nd of October, many of our airports namely Ahmedabad, Bengaluru, Bhubaneswar, Kozhikode, Chennai, Coimbatore, Delhi, Guwahati, Hyderabad, Jaipur, Kannur, Kolkata, Lucknow, Mumbai, Varanasi, Vijaywada, Visakhapatnam, along with some others are getting all set to roll out the implementation of breath analyser examination of personnel engaged in aircraft maintenance, air traffic control services, airport operation and ground handling services," the DGCA said in a statement.

In addition to this, several airlines, including AirAsia, Air India, GoAir, IndiGo, SpiceJet and Vistara are also implementing the norm from October 2. "The roll out will be partial and completed before 30th of October 2019 as mandated...", the statement said.

Once implemented, in addition to cockpit and cabin crew undergoing breath analyser tests to check the level of alcohol in their blood, airside ground personnel and air traffic controllers (ATCs) will also have to undergo the test, as per a civil aviation requirement issued by the DGCA.

The regulations stipulate that all such personnel undergo the alcohol test prior to reporting for duty, and it also says that the organisations engaged in the provi-

In the case of a first violation, the licence of the concerned personnel will be suspended for three months. In the case of a second violation, the suspension will be for one year and for the third violation it will be three years

sion of air navigation services, aerodrome management, aircraft maintenance and repair, shall ensure that at least 10 per cent individuals employed in their respective organisations as engaged in such functions are randomly subjected to breath-analyser examination on a daily basis.

In the case of a first violation, the licence of the concerned personnel will be suspended for three months. In the case of a second violation, the suspension will be for one year and for the third violation it will be for three years. If a fourth violation happens, then the licence shall be cancelled permanently.

Internationally, rules laid down by the global aviation regulator ICAO states that holders of licences "shall not exercise the privileges of their licences and related ratings while under the influence of any psychoactive substance which might render them unable to safely and properly exercise these privileges".

The US Federal Aviation Administration and the UK Civil Aviation Authority have also developed and published their policy for detection of consumption of psychoactive substance including alcohol by personnel engaged in safety sensitive functions.

SEPTEMBER MOP-UP DECLINES 2.7% OVER YEAR-AGO PERIOD

GST collection falls to 19-mth low on weak consumption demand

ENSECONOMICBUREAU
NEW DELHI, OCTOBER 1

GROSS GOODS and Services Tax (GST) collections fell to a 19-month low of Rs 91,916 crore in September, reflecting weak consumption demand amid the overall economic slowdown. GST collections in September contracted 2.7 per cent from Rs 94,442 crore the same period last year, marking the second only instance of a contraction since the July 2017 rollout of the indirect tax regime.

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.

The GST Council had slashed tax rates for hotels with tariff of over Rs 1,000 by clubbing categories and moving them down the slabs, and reduced the rate for outdoor catering to 5 per cent from 18 per cent (without input tax credit), with the revenue loss is estimated to be around Rs 1,500 crore a year.

Tax experts said the contraction in GST collections, coupled with low direct tax collections so far, have renewed concerns of an

EXPLAINED

Govt's task to meet revenue targets gets more difficult

THE CONTRACTION in GST collections, coupled with flagging direct tax collections, have renewed concerns of an impending shortfall in the government's revenue targets as detailed in Budget 2019-20.

Net direct tax collections during April 1-September 15 grew at just 5% to Rs 4.4 lakh crore, which means the government would have to raise more than double this amount over the next six-and-a-half months to meet the Budget estimate of Rs 13.35 lakh crore. The slowing revenues would impact not just the Centre's revenues, but could have implication for states.

impending shortfall in the government's revenue targets as detailed in Budget 2019-20. Direct tax collections are already crawling, with net direct tax collections during April 1-September 15 growing at just 5 per cent to Rs 4.4 lakh crore, suggesting the government would have to raise more than double this amount over the next six-and-a-half months to meet the Budget estimate of Rs 13.35 lakh crore.

