ECONOMY



₹

71.71





SENSEX: 40,359.41 ▼ 215.76 NIFTY: 11,914.40 ▼ 54.00 NIKKEI: 23,112.88 ▲ 74.30 HANG SENG: 26,595.08 ▲ 128.20 FTSE: 7,324.52 ▲ 85.97 DAX: 13,168.45 ▲ 30.75

SECTOR WATCH **PHARMACEUTICALS**

Trade margin cap on drugs, devices: Govt asks stakeholders for views on regulation

PRABHARAGHAVAN NEW DELHI. NOVEMBER 22

THE GOVERNMENT has asked various pharmaceutical, medical device and chemist associations as well as civil society bodies to submit by November 30 their views on capping the margins taken on medicines and medical devices across the supply chain, *The Indian Express* has learnt.

During a meeting held with various stakeholders on the issue, officials of the National Pharmaceutical Pricing Authority (NPPA) and the Department of Pharmaceuticals sought inputs on how much margins should be allowed for these products across the supply chain, said persons directly aware of the development. The officials also asked for their views on the scope of such a regulation and what sort of products should be included or excluded in this process, the sources added.

Friday's discussions focussed on expanding NPPA's earlier move to cap trade margins of over 40 cancer medicines in February to cover other therapeutic segments. It also brought up a debate on how best to control the prices of medical devices sold in the country, with major differences between multinational device makers and patient groups as well as Indian device associations, sources said.

Stakeholders also debated whether medicines falling within a certain price bracket should be excluded from the process, sources said. As per NPPA's move to cap trade margins of 42 non-scheduled cancer drugs, the maximum retail prices (MRPs) of these drugs cannot be marked up more than 42 per cent from the price at which the stockist has purchased them from the manu-

facturer or marketing firm. "Almost all associations were on the same page when it came to using the same margins in the case of cancer medicines for other drugs. But, it was mentioned (by some stakeholders) that the process

MEETING POINTS

■Talks on expanding NPPA's earlier move to cap trade margins of over 40 cancer drugs

■ Focus also on how best to control prices of medical devices

moving forward should be done in a phase-wise manner," said a person present at the meeting on Friday, requesting anonymity.

"There was also a recommendation that all drugs under Rs 5 per unit should be kept out of price control," the person added. At the same time, there were issues raised with this recommendation by stakeholders like patient activist group All Indian Drug Action Network (AIDAN).

"We support creation of a norm for industry practice in setting trade margins across all non-scheduled medicines. We do not support excluding medicines under Rs 5 per unit (such as a tablet) from this exercise," said Malini Aisola of AIDAN. "A large population suffers from chronic diseases. Many of the medicines for managing these conditions could come in this category.' she added.

AIDAN and Association of Indian Medical Device Industry also had differences with other associations over regulating medical device margins. While some associations had recommended a 50 per cent margin from price to stockist, they had sought the margins to be capped from the landed cost of the product.

"The combination of an incorrect starting point for the regulation (Price to Stockist) and excessively high margins will lead to high cost escalation in the supply chain and wide disparities in prices paid by consumers," said Aisola, adding that AIDAN also asked for ceiling price caps on "critical" devices currently regulated as drugs.

'NITI AAYOG ROLE IN FINANCIAL SPHERE SOMEWHAT UNCLEAR' Frequency with which GST rates changed is unbelievable: NK Singh

ENSECONOMIC BUREAU MUMBAI, NOVEMBER 22

FIFTEENTH FINANCE Commission Chairman NK Singh on Friday came out against the frequent tinkering with the Goods and Services Tax (GST) rates and called for eliminating the cumbersome compliance procedures to improve tax collection.

He also argued for a more credible policy for rationalisation of Centrally Sponsored Schemes and central outlays, and said the "role of NITI Aayog, which is primarily a think tank institution and not a financial body, remains somewhat unclear in the financial sphere". "The cumbersomeness of compliance is one of the important factors why I believe that there is a huge scope for improving the rev-

enue realisation from GST."

