

# Business Standard

### How markets performed last week

	Index on Nov 5, 19	*One-week	% chg over Dec 31, '18	Local currency	in US \$
Sensex	40,324	0.4	11.8	9.4	
Nifty	11,908	0.1	9.6	7.3	
Dow Jones	27,681	1.2	18.7	18.7	
Nasdaq	8,475	1.1	27.7	27.7	
Hang Seng	27,651	2.0	7.0	7.0	
Nikkei	23,392	2.4	16.9	17.4	
FTSE	7,359	0.8	9.4	9.5	
DAX	13,229	2.1	25.3	20.4	

\*Change (%) over previous week  
Source Bloomberg



## COMPANIES P2

### IT FIRMS LOOK TO CUT JOBS AT MID AND SENIOR LEVELS

## ECONOMY & PUBLIC AFFAIRS P17

### CHOKED: MEN DELIVERING YOUR AIR PURIFIER ORDER



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## BJP SAYS WON'T FORM GOVT, GOVERNOR INVITES SHIV SENA

Hours after the Bharatiya Janata Party (BJP) declined to form the government in Maharashtra on Sunday night, Governor Bhagat Singh Khoshyari asked the Shiv Sena to "indicate the willingness and ability" of the party to stake claim, mounting suspense over government formation. The Sena, the largest party in the 288-member House after the BJP (105), has time till 7.30 pm on November 11, to stake the claim. **▶**

## COMPANIES P3

### Piramal Group to raise ₹3,033 cr by March-end

The Piramal Group will have to raise ₹3,033 crore by March next year to meet its financial commitments at a time when ICRA, a Moody's affiliate, has downgraded group firms Aasan Corporate Solutions and Piramal Realty. The group needs to pay Aasan Corporate Solutions' debt of ₹1,350 crore and ₹1,683 crore as its contribution for the rights issue announced for Piramal Enterprises. **DEV CHATTERJEE** reports

## ECONOMY & PUBLIC AFFAIRS P6

### GRMs for state-run oil companies tumble

Gross refining margins (GRMs) for three state-run oil-marketing companies took a hit in the September quarter. The decline, analysts said, was the combined effect of macro demand slowdown, inventory losses, and planned shutdowns. While core GRMs for IOC was at \$3 per barrel for the quarter, HPCL reported GRMs of \$2.6 per barrel, and BPCL's GRM was at \$3.7 per barrel. **AMRITHA PILLAY** writes

## Former CEC T N Seshan passes away at 86

Former chief election commissioner (CEC) and former Cabinet secretary Tirunellai Narayana Iyer Seshan, who ushered in reforms in the country's electoral process during his tenure as CEC in the 1990s, died of a cardiac arrest on Sunday in Chennai. He was 86.



## BANKER'S TRUST: A cobbler's suggestions to mend the economy

One-time restructuring of real estate loans and a large fund to buy toxic assets and equity in banks and NBFCs can bring back the animal spirits in the economy. **TAMAL BANDYOPADHYAY** writes

## BUSINESS LAW: Legal cloud over realty revival

Changes in the IBC and RERA may be required for the ₹25,000-crore booster shot to take effect. **ISHITA AYAN DUTT** writes

## THE SMART INVESTOR: Demand worries may dim IT firms' growth outlook

Deal conversion is taking time and may impact revenues and stock valuations. **SHREEPAD S AUTE** writes

## STATSGURU: Protectionism and RCEP

# I-T seeks ₹1-trn cut in direct tax mop-up target

**DILASHA SETH**  
New Delhi, 10 November

The income-tax (I-T) department will ask for a cut of at least ₹1 trillion in the target for direct tax collection in 2019-20 (FY20) because of growth in the segment sliding to 3 per cent as of October 31.

The reduced growth is largely because of consumption slowdown and tax rate cuts.

Corporation tax collection, net of refunds, grew by just 0.5 per cent in the first seven months of the fiscal year, against the year's expansion target of 15.4 per cent at ₹7.66 trillion.

Personal I-T collection grew by 5 per cent till October, against the year's target of 22.4 per cent at ₹5.69 trillion.

Direct tax collection touched ₹5.2 trillion, which is only 39 per cent of the year's target of ₹13.25 trillion.

Direct tax growth in FY20 was estimated at 17.3 per cent. If the targets are not revised, collection will need to expand by around 30 per cent in the remaining five months of the fiscal year.