The slowing revenues are being seen as a risk not only for Centre's revenues but also for

states. "The YoY decline in the headline GST collections in the month of September 2019 and the sub 5 per cent growth in H1 FY2020, have reinforced concerns regarding impending shortfalls in the government's indirect tax collections relative to the budgeted target for FY2020.

This is a risk not only for the central government's fiscal situation, but also for the state governments, which receive 42 per cent of shareable central taxes as central tax devolution. Therefore, lower-than-budgeted GST collec-

'Telcos' services revenue rises to ₹39,123 cr in Apr-Jun'

Telecom sector revenue from phone calls, internet and other services rose to Rs 39,123 crore in April-June this year after witnessing a decline for four straight quarters, Trai said in a report

₹28,650.28 cr

Combined revenue of telecom firms rose by 11.98% in April-June, from Rs 25,585.07 crore in year-ago period, as per Trai's performance indicator report for the quarter ended June 2019

HIGH PAY OUT

The growth resulted in high dividend to the government in the form licence fees (LF) and spectrum usage charges (SUC)

₹3,133 crore

The LF increased by 8.48% during the reported quarter on a year-on-year basis



GROSS REVENUE and Adjusted Gross Revenue of the telecom service sector for the quarter ended June 2019 has been Rs 61,535 crore and Rs 39,124 crore, respectively. The year-on-year growth in GR and AGR in the quarter over the year-

ago period has been 5.37% and 7.03%, respectively, the report said

9.08%

increase in the SUC on a yearly basis to Rs 1,21 crore from Rs 1,028 crore

₹10,800 cr

was reported as Jio's adjusted gross revenue in the June quarter, which was the highest among telcos

27.94%

was the highest growth rate from sales of services, reported by BSNL

66.53 cr

Total number of internet subscribers, including broadband and narrowband

Must analyse why 5 large IBC cases are still pending: Thakur

ENSECONOMICBUREAU
NEW DELHI, OCTOBER 1

THE INSOLVENCY and Bankruptcy Code has transformed debtor-creditor relationship but delay in resolution in some large cases has raised concerns over the resolution process under IBC, Minister of State for Finance Anurag Singh Thakur said Tuesday. Of the 12 large cases referred by the Reserve Bank of India (RBI) for resolution under the IBC, Thakur said although seven cases were approved, five are still pending for more than two years.

"We must analyse why five cases are still pending," he said at an event to mark the third anniversary of the Insolvency and Bankruptcy Code of India.

The RBI in June 2017 directed banks to file insolvency proceedings against 12 large accounts (involved bad loans above Rs 5,000 crore each) which amounted to 25 per cent of the total NPAs at that time. The IBC puts of deadline 180 days for resolution which can be extended by maximum of 270 days. But many large cases have crossed this deadline as legal challenges stall timely resolution.

As on March 31, 2019, of the total 1,143 that were undergoing resolution under the IBC, a total of 548 cases exceeded the 180-day deadline. This reflects that in nearly 48 per cent of the cases (or 548 CIRPs), resolution could not be achieved within 180 days. A total of 362 cases — or 31.67 per cent of the ongoing CIRPs — surpassed the outer limit of 270 days set out in the IBC.

Finance Minister Nirmala Sitharaman said at the same event that the IBC has improved business climate in the country by making it easier for enterprises to exit in case of difficulties. "Very constant real time changes were brought in (by IBC). We have reached a stage where we can stand up for international standards in ease of doing business... And ease of doing business is the one which is also going to help us

"Very constant real time changes were brought in (by IBC). We have reached a stage where we can stand up for international standards in ease of doing business ..."

NIRMALA SITHARAMAN,
FINANCE MINISTER

very clearly for people wanting to do business and not fear doing business because you are not going to get into this and not know the way to come out," she said.

She said IBC has created a set of professionals who help and also show the path through which businesses can exit if situations are adverse. Solicitor General of India Tushar Mehta advised the government to improve the infrastructure for the National Company Law Tribunal so that it can effectively address the cases. Mehta said IBC has by and large fulfilled its objective and the Code has stood legal scrutiny on multiple occasions.

