"Internal security is on the top of the priority list. We've undertaken a lot of work to improve security on the borders and crackdown on fake notes"

AMIT SHAH, Home minister

"The BJP government has launched its final assault to decimate RTI. It has passed amendments, which diminish the office of information commissioner in a manner that it leaves them at the mercy of the very government it is required to hold accountable"

SONIA GANDHI, Congress president

"In Kashmir, the entire administration belongs to the Centre, Army, and other central forces... And on that day a EU delegation was visiting. How could they abduct these poor innocent fellows?"

MAMATA BANERJEE, West Bengal CM on terror attack

RCEP ministers meeting today to break deadlock

Goyal will be under pressure to negotiate a proposed import cap for China

SUBHAYAN CHAKRABORTY
New Delhi, 31 October

With negotiations on major issues such as tariff reduction and market access still unresolved, the government is betting on the November 1 meet of trade ministers from Regional Comprehensive Economic Partnership (RCEP) nations to cut through the tangle.

Among other issues, Commerce and Industry Minister Piyush Goyal will be under pressure in Bangkok to negotiate a proposed import cap for China, which has been strongly resisted by Beijing. India may now support the formal announcement of completion of talks with an 'in-principle' support for the deal, senior government officials hinted. It would, however, be up to New Delhi to convince other nations to continue talks further.

The resulting agenda prepared by the ministers will be discussed by Prime Minister Narendra Modi and other RCEP leaders in Bangkok on November 4, the official deadline for the deal.

After technical discussions ended earlier this month, nations had sought to put contentious issues to bed through bilateral engagements by October 22. But no forward movement had been made then as well as in the past 10 days on most areas of dissent, they said.

RCEP is India's most ambitious trade pact, currently under negotiation. Based on India's existing free trade agreement (FTA) with the 10-nation Asean bloc, the RCEP will include all the nations with which the Asean has trade deals — New Zealand, Australia, China, India, Japan, and South Korea. Apart from the RCEP meet, Modi will also attend the 16th ASEAN-India summit and the 14th East-Asia Summit.

Officials are pushing to secure exceptions for India on trade issues, sources said. Prime among these is New Delhi's opposition to demands of other nations on securing trade concessions provided by India in the domestic space. Known as "ratchet" in trade terminology, the concept implies that any policy changes will be automatically committed under the RCEP agreement to all members after a fixed period.

Talks have faltered on providing MFN (most-favoured nation) status to all partners. This promises that India will provide investment or services-related concessions given to a trading partner under a bilateral treaty automatically to RCEP members without any time gap.

The government may not extend MFN benefits to other RCEP nations on certain items. India has also sought to extend the date for duty cuts from the initially planned 2014 to 2019, because it has raised customs duties on more than 3,500 products since 2014, sources had earlier said.

So far, 29 rounds of negotiations, apart from multiple minister-level meets, have been held. Despite a push by New Delhi has apparently made it clear that significant tariff concessions have already been made and further talks would be based only after an equal push by China.

On Wednesday, Goyal said the detractors of proposed trade deals should maintain silence until the framework of each was made public. Arguing that a targeted campaign is working to derail talks, Goyal conceded that the government would never compromise on national security and national interest.

ON THE TABLE

- India may support the formal announcement of completion of talks with an 'in-principle' backing for the deal
- It will be up to India to convince other nations to continue talks further
- Prime Minister Narendra Modi and other RCEP leaders will discuss the agenda prepared by the ministers in Bangkok on November 4, which is the official deadline for the deal
- Officials are pushing to secure exceptions for India on trade issues. Prime among these is India's opposition to demands securing trade concessions provided by the country in the domestic space

Farmers plan nationwide protest against deal

BLOOMBERG
New Delhi, 31 October

Farmers' organisations have planned a nationwide protest on November 4 to demand that the government keep agriculture out of a 16-nation trade agreement currently being negotiated in Thailand.

The All India Kisan Sangharsh Coordination Committee, an umbrella organisation of about 250 farmers unions from across the country, said they would burn effigies depicting the China-backed Regional Comprehensive Economic Partnership or RCEP, to mark their protest and warn the government.

Indian farmers won't be able to compete should the country agree to cut duties for agricultural and dairy products in the proposed trade pact, said V M Singh, a convener of the farmers' group. Imports of dairy and agricultural products, including wheat, cotton, and oil seeds, would affect the livelihood of millions of farmers, he said.

The government should defer signing of the agreement and hold consultations with farmers, state governments and other stake holders before taking a final decision, said Singh. "We have to stop RCEP," he said.

It is not clear yet what terms the government will agree to in order to join what could become the world's largest trade deal. The final stage of negotiations have begun in Bangkok and Indian trade minister Piyush Goyal will travel for the ministerial meeting there on November 1.