"Equally, I do believe the frequency with which the rates have been changed is unbelievable. You are playing with the rates of taxation, these are serious issues and these are not rates of mutual accommodation," he said, after delivering the LK Jha memorial lecture at the RBI headquarters here. GST revenues stood at Rs 95,380 crore in October 2019, lower than Rs 100,710 crore in October 2018.

"If you do not simplify GST, you will be defeating the very purpose and intention of why we took this far reaching step," Singh said in response to a question by SBI Chairman Rajnish Kumar. However, Singh noted despite all these issues, the country has seen

EXPLAINED **Need for symmetry** between GST Council, FinComm

AT A time when GST revenue numbers are moving downwards, the Finance Commission chief has raised concerns about the frequent tinkering of rates and has flagged the need to go back to the drawing board for the indirect tax regime. He also pointed to the need to restructure the GST Council and focus on the symmetry between it and the Finance Commission. Though rates fall under the purview of the Council, any sort of extension in compensation structure for states beyond the guaranteed period till 2022 will have a crucial bearing on the Commission's recommendations.

one of the fastest GST adoption rates and credited same to the PM and former FM Arun Jaitley, but stressed on the need to go back to the drawing board urgently.

"The symmetry in the working of the GST Council and the Finance Commission deserves serious considerations...IthinktheGSTCouncil needs a restructuring in terms of what is good, not only in terms of the negotiating strengths of one state versus the other, it needs to function in a manner so that the rims of India are not really seriously compromised," Singh said.

"We need a far more credible policy for rationalisation of Centrally Sponsored Schemes and central outlays that have been possible so far. Several committees in the past have made attempts to do so but the outcome has been elusive. This is even more relevant since the role of NITI Aayog, which is primarily a think tank institution and not a financial body remains somewhat unclear in the financial sphere," Singh said.

"We need to constitute an empowered group of domain experts to submit to the Finance Minister and Prime Minister on modalities of further and deeper rationalisation of these Centrally Sponsored Schemes." he said. With the abolition of the Planning Commission, many economists and policymakers have argued about an institutional vacuum, he said. "While the NDC is performing an important function, the States have pleaded for a credible institution acting as a link for a policy dialogue with the Centre," Singh said. He added aligning the fiscal and debt path of the Centre and states is an arduous but inescapable task.

Institutionalise state finance commissions: **RBI Governor**

PRESSTRUST OF INDIA MUMBAI, NOVEMBER 22

RESERVE BANK of India (RBI) Governor Shaktikanta Das on Friday said there is a "great need" to institutionalise state finance commissions and helping the local bodies enhance their revenue generation capacities.

He said fiscally strong states and Centre is the "essence" of Indian federalism and weakness at either end poses a slew of challenges for the country. "There is a great need to

strongly institutionalise the

state finance commissions and empower the third tier of governance by enhancing their revenue-generating capacity," Das said. He was speaking at the central bank headquarters before the

17th L K Jha Memorial Lecture which was given by 15th Finance Commission chairman NK Singh. "The essence of Indian federalism is that both the union and the states have to be fiscally

strong. A weak union is both detrimental to both national sovereignty and growth. Similarly, weak states will not be able to deliver on their development agenda." he said.

Telcos file review plea in SC on interest fee, penalty waiver

SC ORDER ON LICENCE FEE, SUC

\$63.06

ENSECONOMIC BUREAU NEW DELHI. NOVEMBER 22

TELECOM OPERATORS Bharti Airtel, Vodafone Idea, and Tata Teleservices on Friday separately moved the Supreme Court, seeking a limited review of its October 24 order which asks the companies to pay licence fee and spectrum usage charges on their overall revenues – those accruing from even streams which are not part of telecom licence – within three months. The telcos, through separate

petitions, sought waiver of interest, penalty, and interest on penalty. Of the Rs 1.47 lakh crore of dues which the telcos are required to pay within January 24, 2020 as a result of the apex court's order, nearly 75 per cent comprises interest, penalty, and interest on penalty. Of the overall Rs 1.47 lakh crore, the licence fee dues stand at Rs 92,642 crore, while spectrum usage charge (SUC) is at Rs 55,054 crore. Vodafone Idea and Bharti Airtel, together posted a loss of around Rs 74,000 crore last week after provisioning for the adjusted

