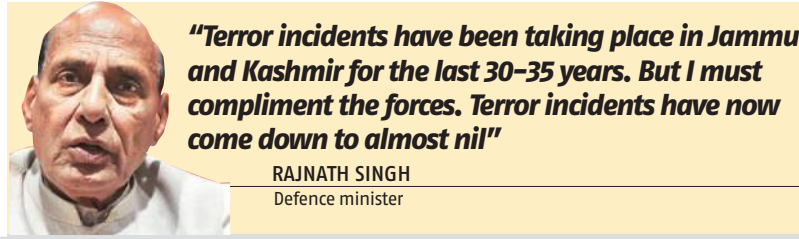


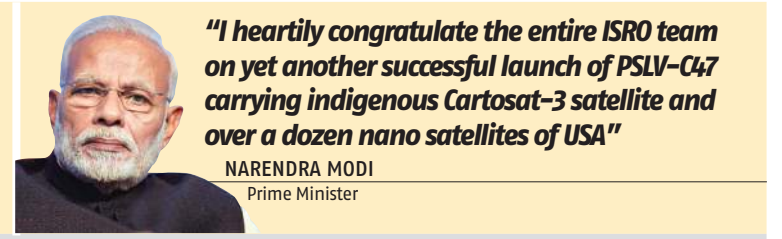
**"Impression is being created that the SPG Act is amended to withdraw security from the Gandhi family. This is not the fact. The security has not been withdrawn but changed to 'Z-plus' with advance security liaison"**

AMIT SHAH  
Union home minister



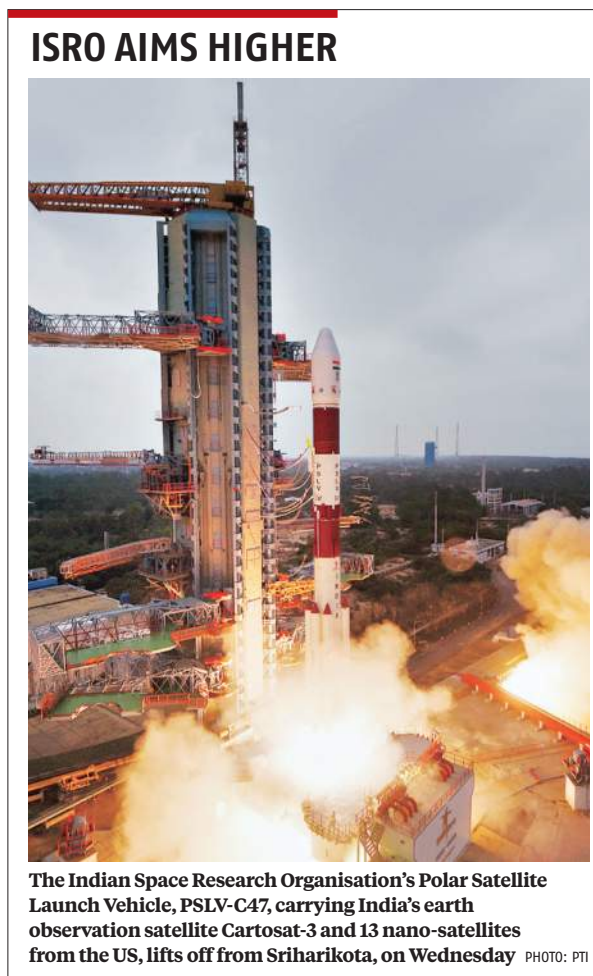
**"Terror incidents have been taking place in Jammu and Kashmir for the last 30-35 years. But I must compliment the forces. Terror incidents have now come down to almost nil"**

RAJNATH SINGH  
Defence minister



**"I heartily congratulate the entire ISRO team on yet another successful launch of PSLV-C47 carrying indigenous Cartosat-3 satellite and over a dozen nano satellites of USA"**

NARENDRA MODI  
Prime Minister



The Indian Space Research Organisation's Polar Satellite Launch Vehicle, PSLV-C47, carrying India's earth observation satellite Cartosat-3 and 13 nano-satellites from the US, lifts off from Sriharikota, on Wednesday PHOTO: PTI

# 15th Finance Commission's term extended

ARUP ROYCHOUDHURY  
New Delhi, 27 November

The Union Cabinet on Wednesday extended the term of the Fifteenth Finance Commission (FC) by 11 months. The Commission will now submit an interim report for fiscal year 2020-21 (FY21) and a full report for FY22 to FY26.

