

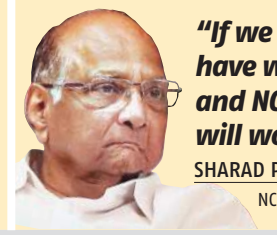
"We can be the educational hub for Asia and Africa if India can build world-class universities. We need an atmosphere where young graduating students are motivated to create new businesses rather than relying on corporate jobs"

RAGHURAM G RAJAN Former RBI governor



"We would love to see India as part of RCEP agreement. We understand the sensitivities domestically and we have committed all 15 countries to work with India through those before a final agreement can be reached"

DAMIEN O'CONNOR New Zealand trade minister



"If we had the numbers, we wouldn't have waited for anyone. The Congress and NCP didn't cross the 100 mark...we will work as a responsible Opposition"

SHARAD PAWAR NCP president

IN BRIEF

Moody's places YES Bank's 'Ba3' rating under review



Global rating agency Moody's has placed private lender YES Bank's foreign currency issuer rating of 'Ba3' under review for downgrade. The review for downgrade is driven by two factors: The bank's weak financial performance in the quarter ended September 30, 2019; the bank on October 31, 2019, had said it had received a binding offer from a financial investor to invest up to \$1.2 billion via new equity capital.

The bank's weakening financial position can be somewhat offset by planned capital raise. Nevertheless, there is significant execution risk around the timing, price, and regulatory approvals required. An inability to raise planned equity capital will negatively impact YES Bank's credit profile and ratings, Moody's added.

Fitch raises India's fiscal deficit forecast to 3.6%

Fitch Solutions on Wednesday raised India's fiscal deficit forecast to 3.6 per cent of the GDP for this fiscal year, from 3.4 per cent previously, due to weak revenue collections resulting from sluggish economic growth and government's sweeping corporate tax rate cut.

Sikh separatists feature in Pak's video on Kartarpur

Three Sikh separatist leaders, including Jarnail Singh Bhindranwale and his military adviser Shabeg Singh, who were killed during the Operation Blue Star in 1984 have featured in an official video released by the Pakistan government on the Kartarpur corridor, triggering a controversy. The video also showed a poster by a banned pro-Khalistani group, the Sikhs for Justice, which is pushing for Sikh Referendum 2020 as part of its separatist agenda.

Corporation Bank net rises 26% to ₹129.76 crore

State-owned Corporation Bank on Wednesday reported a rise of 26 per cent in its net profit to ₹129.76 crore for the second quarter ended September 30, on the back of lower provisioning for bad loans. The bank had posted a net profit of ₹103.01 crore in the corresponding quarter of 2018-19. Its total income also rose to ₹4,712.97 crore in the second quarter of 2019-20 from ₹4,216.79 crore in the corresponding quarter of 2018-19, the bank said in a regulatory filing.

Manappuram Finance PBT grows 47%

Manappuram Finance has posted a growth of 47 per cent in profit before tax at ₹514.44 crore during the quarter ended September 30, as compared to ₹349.92 crore during the same quarter last year. The total income stood at ₹1,334 crore during the quarter, as against ₹1,027.51 crore last year.

UK court rejects Nirav Modi's fresh bail application

In a setback to Nirav Modi, a UK court yet again rejected a bail plea of the fugitive diamond merchant on Wednesday despite an offer of an "unprecedented bail package," which included 4-million pounds in security as well as house arrest akin to those imposed on terrorist suspects.

HDFC Bank to shift HQ back to south Mumbai

NIDHI RAI Mumbai, 6 November

The largest private sector lender, HDFC Bank, is ready to move to a bigger office at Sandoz House in Worli from where the bank had started its operations 25 years ago. HDFC Bank started its operations in 1994. Sandoz House in south Mumbai was its first corporate office and full-service branch. It was inaugurated by then Union finance minister Manmohan Singh.

Sources said HDFC Bank has taken the complete building at Sandoz House, which will be used to accommodate its growing staff. The managing director's office and the treasury department will move to the new location.

The main reason of moving out of the Lower Parel office, from which the bank now operates, is the space crunch. The bank had planned to move to its new office by Diwali this year but had to wait till the facility is ready for use, which is expected to be by the end of the year.