The government on Wed-

Care, Crisil downgrade VIL securities

New Delhi: Vodafone Idea (VIL) on Friday said Care Ratings has downgraded rating on its long-term bank facilities and non-convertible debentures, citing erosion in the firm's overall risk profile following the SC ruling on AGR dues and significant losses in September quarter.

In a separate regulatory filing, VIL said that Crisil has downgraded its rating on non-convertible debentures of Rs 3,500 crore of erstwhile Vodafone Mobile Services. **PTI**

nesday cleared a package that offered some cash flow relief for the operators by way of giving them a two year moratorium from paying their deferred spectrum dues

Meanwhile, Fitch Ratings said on Friday the moratorium may not be sufficient for Airtel and Vodafone Idea to offset the gross revenue (AGR) related dues. impact of the Supreme Court ruling. **FEWITHPTI**

ALLEGED CLIENT DEFAULTS OF AROUND ₹2,000 CR

Sebi bars Karvy Stock Broking from taking new clients

ENSECONOMIC BUREAU MUMBAI, NOVEMBER 22

SEBI FRIDAY banned Karvy Stock Broking Ltd (KSBL) from taking new clients for alleged client defaults of around Rs 2,000 crore.

On Friday, the NSE forwarded a preliminary report to the Securities and Exchange Board of India (Sebi) on the non-compliances observed with respect to the pledging/misuse of client securities by KSBL. The exchange's preliminary report is the result of the limited purpose inspection of KSBL conducted by it on August 19, covering a period from January 1 onwards, Sebi said in an order.

In its ex-parte interim order, Sebi Whole Time Member Ananta Barua said there is a "need for urgent regulatory intervention to prevent further misuse of clients' securities". The NSE report has revealed that KSBL transferred a net amount Rs 1,096 crore to its group firm Karvy Realty between April 2016 and October 2019. KSBL sold excess securities (securities not available in DP account) to the tune of Rs 485 crore through 9 related clients till May 31.

Further, KSBL has also transferred excess securities to six of these nine related clients to the tune of Rs 162 crore till May 31, 2019. On subsequent verification, it was observed that securities worth Rs. 257.08 crore, pledged on behalf of 4 clients out of the aforesaid 9 clients, were unpledged during June 1, 2019 to August 22, 2019 and securities worth of Rs. 217.85 crore were recovered by KSBL from 4 out of the said 9 client accounts.

Apart from prohibiting the en-

The exchange's preliminary report is the result of the limited purpose inspection of KSBL conducted by it on August 19, covering a period from January 1 onwards, Sebi said

tity from taking new clients in respect of its stock broking activities. the watchdog directed NSDL and CDSL not to act upon any instruction given by KSBL in pursuance of power of attorney given by its clients.

"The depositories shall monitor the movement of securities into and from the DP account of clients of KSBL as DP to ensure that clients' operations are not affected," the order said.

Sebi said the depositories and exchanges shall initiate appropriate disciplinary regulatory proceedings against KSBL for misuse of clients' funds and securities as per their respective rules.

The findings in the order are based on the prima facie examination of facts and prima facie violation of securities law, it added. Sebi also said the "order does not ipso facto entitle any client of the noticee (KSBL) to claim their funds, stocks and securities, which claims are to be taken by such clients with the concerned stock exchanges/depositories in accordance with their respective byelaws". The directions would be in place pending forensic audit. KSBL

has been given 21 days from the date of receiving the order to file objections or responses.