The nations are seeking to conclude the negotiations by November end.

Fiscal deficit at 93% of target in 1st half of FY20

INDIVJAL DHASMANA
New Delhi, 31 October

The Centre's fiscal deficit touched 92.6 per cent of the Budget Estimates (BE) in the first half of 2019-20, as tax revenues did not keep pace with the target and expenditure could not be compressed much.

Though the figure seemed alarming, it was bit lower than 95.3 per cent in the corresponding period of 2018-19. But then, there was fiscal slippage in FY19 when the fiscal deficit rose to 3.4 per cent of the country's gross domestic product (GDP) against the target of 3.3 per cent.

From that perspective, the Centre may still rein in the deficit at the targeted level of 3.3 per cent of GDP in the current financial year. However, the tax revenues may take a hit post-October due to cuts in the corporation tax rates announced.

Revenue deficit, which is a gap between expenditure and revenues for the current needs, touched almost 100 per cent (99.8 per cent to be precise) of BE in this period. It was 108 per cent in the year-ago period. Some economists consider revenue deficit as more crucial than fiscal deficit since the government has to borrow just for consumption.

Tax receipts totalled ₹6.07 trillion in April-September in FY20, which was 36.8 per cent of BE. That was bit lower than 39.4 per cent in the first half of the previous year.

"Worryingly, the gross tax revenues of the Centre have recorded a YoY decline in August and September 2019, resulting in a low 1.5 per cent rise in H1FY20," Aditi Nayar, principal economist at ICRA, said.

She expected substantial shortfall in tax revenues this financial year, with both direct and indirect tax revenues reporting a subdued performance in the recent months.

Also, the revenue figures till September got a bump due to RBI's transfer of ₹1.47 trillion to the Centre, which would not be forthcoming in the second half. The RBI's transfer helped the Centre get ₹2.09 trillion as total non-tax revenue in the first half. This was 66.7 per cent of BE for 2019-20, much higher than 44.5 per cent in April-September in FY19.

"Had there not been one-time windfall gain from the RBI, the fiscal deficit would have looked much worse," Devendra Pant, the chief economist at India Ratings, said.

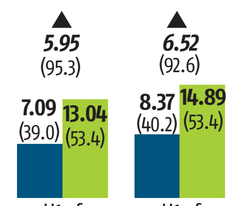
Non-debt capital receipts, including disinvestment, progressed at slow pace. Those stood at ₹20,598 during April-September of the current fiscal year, constituting 17.2 per cent of BE against 19.2 per cent a year ago. The government is banking on big-ticket disinvestment such as BPCL and Air India to meet or cross the target of ₹1.05 trillion.

On the other hand, the government did not cut expenditure too much since the economy is facing a slowdown. Both the revenue expenditure and capital expenditure were almost at a pace incurred in the first six months of the last year in terms of the percentage of BE. Nayar said expenditure cuts may be inevitable to prevent the fiscal deficit from rising too sharply in FY20.

"Government spending has significantly picked up pace in the months after the presentation of the Union Budget in July 2019, which would support economic growth in Q2FY20. Encouragingly, at 15.3 per cent in H1FY20, the growth of capital spending has outpaced that of revenue spending, which has recorded a 14.0 per cent expansion in the same period," she said.

Pant said in all probability the government will miss its FY20 fiscal deficit target of 3.3 per cent of GDP.

SHAKY FINANCE



Source: Controller General of Accounts

IN BRIEF

'Govt not considering launch of gold amnesty scheme'

The government is not considering any gold amnesty scheme as part of efforts to unearth unaccounted wealth stashed in the form of yellow metal, official sources said on Thursday. The clarification comes amidst media report indicating the government move to launch amnesty scheme that will allow individuals and entities to declare their unaccounted gold holding without risk of being prosecuted. There is no such gold amnesty scheme under consideration of Income Tax Department as being reported in media, the sources said. As the budget process is on, typically these type of speculative reports do appear ahead of budget process, they said. Reports indicated that scheme would try to overcome limited success of an earlier amnesty scheme Pradhan Mantri Garib Kalyan Yojana, also known as IDS-II, launched in 2017, post-the demonetisation exercise. It was reported that the new amnesty scheme would allow gold hoarders a chance to come clean on investment made using black money by declaring their possession and paying tax on it. PTI

7 shortlisted for RBI deputy guv post; interview on Nov 7

A search panel, headed by cabinet secretary, is scheduled to interview seven shortlisted candidates next week for the post of RBI deputy governor, sources said. The post had fallen vacant after Viral Acharya resigned in July — six months before the end of his term. The RBI four deputy governors. The Financial Sector Regulatory Appointment Search Committee includes RBI governor, financial services secretary, and some independent members. PTI