At halfway mark, Sabka Vikas in slow lane

Applications under service and excise tax amnesty scheme touched ₹1,100 crore, with total demand of ₹3.75 trn

ABHISHEK WAGHMARE New Delhi, 6 November

Mr Singh (name changed), a 75-year-old businessman, resigned from any kind of business activity and has a service tax liability of nearly ₹40 lakh from business operations carried out years ago. Currently under litigation, he is actively thinking of submitting an application towards probably the most lucrative amnesty scheme ever introduced by the government. Though he has enough confidence in winning the case, he might prefer letting go of the legal hassles that could continue for years.

Yet, few are treading the road Mr Singh has taken, after half the time to apply for that very scheme is over. By November 3, only 17,000 applications with tax payable amounting to ₹1,100 crore have been received by the government, under the Sabka Vishwas Legacy Dispute

Resolution Scheme, shows the official data accessed by Business Standard. As many as 150,000 cases are currently under litigation, arrears, or investigation, with a pending tax demand of ₹3.75 trillion.

The scheme gives a deep discount of 70 per cent for cases pending appeal where tax demand is more than ₹50 lakh, and 50 per cent waiver beyond that amount. Even in the case of arrears, the discount is a lucrative 60 per cent for tax demands below ₹50 lakh, and 40 per cent above it. In addition, the scheme waives any interest, fine, and penalty pending, and absolves taxpayers of any prosecution. If all the prospective applicants come on board, the government can earn about ₹1.5 trillion from the grand bargain, letting go of the fines and discounts. Considering this, less than 1 per cent of the expectation has been achieved after half the time dried up.

FOCUS ON LEVY

Table with 2 columns: Expectation and Progress. Rows include Tax cases under dispute/arrears (150,000), Amount under dispute (₹3.75 trillion), Tax demand expected after discounts* (₹1.5 trillion), Number of applications received (17,000), and Amount (₹1,100 crore).

*Internal estimates of finance ministry Source: Finance Ministry

Officials maintain there has not been a scheme as lucrative for taxpayers under dispute in the history of India's tax administration. The scheme is live from September 1, 2019 to December 31, 2019. As is the case with every such scheme, prospective applicants will flock in at the last minute. They were confident that December would witness a surge in applications.

But persons in the know, and who have the experience of how such amnesty schemes work, said the government

might not get more than ₹30,000-35,000 crore at the end of it. Though lower than the ambitious estimate of ₹1.5 trillion, the smart scheduling of the scheme could help the government reduce its fiscal deficit this fiscal, an area where it is probably run out of options.

The Central Board of Indirect Taxes and Customs (CBIC) can take a maximum of two months to process an application and finalise tax liability, after which, the taxpayer gets a maximum of one



below ₹50 lakh. "In most cases, companies confident of succeeding in the litigation will prefer not going on board. The industry wins around 80 per cent of such legacy dispute cases," he told Business Standard.

"Taxpayers took time to understand and decode the intricacies, as the scheme is fairly detailed. We believe that due to tax audit, statutory deadlines, and Diwali holidays, they were preoccupied," said Pritam Mahure, leader at a professional consultancy firm. People in the know said that public sector enterprises, where the government is either the full or the majority owner, have been nudged to fall in line. Tax demands from some public sector units are quite substantial, they said.

Officials said that the CBIC is applying the target-group approach to tackle cases in an efficient manner, and bring them on board.

Centre changes track to focus on coal contracts

Earlier, it planned to buy mines; now, it will seal deals for coal import at low prices



AVISHEK RAKSHIT Kolkata, 6 November

CHANGE OF HEART

The coal ministry has prioritised securing coking coal contracts at competitive prices

Reason To prevent forex outflow - it stood at ₹2.71 trillion last year. In the same year, India had imported 235 million tonnes of coal

On the back burner Full-fledged acquisition of coal assets; Coal India will consider partial stake purchase of coking coal assets

Target 2025 Coal minister has set a target to produce 1 billion tonne of coal

The government will now prioritise getting contracts for coking coal imports at competitive prices instead of trying to buy coal mines, as it was planning earlier.

"The plan is to not acquire assets but only freeze orders in advance to get coal at competitive prices," said Union Coal Minister Pralhad Joshi, on the sidelines of the 8th Asian Mining Congress and Exhibition.