'Consumer electronics industry to double by FY25'

The appliances and consumer electronics industry is projected to double to ₹1.48 lakh crore by 2024-25, according to a CEAMA and Frost & Sullivan report

DOMESTIC VALUE ADDITION for "ACE (appliances and consumer electronics) products under scope stands at 34 per cent in FY19 and is likely to grow to 54 per cent by

FY25" TV MARKET is expected to grow to 284 lakh units in 2024-25 from 175 lakh units in 2018-19 and washing machines to be at 126 lakh units from 70 lakh units of 2018-19

275 lakh units

The size to which refrigerator market is expected to grow as compared with 145 lakh units in 2018-19

The size to which the air conditioning (AC) market is expected to grow in 2024-25 from 65 lakh units in 2018-19

165 lakh units

REASON WHY MARKET IS EXPECTED TO SEE ACCELERATION

- **IN GROWTH:**
- Surging rural consumption, ■ Reducing replacement cycles
- Increasing penetration of retail
- Wide choice of brands and products at various price points

PRODUCT CATEGORIES

- **BASED:**
- Air conditioners ■ Refrigerators
- Washing machines
- Television (TV) and audio

ON WHICH REPORT IS o Palo

₹76,400 crore

The total market size of industry

in 2018-19, in which ₹ 32,200

domestic manufacturing

crore was contributed from

ED arrests former Bhushan Power & Steel promoter Sanjay Singal against "fictitious purchases" of tutions," a CBI statement had said.

EXPRESS NEWS SERVICE NEW DELHI, NOVEMBER 22

FORMER PROMOTER of Bhushan Power & Steel (BPSL) Sanjay Singal was on Friday put under arrest by the Enforcement Directorate (ED) for alleged money laundering. The agency had already questioned him thrice in connection with its case emanating from a bank loan fraud matter.

Earlier, on October 10, the agency had attached the entire plant of the company worth Rs 4,025 crore in Village Thelkoloi in Odisha's Sambalpur. The attachment was released by the

National Company Law Tribunal (NCLT) within a few days, but the agency challenged the order. The validity of attachment is currently being argued in the tribunal.

The money laundering probe is based on a CBI FIR registered in April this year in which it was alleged that BPSL, through its directors/staff, fraudulently diverted Rs 2,348 crore (approx) from the loan account of Punjab National Bank (Delhi and Chandigarh), Oriental Bank of Commerce (Kolkata), IDBI Bank (Kolkata) and UCO Bank (Kolkata) into the accounts of various companies or shell companies without any obvious purpose and thereby misused the funds.

The agency has already questioned him thrice in connection with its case related to a bank loan fraud case

"It was further alleged that the company availed various loan facilities from 33 banks/financial institutions during the year 2007 to 2014 to the tune of Rs 47,204 crore (approx) and defaulted on repayments. Subsequently, lead bank PNB declared the account as NPA (non-performing asset) followed by other banks and financial insti-

"It was also alleged that the accused entered into a criminal con-

spiracy among themselves and with unknown public servants of banks and others to cheat banks. In furtherance of the said criminal conspiracy, the accused dishonestly and fraudulently diverted huge amount of bank funds through companies/shell companies/entities etc. and deliberately defaulted in repayment and also claimed inadmissible CENVAT credit etc," the statement added.

The CBI further accused the company of using the bank funds for the purpose other than sanctioned by the bank, by committing forgery for the purpose of cheating, used forged documents and falsified the accounts causing loss to the tune of Rs 2348 crore (approx) to the lending banks.

In a statement on October 12, ED had claimed, "An amount of Rs 695.14 crore was introduced as capital by Sanjay Singal (the then CMD of the company) and his family members in BPSL out of artificially generated long-term capital gains (LTCG) by diversion of bank loans fund of BPSL". LTCG was exempted from income tax during the relevant time, the Directorate had said.