Speaking at the event, Corporate Affairs Secretary Injeti Srinivas said the Centre will look at innovative ways, including having a threshold, to ensure that the insolvency resolution framework is not abused by homebuyers. There have been large number of cases where "otherwise well-functioning real estate companies have been pulled into the insolvency proceedings by a single homebuyer who wants refund," he said.

Noting that there might be speculative homebuyers also in such cases, he said that if a single person is able to dislocate when there is otherwise no issue, we have to look at some threshold. Such checks and balances can be built in by way of regulations or amendments, Srinivas said. He added that the personal insolvency regime would be fully operational in one year. The cross border resolution framework is ready and the same is expected to be approved during the winter session of Parliament, he said.

Corporate Affairs Min starts probe into HDIL

ENSECONOMICBUREAU
NEW DELHI, OCTOBER 1

THE MINISTRY of Corporate Affairs has started an inspection of books of accounts and declarations of real estate firm HDIL, which has been unable to meet its debt obligations and has close links with Punjab and Maharashtra Cooperative (PMC) Bank that has been put under severe regulatory restrictions by the Reserve Bank of India.

A senior government official Tuesday said the MCA's regional office is examining whether HDIL is a case of genuine business failure or fraud. "The government has asked the regional office to submit report in two months," the official said. The MCA regional office is also likely to send its investigation report on troubled Non Banking Financial Company DHFL in the next few days. DHFL has prepared a draft resolution plan which seeks to convert debt into equity and give lenders majority stake in the company.

"At this juncture, it is very clear that there is a huge exposure and that they (HDIL) are not able to repay their debts for quite some time. There are serious issues on the face of it. They have not been

able to generate revenues to meet their debt obligations. Those matters will have to be looked into. We have to see whether there is a business failure or some other issues," the official said.

"Inspection is quite deep. We go to the books of accounts also. We get a fair idea about how the financial management has been done. If you find some basic issues with internal financial controls or internal financial management... you will know whether there was anything malafide or not," he said.

On Tuesday, the RBI slapped restrictions on PMC Bank, a cooperative bank headquartered in Mumbai, appointed an administrator and superseded its board of directors. The bank was funding a clutch of companies, mainly in the troubled real estate sector, led by Housing Development & Infrastructure Ltd (HDIL). Banks have already declared HDIL a defaulter. On August 20, 2019, NCLT admitted an insolvency plea moved by the Bank of India against HDIL in connection with a Rs 522-crore loan default. Surprisingly, HDIL, already a defaulter and taken to NCLT for insolvency, managed to get a pay order worth around Rs 96 crore from PMC Bank for a settlement at the Bank of India.

Manufacturing index steady in Sept, still weakest in over a year

ENSECONOMICBUREAU
MUMBAI, OCTOBER 1

INDIA'S MANUFACTURING sector activity remained unchanged in September amid subdued demand conditions domestically and externally, a monthly survey said on Tuesday.

The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, was 51.4 in September, unchanged from August. While it has been above the 50-mark that separates growth from contraction for over two years, the growth rate in

September and August was the slowest since May 2018.

The overall demand only rose marginally in September, hurt by almost no growth in exports, and firms barely increased headcount last month, the survey showed. Factories also cut back on purchases of raw materials, indicating they do not expect a marked pick up in demand.

GDP expanded at an annual rate of 5.0 per cent in the April-June quarter, the slowest in more than six years, official data showed in August, and the government has announced several measures to try and revive growth. With

overall inflation set to remain below the Reserve Bank of India's medium-term target of 4 per cent in the coming months, the RBI is widely expected to cut rates at its October 4 monetary policy review, adding to the 110 basis points of cuts already delivered this year.

Despite the expected easing from the RBI and measures announced by the government to boost the economy, optimism among firms remained weak.

The sub-index measuring the outlook for the next 12 months is the second lowest in over two years.