IndusInd Bank board finalises name for MD & CEO post

IndusInd Bank has selected a potential successor to Managing Director and Chief Executive Officer Ramesh Sobti. Indusind Bank told the exchanges that the board had finalised a potential candidate for the position. It, however, did not name the successor. Three names that are doing rounds are Sumant Kathpalia, the lender's head of consumer banking; Paul Abraham, the current chief operating officer; and Suhail Chander, the head of corporate and commercial banking. BS REPORTER

Dhanlaxmi Bank MD and CEO T Latha resigns

T Latha, managing director and chief executive officer of Kerala-based Dhanlaxmi Bank, has resigned citing personal reasons, the bank said on Thursday. It said her resignation was accepted by the board with effect from October 31. BS REPORTER

Veteran CPI leader Gurudas Dasgupta passes away at 83

Veteran CPI leader and former MP Gurudas Dasgupta died in Kolkata on Thursday following a prolonged illness, party sources said. He was 83. Dasgupta is survived by his wife and daughter. West Bengal CPI secretary Swapan Banerjee said, "He (Dasgupta) passed away at his home in Kolkata at 6 am. He was suffering from lung cancer for quite some time." Vice President M Venkaiah Naidu, Prime Minister Narendra Modi, and West Bengal Chief Minister Mamata Banerjee, among others, condoled the death of Dasgupta, saying he was a strong voice in Parliament. PTI

38% of promises made to boost economy fulfilled

The Narendra Modi government has implemented 17 of 47 announcements made by Finance Minister Niramala Sitharaman to boost the economy. Besides, there has been significant progress in eight of the promises made by Sitharaman. According to a statement by the finance ministry, 13 out of 32 announcements were implemented in August. Besides, three of 12 promised made to boost exports were fulfilled in September. Action has also been taken on one of the three promises made by the finance minister on the housing sector. BS REPORTER

Irdai asks insurers to give details on exposure to DHFL, IL&FS, ADAG

The Insurance Regulatory and Development Authority of India (Irdai) has sought data from companies on their exposure to Infrastructure Leasing & Financial Services (IL&FS), Dewan Housing Finance Corporation (DHFL), Indiabulls, and Anil Dhirbubhai Ambani group companies, sources aware of the development said.

"The regulator perhaps wants to see the strength of the insurance companies," said the chief executive officer of a life insurance company. All the four entities, for which data was sought by Irdai on October 9, have been downgraded by credit rating agencies recently. SUBRATA PANDA

NHAI wants ₹25,000 crore more budgetary support

MEGHA MANCHANDA
New Delhi, 31 October

The National Highways Authority of India (NHAI) has sought ₹25,000 crore more from the Centre for the next financial year (2020-21), mainly to fund its ambitious highway projects.

The authority has sought ₹25,000 crore more than what it received in 2019-20, sources said. The NHAI has the approval to raise ₹75,000 crore in borrowings during the current year, while the government support is ₹36,691 crore.

The highways authority has made its presentation to the Ministry of Road Transport and Highways, which, in turn, would send its demand to the Ministry of Finance.

According to an official in the know, the road ministry may seek even higher budgetary support than being proposed by the NHAI. The proposal is yet to go to the Finance Ministry.

The NHAI has lined up a portfolio of projects worth ₹18,000 crore to be bid out in the next few months, which includes five hybrid-annuity packages on the Vadodara-Mumbai expressway, four EPC (engineering-procurement-construction) packages on the Delhi-Vadodara expressway, and projects in Uttar Pradesh and Bihar.

NHAI will use the amount to fund its portfolio of projects worth ₹18,000 crore to be bid out in the next few months

With budgetary support unable to match the lack of private investment, the NHAI has been under analyst scanner for being highly leveraged with its debt expected to touch ₹2.5 trillion by the end of current financial year.

In FY19, a mix of debt raised from banks, toll revenue, and a road monetisation scheme, was to yield ₹62,000 crore to the NHAI.

This financial year, allocation has been made to the NHAI for major works under the Bharatmala Pariyojana, entrusted to the organisation for execution.

The money will come from the Central Road Infrastructure Fund (CRIF), the Permanent Bridges Fee Fund, and Monetisation of National Highways Fund.

The Bharatmala programme envisages construction of 20,000 km of roads at an estimated investment of ₹7 trillion. In the first phase to be undertaken over three-five years, the project would cost ₹5.5 trillion. It would be funded through various sources, including ₹2.09 trillion from the market, ₹1.06 trillion through private investment, and ₹2.19 trillion from the central road fund or toll collection.

The expenditure on maintaining national highways is financed from the CRIF. The works are executed on agency basis by the public works department of the states, Border Roads Organisation, National Highways & Infrastructure Development Corporation, and NHAI.