It alleged BPSL had also made RTGS payments to various entities

capital goods. Against RTGS payments, these entities had transferred cash to BPSL which was ultimately traced to have been used for generation of artificial LTCG by jacking up the prices of penny stocks by way of synchronised trading, the ED said. Another amount of Rs 3,330 crore invested as equity (share capital and premium) by promoter firms was also found to have been routed out of the funds obtained as various loans and diverted from accounts of BPSL in the shape of advances shown to various shell companies operated by the different entry operators, the agency had alleged.

RBI sets up three-member panel to assist DHFL resolution professional

ENSECONOMIC BUREAU MUMBAI, NOVEMBER 22

THE RESERVE Bank of India (RBI) on Friday constituted a threemember committee to advise its administrator to work out a resolution plan for Dewan Housing Finance Corporation Ltd (DHFL) and help recover nearly Rs 84,000 crore that the crisis-ridden company owes to banks and investors.

The members of the panel are Rajiv Lall, non-executive chairman, IDFC First Bank; NS Kannan, managing director and CEO, ICICI Prudential Life Insurance Co; and NS Venkatesh, CEO, Association of Mutual Funds in India.

The RBI, on Wednesday, used the recent changes in the bankruptcy laws to supersede the DHFL board and instituted the

process under the provisions of the bankruptcy code. It also appointed former MD of Indian Overseas Bank R Subramaniakumar, as the administrator. The panel will be assisting the administrator in "discharge of his duties", the RBI said. The Insolvency and Bankr-

uptcy(Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 provide for appointing such a panel to advise the administrator "in the operations of the financial service provider during the corporate insolvency resolution

process, the central bank said. DHFL is the first NBFC/HFC to go for bankruptcy resolution as per the recent changes in the bankruptcy laws.

Last Friday, the government

Insolvency and Bankruptcy Code empowering the RBI to refer financial sector players like NBFCs and HFCs — but excluding banks with assets worth at least Rs 500 crore to insolvency courts. The RBI stepped in to dissolve the DHFL board even as its lenders were working on a plan to convert their debt into equity. As of July 2019, the housing financier owed about Rs 84,000 crore to banks.

the National Housing Bank, MFs

had notified Section 227 of the

Meanwhile, on Friday, DHFL informed stock exchanges it will not be able to declare financial results on the scheduled date as the new administrator needs to have detailed discussions with statutory auditors. It was scheduled to announce its financial result on November 25.

and bondholders.

STARTING FROM \$39,900, THE CYBERTRUCK IS LESS EXPENSIVE THAN INITIALLY FLAGGED Broken glass marks Tesla electric pickup unveiling

NOVEMBER 22 TESLA INC Thursday unveiled its electric pickup, a truck with a futuristic angular body in gunmetal

gray that resembled an armored

TOKYO/SAN FRANCISCO.

REUTERS

vehicle and takes aim at the heart of Detroit automakers' profits. Starting from \$39,900, the Cybertruck is less expensive than initially flagged but its polarising design could limit sales in a popular segment symbolic of a rugged, practical American

lifestyle. At a launch event in Los Angeles, Tesla Chief Executive Elon Musk said other versions

\$69,900 with the most expensive offering a range of more than 500 miles (800 km). Production is expected to begin around late 2021.

Made from ultra-hard stainless steel which Musk claimed was bulletproof, the four-door six-seater truck's sharp geometric body was set atop massive tires.

Musk's assertion that the Cybertruck's exterior "won't scratch and dent" appeared to be borne out after it was hit with a sledgehammer. However, in a snafu, the armored glass windows cracked like spider webs when metal balls were thrown at them. "Room for improvement," Musk said, although he noted the glass had not completely broken.

The truck marks the first foray by Tesla into pickup trucks



Tesla CEO Elon Musk introduces the Cybertruck at Tesla's design studio Thursday, in Hawthorne, California. AP

will be priced at \$49,900 and