"We are expecting a cut of at least ₹1 trillion in the Budget target for direct tax collection to bring it closer to the ground realities. Economic slowdown has severely affected our mop-up, and corporation tax cuts have made the target further unrealistic," said a government official. "The tax cuts for the corporate sector will help in reviving growth and, in turn, the tax mop-up only in the medium term," he added.

The direct tax collection target was revised downwards by ₹45,000 crore in the Budget of July, from the estimates in the Interim Budget presented in February.

The Central Board of Direct Taxes is anticipating a shortfall of around ₹50,000 crore on account of economic slowdown and close to ₹1 trillion because of the corporation tax rate cut.

To arrest corporate slowdown, Union Finance Minister Nirmala Sitharaman in September announced

## HOW THEY STACK UP

**0.5%** Corporation tax collection growth till October

**3%** Overall direct tax mop-up, against FY20 target of 17.3%

**₹1 trillion** Expected deficit because of corporation tax rate cut

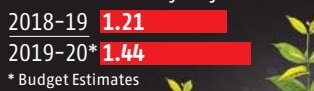
**₹50,000 crore** Anticipated shortfall on account of economic slowdown

**ADVANCE TAX GROWTH SLOWS IN H1FY20**  
45% of advance tax paid by Sep 15



## TAX BUOYANCY

Growth in tax collection/Growth in nominal GDP



steep cuts in corporation tax rates, effective from April 1 this fiscal year. The rate was cut to 22 per cent from 30 per cent for the existing companies that do not get any exemptions, and to 15 per cent from 25 per cent for new manufacturing companies. **Turn to Page 6 ▶**

# Mahindra Group to check into upscale hotel segment

Mahindra Holidays will launch hotels under a new brand

**SHALY SETH MOHILE**  
Mumbai, 10 November

Mahindra Holidays & Resorts (MHRL), the Mahindra Group's hospitality arm, is firming up plans to enter the upscale hotel segment as it seeks to ride the burgeoning demand in the sector and capitalise on its brand credentials.

Sources said that the proposed diversification from "vacation ownership" through its Club Mahindra brand would put the firm on a similar turf as that of the Tata Group's Indian Hotels and other hospitality brands such as ITC Hotels and Oberoi.

However, in the initial phase, MHRL will focus only on leisure destinations; metro cities will come on its radar later. In line with most other hospitality firms, Mahindra will take the management contract route for entry into this new arm of its hospitality business.

A top official at MHRL confirmed the plans. "We are evaluating setting up a hotel management business as we believe this is an untapped opportunity for a leading hospitality player like Mahindra Holidays. Our credentials in hospitality are well established through our vacation ownership brand, Club Mahindra," said Kavinder Singh, managing director and chief executive officer (CEO) at MHRL.

The new business vertical will be a wholly-owned subsidiary of MHRL, said Singh, adding the company would "create a differentiated value proposition" for this business under a new brand.

Though Singh did not give a timeline for when the new business will take off, he said the team was currently working on developing the core brand and the value proposition it would bring. "All this is progressing well," he said, pointing out that the brand's positioning would be "upper upscale and upscale". **Turn to Page 6 ▶**



## ROOM FOR MORE

- Mahindra Holidays to take management contract route
- To tap leisure destinations in the first phase
- The new firm to be 100% owned by Mahindra Holidays & Resorts

# RBI agenda: Prompt corrective action for NBFCs by 2022

**SOMESH JHA**  
New Delhi, 10 November

The Reserve Bank of India (RBI) is planning a prompt corrective action (PCA) framework and a different supervisory system for non-banking financial companies (NBFCs) by 2022.

Its medium-term strategy, termed Utkarsh 2022, talks of a "revised and effective PCA framework for NBFCs" as part of a policy for achieving "excellence" in performance of its statutory role, among other steps. This means NBFCs will have to strictly meet benchmarks on capital requirement, non-performing assets (NPAs), and asset quality.

The RBI contemplates a return to an earlier supervisory rating framework for NBFCs, too, while ensuring financial statement disclosures here are on a par with banks. This framework is what is

## RBI'S MEDIUM-TERM STRATEGY FOR NBFCs



- To make financial statement disclosures of NBFCs on a par with banks
- Integrated off-site monitoring system for ongoing oversight
- Robust compliance culture through enforcement of regulations and cancellation of licences
- Differentiated supervisory framework for large 'deposit-taking and systemically important' NBFCs and smaller NBFCs
- Uniform accounting standards through implementation of Ind-AS

termed CAMELS, an abbreviation used globally in this regard regarding bank supervision — for capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk.