While the interim report will be submitted on Saturday (November 30), the final report (covering FY22 to FY26) will be presented by October 30 next year, said a press release after a Cabinet meeting. The panel's term was to end on Saturday.

"The extension of the term will enable the Commission to

examine various comparable estimates for financial projections in view of reforms and the new realities to finalise its recommendations for 2020-2026," said the statement.

This takes the period for which the 15th FC will recommend its award to six fiscal years instead of the usual five. However, sources explained that this does not fall foul of what has been mandated in the Constitution of India.

Article 280 of the Constitution states that the President shall set up a Finance Commission at the expiration of every fifth year or at such earlier time as the President considers necessary.



The term of the 15th finance panel, headed by N K Singh, has been extended by 11 months, till October next year

This means that while the 15th FC can give recommendations for six years through two reports (2020-21 to 2025-26), when the 16th FC is set up, it will

consider devolution for 2025-26 to 2029-30, and not from 2026-27, an official explained. This will essentially keep the award period of the 15th FC at five years,

since these are just recommendations which the government accepts. "The Constitution just mandates that every five years a Finance Commission has to be set up. Today's Cabinet decision is not in contravention of that," the official said.

While it was not implicitly stated in the press release, sources confirmed to *Business Standard* that the extra time had been given for the new Union territories of Jammu and Kashmir, and Ladakh.

As reported earlier, the Commission has sought time from President Ram Nath Kovind to submit the interim report. The interim report will enable Finance Minister

Nirmala Sitharaman and her bureaucrats to prepare the 2020-21 Budget. This course of action has precedent in at least three previous Finance Commissions.

The issues regarding Jammu and Kashmir and Ladakh surround the fact that while technically Union territories don't get a share of the divisible tax pool, and their resources come from the Centre's share of the divisible pool, the Jammu and Kashmir Reorganization Act mandates the 15th FC to consider Jammu and Kashmir be paid out of the divisible pool, i.e. it should be treated like a state.

Ladakh is expected to get funds out of the Centre's share, like any other Union territory.

## IN BRIEF

### Plan chalked out for ₹100-trillion investment in infra, says Goyal

The Centre has chalked out a plan envisaging an investment of ₹100 trillion in the infrastructure sector over the next five years, Union Minister Piyush Goyal said on Wednesday. "The investment will transform availability and quality of infrastructure at airports, roads, highways, railways, ports... All infrastructure-related sectors (aviation, shipping, electricity, and oil & gas) are going to see a huge thrust in the next five years," Goyal said. India has sought review of its existing free trade agreements (FTAs) with ASEAN and Japan, the minister informed Parliament. Goyal also said that the Commerce Ministry has taken action against 1,271 companies for misusing facilities under the export promotion scheme during the last three years. PTI.

### Delhi CM: Centre has halted onion supply at controlled price

Amid rise in onion prices in the national capital, Chief Minister Arvind Kejriwal accused the Centre on Wednesday of stopping the supply of the kitchen staple at controlled price to the Delhi government. It is said that the Centre has stopped the supply of onions to the city for the last two-three days, the chief minister said. PTI.

### Chidambaram's judicial custody extended

A Delhi court on Wednesday extended the judicial custody of former finance minister P Chidambaram for two weeks in connection with the INX Media money laundering case. PTI.

### ₹ gains 15 p to end at over 2-wk high on forex inflows

The rupee on Wednesday appreciated by 15 paise to close at more than two-week high of 71.35 against the US dollar on gains in domestic equities and sustained foreign fund inflows. Forex traders said the rupee appreciated for the second straight day on foreign inflows in primary as well as secondary equity market. PTI.