Coal India Chairman Anil Kumar Jha said while getting the contracts is a priority, the company will consider picking up stakes in coking coal companies instead of an outright purchase. Till now, Coal India has been considering whether to buy coking coal mines or pick up stakes in companies in Australia, Canada, the US and Russia. It is also about to float a tender to select merchant bankers who will guide Coal India through the process.

Joshi said the decision was taken to protect the forex outflow, which stood at ₹2.71 trillion last year. In the same year, India had imported 235 million tonnes (mt) of coal; 50 mt of it was coking coal.

Coking coal is scarce in India and is a key ingredient to make steel. With the

government keen to develop infrastructure, steel availability and the cost of production - which will impact prices - is crucial.

Around 10-15 per cent of the 55-60 mt demand for coking coal in India is met by domestic supply, while the rest is catered to via imports, from Australia, the US, Canada and other countries.

Estimates suggest that by 2030, the steel sector will be demanding 180 mt of coking coal when steel production is targeted to reach 300 mt.

The US holds the largest recoverable coal reserves in the world at 230 billion tonnes (bt), while production hovers at about 685 mt every year. Russia, which holds the world's second-largest reserves at 160 bt, produced 433 mt of coal in 2018.

These considerations led Coal India to narrow down on these countries. A memorandum of understanding was also signed between Russia and Coal India.

The firm was expected to sign definitive agreements with Australia and Canada by the end of this financial year.

Apart from Russia, this company had nearly narrowed down on an Australian company, where picking up a 20-25 per cent equity stake was considered for an offtake commitment and an ad hoc budget was also allocated. This Australian company has six licences for coal mining at the application stage and one licence has been granted to it by the authorities.

Joshi said there was no chance of foreign direct investment in Coal India though the government has opened up the sector.

Foreign portfolio investment (FPI) in this company has been on the rise. While FPIs had a 5.68 per cent stake in Coal India in September 2018, the same rose to 8.67 per cent at the end of the second quarter.

Lack of ICA to hit PMC Bank's HDIL exposure

RAGHU MOHAN Mumbai, 6 November

PMC Bank's woes might worsen as urban co-operative banks have not been made part of inter-creditor agreements (ICA). This raises a big question mark on where the bank stands in the queue of creditors that have an exposure to the realty firm, Housing Development Infrastructure (HDIL).

Under the Reserve Bank of India's (RBI) June 7 guidelines on resolution of stressed assets, all bank groups except urban cooperative banks (UCBs) have to mandatorily sign the ICA. These include all scheduled commercial banks (excluding regional rural banks or RRBs), the National Bank for Agriculture and Rural Development, the National Housing Bank, Exim Bank, Sidbi, all small finance banks, as well as systemically important non-deposit taking and deposit taking non-banking financial companies.

In effect, UCBs such as PMC Bank (and RRBs) share space with an elite group comprising high-street mutual funds, private equity firms, alternate investments funds, and off-shore lenders that have no seat at the ICA table.

It is not clear as to where PMC Bank stands in the pecking order for recovery of its dues from HDIL, worth ₹6,500 crore. The realty firm recently enlisted Knight Frank for the valuation of 40 properties, for repayment to PMC Bank.

PMC Bank's exposure to HDIL stands at ₹6,500 crore, or 73 per cent of its loanbook of ₹8,880 crore. This is

much higher than that of other banks, which are part of the ICA. The total debt on HDIL's book for FY19 was ₹11,891 crores, but the true extent of its leverage may take time to be ascertained. A person in the know said: "PMC Bank cannot claim primacy on the recovery of HDIL's assets to square off its exposure with the firm."

Not only does it stand excluded from the ICA framework, but it also has to share space with the claims of others with an exposure to HDIL such as Allahabad Bank, Andhra Bank, Bank of India, Central Bank of India, IDBI Bank, Syndicate Bank, The Jammu & Kashmir Bank, UCO Bank, Union Bank of India, YES Bank, IL&FS, and LIC. It is surmised that the central bank will now be forced to take stock of this situation, wherein UCBs are outside the purview of the ICA. This is also because the profile of several UCBs now mirrors those of scheduled commercial banks.

The central bank, in its Report on the Trend and Progress of Banking in India for 2018-19, says that 36.17 per cent of scheduled UCBs' loans fall in the highest bracket of ₹1-5 crore, and above ₹5 crore. PMC Bank had exposure of ₹6,500 crore to HDIL alone. Further, there is nothing to suggest that other UCBs may not have large exposures well above the range mentioned by the RBI.