The ongoing stress at NBFCs was triggered by a series of payment defaults

and delays by Infrastructure Leasing & Financial Services, beginning August. It was followed by defaults in interest payments by Dewan Housing Finance Corporation and a recent default in payment to another lender by Altico Capital. **Turn to Page 6 ▶**

# Goyal, Jet under SFIO radar

**RUCHIKA CHITRAVANSHI**  
New Delhi, 10 November

The Serious Fraud Investigation Office (SFIO) is looking into the "general sales agents" model of Jet Airways in its probe of the aviation company, a senior official told *Business Standard*.

The probe agency has found that the company's vast network of sales agents across the globe was not independent of Jet Airways and several of these entities were linked to its founder, Naresh Goyal.

When venturing into a new or developing market or cutting costs in an existing market, airlines choose general sales agents (GSAs) as their representatives to offer services and products without investing in their offices and teams.

Goyal's GSA Jet Air Travels also acted on behalf of Jet Airways in multiple countries. But investigative



## Siphoning off money through general sales business is being probed

agencies have said these agencies were used by Goyal to siphon off the company's money.

"The money has been shown as outgoing payments to these agents but in many cases it was just a front for the company itself... There are many irregularities under investigation," a person close to the matter said.

This is among three to four methods Jet allegedly used.

The agency has questioned Goyal on several occasions.

The agency has also sought information from bank officials, auditors, and directors on the board of the company. The government ordered a probe into Jet Airways and its group companies for allegedly diverting funds, indulging in malpractices, and other financial irregularities found during its inspection in July.

The agency had been directed to complete investigation by December and submit its report to the government. As the SFIO probe widens to Jet's group companies, including JetLite, Airjet Ground Services, Airjet Engineering Services, Airjet Training Services, Airjet Security and Allied Services, and Jet Privilege, the case is likely to remain under investigation beyond the six-month deadline. **Turn to Page 6 ▶**

# VHP's Ram temple model may be the blueprint

**VIRENDRA SINGH RAWAT**  
Ayodhya, 10 November

With a five-judge Constitution Bench of the Supreme Court (SC) clearing the way for a Ram temple at the 2.77-acre disputed site in Ayodhya, the focus now shifts to the proposed grand edifice.

One of the early votaries of the Ram temple movement, the Vishva Hindu Parishad (VHP), has been chiselling and carving pink sandstones at the workshop of Ram Janmabhoomi Nyas at Karsevakpura in this temple town since 1989, in anticipation of the construction of the temple.

The compound prominently displays a model of the proposed Ram temple near its entrance, which over the past decades has acquired a place of reverence for those who throng Ayodhya and visit the workshop to marvel at the craftsmanship of artisans, mostly from Rajasthan. The stones, too, are transported from Bharatpur in Rajasthan.

Nearly 65 per cent of the carvings on the pillars has been completed, VHP Spokesperson Sharad Sharma told *Business Standard*, even as he

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EDIT: AWAITING REAL CLOSURE



The 'Nagara' architecture-style proposed temple will be 268 feet 5 inches in length, 140 feet in width, and 128 feet in height

remained caged on the issue of the estimated cost on the proposed temple. But with the trust for the construction of the temple to be constituted in three months, the VHP's blueprint of the grandiose temple may come in handy.

The VHP on Sunday said the Centre should take swift action on the SC judgment, paving the way for the Ram temple and demanded the structure be built according to the design prepared by architect

## MANDIR IN NUMBERS

**₹450 crore** Estimated construction cost (adjusted for inflation)

**₹3.50 crore** Donations VHP collected from 275,000 villages till 1989; no information on funds collected since 1990

**175,000 cubic feet** Pink sandstone required

**65%** Completion of work on carving on pillars

**5** Sections in blueprint: *Agrabhaag, Sinh Dwar, Rang Mandap, Nriya Mandap, and Garbh Griha*

**Two-storey** Temple, with 212 pillars

Chandrakant Sompura on its request.

Sompura was asked to prepare the design in 1989 by then VHP chief Ashok Singhal and it was circulated among devotees across the country, the organisation's Working President Alok Kumar told *PTI*. **Turn to Page 6 ▶**

## A WIN-LOSE PROPOSITION P19