### Infra spending will keep states' deficit high, says Moody's

Rating agency Moody's said on Wednesday that slowing growth and continued infrastructure spending needs would keep deficits at state-level elevated, further challenging India's fiscal consolidation efforts. BS REPORTER.

ABHISHEK WAGHMARE  
New Delhi, 27 November

Finance minister Nirmala Sitharaman told the Rajya Sabha on Wednesday the country was not in recession yet, and won't ever be.

A set of data arriving in a day may qualify the statement to some extent. The Ministry of Statistics and Programme Implementation (MoSPI) will release the data on gross domestic product (GDP) for the July to September quarter of the fiscal year 2019-20 (Q2FY20) on Friday.

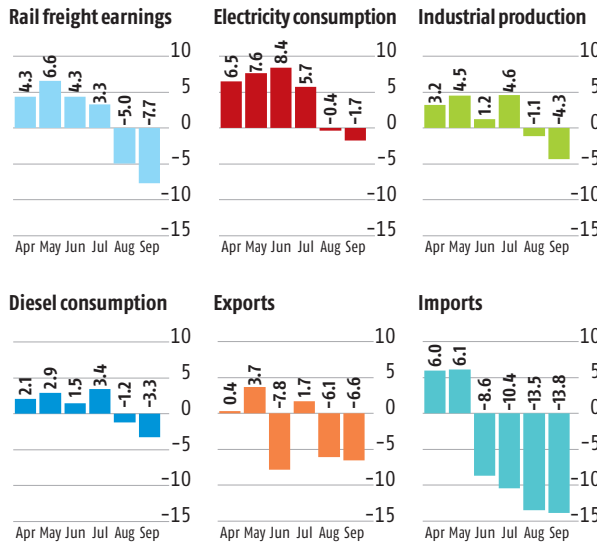
Raising slowdown concerns, economists whom *Business Standard* earlier spoke to have concurred on one thing: The growth in GDP in Q2 would be between 4.2 and 4.7 per cent, slower than the 5 per cent achieved in Q1.

The actual data could be more serious as the lowest-ever quarterly growth clocked since 2012-13 (when the new GDP series began) was 4.3 per cent, in the March quarter of FY13, when India was battling high inflation and political turmoil, in addition to pressures from the global economy.

Representative data for the July-September quarter proves their point to a great extent. A look at six indicators — imports, exports, rail freight earnings, electricity and diesel



## DOMINO EFFECT ENGULFS ALL



Source: Indian Railways, Commerce ministry, POSOCO, RBI, PPAC

consumption, and overall industrial production — shows that all of them have collapsed from positive growth in April to contraction in September.

These indicators are a collage of manufacturing and services sector indicators in the country, encompassing a substantial part of the economy.

While the growth in Q1 was 5 per cent with positive leading indicators, Q2 has been characterised by all indicators in red.

Port traffic too has stagnated, growing 0.4 per cent in the April-October period, entirely brought down by a severe con-

traction in coal imports.

Growth in consumption of fast-moving consumer goods, such as shampoo sachets and coconut oil, has weakened to 2 per cent in Q2FY20, with the stress concentrated in north Indian states.

Shubhada Rao, chief economist at YES Bank, told *Business Standard* that except services propelled by the government's budgetary funding, all the sectors of the economy are a drag on growth in the September quarter.

But she also said that the Indian economy is going through a transition phase, and some near-term impact was expected.

Meanwhile, Sitharaman reiterated in the Rajya Sabha that the efforts to recapitalise public sector banks have paid off, and it is evident in the good liquidity available to finance needy micro, small and medium enterprises.

However, bank credit growth, which had reached 12.2 per cent at the end of FY19, has now fallen back to 8.2 per cent at the end of September.

The GDP growth numbers, due on Friday, would also show how investments in the economy have fared this quarter. Data from the Centre for Monitoring Indian Economy has shown that India has seen new investments worth only ₹1.2 trillion in April-September, lowest in absolute terms in the past seven years.