The PMC Bank mess also brings into relief the B N Srikrishna's Financial Services Legislative Reforms Commission (FSLRC, 2013).

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FTAs with US, European Union difficult, say experts

SUBHAYAN CHAKRABORTY New Delhi, 6 November

The government's strategy to secure bilateral deals with the United States, the European Union (EU) and other economies may be a difficult exercise if talks with the Regional Comprehensive Economic Partnership (RCEP) fall through, say experts. Commerce and Industry Minister Piyush Goyal has battled for a bilateral deal with the US, while also stressing that India is keen to restart free-trade agreement (FTA) talks with the EU. But with institutional reform being a slow process and domestic industry unwilling to adjust to foreign players in the domestic market, India may be looking at a long dry spell for these FTAs, experts contend.

"The RCEP drama may lead to many déjà vu experiences for the government if the domestic scenario doesn't change drastically, as the same issues have and will continue to creep up," trade expert and Jawaharlal Nehru University professor Biswajit Dhar, said.

Even if domestic industry is brought on board, the government has to deal with the unenviable task of deciding which exports can



DRY SPELL

No FTA was signed in first term of the Modi government

Experts say trade deals are important for trade growth

In all ongoing talks, demands by other nations that India reduce import duties have

remained common Bilateral talks with major economies like the EU, the US and China have stalled on same issues

Opposition from domestic industry towards trade deals may escalate if India gives RCEP a miss

be leveraged to boost outbound trade with so few sectors commanding an export advantage, he added. Case in point, traditionally strong export sectors such as textiles, gems and jewellery and leather continue to face sectoral challenges and low competitiveness because of competition from emerging economies such as Vietnam and Bangladesh, he added.

A full FTA - one of the key demands of the Donald Trump administration - has

seen Washington DC pushing for lower duties for high-value US goods such as electronics, wine and motorcycles. It also wants fewer restrictions on American medical devices and solar panels. The talks with the EU on a trade and investment pact are also stuck on similar issues. Bilateral talks with trade partners such as China have also hit roadblocks on Beijing's demand to open up India's lucrative consumer market.

Slow pace

The government has clarified that India will remain out of the RCEP pact for now, until it gets better offers from other participating nations that safeguards its national interest. This includes protection for domestic industry from import shocks, and gradual tariff reduction. But experts point out that foreign partners have pushed for tariff reduction aggressively in all current trade negotiations.

On the other hand, in all its engagements India has pushed for more market access for a narrow category of products. In the first term of the Modi government, New Delhi has initiated FTA talks with only a single economy, the small nation of Georgia. Situated in the Caucasus region, the nation had a total trade of only \$132 million in 2018-19. Even then, discussions had stalled more than three years since the beginning. On the other hand, export promotion councils as well as industry bodies like Swadeshi Jagran Manch have repeatedly objected to new FTA engagements arguing that existing pacts haven't helped India.

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Indiabulls Housing Finance Q2 profit falls 32% to ₹702 cr

PRESS TRUST OF INDIA New Delhi, 6 November

Indiabulls Housing Finance on Wednesday reported over 32 per cent decline in its consolidated net profit to ₹702.18 crore in the second quarter ended September 30.

The company had posted a net profit of ₹1,034.92 crore during the corresponding quarter of the previous

financial year. Its total income during the July-September 2019 period also came down to ₹3,420.45 crore, from ₹4,255.27 crore in the year-ago period, it said in a regulatory filing. On a standalone basis, the firm's net profit was down at ₹510.09 crore during the quarter from ₹933.26 crore a year ago. Income fell to ₹2,910.53 crore from ₹3,881.80 crore.

REPORT CARD

Table with 4 columns: Consolidated figures in (₹ cr), Q2FY19, Q2FY20, % chg. Rows include Total revenue (4,255 to 3,420, -19.6%), Finance cost (2,556 to 2,168, -15.2%), Other expenses (312 to 505, 61.9%), PBT (1,387 to 747, -46.1%), PAT (1,044 to 710, -32.0%), Gross NPA (994 to 1,611, 62.1%), Gross NPA (%) (1 to 2, 74 bps).

Source: Company (earnings updates)

Compiled by BS Research Bureau