While the overall allocation for NHAI has seen a rise in the past couple of years, the authority's IEBR (Internal and Extra Budgetary Resources) has increased. IEBR is essentially the money raised by the department itself in the form of profit, debt, and equity. In FY18, the NHAI's IEBR was ₹50,532.41 crore. It went up to ₹62,000 crore in FY19 and further to ₹75,000 crore in FY20.

Indian Oil to open retail outlet in Saudi Arabia in six months

SHINE JACOB
New Delhi, 31 October

To mark its retail presence in West Asia, Indian Oil Corporation (IOC) is expected to start its first retail outlet in Saudi Arabia in six months by creating an equal joint venture (JV) company with Riyadh-based Al Jeri Group.

According to their plans, at least 200 retail outlets will be set up initially in Saudi Arabia. IOC's foray will be significant as Saudi's national oil company Saudi Aramco was looking to enter the Indian downstream market through a tie-up with Mukesh Ambani-led Reliance Industries.

During the recent visit by Prime Minister Narendra Modi to Saudi Arabia, an agreement was signed between IOC's Middle East unit and Al Jeri Group, a local company specialising in the transport and delivery of all petroleum products as well as other bulk transports.

"This will be a 50:50 JV as the local regulations require a partner from Saudi Arabia for retail entry. We will also be selling our lubricants in that country, which is being sold through an agent," said Gurmeet Singh, director marketing of IOC. Singh said the companies were waiting for some local clearances. "We have not decided on the number of outlets that we are going to come up with," he said.

According to Al Jeri, it transports more than 28 per cent of all Aramco products, making it the biggest Aramco products transporter in the region. It also offers services at all major Gulf Co-operation Council (GCC) border crossings. "There is enough local demand in both fuel and lubricant space in Saudi," he said.

IOC has marketing subsidiaries in Sri Lanka, Nepal, and Mauritius. Singh said IOC was also looking to enter fuel marketing and retail business in Myanmar, too. This was after Myanmar Petroleum Products Enterprise (MPPE) invited private companies to form a JV for importing, storage, distribution, and sale of all petroleum products.

IOC is also in the process of laying a pipeline between Raxaul in Bihar and Amlekhgunj in Nepal at a capacity of 1.3 million tonne per annum.

Apart from Aramco, other companies, including Russian giant Rosneft, French major Total, Abu Dhabi National Oil Company (Adnoc), and Kuwait Petroleum International (KPI), have shown interest in Indian market.

Several foreign players, including Saudi Aramco, BP, ExxonMobil, and Total, are also expected to participate in the proposed strategic sale of Bharat Petroleum Corporation (BPCL).

IOC sees 83% fall in profit before tax on higher inventory loss

SHINE JACOB
New Delhi, 31 October

State-run Indian Oil Corporation's (IOC's) profit before tax (PBT) fell by 83 per cent to ₹814.48 crore for the quarter ending September, owing to higher inventory losses and a decline in refinery margin. It had recorded ₹4,805.74 crore PBT during the same period last year.

The company's net profit was ₹563.42 crore, as against ₹3,246.93 crore during the same period in 2018-19. "The decline in profit during the quarter was mainly on account of inventory loss against an inventory gain during the previous year," said Sanjiv Singh, chairman of IOC, said at a press conference on Thursday.

The company's inventory loss was seen at ₹1,807 crore during the quarter, as against an inventory gain of ₹2,895 crore last year. On the other hand, gross refining margin (GRM) was $1.28 a barrel during the quarter versus $6.79 a barrel a year ago. The GRM during the first half of year 2019–20 was $2.96 a barrel, as compared to $8.45 a barrel in the corresponding period of a year ago. Singh said one major reason for lower GRMs during the current fiscal was due to lower cracks.

"BPCL is a large organisation. It (IOC's interests) will very much depend on how the whole bundle is being offered"

SANJIV SINGH
Chairman, IOC

During the quarter, the company's revenue from operations declined by 12.7 per cent to ₹1.32 trillion, as against ₹1.51 trillion during the same time a year ago.

The company sold 44.081 million tonnes of products, including exports, during the first six months of the financial year. IOC's refining throughput for the six months period was 34.82 mt, while for pipeline network it was 43.6 mt. During the first six months, foreign exchange loss was seen at ₹1,043 crore.

The IOC chairman indicated that the company's interests on the upcoming stake sale process by the government in Bharat Petroleum Corporation (BPCL) would depend on the offer by the government.

"BPCL is a large organisation. It (IOC's interests) will very much depend on how the whole bundle is being offered," Singh said, adding that the change in retail policy and the entry of new players would bring fresh changes to the entire business model in the retail segment.

During the past six months, IOC has seen 9 per cent growth in gasoline, 4.4 per cent in liquefied petroleum gas, and 1 per cent rise in diesel sales.