While observers maintain that the slowdown is mainly cyclical in nature, they admit that there are structural reasons too.

## Govt increases FCI capital to ₹10,000 crore

It'll help the organisation borrow more to manage bulging stocks

SANJEEB MUKHERJEE  
New Delhi, 27 November

The Union Cabinet on Wednesday increased the authorised capital of the Food Corporation of India (FCI) by ₹6,500 crore to ₹10,000 crore. This will allow the FCI, which is sitting on a huge stockpile of foodgrain, to manage its inventories and procure more.

The current paid-up capital of the FCI (₹3,500 crore) allowed it to borrow up to 10 times more, that is ₹35,000 crore, according to the FCI Act, 1964. The new capital will extend the borrowing limit to ₹1 trillion. The Centre will fund this expanded authorised capital from its own resources.

The FCI, the nodal agency for procurement and distribution of foodgrain, will now be able to reduce debt and interest cost. "With increase in authorised capital, additional equity capital can be infused in the FCI through the Union Budget, to fund the foodgrain stock," said an official statement, adding: "The operations of the FCI require maintaining perpetual stock of foodgrain which needs to be funded by the Government of India through equity or long-term loans."

As of October 1, 2019, the FCI's foodgrain stock was estimated to be 64.23 million tonnes, which is 108 per cent more than the required buffer and strategic reserve norms. It has a storage capacity of almost 75 million tonnes, of which 63

### OTHER DECISIONS

- Cabinet approves extension of jute packaging norms for foodgrains, sugar
- Gives post-facto nod to set up strategic partnership council with Saudi Arabia
- Approves India's stand at the UN's upcoming 25th Conference of Parties on climate change
- Clears pact with Chile for elimination of double taxation

million tonnes (84 per cent) is in proper storage.

"Against a requirement of around 50-56 million tonnes of foodgrain to run the National Food Security Act (NFSA) and other welfare schemes, the Centre ends up buying almost 80 million tonnes of wheat and rice. There has to be a mismatch somewhere, which is showing up in the stock levels," a senior FCI official said.

The procurement far exceeds its requirement, officials said, adding that this led to the FCI being in poor financial health. Even if the Centre released all allocated subsidy for 2019-20 (FY20), the FCI would still have an outstanding subsidy bill of ₹1.74 trillion in March next year. It will also have loans to the tune of ₹1.45 trillion from the National Small Savings Funds (NSSF) till the end of FY20.

## MAHARASHTRA AT THE BOTTOM IN PER-PERSON CAPITAL SPENDING

While Maharashtra, Tamil Nadu, Gujarat and Karnataka are the states that lead capital spending in absolute terms, the per person productive spending by state exchequer is smaller in Maharashtra than the relatively under-developed peers. West Bengal, Odisha, Punjab and UP have shown the highest increase in public capex in the last four years, over the preceding 4 years BY ABHISHEK WAGHMARE



State	Capex per person* (₹)	Growth in capex, FY10-FY14 over FY15-FY19 (%)
Telangana	6,350	NA
Odisha	4,132	246
Madhya Pradesh	3,280	60
Tamil Nadu	3,205	48
Haryana	3,050	53
Uttar Pradesh	2,760	135
Gujarat	2,694	69
Andhra Pradesh	2,694	NA
Kerala	2,534	99
Rajasthan	2,385	91
Karnataka	2,308	86
Bihar	2,308	NA
Maharashtra	2,307	47
Punjab	2,100	194
West Bengal	1,610	254

Source: CRISIL \* For the period 2015-2019

## Tackling frauds to being free of fetters, how NFRA shaped up

RUCHIKA CHITRAWANSHI  
New Delhi, 27 November

It took almost a year but India's premier audit and accountancy regulatory body — the National Financial Reporting Authority (NFRA) — has finally found its own address.

After camping in make-shift offices, it shifted to a upmarket central Delhi building just a few months ago that was previously the office of the Competition Commission of India.

The biggest reprieve for NFRA has not been getting a roof above its head but the dismissal of a writ petition filed against it by the Northern India Chartered Accountants' Federation in the Calcutta High Court.