'Debt downgrade triples to ₹1.38L cr'

ENSECONOMICBUREAU
MUMBAI, OCTOBER 1

CREDIT QUALITY pressures have intensified for India Inc, with the value of debt downgraded more than trebling to Rs 1.38 lakh crore in the first half of fiscal 2020 from Rs 39,000 crore in the first half of fiscal 2019, rating firm Crisil said.

"That's the highest for any half since fiscal 2016," Crisil said in a report. In the first half of fiscal 2020, credit quality pressures intensified driven by an interplay of factors including global and domestic economic slowdown, sharp fall in consumption demand, and slower government spending. Constrained access to funding also affected the credit profiles of entities across sectors, especially non-banks and real estate.

Somasekar Vemuri, senior

director, Crisil Ratings, said, "Across rating categories, entities with higher leverage saw more downgrades as pressure from the demand slump intensified. Declining profitability and stretch in working capital cycles also were reasons for the downgrades. On the other hand, those with lower leverage withstood the demand-side challenges better."

Crisil's debt-weighted credit ratio (value of debt upgraded to downgraded) plunged to 0.25 time in the first half of fiscal 2020, compared with 1.65 times for fiscal 2019. Over the past five fiscals, the median gearing for Crisil-rated companies has improved from 1.3 times to 0.9 time, which reflects both, deleveraging that's been underway and resilience to demand pressure, it said.

That also explains why, upgrades continue to outnumber downgrades despite a sharp de-

cline in Crisil's credit ratio (upgrades to downgrades) for the first half of fiscal 2020 to 1.21 times 3 — the lowest in the past six half-yearly assessments, and down from 1.73 times for fiscal 2019. The fall in credit ratios was across investment, export, and domestic consumption-linked sectors. Among investment-linked sectors, construction and allied accounted for over 30 per cent of downgrades because of delays in project execution and stretched liquidity, Crisil said.

Export-linked sectors reported a mixed performance, with pharmaceuticals (especially bulk drugs) continuing to benefit from supply constraints in China. Gems & jewellery and ready-made garment exporters saw more downgrades because of constrained access to funding, lower export competitiveness, and weak demand, it said.

FORD TO TRANSFER CHENNAI, SANAND PLANTS TO JV

M&M to buy 51% in Ford's India unit

ENSECONOMICBUREAU
MUMBAI, OCTOBER 1

MAHINDRA & Mahindra (M&M) and Ford Motor Company have signed an agreement to create a joint venture that will develop, market and distribute Ford brand vehicles in India and Ford brand and Mahindra brand vehicles in high-growth emerging markets around the world.

Mahindra and Ford will form a joint venture, with M&M owning a 51 per cent controlling stake. Ford will transfer its India operations to the joint venture, including its personnel and assembly plants in Chennai and Sanand. Ford will retain the Ford engine plant operations in Sanand as well as the Global Business Services unit, Ford Credit and Ford Smart Mobility.



Jim Farley, President of Ford New Businesses, Technology & Strategy; Pawan Goenka, MD of M&M, and Anand Mahindra, Chairman of Mahindra Group in Mumbai. Reuters

Valued at Rs 1,925 crore (\$275 million), the joint venture is expected to be operational by mid-2020, subject to regulatory approvals. The joint venture will be operationally managed by Mahindra, and its governance

will be equally composed of representatives of Mahindra and Ford.

Though Ford started Indian operations in 1995, the company has struggled to capture a decent share in the automobile market.

Strong dollar hurting: Trump

Washington: US President Donald Trump said on Tuesday US interest rates were "too high" and that a strong dollar was hurting the country's manufacturers, again blaming the Federal Reserve, which is scheduled to release manufacturing data later this month.

"As I predicted, Jay Powell and the Federal Reserve have allowed the

Dollar to get so strong, especially relative to ALL other currencies, that our manufacturers are being negatively affected. Fed Rate too high. They are their own worst enemies, they don't have a clue. Pathetic!" Trump wrote.

The Fed is due to release figures on manufacturing output during September on October 17. REUTERS