With questions being raised about the legality of NFRA taking over the job from the Institute of Chartered Accountants of India (ICAI) to investigate accounting professionals of listed companies, it had become a major hurdle for the body to carry out with its functions.

"It is finally free of fetters... All the questioning over legality of NFRA is settled now and it can go about its business and get to work," a senior official added.

And work, there is plenty. In the last six months, NFRA has taken upon itself at least six investigations — two of them include the high profile collapse of Infrastructure Leasing and Financial Services (IL&FS) and the latest case of Infosys.

"NFRA has asked Infosys to share detailed information and the compa-

ny has sought time to respond," a person close to the matter said.

With retired bureaucrat Rangachari Sridharan at its helm, NFRA is finally getting to work and stepping up hiring, investigations and monitoring auditing standards.

However, it is still early days as the organisation is trying to fill 62 posts sanctioned by the government; most of them are lying vacant with the search for right talent going on in full swing. "It is also aggressively recruiting experts on a need basis," a senior government official said.

NFRA has two executive directors, one full-time member and a secretary as of now. It has also got on board a consultant. Posts have also been reserved for representation from the Institute of Chartered Accountants of India and more candidates are being interviewed to find the right talent.

The authority has taken up the terms and conditions for employment from the Securities and Exchange Board of India's (Sebi's) handbook. Investigations aside, NFRA has also started the registration process for audit companies and also asked them to flag concerns with the books of any of the auditees.

While NFRA has begun the process of inspection to ascertain how audit firms are complying with the auditing standards, the finer details of conducting this exercise are being worked out.

The Company Law Committee recommended the creation of NFRA in 2016 but continued debate and opposition to the idea delayed the



It is still early days as the organisation is trying to fill 62 posts sanctioned by the government

process. It was the ₹12,700 crore Punjab National Bank fraud that nudged the government into action. With the disciplinary role of the ICAI under question and the trend of a global shift from the self-regulatory model, the government wanted to create an independent oversight mechanism in the auditing profession.

As a result, the Cabinet notified the NFRA on March 21, 2018.

The financial reporting authority, under Section 132 of the Companies Act, 2013, is empowered to oversee the quality of audit service and undertake investigation of companies whose securities are listed on any stock exchange in India or abroad. Also, it can probe unlisted public companies having paid-up capital of no less than ₹500 crore or annual turnover of no less than

₹1,000 crore. NFRA has also been given powers to investigate professional misconduct committed by members of the ICAI for prescribed class of body corporate or persons.

It can issue an order imposing monetary penalty as well as debar an individual member or firm registered with the ICAI for six months to 10 years, for professional or any other misconduct. ICAI would continue to regulate the auditors of public companies below a certain threshold as well as private companies.

"It (NFRA) has a very comprehensive scope. There is a need for restoring the confidence in audit and the quality of the audit standard. It goes beyond punitive action. We have to give some more time to NFRA to see if it is up for the challenge," said Ashok Haldia, former secretary of the ICAI. Setting up of an independent

oversight body like NFRA has also moved India closer to global best practices in the audit industry. India can now get a seat on the International Forum of Independent Audit Regulators, sharing a platform with audit regulators from 55 jurisdictions. "We can exchange best practices which will enhance investor confidence and protection while improving our audit quality at a global standard," a senior executive of an audit firm said.

While conceptually, NFRA has a big purpose to serve, implementation and approach of the body will be major drivers for its success.

The audit fraternity feels that while investigation is an important part of NFRA's mandate, the body needs to have greater engagement with the profession of auditing and accounting. "It should not act like a policeman. The role is also to nurture and understand the profession. Companies do not fail because of a bad audit," an auditor with a leading firm said. A committee of experts, formed under the ministry of corporate affairs to look into the regulating of audit firms, had also recommended ways to further strengthen the NFRA.

This could be done by providing it powers to publish audit inspection results, subject to necessary checks and balances.

"This will provide an effective tool of deterrence for better compliance by the auditors of public companies with the applicable laws and professional standards," said the committee, in its report.